

## Daily Treasury Outlook

25 January 2024

### Highlights

**Global:** US stocks closed mixed (S&P500 +0.1%, Nasdaq +0.4%, and Dow -0.3%) on Wednesday with tech stocks leading the way as the S&P 500 notched yet another record close, its fourth in a row. Netflix's strong earnings contributed to the market's positive performance, as the company reported revenue surpassing expectations and a record number of paid subscribers, nearing 261 million. International markets were also higher, with sentiment received some boost from China's reserve requirement ratio (RRR) which target to inject approximately CNY 1tn into its financial system. Data wise, it was relatively light from the US. The S&P Global preliminary Manufacturing PMI rose to 50.3 in January from 47.9 in December, marking the first expansion in manufacturing activity since October. Positive trends were seen in the preliminary services PMI too, as it accelerated faster in the expansionary territory to 52.9 from 51.4 previously – marking the 12th consecutive months of expansion. While the recovery was relatively modest, however it does suggest that the case for a soft landing that avoids recession seems to continue to build, which also appears to lower near-term prospects for a Fed rate cut. Fed fund futures now priced in less than 40% chance of a rate cut in March vs over 80% at the beginning of the year. In other news, Donald Trump emerged as the winner in the New Hampshire Republican primary, defeating Nikki Haley. While the victory was not as overwhelming as in Iowa, it further solidifies Trump's bid for the GOP nomination.

**Market Watch:** Asian markets may open firm today. Today's economic calendar comprises 4Q GDP figures for the US and South Korea, customs exports for Thailand and US new home sales and durable goods orders for December. On central banks, the European Central Bank (ECB) will hold its monetary policy meeting today where it is widely expected to keep its marginal lending facility and deposit facility rates unchanged at 4.75% and 4.00% respectively.

**CN:** China's central bank governor, Pan Gongsheng, announced a package of stimulus yesterday, revealing the decision to reduce the reserve requirement ratio (RRR) for all financial institutions, excluding small financial entities with a 5% RRR, by 50 basis points. This measure is poised to lower China's weighed average RRR to 7%, injecting approximately 1 trillion yuan into the financial system. The long-term low-cost liquidity facilitated by the RRR cut will contribute to an enhancement of Chinese banks' interest margin through reduced funding expenses. Simultaneously, China is set to decrease relending and rediscount rates to support agriculture and small enterprises by 25 basis points to 1.75% effective from Thursday. These adjustments are anticipated to exert downward pressure on the benchmark loan prime rate (LPR), potentially paving the way for an LPR cut in the ensuing months.

### Key Market Movements

Equity	Value	% chg
S&P 500	4868.6	0.1%
DJIA	37806	-0.3%
Nikkei 225	36226	-0.8%
SH Comp	2820.8	1.8%
STI	3153.3	0.6%
Hang Seng	15900	3.6%
KLCI	1504.1	0.5%
	Value	% chg
DX	103.236	-0.4%
USDJPY	147.51	-0.6%
EURUSD	1.0885	0.3%
GBPUSD	1.2726	0.3%
USDIDR	15710	0.5%
USDSGD	1.3397	-0.1%
SGDMYR	3.5366	0.2%
	Value	chg (bp)
2Y UST	4.38	1.21
10Y UST	4.18	4.80
2Y SGS	3.29	-3.20
10Y SGS	2.94	-2.37
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.68	-0.37
3M SOFR	5.36	0.01
	Value	% chg
Brent	80.04	0.6%
WTI	75.09	1.0%
Gold	2014	-0.8%
Silver	22.67	1.0%
Palladium	965	1.5%
Copper	8405	0.0%
BCOM	98.49	0.9%

Source: Bloomberg

**Oil:** WTI and Brent rose 1.0% and 0.6% on Wednesday to close at USD75.1/bbl and USD80.0/bbl respectively. Prices edged higher on a larger-than-expected drawdown (declined by 9.2mn bbls to 420.7mn bbls) in US crude inventories last week. The mood in the global oil market was also lifted by reports of that China would push out further measures to support the economy and its stock markets. Ongoing geopolitical tensions in the Middle East and a weaker DXY profile provided further upside to both oil benchmarks.

## Major Markets

**SG:** The STI ended its two-day losing streak on Wednesday, edging modestly higher by 0.6% to close at 3,153.3.

**HK:** The Hong Kong Monetary Authority (HKMA) and the PBoC announced measures to deepen cross-boundary financial cooperation. Measures include expanding the list of eligible collateral for the HKMA's RMB Liquidity Facility to include onshore RMB bonds, further opening up the onshore repo market, expanding the e-CNY pilot scheme, and expanding cross-boundary wealth management connect.

