

## Daily Treasury Outlook

19 January 2024

### Highlights

**Global:** US equities ended Wednesday in the red as UST yields rose, with markets paring back US Fed rate cut expectations on better macroeconomic data. Growth in US retail sales advanced more-than-expected to 0.6% MoM in Dec from 0.3% in November. The increase in the 'control group' sales jumped to 0.8% versus expectations of 0.2%. December industrial production was also modestly better-than-expected rising by 0.1% MoM versus expectations of -0.1%. The Fed Beige Book reported that most districts expected growth for the future to remain positive while nearly all districts cited one or more signs of a cooling labour market. Fed Fund futures pricing now indicates that markets expect a cumulative 140bp in rate cuts from the US Fed in 2024 versus 157bp at the start of the week. Earlier on Wednesday, the higher-than-expected December CPI print in the UK led to a paring back of rate cut expectations from BoE. For ECB, speakers including President Lagarde, Knot, Vasle, and Villeroy were broadly consistent in suggesting that markets are being aggressive with rate cut expectations. President Lagarde cautioned against hasty rate cuts, signalling cuts likely by the summer of 2024. In Asia, BI kept its policy rate unchanged in line with expectations and noted that it will be patient in considering the timing of future rate cuts.

**Market Watch:** The drag from US equities will likely weigh on Asian markets. Australia's December labour market data, Japan's final November IP print, US December housing starts and permits along with initial jobless claims for the week of 13 January are the key data releases slated for today. Also, watch out for continued headlines from World Economic Forum at Davos, where ECB President Lagarde is expected to speak again. Fed's Bostic also speaks today in the US.

**SG:** COE premiums rebounded sharply across the board to SGD81,589 (Category A), SGD112,000 (Category B) and SGD109,004 (Category E), up from SGD65,010, SGD85,010, and SGD106,388 previously. The STI slipped 1.34% to close at 3,142.22 yesterday and may range trade today. SGS bond yields rose 4-6bps yesterday and may stay under pressure today.

**Oil:** Both oil benchmarks continue to trade choppy on Wednesday. Oil prices at one point declined lower (>1.5%) due to concerns over global oil demand. This follows from a lower-than-expected economic growth in China for the fourth quarter (4Q23: 5.2% YoY vs consensus: 5.3%). However, the potential supply risks from ongoing Middle East tensions and US oil production outages in North Dakota pared back some of the losses. On balance, WTI rose by 0.2% while Brent declined by 0.5% to close at US\$72.6/bbl and US\$77.9/bbl respectively. Separately, the American Petroleum Institute (API) reported a buildup of 0.5mn bbls in US crude inventories for the week ending 12 January. Energy Information Administration (EIA) crude oil inventories data will be released on 19 January (consensus: -0.43mn bbls).

### Key Market Movements

Equity	Value	% chg
S&P 500	4739.2	-0.6%
DJIA	37267	-0.3%
Nikkei 225	35478	-0.4%
SH Comp	2833.6	-2.1%
STI	3142.2	-1.3%
Hang Seng	15277	-3.7%
KLCI	1491.2	-0.2%
	Value	% chg
DX	103.450	0.1%
USDJPY	148.16	0.7%
EURUSD	1.0883	0.1%
GBPUSD	1.2676	0.3%
USDIDR	15640	0.3%
USDSGD	1.3447	0.2%
SGDMYR	3.5101	0.2%
	Value	chg (bp)
2Y UST	4.36	14.13
10Y UST	4.10	4.38
2Y SGS	3.29	4.60
10Y SGS	2.90	8.27
3M LIBOR	5.56	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.10
3M SOFR	5.36	0.02
	Value	% chg
Brent	77.88	-0.5%
WTI	72.56	0.2%
Gold	2006	-1.1%
Silver	22.56	-1.6%
Palladium	918	-2.2%
Copper	8355	0.0%
BCOM	96.64	-0.8%

Source: Bloomberg

## Major Markets

**MY:** The National Water Services Commission (SPAN) has announced an average increase of MYR 22 sen per cubic meter in water tariffs for domestic users in the peninsula and Labuan, effective from 1-Feb. This adjustment is part of an effort to improve water infrastructure and will standardize the tariff structure and components for these areas, with a three-year review cycle, as reported by The Edge. To mitigate the impact on consumers, SPAN has advised water supply operators to continue providing targeted assistance, including rebates for the B40 group. Deputy Minister of Energy Transition and Public Utilities, Akmal Nasrullah Mohd Nasir, noted that the tariff adjustment is reasonable and can ultimately benefit consumers through improved water supply services.

