

Daily Treasury Outlook

24 January 2024

Highlights

Global: S&P500 closed at a record high close, rising for a third consecutive day, despite mixed quarterly earnings results. A recent survey conducted by *Reuters* among a group of economists revealed that only 16 out of 123 predicted that the US Federal Reserve would cut its interest rate in March, with the majority expecting the first rate cut to be in June. Interestingly, the survey results also indicated that economists are more aligned with the Fed's own predictions than the markets. In the Euro area, the latest bank lending survey showed that the tightening of credit standards for firms was not as severe as anticipated by banks, while the pace of tightening for households was in line with expectations. The European Central Bank (ECB) stated that although banks plan to raise the requirements for extending loans this quarter, they also foresee a small net increase in demand for corporate credit and mortgages for the first time since early 2022. Overall, the survey suggests that the impact of rate hikes has been absorbed by the real economy, and banks are starting to anticipate a recovery in line with expectations of future rate cuts. Shifting focus to Asia, the Bank of Japan (BOJ) maintained its major interest rates as expected. However, BOJ Governor Ueda mentioned that the likelihood of Japan sustainably achieving the bank's 2% inflation target was gradually increasing. This statement contrasts with his remarks in December, where he expressed uncertainty about whether a positive cycle of rising wages and inflation would materialize. Ueda's comment, which did not mention the danger of a premature exit, reinforced market expectations that the BOJ may end its negative rates by April.

Market Watch: Today, markets will closely monitor the release of the flash manufacturing PMI data in both Europe and the US. Additionally, the Bank of Canada's rate decision will be a key focal point, particularly after the central bank pushed back expectations for a rate cut. Bank Negara Malaysia is also widely expected to keep its policy rate unchanged.

CN: The equity market rebounded after Bloomberg's report that authorities may utilize a stabilization fund of ~CNY2trn to purchase shares domestically. This news has not been confirmed by the China Securities Regulatory Commission. But the regulator reiterated its commitment to market stability yesterday. While a rescue plan is essential for restoring short-term confidence and allowing for necessary adjustments, the long-term sustainability of this rebound relies on China's ability to effectively tackle imminent challenges, including deflation, and establish a strong foundation for lasting success. This entails implementing comprehensive reforms and adopting an open-market approach.

Key Market Movements

Equity	Value	% chg
S&P 500	4864.6	0.3%
DJIA	37905	-0.3%
Nikkei 225	36518	-0.1%
SH Comp	2771.0	0.5%
STI	3135.3	-0.4%
Hang Seng	15354	2.6%
KLCI	1496.1	0.3%
	Value	% chg
DX	103.617	0.3%
USDJPY	148.35	0.2%
EURUSD	1.0854	-0.3%
GBPUSD	1.2687	-0.2%
USDIDR	15630	0.0%
USDSGD	1.3413	0.0%
SGDMYR	3.5294	0.1%
	Value	chg (bp)
2Y UST	4.37	-2.33
10Y UST	4.13	2.30
2Y SGS	3.32	-2.00
10Y SGS	2.96	-0.25
3M LIBOR	5.58	0.00
3M SIBOR	4.06	0.00
3M SORA	3.68	-0.41
3M SOFR	5.36	0.01
	Value	% chg
Brent	79.55	-0.6%
WTI	74.37	-0.5%
Gold	2029	0.4%
Silver	22.44	1.6%
Palladium	951	1.2%
Copper	8346	0.0%
BCOM	97.60	0.7%

Source: Bloomberg

Oil: Both WTI and Brent declined 1.1% and 0.6% on Tuesday to close at USD74.4/bbl and USD79.6/bbl respectively. Prices edged lower as rising supply from Libya and Norway as well as a resumption of some crude oil production in North Dakota more than offset ongoing Middle East conflict. The North Dakota Pipeline Authority shared that some of the oil output that were affected by extreme cold weather has come back online. However, the oil output was still down (~300,000 bpd). Separately, the American Petroleum Institute (API) reported a drawdown of 6.7mn bbls in US crude inventories for the week ending 19 January. Energy Information Administration (EIA) crude oil inventories data will be released on 24 January and could mirror the drawdown in US crude inventories (consensus: -0.91mn bbls).

