

## Daily Treasury Outlook

23 January 2024

### Highlights

**Global:** US stocks drifted higher amid a slow Monday, with the Dow and S&P 500 closing at new record highs. Economic calendar was light ahead of a big data week with three major central banks' meetings, while some others in blackout period. Conference Board leading index (LEI) fell by 0.1% MoM in December last year (vs market estimate of -0.3%). Despite the overall decline, six out of ten leading indicators made positive contributions to the LEI in December. The Conference Board expects US GDP growth to turn negative in Q2 and Q3 of 2024 but begin to recover late in the year. Treasuries were bid with the belly outperforming. The dollar gained modestly on the day after a weak opening. Oil rallied and gold ended lower. On the hand, the PBOC kept the 1-year and 5-year LPR rate unchanged on Monday, as the authority avoids piling further weight on RMB.

**Market Watch:** Asian markets may open firm today. Today's economic calendar comprises Singapore's December CPI, Taiwan's December industrial output, Eurozone's January consumer confidence and US' January Richmond Fed manufacturing index. BoJ will deliver its monetary policy decision, with the market expecting it to keep the YCC and the NIRP unchanged.

**Oil:** WTI and Brent rose ~2.0% on Monday to close at USD75.2/bbl and USD80.1/bbl respectively. Prices edged higher on concerns over a global supply disruption. A suspected Ukrainian drone attack on Russia's Novatek fuel terminal on the Baltic coast has led to a suspension of some operations. This has led to concerns over the flow of Russian oil exports into the global market. In addition to ongoing Middle East tensions, the price upside was further supported by the continued disruption of oil production in North Dakota due to extreme cold weather.

### Key Market Movements

Equity	Value	% chg
S&P 500	4850.4	0.2%
DJIA	38002	0.4%
Nikkei 225	36547	1.6%
SH Comp	2756.3	-2.7%
STI	3149.1	-0.1%
Hang Seng	14961	-2.3%
KLCI	1491.2	0.3%
	Value	% chg
DX	103.331	0.0%
USDJPY	148.1	0.0%
EURUSD	1.0883	-0.1%
GBPUSD	1.2709	0.0%
USDIDR	15635	0.1%
USDSGD	1.3419	0.1%
SGDMYR	3.5275	0.2%
	Value	chg (bp)
2Y UST	4.39	0.66
10Y UST	4.11	-1.74
2Y SGS	3.34	1.90
10Y SGS	2.96	-0.85
3M LIBOR	5.58	0.00
3M SIBOR	4.06	0.00
3M SORA	3.68	-1.43
3M SOFR	5.36	0.03
	Value	% chg
Brent	80.06	1.9%
WTI	74.76	2.1%
Gold	2022	-0.4%
Silver	22.10	-2.3%
Palladium	940	-1.1%
Copper	8346	-0.1%
BCOM	96.90	0.1%

Source: Bloomberg

## Major Markets

**SG:** The Land Transport Authority (LTA) announced that it will postpone the full adoption of the SimplyGo payment system for transport fares, originally scheduled for 1 June 2024. The decision was made following concerns raised by commuters including the inability to view stored-value balances and fare deductions at card scanners. Separately, Transport Minister Chee Hong Tat stated that the Government will spend S\$40mn to extend the use of the older Ez-link payment system. STI ended lower on Monday, shedding 0.1% to close at 3,149.1.

**CN:** On Monday, the equity market experienced another significant decline following the decision to keep the key benchmark interest rate, the Loan Prime Rate (LPR), unchanged. The lack of immediate monetary policy support heightened concerns and led to the decline in stocks. In response to the situation, China's State Council emphasized the need for more decisive and effective measures to stabilize the market and restore confidence during its regular meeting. This suggests that China may unveil additional supportive measures for the equity market in the upcoming sessions.

**HK:** Headline inflation rate slowed further to 2.4% in December (+1.0% month-on-month), as food inflation moderated to 2.3% YoY. Price pressures on most components remained broadly in check, with the exception of meals out and takeaway food and clothing and footwear. For 2023 as a whole, the composite CPI rose by 2.1% year-on-year, while underlying inflation averaged 1.7%. Going forward, external price pressures should recede further, while domestic price pressures should be largely stable.

**MY:** Headline inflation remained unchanged at 1.5% YoY in December, as it was in November, taking the 2023 average to 2.5% (2022: 3.4%). Core inflation eased modestly to 1.9% YoY from 2.0%, taking the 2023 average to 3.0% (2022: 3.0%). Specifically, food inflation eased further to 2.3% YoY from 2.5% along with 'restaurants & hotels' inflation (3.7% from 4.3%). This offset increases in recreation and transportation inflation. Looking ahead, we expect the inflation picture to remain well contained. Our forecast is for inflation to average 2.5% YoY in 2024 (versus a similar increase in 2023). The authorities forecast a wider inflation range of 2.1-3.6% this year given the impending introduction of targeted fuel subsidies.

**ID:** The Bali provincial government will enforce an international tourism tax of IDR150k in addition to the visa fee for foreign tourists entering the island starting from 14th February. The chairman of the Indonesian Tourism Industry Association (GIPI) of the Bali chapter, Ida Bagus Agung Partha Adnyana, highlighted that the levy will be used for cultural and environmental preservation, as well as addressing local issues such as traffic congestion and waste management, as reported by Tempo.

## ESG Updates

**SG:** The first public fast chargers for electric vehicles have been rolled out in HDB commercial carparks, that can allow drivers to get half of a full charge in 30 minutes on average. The new fast chargers are at Basement 2 of the HDB Hub in Toa Payoh and Basement 1 of the Oasis Terraces neighbourhood centre in Punggol. Singapore has also achieved the interim target of equipping one in three HDB carparks with EV chargers by 2023.