**MY:** BNM kept its policy rate unchanged at 3.00%, in line with expectations. There were limited changes to BNM's outlook on global growth, domestic growth-inflation drivers and the currency compared to its 2 November 2023 meeting. BNM looked through the weaker 4Q23 advance GDP print and remained of the view that 2024 growth will improve driven by household spending, tourism and broad-based investment activities. Meanwhile, the inflation outlook remains less certain although it expected to remain "modest" and broadly reflect "stable cost and demand conditions". The main unknown is domestic policy changes. To that end, we believe that the timing and mechanism with regards to the implementation of targeted fuel subsidies will be crucial to watch going forward. Looking ahead, we expect to BNM to remain on hold in 2024.

**ID:** Realized investment rose by 16.2% YoY reaching IDR 365.8tn in 4Q23 from IDR 374.4tn in 3Q23, bringing the total realized investment to IDR 1,418.9tn in 2023 and surpassing President Joko Widodo's target of IDR 1,400tn. This increase was driven by a 13.9% YoY pickup in foreign direct investment (FDI) reaching IDR 744tn, while domestic investment rose by 22.1% to IDR 674.9tn. Spatially, investments outside of Java account for 51.5% to the total investment, slightly lower compared to the 52.7% in 2022. According to the BKPM, investments were spread across five main sectors: the basic metal industry, metal goods, non-machinery and equipment; transportation, warehouse and telecommunications; mining; housing, industrial and office areas; as well as the chemical and pharmaceutical industries. President Joko Widodo has set an investment target of IDR 1,650tn for 2024.

**TH:** The Ministry of Finance has trimmed its GDP growth for 2024 to 2.8% versus 3.2% in its October estimate. Similarly, the GDP growth for 2023 was also trimmed to 1.8% versus 2.7% in its October estimate. Fiscal Policy Office Director-General Pornchai Thiraveja, at a briefing, said that the “slump in manufacturing and export sector have really hurt the country’s economic recovery”. He added that “the economic slowdown in China will further affect

the country’s exports and tourism growth for 2024”, according to Bloomberg. Meanwhile, the headline inflation for 2024 has been lowered to 1%. Separately, the Constitutional Court has ruled that former PM candidate Pita Limjaroenrat is cleared of allegations regarding the violation of election rules. The court has restored his status as a lawmaker, and he is waiting for the parliament's approval to make his return. The Constitutional Court is scheduled to rule on another case involving the Move Forward Party on 31 January.

**PH:** The government will not pursue plans to impose additional taxes. Finance Secretary Ralph Recto, at a press briefing, said that imposing additional taxes are “inflationary as well”, and this is “not the time” to impose additional taxes in the current high inflation environment. He added that his focus will be on the enforcement of existing laws to meet the government’s revenue collection goal. Although there are no plans to impose additional taxes, Finance Secretary Recto has said that he will continue to pursue the tax measures that were pursued by former Finance Secretary Benjamin Diokno.

## ESG Updates

**Rest of the World:** The state-owned Abu Dhabi National Oil Company (Adnoc) said it would allocate US\$23 billion for decarbonisation and lower-carbon projects, an increase from the previous target of US\$15 billion. The increased budget includes investments to grow the company's domestic and international carbon management platforms, with the goal of reaching net-zero carbon emissions by 2045.

## 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 3bps lower. According to Bloomberg, South Korea's Financial Supervisory Service has urged management of brokerages to improve their risk management on property project finance and sufficiently set aside provisions to prevent such risks from causing financial instability. Indonesian state builder PT Wijaya Karya signed a debt restructuring agreement valued at IDR20.58tn (USD1.31bn). The construction company entered the agreement with 11 financial firms and covers 87.1% of debt being restructured as of 23 January 2024. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 104bps while the Asia USD High Yield spreads tightened by 9bps to 695bps, per Bloomberg.