**ID:** Bank Indonesia kept its the BI rate unchanged at 6.00%, in line with expectations. BI maintained that 2024 GDP growth will be within the range of 4.7% - 5.5% (2023: 4.5% - 5.3%) and that it continues to expect price pressures to remain manageable and within the 2.5%  $\pm$  1% target corridor in 2024. Looking ahead, Governor Warjiyo noted that BI will "be patient" in assessing the prospects for easing monetary policy settings, though it believes that the US Fed funds rate has "peaked" and expects rates to stay "high-for-longer" through 1H24. It now expects a cumulative 75bp in rate cuts from the US Fed this year versus 50bp cut in December. We forecast that BI will have room to begin easing in 2Q24, mirroring our house view for the timing of rate cuts from the US Fed. Slowing growth and within target headline inflation will allow BI, by our forecasts, to deliver a cumulative 125bp in rate cuts in 2Q-4Q24.

**TH:** The government's THB500bn digital wallet programme may be delayed beyond its expected implementation in May, according to Deputy Finance Minister Julapun Amornvivat. Despite receiving clearance from the Council of State, Deputy Finance Minister Amornvivat shared that that the government has received a letter from the Office of the National Anti-Corruption Commission which stated their opposition to the planned programme. Separately, Prime Minister Srettha Thavisin, at the World Economic Forum in Davos, has asked other ASEAN member countries to jointly raised their minimum wages to "more decent levels". He added that ASEAN member countries should try to attract foreign capital inflows with other measures rather than low labour costs. He shared that the premiers of Malaysia and Cambodia have already agreed to it.

## ESG Updates

**ID:** The Ministry of Environment and Forestry (LHK) is accelerating tree planting and mangrove rehabilitation initiatives throughout Indonesia, as part of efforts to mitigate and adapt to climate change. It aims to maximise tree planting although no target on the number of trees to be planted has been set and restore 600,000 hectares of mangroves in all regions.

**Rest of the World:** At the World Economic Forum, over 300 organisations signalled their intention to adopt Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and publish TNFD-aligned disclosures as part of their annual corporate reporting. The TNFD has published 14 disclosure recommendations for organisations to consider nature-related dependencies, impacts, risks and opportunities, as well as integrate nature into their decision-making processes.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher yesterday, with short tenors trading 5-7bps higher, belly tenors trading 8-9bps higher, and the 10Y trading 8bps higher. According to Bloomberg, China is leading a broader slump in Asia in issuance of dollar bonds on a Yuan debt boom. Chinese companies have issued a total of USD2.47bn of USD notes so far in 2024, a record low for the same period since it started being recorded in 2013. Similarly in Asia ex-Japan, where YTD dollar bond offerings total USD12.1bn, the least since 2017. Local corporate bond sales have been booming instead, due to China's easing policy, which rose to a record CNY16.7tn (USD2.7tn) in 2023. The primary market was active in the Asiadollar (ex-Japan) market while inactive in the SGD market yesterday. This included a USD400mn 5Y senior unsecured bond and a USD300mn 3Y senior unsecured bond from Woori Bank. Agricultural Bank of China Ltd of New York also priced a USD600mn 3Y senior unsecured bond. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 105bps while the Asia USD High Yield spreads tightened by 1bps to 699bps, per Bloomberg.

## New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
17 Jan	Woori Bank	Sustainability, Fixed	USD	300	3-Yr	T+75bps	T+110bps area
17 Jan	Woori Bank	Sustainability, Fixed	USD	400	5-Yr	T+85bps	T+120bps area
17 Jan	Agricultural Bank of China Ltd of New York	FRN	USD	600	3-Yr	SOFR+63bps	SOFR+110bps area
17 Jan	Straits Trading Co Ltd/Singapore	Fixed	SGD	130	5-Yr	4.70%	-

