

## Daily Treasury Outlook

22 January 2024

### Highlights

**Global:** The US University of Michigan consumer sentiment soared to its highest level since July 2021 while the 1-year inflation expectations gauge eased to 2.9% (lowest since December 2020). This pushed the S&P500 up 1.23% on Friday to close at a record high, beating its previous record from January 2022, and was led by tech stocks amidst hopes of imminent Fed rate cuts. UST bonds traded mixed with the 2-year yield higher by 5bps to 4.41% whilst the 10-year yield was little changed at 4.14%. Fed's Daly opined that it is premature to think rate cuts are round the corner, while Bostic said he wants to be sure inflation is well on the way to the 2% target even though he's open to changing his view on the timing of the rate cut.

**Market Watch:** Asian markets are likely to open on a positive tone this morning. Today's economic data releases include China's 1- and 5-year prime rate fixings (likely unchanged), Taiwan's unemployment rate, and Hong Kong's CPI. For the week ahead, watch BOJ policy decision tomorrow (likely unchanged), Bank of Canada's policy decision on Wednesday (likely static at 5%), BNM's policy decision (likely unchanged at 3% with December inflation tipped to be steady at 1.5%) and ECB's policy decision (likely to stay on hold but markets are anticipating a tilt towards a rate cut by mid-2024 so Lagarde's comments will be key) on Thursday, and Friday's US income and spending and core PCE inflation. MAS is also due to meet for its quarterly monetary policy review which may see the S\$NEER policy kept on hold while core inflation eases. The European Commission will unveil an economic security package which is expected to include rules to screen and block potentially sensitive foreign investments in certain industries. Meanwhile, Fed officials are currently in blackout period ahead of the 30 January policy meeting, but there is US\$162b in bond issues for 2-, 5- and 7- year tenors. On the corporate earnings front, investors will keep an eye on Netflix, Tesla, Intel P&G, and IBM.

**Oil:** Both WTI and Brent declined 0.9% and 0.7% on Friday to close at USD73.4/bbl and USD78.6/bbl respectively. The intraday trade was choppy. Brent oil prices at one point rose close to USD80/barrel due to positive forecasts to global oil demand from the International Energy Agency (IEA). It revised higher oil demand to 1.2 mbpd, up from 1.1 mbpd. But these gains were soon reversed. Separately, Libya's National Oil Corp announced that oil production and exports are restarting at its largest oil field. This will likely renew downward pressure on prices during early Asian trading hours.

**SG:** The STI gained 0.4% to close at 3,152.29 on Friday and may extend gains today amid the brighter risk-on tone. SGX's bonds may trade lower today amid the risk appetite improvements.

### Key Market Movements

Equity	Value	% chg
S&P 500	4839.8	1.2%
DJIA	37864	1.1%
Nikkei 225	35963	1.4%
SH Comp	2832.3	-0.5%
STI	3152.3	0.4%
Hang Seng	15309	-0.5%
KLCI	1486.4	0.5%
	Value	% chg
DXY	103.288	-0.2%
USDJPY	148.12	0.0%
EURUSD	1.0898	0.2%
GBPUSD	1.2703	0.0%
USDIDR	15615	0.0%
USDSGD	1.3408	-0.2%
SGDMYR	3.5196	0.2%
	Value	chg (bp)
2Y UST	4.38	3.21
10Y UST	4.12	-1.94
2Y SGS	3.32	1.10
10Y SGS	2.97	6.70
3M LIBOR	5.58	-0.20
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.24
3M SOFR	5.36	0.01
	Value	% chg
Brent	78.56	-0.7%
WTI	73.41	-0.9%
Gold	2029	0.3%
Silver	22.62	-0.5%
Palladium	951	1.0%
Copper	8351	0.5%
BCOM	96.80	-0.4%

Source: Bloomberg

## Major Markets

**CN:** Beijing, the capital city, has set an ambitious annual growth target for 2024 at around 5% YoY, surpassing last year's target of above 4.5%. This upward revision in the growth target for the current year, even with a higher base, reflects Beijing's more pro-growth stance. It is worth noting that Beijing's growth target for 2024 may serve as a precursor to China's broader and more supportive growth target for the entire year, which is expected to be announced in March. This proactive approach indicates a commitment to fostering economic expansion and addressing challenges to support overall growth in the region.

