

Daily Treasury Outlook

19 January 2024

Highlights

Global: US equities ended higher on Thursday despite the surprise drop in US jobless claims. The S&P500 gained 0.88% while US Treasury bond yields edged higher, with the 5Y and 10Y increasing to 4.05% and 4.14% respectively. Meanwhile, Spot bitcoin exchange-traded funds (ETFs) have attracted strong interest - approximately USD1.9bn were drawn into the nine new ETFs in their first three days of trading, according to Reuters. Middle East tensions continue to brew — attacks on Red Sea shipping persist, and the US military has conducted new strikes against Houthi targets in Yemen. In addition to this worrying geopolitical backdrop, Pakistan conducted retaliatory strikes on Iran. Initial jobless claims declined 7.9% WoW to 187k (lowest since September 2022) for the week ending 13 January, and continuing claims also fell 26k to 1.806 million for the week ending 6 January. December housing starts and building permits were a tad higher-than-expected. Fed's Bostic cautioned against hasty rate cuts given the potential economic impact from an unpredictable geopolitical environment. Previously indicating rate cuts in the second half of this year, he noted he would be open to an earlier normalisation if there is convincing evidence of inflation falling faster than he expected. Elsewhere, Japan's December CPI eased to 2.6% YoY from 2.8% the previous month, with the core index, which excludes fresh food, also eased to 2.3% YoY from 2.5% the previous month.

Market Watch: Asian markets may open firm today. Today's economic calendar comprises Malaysia's December trade data and advance 4Q GDP growth estimate, UK December retail sales, US January Preliminary Uni of Michigan sentiment and inflation expectations, along with December existing home sales data are key releases slated for today. Fed's Goolsbee, Daly and Barr will speak today. Fed will enter communications blackout period from tomorrow ahead of 1 February FOMC meeting.

Oil: Both WTI and Brent rose 2.1% and 1.6% on Thursday to close at USD74.1/bbl and USD79.1/bbl respectively on concerns of a widening conflict in the Middle East. The US military has conducted new strikes against Houthi targets in Yemen in response to the group's persistent attacks on Red Sea shipping. Pakistan also conducted retaliatory strikes on Iran. The price upside was also supported by a drawdown in US crude inventories of 2.5mn bbls to 429.9mn bbls last week.

Key Market Movements

Equity	Value	% chg
S&P 500	4780.9	0.9%
DJIA	37469	0.5%
Nikkei 225	35466	0.0%
SH Comp	2845.8	0.4%
STI	3139.8	-0.1%
Hang Seng	15392	0.8%
KLCI	1479.2	-0.8%
	Value	% chg
DXY	103.536	0.1%
USDJPY	148.16	0.0%
EURUSD	1.0876	-0.1%
GBPUSD	1.2706	0.2%
USDIDR	15620	-0.1%
USDSGD	1.3441	0.0%
SGDMYR	3.5118	0.0%
	Value	chg (bp)
2Y UST	4.35	-0.84
10Y UST	4.14	4.01
2Y SGS	3.31	1.60
10Y SGS	2.91	0.34
3M LIBOR	5.57	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.21
3M SOFR	5.36	0.02
	Value	% chg
Brent	79.1	1.6%
WTI	74.08	2.1%
Gold	2023	0.9%
Silver	22.74	0.8%
Palladium	942	2.5%
Copper	8310	0.5%
BCOM	97.20	0.6%

Source: Bloomberg

Major Markets

SG: Chee Hong Tat has been named Minister for Transport after the resignation of S. Iswaran. The STI edged lower by 0.08% to close at 3,139.78 yesterday but may trade firmer today. SGS bonds likely to take the cue from UST bond market and trade lower today. The S\$6.4b 6-month T-bill fetched a cut-off yield of 3.7% with a bid-cover ratio of 2.12x.

HK: Hong Kong's job market remained tight, with both the seasonally adjusted unemployment rate and underemployment rate unchanged, at 2.9% and 1.0% respectively in Oct-Dec 2023. Meanwhile, total labour force fell for the third consecutive month, alongside the marginal decline of labour participation rate. Total labour force decreased to 3,812.5k in Oct-Dec 2023, down by a sum of 21.8k comparing to Jul-Sep 2023. During the period, the unemployment rates of most sectors either declined or remained unchanged.

MY: Domestic users of treated water in Selangor will see a MYR 50sen increase in their monthly water bill starting from 1-Feb, raising the current minimum charge of RM6 to RM6.50. For households, the rates for water usage up to 20 cubic metres will increase to 65sen per cubic metre, while usage between 20 and 35 cubic metres will be charged at RM1.32 per cubic metre. Houses consuming over 35 cubic metres will be charged RM2.63 per cubic metre. The Star reported that rate adjustments were also made for categories such as commercial enterprises, estates, and government quarters. Previously, Peninsula and Labuan have also announced a similar increase in water tariff. Previously, 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.

ID: Trade Minister Zulkifli Hasan specified that the government has accelerated the remaining rice imports quota from 2023, which amounts to 600k tons. This is in addition to the import target of 2mn tons for this year, as reported by Tempo. The decision was made to ensure that the national food supply is sufficient to meet the demands of the upcoming Ramadan month and the Eid al-Fitr celebrations in March and April this year. Additionally, efforts have been made to ensure a sufficient stock of other staples, including chicken, eggs, and corn. Furthermore, the government will actively participate in market operations to supervise the distribution of the food supply and maintain price stability. Separately, the National Food Agency (BAPPENAS) estimated that the national rice stock had reached 4mn tons in early 2024.

