

Daily Treasury Outlook

25 April 2024

Highlights

Global: US equities closed mixed overnight with S&P broadly unchanged, NASDAQ eking out modest gains (+0.1%) and Dow Jones closing lower (-0.11%). US economic data overnight remained solid with the preliminary readings for the US durable goods orders showing an increase of 2.6% MoM sa, albeit with a downward revision to the February reading to 0.7% from 1.3%, previously. Excluding transportation, growth was 0.2% MoM from 0.1% in February. Ahead of the Federal Reserve decision due next week, FOMC members are in blackout period. In Europe, the April German Ifo readings for Business Climate, Current Assessment and Expectations showed some improvements relative to March. In Asia, Bank Indonesia raised its policy rate by 25bp surprising consensus and our expectations. The hike was aimed at supporting the currency (IDR) while pre-emptively dealing with imported inflation, according to BI. The question now is whether BI will hike further given that the external backdrop remains volatile. While it is a close call, our bias is for BI to remain on hold in the near-term.

Market Watch: The focus today will be the US 1Q advance GDP print, which while moderating is expected to show that growth remained resilient with private consumption starting solid. Weekly labour market data for initial jobless claims and continuing claims will also be watched closely. Malaysia's march CPI will be released today while South Korea's 1QGDP advance print was out earlier this morning. The economy grew 3.4% YoY versus 2.2% in 4Q, with a QoQ SA pick up of 1.3% from 0.6% in 4Q23.

SG: STI edged modestly higher by 0.6% to close at 3,293.1 by market close.

Oil: Crude oil futures edged lower on Wednesday. The Energy Information Administration (EIA) reported a significant drawdown in US crude and gasoline inventories: US crude inventories dipped by 6.4mn bbls to 453.6mn bbls while gasoline inventories decreased by 0.6mn bbls to 226.7mn bbls, for the week ending on 19 April. Nonetheless, oil markets seem to have overlooked the larger-than-expected drop in US oil inventories as prices traded lower due to risk-off sentiment in the broader markets as well as fading geopolitical tensions in the Israel-Iran front. On balance, WTI and Brent declined by more than 0.4% to close at USD82.8/bbl and USD88.0/bbl respectively.

Key Market Movements

| Equity | Value | % chg |
|------------|--------------|-----------------|
| S&P 500 | 5071.6 | 0.0% |
| DJIA | 38461 | -0.1% |
| Nikkei 225 | 38460 | 2.4% |
| SH Comp | 3044.8 | 0.8% |
| STI | 3293.1 | 0.6% |
| Hang Seng | 17201 | 2.2% |
| KLCI | 1571.5 | 0.6% |
| | Value | % chg |
| DXY | 105.857 | 0.2% |
| USDJPY | 155.35 | 0.3% |
| EURUSD | 1.0699 | 0.0% |
| GBPUSD | 1.2464 | 0.1% |
| USDIDR | 16154 | -0.4% |
| USDSGD | 1.362 | 0.0% |
| SGDMYR | 3.5097 | 0.1% |
| | Value | chg (bp) |
| 2Y UST | 4.93 | -0.41 |
| 10Y UST | 4.64 | 4.13 |
| 2Y SGS | 3.47 | -0.90 |
| 10Y SGS | 3.40 | 1.26 |
| 3M SORA | 3.64 | 0.06 |
| 3M SOFR | 5.35 | 0.00 |
| | Value | % chg |
| Brent | 88.02 | -0.5% |
| WTI | 82.81 | -0.7% |
| Gold | 2316 | -0.3% |
| Silver | 27.16 | -0.5% |
| Palladium | 1002 | -2.0% |
| Copper | 9774 | 0.7% |
| BCOM | 102.69 | -0.3% |

Source: Bloomberg

Major Markets

ID: Bank Indonesia raised its policy rate by 25bp, taking it to 6.25%, surprising market and our expectations. The hike was aimed at mitigating IDR depreciation risks and was characterised by BI as a “pre-emptive move” to prevent imported inflation. With this latest hike, BI has now delivered a cumulative 275bp in rate hikes since mid-2022. Looking ahead, we continue to expect a cumulative 125bp in rate cuts from BI once the US Federal Reserve begins reducing rates. Our house view is for the US Fed to cut its policy rate by a cumulative 75bp in 2024, starting in 3Q. However, in terms of timing, we now see a higher likelihood for BI to begin its easing cycle in 4Q24, rather than 3Q previously, but extend into 2Q25. Concomitantly, we expect a cumulative 75bp in rate cuts from BI in 2H24 followed by 50bp in 1H25.