**MY:** The advance estimates showed that 4Q23 GDP growth barely improved to 3.4% YoY from 3.3% in 3Q23, well below expectations (Consensus and OCBC: 4.1%). Manufacturing sector growth remained weak, albeit improving slightly (+0.1% YoY versus -0.1% in 3Q23), consistent with still anaemic export growth. The biggest surprise relative to our forecasts was the sharp slowdown in construction GDP growth to 2.5% YoY from 7.2% in 3Q23. Meanwhile, services sector GDP growth slowed to 4.7% YoY versus 5% in 3Q24, broadly in line with expectations, and the mainstay for growth. For 2023, GDP growth averaged 3.8% YoY, below official estimates of 4%. Looking ahead, we maintain our 2024 GDP growth forecast of 4.2% YoY. In terms of monetary policy implications, we expect BNM to keep its policy rate unchanged at its 24 January meeting and indeed, through 2024.

**ID:** China's electric vehicle producer, Build Your Dreams (BYD), plans to invest US\$1.3 billion to set up a manufacturing plant in Indonesia, as announced during the Dolphin, Seal, and Atto car model launching event last week. The facility is expected to have a production capacity of 150,000 units per year, as reported by The Jakarta Post. Coordinating Economic Minister Airlangga Hartarto noted that the government will encourage BYD to increase local content in its products to improve Indonesia's industrial competitiveness and supply chain integration. BYD has been selling electric buses in Indonesia since 2018 and EVs for taxi company Blue Bird. BYD aims to establish a network of 50 dealerships in Indonesia by the end of 2024, with seven outlets set to commence operations in January.

**PH:** Bangko Sentral ng Pilipinas (BSP) is unlikely to cut its policy rate in 1H24. BSP Governor Eli Remolona said that "it's possible but maybe not likely" for the BSP to cut its policy rate in 1H24. He added that the BSP will closely monitor the actions of the US Fed. BSP Governor Remolona also cautioned against supply shocks, including rice prices, that may disrupt the BSP's efforts to rein inflation back to its 2-4% target in 2024. Nonetheless, he noted that the recent inflation trend is a positive sight to the BSP. Additionally, Finance Secretary Ralph G. Recto will join BSP's Monetary Board (MB). He is expected to sworn in at 1pm, 22 January. Separately, the Philippines has temporarily suspended onion imports to prevent a supply glut that has been weighing against domestic prices. Agriculture Secretary Francisco Tiu Laurel said that the measure will be in place until May and the suspension may be extended through July if domestic supply "remains sufficient to meet local demand". Despite the current abundance in supply, he cautioned that the country's domestic output

of onions remains at risk from the impact of El Nino, which is expected to be felt around March-April.

**TH:** Inflation is expected to ease for a second consecutive year in 2024, according to the Ministry of Commerce. Director General of the Office of Trade Policy and Strategy Office Poonpong Naiyanapakorn said that the potential decline in the prices of food and services can be attributed to the government's cost-of-living measures. Nonetheless, he pointed out that the ongoing geopolitical conflict (i.e., the disruption in the Red Sea shipping) could affect the inflation outlook going forward. Separately, Thailand welcomed 3.3mn tourist arrivals in December, according to the Ministry of Tourism and Sports. This brings the full year 2023 tourist arrivals to 28.1mn. By nationality, Malaysian travellers were ranked first at 4.6mn. This was followed by Chinese and South Korean travellers at 3.5mn and 1.7mn respectively.

## ESG Updates

**CN:** Market players expect China's domestic compliance and voluntary carbon markets to see significant upgrades in 2024, such as high-level legislation, rebooting voluntary registry and expanding the ETS to new sectors. However, China has not released their Article 6 implementation plans and is waiting for Article 6 to be finalised for greater policy clarity at the UN level. The lack of progress on Article 6 negotiations at COP28 has delayed China's policymaking on this issue.