### Mandates:

- In the Asiadollar (ex-Japan) market, Korea Electric Power Corporation (KEPCO) priced a USD1.2bn 3Y green senior unsecured issue at 4.945%.
- In the SGD market, STT GDC Pte. Ltd priced a SGD50mn retap at 100.50 plus accrued on its existing STTGDC 5.7% PERP that was issued recently.
- Hyundai Capital Services, Inc. is planning to issue a USD-denominated Rule 144A/Reg S fixed rate senior unsecured bond offering with expected tenor(s) of 3- and/or 5-year.
- Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd. is planning to issue a USD Reg S Bond.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX-Y	103.236	-0.37%	USD-SGD	1.3397	-0.12%
USD-JPY	147.510	-0.57%	EUR-SGD	1.4582	0.16%
EUR-USD	1.089	0.29%	JPY-SGD	0.9081	0.46%
AUD-USD	0.658	-0.05%	GBP-SGD	1.7048	0.18%
GBP-USD	1.273	0.31%	AUD-SGD	0.8810	-0.17%
USD-MYR	4.732	0.08%	NZD-SGD	0.8187	0.02%
USD-CNY	7.158	-0.19%	CHF-SGD	1.5527	0.75%
USD-IDR	15710	0.51%	SGD-MYR	3.5366	0.20%
USD-VND	24582	0.08%	SGD-CNY	5.3454	-0.01%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8690	0.26%	1M	5.3347	0.00%
3M	3.9480	0.08%	2M	5.3397	0.02%
6M	3.9440	0.48%	3M	5.3225	-0.06%
12M	3.6650	-0.19%	6M	5.1825	-0.11%
			1Y	4.8435	-0.06%

## 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	37,806.39	-99.06
S&P	4,868.55	3.95
Nasdaq	15,481.92	55.98
Nikkei 225	36,226.48	-291.09
STI	3,153.33	18.08
KLCI	1,504.10	7.99
JCI	7,227.82	-28.41
Baltic Dry	1,473.00	-45.00
VIX	13.14	0.59

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.29 (-0.03)	4.38(--)
5Y	2.86 (-0.01)	4.09 (+0.05)
10Y	2.94 (-0.02)	4.18 (+0.05)
15Y	2.95 (-0.02)	--
20Y	2.95 (-0.02)	--
30Y	2.85 (-0.03)	4.41 (+0.05)

## 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)	75.09	0.97%	Corn (per bushel)	4.523	1.3%
Brent (per barrel)	80.04	0.62%	Soybean (per bushel)	12.403	0.1%
Heating Oil (per gallon)	268.18	-0.35%	Wheat (per bushel)	6.108	2.4%
Gasoline (per gallon)	220.95	-0.03%	Crude Palm Oil (MYR/MT)	39.970	0.9%
Natural Gas (per MMBtu)	2.64	7.80%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8405.00	#DIV/0!	Gold (per oz)	2013.9	-0.8%
Nickel (per mt)	16306.00	#DIV/0!	Silver (per oz)	22.7	1.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
01/25/2024 01/28	TH	Customs Exports YoY	Dec	5.95%	--	4.90%	--
01/25/2024 07:00	SK	GDP YoY	4Q A	2.10%	2.20%	1.40%	--
01/25/2024 07:00	SK	GDP SA QoQ	4Q A	0.60%	0.60%	0.60%	--
01/25/2024 16:30	HK	Exports YoY	Dec	9.00%	--	7.40%	--
01/25/2024 17:00	GE	IFO Business Climate	Jan	86.6	--	86.4	--
01/25/2024 17:00	GE	IFO Expectations	Jan	84.8	--	84.3	--
01/25/2024 21:15	EC	ECB Main Refinancing Rate	Jan-25	4.50%	--	4.50%	--
01/25/2024 21:15	EC	ECB Deposit Facility Rate	Jan-25	4.00%	--	4.00%	--
01/25/2024 21:15	EC	ECB Marginal Lending Facility	Jan-25	4.75%	--	4.75%	--
01/25/2024 21:30	US	Initial Jobless Claims	Jan-20	200k	--	187k	--
01/25/2024 21:30	US	GDP Annualized QoQ	4Q A	2.00%	--	4.90%	--
01/25/2024 21:30	US	Durable Goods Orders	Dec P	1.50%	--	5.40%	--
01/25/2024 21:30	US	Wholesale Inventories MoM	Dec P	-0.20%	--	-0.20%	--
01/25/2024 21:30	US	GDP Price Index	4Q A	2.20%	--	3.30%	--
01/25/2024 21:30	US	Durables Ex Transportation	Dec P	0.20%	--	0.40%	--
01/25/2024 23:00	US	New Home Sales	Dec	649k	--	590k	--

Source: Bloomberg

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