Major Markets

SG: Core inflation edged higher to 3.3% YoY in December from 3.2% in November, beating estimates (Consensus & OCBC: 3.0%). A joint statement released by the MAS and MTI highlighted that the rise was mainly attributed to higher services inflation, citing greater year-end holiday expenses and a pickup in public transport fares. Household durables and services inflation sped up to 1.5% YoY (Nov: 1%) while transport inflation rose sharply to 3.9% YoY (Nov: 2.8%). This more than offset lower food inflation (3.7% YoY from 4.0% prior). The headline measure rose slightly as well, printing 3.7% YoY in December from 3.6% in November. We expect MAS to maintain policy status quo at its 29 January Monetary Policy Statement, as the prevailing appreciating path of the S\$NEER policy band remains appropriate given that inflation risks remain. The STI fell 0.4% to close at 3,135.25, marking a second consecutive day in the red.

MY: The Minister of Plantation and Commodities, Johari Abdul Ghani, revealed that the government has agreed to allow the hiring of foreign workers, specifically for the plantation sector. Minister Ghani added that the industry is currently facing a shortage of around 40k workers as per December 2023 survey, as reported by Bernama. In addition, companies wanting to apply for foreign workers permit must ensure that suitable accommodations and that “still has to pay wages to those workers despite there being no work” to avoid being accused of force labour. Separately, Bank Negara Malaysia is expected to keep its policy rate unchanged at 3% in today’s MPC decision.

ID: The Indonesian Palm Oil Association (GAPKI) anticipates a decrease in palm oil exports to 29mn tonnes, down from 32mn last year, citing global economic challenges due to the Russia-Ukraine war, Middle East conflicts, and a slowing Chinese economy. GAPKI chairman Eddy Martono projects palm oil prices between US\$900 and \$1,000 per tonne and estimating a total export value of approximately USD 30bn in 2024, as reported by The Jakarta Post. Eddy noted that the government's emphasis on a biodiesel program, including the mandated B35 policy and this year's 2% increase in biodiesel quota, will result in more palm oil input for domestic use.

TH: Thailand's 2023 GDP growth moderated to 1.8% YoY from 2.6% in 2022, according to government spokesperson Chai Wacharonke, citing estimates from the Finance Ministry's Fiscal Policy Office. He added that "the country's economic recovery has lost momentum and missed official forecasts", according to Bloomberg. The main driver for the slowdown was due to a contraction in manufacturing. The estimates from the Finance Ministry's Fiscal Policy Office will be released on Wednesday while the official GDP data (by the National Economic and Social Development Council) will be released on 19 February. Separately, Bank of Thailand Governor Sethaput Suthiwartnarueput said in an interview with Reuters that the current policy rate is neutral, and the Thai economy is not in a crisis. He added that existing structural issues are weighing against growth and the government's short-term stimulus measures will not solve the country's economic problems.

ESG Updates

CN: China is planning to expand its ETS to cover cement and electrolytic aluminium this year and may begin with a simulation trading mechanism for the two sectors as a start. China has also announced the relaunch of its national voluntary carbon market called the China Certified Emission Reduction (CCER) scheme. The CCER trading platform hosted by Beijing Green Exchange, and only domestic companies can participate in this market for now.

MY: Sarawak aims to boost its potential as a green hydrogen production and development hub when it hosts the Asia Pacific Green Hydrogen Conference and Exhibition (APGH 2024) this year, by attracting international investments and interest in being a destination for green hydrogen projects. As Sarawak is rich in natural resources and has an abundance of hydropower, it is looking to be a key producer and exporter of green hydrogen.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 0-2bps lower, belly tenors trading 2-3bps lower, and the 10Y trading 2bps lower. According to Bloomberg, Chinese developer Sino-Ocean Group Holding Ltd.'s local unit has attained sufficient support from its bondholders to extend two of its onshore bonds. The extended bonds include a 4% CNY bond due 2024 and a 4.76% yuan bond due 2025. There were 2 issuances in the Asiadollar (ex-Japan) market and 1 issuance in the SGD market yesterday. For the Asiadollar (ex-Japan) market, it includes a USD300mn 3Y senior unsecured bond from Hainan State Farms International (HK) Co., Limited and USD750mn 5Y senior unsecured bond from Bank of New Zealand (BNZ). For the SGD market, it includes a SGD285mn 5Y senior unsecured bond from City Developments Limited.