TH: Thailand has discovered potential sources of lithium and sodium metals which are key components for the development of batteries for electric vehicles, according to government spokeswoman Rudklao Suwankiri. Government spokeswoman Suwankiri shared that the discovery of the two potential sources for lithium could amass as much as 14.8mn tons of the metal. Meanwhile, several sources for sodium were discovered in the country's northeastern region. She added that these discoveries will bolster the country's EV industry and increase its readiness as a regional hub to produce EV batteries.

ESG Updates

SG: Singapore's marine biofuel demand could potentially double by 2025 to almost 1 million metric tons from 2023 levels as shipping companies seek to reduce emissions. As part of efforts to reduce emissions, more shipping companies have been conducting refuelling trials using marine biofuel instead of conventional fuel oil. Net carbon emissions can be reduced by almost 20% using a biofuel blend compared to using traditional fuel oil.

Rest of the World: According to a draft European Commission plan, the EU plans to capture and store hundreds of millions of tons of CO2 emissions by 2050 to ensure industries can meet Europe's climate goals. Most CO2 captured in 2050 would be permanently stored underground, while some would be used in industrial processes like chemicals manufacturing.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 0-1bps higher, belly tenors trading 0-1bps higher, and the 10Y trading flat. According to Bloomberg, Sino-Ocean Group Holding Ltd., a Chinese state-linked developer with more than 290 projects in the country, has met with a key group of offshore bondholders for the first time since its default. The primary market was inactive in both the Asiadollar (ex-Japan) market and SGD market yesterday as rebounded yields halt a recent rush of deals. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 105bps while the Asia USD High Yield spreads widened by 8bps to 707bps, per Bloomberg.

Mandates:

- There are no new mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXV	103.536	0.08%	USD-SGD	1.3441	-0.04%
USD-JPY	148.160	0.00%	EUR-SGD	1.4618	-0.11%
EUR-USD	1.088	-0.06%	JPY-SGD	0.9070	-0.06%
AUD-USD	0.657	0.32%	GBP-SGD	1.7078	0.19%
GBP-USD	1.271	0.24%	AUD-SGD	0.8834	0.27%
USD-MYR	4.719	0.04%	NZD-SGD	0.8219	-0.07%
USD-CNY	7.196	0.00%	CHF-SGD	1.5483	-0.46%
USD-IDR	15620	-0.13%	SGD-MYR	3.5118	0.05%
USD-VND	24533	0.04%	SGD-CNY	5.3510	0.08%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8750	-0.49%	1M	5.3330	0.02%
3M	3.9030	0.23%	2M	5.3390	-0.07%
6M	3.8620	-0.13%	3M	5.3155	0.05%
12M	3.5960	0.00%	6M	5.1576	0.02%
			1Y	4.8006	0.08%

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	37,468.61	201.94
S&P	4,780.94	41.73
Nasdaq	15,055.65	200.03
Nikkei 225	35,466.17	-11.58
STI	3,139.78	-2.44
KLCI	1,479.18	-12.03
JCI	7,252.97	52.33
Baltic Dry	1,308.00	-16.00
VIX	14.13	-0.66

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.31 (+0.02)	4.35(--)
5Y	2.79 (+0.03)	4.05 (+0.02)
10Y	2.91 (--)	4.15 (+0.04)
15Y	2.92 (--)	--
20Y	2.92 (--)	--
30Y	2.86 (--)	4.37 (+0.05)

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)	74.08	2.09%	Com (per bushel)	4.440	0.4%
Brent (per barrel)	79.10	1.57%	Soybean (per bushel)	12.135	0.6%
Heating Oil (per gallon)	269.36	1.51%	Wheat (per bushel)	5.855	0.5%
Gasoline (per gallon)	218.35	2.25%	Crude Palm Oil (MYR/MT)	39.290	1.9%
Natural Gas (per MMBtu)	2.70	-6.03%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8310.00	0.51%	Gold (per oz)	2023.3	0.9%
Nickel (per mt)	16156.00	0.48%	Silver (per oz)	22.7	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

eco		Event		Survey	Actual	Prior	Revised
01/19/2024 05:30	NZ	BusinessNZ Manufacturing PMI	Dec	--	43.1	46.7	46.5
01/19/2024 07:30	JN	Natl CPI YoY	Dec	2.50%	2.60%	2.80%	--
01/19/2024 07:30	JN	Natl CPI Ex Fresh Food YoY	Dec	2.30%	2.30%	2.50%	--
01/19/2024 09:00	MA	GDP YoY	4Q A	4.10%	--	3.30%	--
01/19/2024 09:00	PH	BoP Overall	Dec	--	--	-\$216m	--
01/19/2024 12:00	MA	Exports YoY	Dec	-5.00%	--	-5.90%	--
01/19/2024 12:30	JN	Tertiary Industry Index MoM	Nov	0.20%	--	-0.80%	--
01/19/2024 15:00	UK	Retail Sales Inc Auto Fuel MoM	Dec	-0.50%	--	1.30%	--
01/19/2024 15:00	UK	Retail Sales Inc Auto Fuel YoY	Dec	1.10%	--	0.10%	--
01/19/2024 15:00	UK	Retail Sales Ex Auto Fuel MoM	Dec	-0.70%	--	1.30%	--
01/19/2024 15:00	UK	Retail Sales Ex Auto Fuel YoY	Dec	1.40%	--	0.30%	--
01/19/2024 15:30	TH	Foreign Reserves	Jan-12	--	--	\$222.5b	--
01/19/2024 21:30	CA	Retail Sales MoM	Nov	0.00%	--	0.70%	--
01/19/2024 21:30	CA	Retail Sales Ex Auto MoM	Nov	-0.10%	--	0.60%	--
01/19/2024 23:00	US	U. of Mich. Sentiment	Jan P	70.1	--	69.7	--
01/19/2024 23:00	US	Existing Home Sales	Dec	3.83m	--	3.82m	--

Source: Bloomberg

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