**Rest of the World:** The US Environmental Protection Agency (EPA) sent to the White House its proposal to finalise sweeping emissions cuts for new cars and trucks through 2032 that may boost electric vehicle sales. The EPA in April 2023 proposed requiring a 56% reduction in projected fleet average emissions over 2026 model year requirements and plans to finalise its new emissions rules by March 2024.

## Credit Market Updates

**Market Commentary:** The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 0-1bps higher, and the 10Y trading flat. According to Bloomberg, a group of Country Garden Holdings Co.'s ("Country Garden") creditors has appointed financial and legal advisers, beginning what could be one of China's largest-ever offshore restructurings. These creditors is having PJT Partners Inc. as financial adviser and Kirkland & Ellis LLP as legal adviser. Country Garden has appointed KPMG Advisory (China) Ltd as its new principal adviser. Country Garden, which was once the nation's biggest builder and had ~USD190bn of total liabilities, defaulted on dollar bonds in October, but has continued to pay off yuan notes. The primary market in the Asiadollar (ex-Japan) saw one deal out of South Korea while inactive in the SGD market yesterday. In the Asiadollar (ex-Japan) space, there was a USD300mn 3Y senior unsecured bond and USD300mn 5Y senior unsecured bond from Mirae Asset Securities Co. Ltd. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 2bps to 106bps while the Asia USD High Yield spreads widened by 3bps to 706bps, per Bloomberg.

**Mandates:** Hainan State Farms Investment Holdings Group Co., Ltd is planning to issue USD-denominated Regulation S (Category 1) senior unsecured fixed rate guaranteed bonds.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.331	0.04%	USD-SGD	1.3419	0.08%
USD-JPY	148.100	-0.01%	EUR-SGD	1.4604	-0.05%
EUR-USD	1.088	-0.14%	JPY-SGD	0.9060	0.11%
AUD-USD	0.657	-0.41%	GBP-SGD	1.7055	0.12%
GBP-USD	1.271	0.05%	AUD-SGD	0.8816	-0.37%
USD-MYR	4.731	0.26%	NZD-SGD	0.8155	-0.57%
USD-CNY	7.191	-0.03%	CHF-SGD	1.5441	-0.07%
USD-IDR	15635	0.13%	SGD-MYR	3.5275	0.22%
USD-VND	24557	0.03%	SGD-CNY	5.3604	-0.04%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8540	-0.39%	1M	5.3338	0.02%
3M	3.9580	-0.30%	2M	5.3400	0.02%
6M	3.9080	-0.51%	3M	5.3241	0.01%
12M	3.6550	-0.14%	6M	5.1875	-0.03%
			1Y	4.8447	-0.12%

## 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	38,001.81	138.01
S&P	4,850.43	10.62
Nasdaq	15,360.29	49.32
Nikkei 225	36,546.95	583.68
STI	3,149.12	-3.17
KLCI	1,491.19	4.82
JCI	7,247.93	20.53
Baltic Dry	1,503.00	146.00
VIX	13.19	-0.11

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.34 (+0.02)	4.39(--)
5Y	2.88 (+0.03)	4.03 (-0.02)
10Y	2.96 (-0.01)	4.1 (-0.02)
15Y	2.98 (-0.01)	--
20Y	2.98 (--)	--
30Y	2.88 (-0.01)	4.32 (-0.01)

## 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)	75.19	2.42%	Corn (per bushel)	4.458	0.1%
Brent (per barrel)	80.06	1.91%	Soybean (per bushel)	12.243	0.9%
Heating Oil (per gallon)	269.35	1.18%	Wheat (per bushel)	5.965	0.5%
Gasoline (per gallon)	223.78	3.47%	Crude Palm Oil (MYR/MT)	39.280	-0.9%
Natural Gas (per MMBtu)	2.42	-3.97%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8345.50	-0.07%	Gold (per oz)	2021.7	-0.4%
Nickel (per mt)	16007.00	-0.18%	Silver (per oz)	22.1	-2.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date		Event		Survey	Actual	Prior
01/23/2024 05:00	SK	PPI YoY	Dec	--	1.20%	0.60%
01/23/2024 08:00	JN	BOJ Policy Balance Rate	Jan-23	-0.10%	--	-0.10%
01/23/2024 08:00	JN	BOJ CPI Current Forecast	1Q	--	--	2.80%
01/23/2024 08:00	JN	BOJ 10-Yr Yield Target	Jan-23	0.00%	--	0.00%
01/23/2024 08:00	JN	BOJ CPI Current Forecast +1	1Q	--	--	2.80%
01/23/2024 08:00	JN	BOJ GDP Current Forecast	1Q	--	--	2.00%
01/23/2024 08:30	AU	NAB Business Confidence	Dec	--	--	-9
01/23/2024 08:30	AU	NAB Business Conditions	Dec	--	--	9
01/23/2024 13:00	SI	CPI YoY	Dec	3.50%	--	3.60%
01/23/2024 13:00	SI	CPI NSA MoM	Dec	--	--	-0.20%
01/23/2024 15:00	UK	PSNB ex Banking Groups	Dec	14.1b	--	14.3b
01/23/2024 15:00	UK	Public Sector Net Borrowing	Dec	11.4b	--	13.4b
01/23/2024 15:00	UK	Public Finances (PSNCR)	Dec	--	--	12.5b
01/23/2024 16:00	TA	Industrial Production YoY	Dec	-0.30%	--	-2.48%
01/23/2024 23:00	US	Richmond Fed Manufact. Index	Jan	-6	--	-11
01/23/2024 23:00	EC	Consumer Confidence	Jan P	-14.3	--	-15

Source: Bloomberg

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