

Daily Treasury Outlook

17 January 2024

Highlights

Global: US stocks closed lower, and yields rebounded as central bank officials tempered expectations of rate cuts. Apple shares declined further due to discounts offered in the Chinese market. Federal Reserve Governor Waller cautioned against rushing to cut benchmark interest rates until there is clear evidence of sustained lower inflation, despite the US being close to the Fed's 2% PCE inflation goal. Waller emphasized the need for a methodical and cautious approach, rather than large, rapid reductions typically used during economic shocks or impending downturns. He stated the need for more information confirming or challenging the notion of sustainable inflation before supporting rate cuts. Following Waller's comments, money markets reduced the probability of a Fed rate cut in March to slightly over 60% from 70%. In Europe, officials from the European Central Bank expressed varying views, with some suggesting a rate cut should be considered and others advocating for patience to avoid premature action. The French central bank governor opined that "barring major surprises - we look at the Middle East - our next move will be a cut, probably this year...will not comment on the season," The mixed messages from ECB officials have added uncertainty to the decision on rate cuts. Hopes of an early rate cut in Canada were dashed as inflation rebounded as expected, with CPI accelerating to 3.4% YoY in December.

Market Watch: Today, markets' focus will be on China's economic data, US December retail sales and industrial production, the release of the Fed's Beige Book, speeches by Fed speakers Barr and Bowman, and remarks from a group of ECB officials including President Lagarde. Bank Indonesia is expected to keep its interest rate unchanged in Asia.

SG: December NODX unexpectedly contracted 1.5% YoY (-2.8% MoM sa), reversing November's 1.0% YoY (0.3% MoM sa) growth. Electronics exports also declined for the 17th consecutive month by 11.7% YoY, albeit this was a smaller drop compared to November's -12.7% YoY. The STI declined 0.45% to 3,184.99 yesterday but may fare better today. SGS bonds traded mixed yesterday.

Oil: Both oil benchmarks had a choppy session on Tuesday. Oil prices at one point rose higher (~1%) due to ongoing concerns of a widening conflict in the Middle East and reports of a reduced US crude production in North Dakota. US crude production in North Dakota fell by more than half due to extreme cold weather and operational challenges, according to the North Dakota Pipeline Authority. However, a stronger DXY profile pared back gains. On balance, WTI declined by 0.4% while Brent rose by 0.2% to close at US\$72.4/bbl and US\$78.3/bbl respectively.

Key Market Movements

Equity	Value	% chg
S&P 500	4766.0	-0.4%
DJIA	37361	-0.6%
Nikkei 225	35619	-0.8%
SH Comp	2894.0	0.3%
STI	3185.0	-0.5%
Hang Seng	15866	-2.2%
KLCI	1493.9	-0.5%
	Value	% chg
DXY	103.357	0.9%
USDJPY	147.19	1.0%
EURUSD	1.0875	-0.7%
GBPUSD	1.2637	-0.7%
USDIDR	15591	0.2%
USDSGD	1.3425	0.7%
SGDMYR	3.5033	0.1%
	Value	chg (bp)
2Y UST	4.22	7.54
10Y UST	4.06	11.91
2Y SGS	3.25	3.40
10Y SGS	2.82	2.55
3M LIBOR	5.58	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.21
3M SOFR	5.36	0.00
	Value	% chg
Brent	78.29	0.2%
WTI	72.4	-0.4%
Gold	2028	-1.4%
Silver	22.92	-1.3%
Palladium	939	-3.6%
Copper	8355	-0.3%
BCOM	97.43	-0.5%

Source: Bloomberg

Major Markets

CN: China's Premier Li Qiang reiterated that China is open for business at the World Economic Forum and forecasted a 5.2% YoY growth for China in 2023. President Xi focused on the high-quality development of China's financial sector, signaling the party's priority to restore confidence in the financial system.