**MY:** Semarak Renewable Energy Sdn Bhd (Semarak RE) and PowerChina International Ltd's unit, China Hydropower (Malaysia) Co Ltd., have signed a RM1.88 billion agreement to develop Malaysia's first large-scale green hydrogen production project in Perak utilising floating photovoltaic power generation. This is part of efforts to contribute to the transition towards sustainable energy.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher last Friday, with short tenors trading 0-4bps higher, belly tenors trading 5-6bps higher, and the 10Y trading 5bps higher. According to Bloomberg, the largest of China's bad-debt managers, China Huarong Asset Management Co., had their ratings downgraded (by one notch to Ba1) by Moody's Investors Service's to junk status, over concerns about the property crisis. Other peers who had their ratings cut by one to two notches on Friday include China Great Wall Asset Management Co., China Orient Asset Management Co. and China Cinda Asset Management Co. There was merely a USD100mn 5Y senior unsecured bond from Malayan Banking Berhad in Asiadollar (ex-Japan) primary market last Friday. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 104bps while the Asia USD High Yield spreads tightened by 4bps to 703bps, per Bloomberg.

**Mandates:** Singapore Airlines Ltd. Has sent a request for proposals from banks for a potential dollar bond offering.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXV	103.288	-0.24%	USD-SGD	1.3408	-0.25%
USD-JPY	148.120	-0.03%	EUR-SGD	1.4612	-0.04%
EUR-USD	1.090	0.20%	JPY-SGD	0.9050	-0.22%
AUD-USD	0.660	0.37%	GBP-SGD	1.7034	-0.26%
GBP-USD	1.270	-0.02%	AUD-SGD	0.8849	0.17%
USD-MYR	4.719	-0.01%	NZD-SGD	0.8202	-0.21%
USD-CNY	7.193	-0.04%	CHF-SGD	1.5452	-0.20%
USD-IDR	15615	-0.03%	SGD-MYR	3.5196	0.22%
USD-VND	24550	0.07%	SGD-CNY	5.3628	0.22%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8540	-0.39%	1M	5.3317	-0.01%
3M	3.9580	-0.30%	2M	5.3381	-0.09%
6M	3.9080	-0.51%	3M	5.3172	0.08%
12M	3.6550	-0.14%	6M	5.1815	0.05%
			1Y	4.8455	0.15%

## 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	37,863.80	395.19
S&P	4,839.81	58.87
Nasdaq	15,310.97	255.32
Nikkei 225	35,963.27	497.10
STI	3,152.29	12.51
KLCI	1,486.37	7.19
JCI	7,227.40	-25.56
Baltic Dry	1,503.00	146.00
VIX	13.30	-0.83

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (+0.01)	4.38(--)
5Y	2.85 (+0.06)	4.05(--)
10Y	2.97 (+0.07)	4.12 (-0.02)
15Y	2.98 (+0.06)	--
20Y	2.98 (+0.06)	--
30Y	2.89 (+0.04)	4.33 (-0.04)

## 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)	73.41	-0.90%	Com (per bushel)	4.455	0.3%
Brent (per barrel)	78.56	-0.68%	Soybean (per bushel)	12.133	0.0%
Heating Oil (per gallon)	266.21	-1.17%	Wheat (per bushel)	5.933	1.3%
Gasoline (per gallon)	216.28	-0.95%	Crude Palm Oil (MYR/MT)	39.620	0.8%
Natural Gas (per MMBtu)	2.52	-6.60%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8351.00	0.49%	Gold (per oz)	2029.5	0.3%
Nickel (per mt)	16036.00	-0.74%	Silver (per oz)	22.6	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
01/22/2024 08:00	SK	Exports 20 Days YoY	Jan	--	--	13.00%	--
01/22/2024 08:00	SK	Imports 20 Days YoY	Jan	--	--	-9.20%	--
01/22/2024 09:15	CH	1-Year Loan Prime Rate	Jan-22	3.45%	--	3.45%	--
01/22/2024 09:15	CH	5-Year Loan Prime Rate	Jan-22	4.20%	--	4.20%	--
01/22/2024 12:00	MA	CPI YoY	Dec	1.50%	--	1.50%	--
01/22/2024 15:00	MA	Foreign Reserves	Jan-15	--	--	\$113.5b	--
01/22/2024 16:00	TA	Export Orders YoY	Dec	-1.30%	--	1.00%	--
01/22/2024 16:00	TA	Unemployment Rate	Dec	3.40%	--	3.37%	--
01/22/2024 16:30	HK	CPI Composite YoY	Dec	2.50%	--	2.60%	--
01/22/2024 21:00	CA	Bloomberg Nanos Confidence	Jan-19	--	--	51.1	--
01/22/2024 23:00	US	Leading Index	Dec	-0.30%	--	-0.50%	--

Source: Bloomberg

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