**Mandates:** Korea Electric Power Corp has arranged fixed income investor meetings for a possible USD 144A/Reg S senior unsecured green bond. Mirae Asset Securities Co Ltd has arranged fixed income investor meetings for a possible USD 144A/Reg S senior unsecured bond.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXV	103.450	0.09%	USD-SGD	1.3447	0.16%
USD-JPY	148.160	0.66%	EUR-SGD	1.4634	0.23%
EUR-USD	1.088	0.07%	JPY-SGD	0.9075	-0.50%
AUD-USD	0.655	-0.49%	GBP-SGD	1.7045	0.48%
GBP-USD	1.268	0.31%	AUD-SGD	0.8810	-0.33%
USD-MYR	4.717	0.48%	NZD-SGD	0.8225	-0.18%
USD-CNY	7.196	0.12%	CHF-SGD	1.5555	-0.17%
USD-IDR	15640	0.31%	SGD-MYR	3.5101	0.19%
USD-VND	24523	0.09%	SGD-CNY	5.3467	-0.11%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8940	0.67%	1M	5.3350	-0.01%
3M	3.8940	-0.87%	2M	5.3465	-0.02%
6M	3.8670	-0.18%	3M	5.3170	-0.05%
12M	3.5960	0.73%	6M	5.1605	-0.20%
			1Y	4.8045	-0.25%

## 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	37,266.67	-94.45
S&P	4,739.21	-26.77
Nasdaq	14,855.62	-88.73
Nikkei 225	35,477.75	-141.43
STI	3,142.22	-42.77
KLCI	1,491.21	-2.66
JCI	7,200.64	-42.15
Baltic Dry	1,324.00	-36.00
VIX	14.79	0.95

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.29 (+0.05)	4.36(--)
5Y	2.76 (+0.07)	4.03 (+0.09)
10Y	2.9 (+0.08)	4.1 (+0.04)
15Y	2.92 (+0.08)	--
20Y	2.92 (+0.08)	--
30Y	2.86 (+0.06)	4.31 (+0.02)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	5.32
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.56	0.22%	Com (per bushel)	4.423	-0.3%
Brent (per barrel)	77.88	-0.52%	Soybean (per bushel)	12.058	-1.8%
Heating Oil (per gallon)	265.36	-0.26%	Wheat (per bushel)	5.825	0.1%
Gasoline (per gallon)	213.54	0.64%	Crude Palm Oil (MYR/MT)	38.550	-0.6%
Natural Gas (per MMBtu)	2.87	-1.03%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8354.50	#DIV/0!	Gold (per oz)	2006.3	-1.1%
Nickel (per mt)	16150.00	#DIV/0!	Silver (per oz)	22.6	-1.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/18/2024 04:00	NZ	REINZ House Sales YoY	Dec	--	14.10%	12.20%	--
01/18/2024 05:45	NZ	Food Prices MoM	Dec	--	-0.10%	-0.20%	--
01/18/2024 07:50	JN	Core Machine Orders MoM	Nov	-0.80%	--	0.70%	--
01/18/2024 07:50	JN	Core Machine Orders YoY	Nov	0.10%	--	-2.20%	--
01/18/2024 08:30	AU	Unemployment Rate	Dec	3.90%	--	3.90%	--
01/18/2024 08:30	AU	Employment Change	Dec	15.0k	--	61.5k	--
01/18/2024 08:30	AU	Participation Rate	Dec	67.10%	--	67.20%	--
01/18/2024 12:30	JN	Industrial Production MoM	Nov F	--	--	-0.90%	--
01/18/2024 12:30	JN	Capacity Utilization MoM	Nov	--	--	1.50%	--
01/18/2024 12:30	JN	Industrial Production YoY	Nov F	--	--	-1.40%	--
01/18/2024 16:30	HK	Unemployment Rate SA	Dec	2.90%	--	2.90%	--
01/18/2024 21:30	US	Initial Jobless Claims	Jan-13	205k	--	202k	--
01/18/2024 21:30	US	Housing Starts	Dec	1425k	--	1560k	--
01/18/2024 21:30	US	Philadelphia Fed Business Outlook	Jan	-6.7	--	-10.5	-12.8
01/18/2024 21:30	US	Continuing Claims	Jan-06	1843k	--	1834k	--
01/18/2024 21:30	US	Building Permits	Dec	1476k	--	1460k	1467k

Source: Bloomberg

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