MY: Malaysia's new motor vehicle sales surged by 11% YoY to 799,731 units in 2023, driven by factors such as successful tax-free car bookings, increased socio-political stability, and a robust domestic economy, according to MAA President Mohd Shamsor Mohd Zain. However, in 2024, while the industry expects sales to be supported by improved supply chains, new model launches (including in EVs), and the favourable 3% policy rates maintained by BNM, increased geopolitical uncertainties and potential slowdown are expected to lead to an overall sales decline of 7.5% this year, as reported by The Edge.

ID: President Joko Widodo is scheduled to attend the first groundbreaking activities in 2024 in the Nusantara Capital City, East Kalimantan, today. The groundbreaking encompasses three project categories: state-owned enterprises (SOEs), private entities, and governmental agencies, as reported by Tempo. Within the SOEs category, PT Pos Indonesia will collaborate with PT Bina Karya to establish the Nusantara Logistic Hub, while Radio Republik Indonesia will build its radio station there. In the private sector, SUN Hub will develop a warehouse, and the Jambuluwuk Group will initiate the construction of a five-star hotel. Additionally, the groundbreakings for the Financial Services Authority (OJK) and the Indonesia Deposit Insurance Corporation (LPS) are scheduled for today.

TH: The budget deficit for fiscal year (FY) 2025 has been approved by the Thai Cabinet. Deputy Government Spokeswoman Rudklao Suwankiri said that the FY2025 budget deficit of 3.56% of GDP will be higher than the budget deficit approved for FY2024 (2.89% of GDP), and that the budget draft bill will be submitted to parliament in early May. In addition to FY2025 budget, the Thai Cabinet also approved to cut excise tax for diesel to help ease the cost of living. Deputy Finance Minister Julapun Amornvivat said that the excise tax cut will take effect from 20 January and be in place for the three months. He shared that the measure would cost the government ~THB6bn in revenue and that the Thai Cabinet will discuss the decision to extend the measure before its April expiration date.

ESG Updates

ID: The government is continuing to encourage the community to participate in actions to mitigate and adapt to climate change, such as doing their part for energy efficiency and forest and land fire prevention. This is done through programmes such as the Climate and Carbon Collaboration and Consultation House (RKKIK) to improve climate change literacy, and the Community for Climate (ProKlim) program.

Rest of the World: European Union (EU) countries added a record-high 17 GW of new wind power farms in 2023, but it was still insufficient to reach its renewable energy goal. At least 37 GW of new wind power should be added per year to deliver the EU's 2030 renewable energy target. The EU's wind power sector has struggled in the past few years because of rising inflation, increased competition and bottlenecks getting project permits.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 2-5bps higher, belly tenors trading 5bps higher, and the 10Y trading 4bps higher. According to Bloomberg, Logan Group Co. Ltd had a setback on its restructuring plan, as bank creditors disagreed with bondholders and threatened to liquidate two important units. The bank creditors have not received requested information from Logan and could replace bondholders in their winding-up petition. Bloomberg added that bondholders look to dismiss their petition after signing an agreement with Logan. SriLankan Airlines Ltd. has missed a third coupon payment on its dollar bond due in June 2024. The primary market was active in the Asiadollar (ex-Japan) market and SGD yesterday. This include a debut USD500mn 5Y senior unsecured bond from SATS Ltd. In SGD, the Housing Development Board ("HDB") priced SGD800mn of 5Y senior unsecured green bond. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 107bps while the Asia USD High Yield spreads tightened by 25bps to 700bps, per Bloomberg.

Mandates:

- There are no new mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.357	0.93%	USD-SGD	1.3425	0.68%
USD-JPY	147.190	1.00%	EUR-SGD	1.4600	-0.01%
EUR-USD	1.088	-0.68%	JPY-SGD	0.9121	-0.30%
AUD-USD	0.658	-1.14%	GBP-SGD	1.6964	-0.04%
GBP-USD	1.264	-0.71%	AUD-SGD	0.8839	-0.47%
USD-MYR	4.695	0.51%	NZD-SGD	0.8240	-0.34%
USD-CNY	7.188	0.23%	CHF-SGD	1.5581	0.00%
USD-IDR	15591	0.23%	SGD-MYR	3.5033	0.06%
USD-VND	24502	0.06%	SGD-CNY	5.3527	-0.45%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8680	-0.64%	1M	5.3355	0.02%
3M	3.9280	-0.10%	2M	5.3465	0.02%
6M	3.8740	-0.56%	3M	5.3139	0.04%
12M	3.5700	-1.82%	6M	5.1330	0.02%
			1Y	4.7181	0.13%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
01/31/2024	-0.120	-0.030	5.302
03/20/2024	-0.788	-0.197	5.135
05/01/2024	-1.648	-0.412	4.920
06/12/2024	-2.587	-0.647	4.686
07/31/2024	-3.390	-0.848	4.485
09/18/2024	-4.290	-1.073	4.260
11/07/2024	-5.033	-1.258	4.074
12/18/2024	-5.700	-1.425	3.907
01/29/2025	-6.360	-1.590	3.743

Equity and Commodity

Index	Value	Net change
DJIA	37,361.12	-231.86
S&P	4,765.98	-17.85
Nasdaq	14,944.35	-28.41
Nikkei 225	35,619.18	-282.61
STI	3,184.99	-14.43
KLCI	1,493.87	-7.24
JCI	7,242.79	18.79
Baltic Dry	1,360.00	-100.00
VIX	13.84	0.59

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.25 (+0.03)	4.22(--)
5Y	2.69 (+0.03)	3.93 (+0.1)
10Y	2.82 (+0.03)	4.06 (+0.12)
15Y	2.84 (+0.02)	--
20Y	2.84 (+0.02)	--
30Y	2.8 (+0.02)	4.3 (+0.12)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	#N/A	N/A
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.93	-0.65%	Corn (per bushel)	4.435	-0.8%
Brent (per barrel)	78.29	0.18%	Soybean (per bushel)	12.273	105.9%
Heating Oil (per gallon)	265.09	-0.36%	Wheat (per bushel)	5.820	-2.3%
Gasoline (per gallon)	211.96	-0.11%	Crude Palm Oil (MYR/MT)	38.720	-0.2%
Natural Gas (per MMBtu)	2.85	-1.83%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8354.50	-0.32%	Gold (per oz)	2026.7	-0.1%
Nickel (per mt)	16150.00	-0.42%	Silver (per oz)	22.9	-0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/17/2024 08:30	SI	Non-oil Domestic Exports YoY	Dec	3.00%	--	1.00%	--
01/17/2024 10:00	CH	GDP YoY	4Q	5.30%	--	4.90%	--
01/17/2024 10:00	CH	Industrial Production YoY	Dec	6.60%	--	6.60%	--
01/17/2024 10:00	CH	Retail Sales YoY	Dec	8.00%	--	10.10%	--
01/17/2024 15:00	UK	CPI YoY	Dec	3.80%	--	3.90%	--
01/17/2024 15:00	UK	CPI MoM	Dec	0.20%	--	-0.20%	--
01/17/2024 15:00	UK	CPI Core YoY	Dec	4.90%	--	5.10%	--
01/17/2024 15:00	UK	PPI Input NSA YoY	Dec	-1.90%	--	-2.60%	--
01/17/2024 15:00	UK	RPI MoM	Dec	0.40%	--	-0.10%	--
01/17/2024 15:20	ID	BI-Rate	Jan-17	6.00%	--	6.00%	--
01/17/2024 18:00	EC	CPI YoY	Dec F	2.90%	--	2.90%	--
01/17/2024 18:00	EC	CPI MoM	Dec F	0.20%	--	0.20%	--
01/17/2024 20:00	US	MBA Mortgage Applications	Jan-12	--	--	9.90%	--
01/17/2024 21:30	US	Retail Sales Advance MoM	Dec	0.40%	--	0.30%	--
01/17/2024 21:30	US	Import Price Index MoM	Dec	-0.50%	--	-0.40%	--
01/17/2024 22:15	US	Industrial Production MoM	Dec	-0.10%	--	0.20%	--

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