Mandates: There are no mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.617	0.28%	USD-SGD	1.3413	-0.04%
USD-JPY	148.350	0.17%	EUR-SGD	1.4558	-0.31%
EUR-USD	1.085	-0.27%	JPY-SGD	0.9039	-0.23%
AUD-USD	0.658	0.15%	GBP-SGD	1.7017	-0.22%
GBP-USD	1.269	-0.17%	AUD-SGD	0.8825	0.10%
USD-MYR	4.728	-0.07%	NZD-SGD	0.8185	0.37%
USD-CNY	7.172	-0.27%	CHF-SGD	1.5412	-0.19%
USD-IDR	15630	-0.03%	SGD-MYR	3.5294	0.05%
USD-VND	24562	0.02%	SGD-CNY	5.3457	-0.27%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8590	0.13%	1M	5.3331	-0.02%
3M	3.9450	-0.33%	2M	5.3382	0.01%
6M	3.9250	0.44%	3M	5.3172	0.02%
12M	3.6720	0.47%	6M	5.1722	0.00%
			1Y	4.8150	-0.10%

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	37,905.45	-96.36
S&P	4,864.60	14.17
Nasdaq	15,425.94	65.65
Nikkei 225	36,517.57	-29.38
STI	3,135.25	-13.87
KLCI	1,496.11	4.92
JCI	7,256.23	8.30
Baltic Dry	1,518.00	15.00
VIX	12.55	-0.64

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (-0.02)	4.37(--)
5Y	2.87 (-0.01)	4.04 (+0.01)
10Y	2.96 (--)	4.13 (+0.02)
15Y	2.97 (--)	--
20Y	2.98 (--)	--
30Y	2.88 (--)	4.36 (+0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.37	-1.09%	Corn (per bushel)	4.465	0.2%
Brent (per barrel)	79.55	-0.64%	Soybean (per bushel)	12.395	1.2%
Heating Oil (per gallon)	269.13	-0.08%	Wheat (per bushel)	5.965	0.0%
Gasoline (per gallon)	221.01	-1.24%	Crude Palm Oil (MYR/MT)	39.630	0.9%
Natural Gas (per MMBtu)	2.45	1.28%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8345.50	#DIV/0!	Gold (per oz)	2029.3	0.4%
Nickel (per mt)	16007.00	#DIV/0!	Silver (per oz)	22.4	1.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
01/24/2024 05:45	NZ	CPI QoQ	4Q	0.50%	0.50%	1.80%	--
01/24/2024 05:45	NZ	CPI YoY	4Q	4.70%	4.70%	5.60%	--
01/24/2024 07:30	AU	Westpac Leading Index MoM	Dec	--	-0.04%	0.07%	--
01/24/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Jan P	--	--	47.9	--
01/24/2024 13:00	IN	HSBC India PMI Mfg	Jan P	--	--	54.9	--
01/24/2024 15:00	MA	BNM Overnight Policy Rate	Jan-24	3.00%	--	3.00%	--
01/24/2024 16:30	GE	HCOB Germany Manufacturing PMI	Jan P	43.7	--	43.3	--
01/24/2024 16:30	GE	HCOB Germany Services PMI	Jan P	49.3	--	49.3	--
01/24/2024 17:00	EC	HCOB Eurozone Manufacturing PMI	Jan P	44.7	--	44.4	--
01/24/2024 17:00	EC	HCOB Eurozone Composite PMI	Jan P	48	--	47.6	--
01/24/2024 17:00	EC	HCOB Eurozone Services PMI	Jan P	49	--	48.8	--
01/24/2024 17:30	UK	S&P Global UK Manufacturing PMI	Jan P	46.7	--	46.2	--
01/24/2024 17:30	UK	S&P Global UK Services PMI	Jan P	53.2	--	53.4	--
01/24/2024 20:00	US	MBA Mortgage Applications	Jan-19	--	--	10.40%	--
01/24/2024 22:45	CA	Bank of Canada Rate Decision	Jan-24	5.00%	--	5.00%	--
01/24/2024 22:45	US	S&P Global US Manufacturing PMI	Jan P	47.6	--	47.9	--

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
Cindyckung@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W