MY: The Investment, Trade, and Industry Minister, Zafrul Aziz, revealed that Malaysia has resumed talks with the European Union on the Free Trade Agreement (FTA) after initial negotiations reached an impasse in 2012. Minister Zafrul noted that the “FTA is being discussed at a working level,” and a scoping exercise is being conducted to determine the areas of collaboration. The Malaysia-EU FTA talks were formally launched in October 2010, and eight rounds of negotiations were held until September 2012 before reaching an impasse, as reported by The Edge.

TH: Bank of Thailand said its decision to maintain policy rate at 2.50% at its April MPC meeting provides them with “policy optionality” to cope with currency volatility and uncertainties stemming from US Fed policy and geopolitics. Assistant Governor Piti Disyatat shared that the BOT will evaluate incoming economic data in deciding future policy direction. He added that BOT judged the current policy rate “to be conducive to economic growth over the medium-term and the policy rate as close to the so-called neutral level”. Separately, Finance Permanent Secretary Lavaron Sangsnit said that BOT’s request to review the THB500bn cash handout programme will not derail the timeline for disbursement.

ESG Updates

MY: The proposed high-speed railway between Kuala Lumpur and Singapore aims to streamline travel between the two capitals and reduce emissions concurrently. Enhancing rail connectivity is an alternative route to along the KL-Singapore corridor, that can lead to emissions savings as compared to taking the KL-Singapore air route which has been reported to be the world's busiest air route.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors and 10Y trading 2bps higher. Chinese developer Country Garden Holdings Co. won approval to delay payments on three yuan bonds, staving off its first local default. Noteholders voted to extend coupon and principal instalment payments to September. Bloomberg Asia USD Investment Grade spreads remained flat at 82bps while Asia USD High Yield spreads tightened by 7bps to 609bps. (Bloomberg, OCBC)

New Issues:

There were three notable bond issuers in the Asiadollar market yesterday.

- **Indika Energy Tbk PT** (Guarantors: Indika Inti Corpindo PT, Tripatra Multi Energi PT, Tripatra Engineering PT, Tripatra Engineers & Constructors PT and Tripatra Singapore Pte Ltd) priced a USD350mn 5NC2 at 8.75%.
- **Nanning Communications Investment Group Co Ltd** priced a USD300mn 3Y sustainability bond at 7.3%.
- **Korea Ocean Business Corp** priced two bonds. A USD300mn 3Y at 5.41% and another USD300mn 5Y at 5.373%.

There were no notable bond issuers in the Singdollar market yesterday.

Mandates:

- LG Energy Solution is planning to issue USD bonds.
- Korea Expressway Corporation is planning to issue USD bonds with expected tenor of 3Y or 5Y.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 105.857 | 0.17% | USD-SGD | 1.3620 | 0.04% |
| USD-JPY | 155.350 | 0.34% | EUR-SGD | 1.4573 | 0.03% |
| EUR-USD | 1.070 | -0.02% | JPY-SGD | 0.8767 | -0.30% |
| AUD-USD | 0.650 | 0.17% | GBP-SGD | 1.6976 | 0.17% |
| GBP-USD | 1.246 | 0.12% | AUD-SGD | 0.8850 | 0.23% |
| USD-MYR | 4.777 | -0.06% | NZD-SGD | 0.8085 | 0.10% |
| USD-CNY | 7.246 | 0.01% | CHF-SGD | 1.4882 | -0.31% |
| USD-IDR | 16154 | -0.41% | SGD-MYR | 3.5097 | 0.05% |
| USD-VND | 25415 | -0.12% | SGD-CNY | 5.3197 | -0.06% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|------------|---------|--------|-----------|----------|--------|
| 1M | 3.8150 | -0.10% | 1M | 5.3170 | -0.02% |
| 3M | 3.8820 | -0.23% | 2M | 5.3191 | -0.04% |
| 6M | 3.8440 | -0.16% | 3M | 5.3220 | -0.02% |
| 12M | 3.7180 | -0.43% | 6M | 5.2870 | -0.04% |
| | | | 1Y | 5.1881 | -0.04% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|---------------------|-----------------------------------|
| 03/20/2024 | -0.008 | -0.002 | 5.327 |
| 05/01/2024 | -0.026 | -0.006 | 5.322 |
| 06/12/2024 | -0.180 | -0.045 | 5.284 |
| 07/31/2024 | -0.505 | -0.126 | 5.203 |
| 09/18/2024 | -0.960 | -0.240 | 5.089 |
| 11/07/2024 | -1.226 | -0.306 | 5.022 |
| 12/18/2024 | -1.677 | -0.419 | 4.910 |
| 01/29/2025 | -1.965 | -0.491 | 4.838 |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 38,460.92 | -42.77 |
| S&P | 5,071.63 | 1.08 |
| Nasdaq | 15,712.75 | 16.11 |
| Nikkei 225 | 38,460.08 | 907.92 |
| STI | 3,293.13 | 20.41 |
| KLCI | 1,571.48 | 9.84 |
| JCI | 7,174.53 | 63.72 |
| Baltic Dry | 1,804.00 | -78.00 |
| VIX | 15.97 | 0.28 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 3.47 (-0.01) | 4.93(--) |
| 5Y | 3.33 (-0.02) | 4.66 (+0.03) |
| 10Y | 3.4 (+0.01) | 4.64 (+0.04) |
| 15Y | 3.36 (+0.03) | -- |
| 20Y | 3.35 (+0.02) | -- |
| 30Y | 3.26 (+0.02) | 4.78 (+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) | 82.81 | -0.66% | Corn (per bushel) | 4.378 | -1.2% |
| Brent (per barrel) | 88.02 | -0.45% | Soybean (per bushel) | 11.660 | -0.1% |
| Heating Oil (per gallon) | 254.99 | -1.14% | Wheat (per bushel) | 5.945 | 1.6% |
| Gasoline (per gallon) | 273.43 | 0.33% | Crude Palm Oil (MYR/MT) | 40.400 | -0.8% |
| Natural Gas (per MMBtu) | 1.65 | -8.77% | Rubber (JPY/KG) | 329.900 | -4.5% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 9773.50 | 0.69% | Gold (per oz) | 2316.2 | -0.3% |
| Nickel (per mt) | 18945.00 | -0.32% | Silver (per oz) | 27.2 | -0.5% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

| Date | Event | Survey | Actual | Prior | Revised | | |
|------------------|-------|-------------------------------|--------|--------|---------|--------|-------|
| 04/25/2024 | TH | Customs Exports YoY | Mar | -4.00% | -- | 3.60% | 3.62% |
| 04/25/2024 05:00 | SK | Business Survey Manufacturing | May | -- | 74 | 73 | -- |
| 04/25/2024 07:00 | SK | GDP YoY | 1Q A | 2.50% | 3.40% | 2.20% | -- |
| 04/25/2024 07:00 | SK | GDP SA QoQ | 1Q A | 0.60% | 1.30% | 0.60% | -- |
| 04/25/2024 12:00 | MA | CPI YoY | Mar | 2.00% | -- | 1.80% | -- |
| 04/25/2024 13:00 | JN | Leading Index CI | Feb F | -- | -- | 111.8 | -- |
| 04/25/2024 14:00 | GE | GfK Consumer Confidence | May | -26 | -- | -27.4 | -- |
| 04/25/2024 16:30 | HK | Exports YoY | Mar | 2.30% | -- | -0.80% | -- |
| 04/25/2024 20:30 | US | Initial Jobless Claims | Apr-20 | 215k | -- | 212k | -- |
| 04/25/2024 20:30 | US | GDP Annualized QoQ | 1Q A | 2.50% | -- | 3.40% | -- |
| 04/25/2024 20:30 | US | Wholesale Inventories MoM | Mar P | 0.30% | -- | 0.50% | -- |
| 04/25/2024 20:30 | US | GDP Price Index | 1Q A | 3.00% | -- | 1.60% | -- |
| 04/25/2024 20:30 | US | Continuing Claims | Apr-13 | 1814k | -- | 1812k | -- |
| 04/25/2024 20:30 | US | Personal Consumption | 1Q A | 3.00% | -- | 3.30% | -- |
| 04/25/2024 20:30 | US | Core PCE Price Index QoQ | 1Q A | 3.40% | -- | 2.00% | -- |
| 04/25/2024 22:00 | US | Pending Home Sales MoM | Mar | 0.40% | -- | 1.60% | -- |

Source: Bloomberg

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