

Daily Treasury Outlook

29 January 2024

Highlights

Global: Market is awaiting the upcoming FOMC in a highly anticipated policy meeting where guidance may be given as to whether the Fed intends to pull the trigger to cut interest rates as early as March. The S&P500 slipped 0.07% on Friday while the 10-year UST bond yield rose 2bps to 4.14%. Elsewhere, ECB's Villeroy hinted that rate cuts could come anytime this year. Meanwhile, China announced the halting of securities lending during agreed lock-up periods. This came after last week's surprise RRR cut and plans for guiding credit to select sectors. Separately, the US is said to be planning grants for chip plants by end-March as part of the 2022 Chips and Science Act.

Market Watch: Asian markets may tread water ahead of a busy week for both central banks and economic data releases. Today's economic data calendar comprises of Vietnam's January trade, inflation and industrial production, and US' Dallas Fed manufacturing activity index. ECB's Guindos is also speaking today. For the week ahead, key focus will be on the Fed that is likely to defer any rate cut to later and keep its policy rate static at 5.25-5.5% on 30-31 January, while the BOE is also tipped to still hold rates at 5.25% for a fourth consecutive timing amidst cooling inflation. China's PMI data is also due, as well as 4Q23 GDP growth readings from EU (with a second quarterly contraction fulfilling the recession definition after 3Q23 shrank 0.1% QoQ and Villeroy suggesting the ECB could trim rates any time this year), Taiwan, Hong Kong and the Philippines, and the BOJ summary of opinions from the January meeting (which may shed light on when the first rate hike is due, whether March or April), and the US jobs report. Cold weather may weigh on the US' nonfarm payrolls (forecast: 160k versus December's 216k) and unemployment rate (forecast: 3.8% versus 3.7% previously). For Australia, headline CPI (due 31 Jan) likely pulled back sharply from 5.4% in 3Q23 to 4.2% in 4Q23, allowing the central bank to stay on hold at its 5-6 Feb meeting, but still possibly signaling its watchfulness for rents and utility costs. On the corporate earnings front, keep an eye on 5 of the Magnificent 7 tech megacaps that will report earnings, namely Apple, Microsoft, Meta, Microsoft and Amazon.com.

Oil: WTI and Brent rose 0.8% and 1.4% on Friday to close at USD78.0/bbl and USD83.6/bbl respectively on concerns of a potential supply disruption from the ongoing Middle East conflict. A fuel tanker (operated on behalf of trading firm Trafigura Group) that was transiting in the Red Sea caught fire after it was struck by a missile from Yemen's Houthi rebels. There were also reports over the weekend that US soldiers were killed by a drone strike (by Iranian-backed militants) in Jordan, according to Bloomberg. This will likely raise ongoing geopolitical tensions in the Middle East, and renew upward pressure on prices during early Asian trading hours.

Key Market Movements

Equity	Value	% chg
S&P 500	4891.0	-0.1%
DJIA	38109	0.2%
Nikkei 225	35751	-1.3%
SH Comp	2910.2	0.1%
STI	3159.5	0.4%
Hang Seng	15952	-1.6%
KLCI	1506.3	0.1%
	Value	% chg
DX	103.433	-0.1%
USDJPY	148.15	0.3%
EURUSD	1.0853	0.1%
GBPUSD	1.2703	0.0%
USDIDR	15820	0.0%
USDSGD	1.3411	0.1%
SGDMYR	3.5284	-0.1%
	Value	chg (bp)
2Y UST	4.35	5.57
10Y UST	4.14	1.89
2Y SGS	3.26	-5.10
10Y SGS	2.95	-2.73
3M LIBOR	5.58	-0.22
3M SIBOR	4.06	0.00
3M SORA	3.67	-0.21
3M SOFR	5.36	0.01
	Value	% chg
Brent	83.55	1.4%
WTI	78.01	0.8%
Gold	2019	-0.1%
Silver	22.80	-0.5%
Palladium	960	1.8%
Copper	8546	-0.3%
BCOM	98.78	0.1%

Source: Bloomberg

Major Markets

CN: To uphold its commitment to the investor-centric concept, China's security regulator took prompt actions over the weekend. This included the suspension of the lending of restricted shares and adjustments in the market-oriented declaration of real-time availability to next-day availability in the securities lending market. These measures aim to stabilize investor expectations, prevent disguised illegal reduction of holdings, and enhance market transparency, contributing to an open, fair, and just market order. China's industrial profit exhibited notable improvement as the contraction in industrial profit for 2023 narrowed to 2.3% year-on-year (YoY), a marked improvement from the 4.4% YoY decline recorded in the first eleven months of the same year. In December, industrial profit surged by 16.8% YoY, following a robust expansion of 29.5% YoY in November. The year-on-year growth rate of finished goods inventories in industrial enterprises increased by 0.4 percentage points to 2.1%, signifying the near completion of the industrial destocking process. However, the pace of restocking remained sluggish, and inventory growth persisted at a low level. This could be attributed to recent concerns about rising deflation. Consequently, we believe it is imperative for China to implement more concrete measures to steer the economy away from deflationary pressures.

SG: MAS kept its monetary policy settings unchanged decision, citing that core CPI could stay elevated in the current quarter due to the GST and carbon tax hikes and also the upcoming water price hike in 2Q24 and other service price adjustments, but kept its full-year 2024 core CPI forecast unchanged at 2.5-3.5%. MAS reiterated the two-sided balance of risks for inflation, suggesting they are likely to remain on extended pause mode until core inflation to steps down more convincingly from 4Q24. MAS also tips 2024 growth at 1-3% (similar to our house view). The STI gained 0.38% to close at 3,159.53 on Friday and may range trade today. SGS bonds are likely to trade lower.

MY: The National Scam Response Centre (NSRC) reported a total loss of MYR 1.34bn from 33,234 online crime cases between 1 January and 8 December last year. Investment scams accounted for the highest losses at MYR 437mn million, followed by e-commerce (MYR 383mn), telecommunications (MYR 334mn), e-finance (MYR 104mn), love scams (MYR 41mn), and non-existent loans (MYR 39mn). Deputy Communications Minister Teo Nie Cing highlighted that these figures indicate an increase compared to the previous year's losses of MYR 80mn, and she urged the public to remain vigilant and avoid falling for the deceptive tactics employed by online crime syndicates, particularly in high-return investment schemes.

ID: Indonesia previously set a target for the share of renewables in Indonesia's energy mix to be 23% but plans to revise down the target between 17 – 19% by 2025 as proposed by the National Energy Council (DEN). In 2023, renewables only made up 13% of Indonesia's energy mix, falling short of the interim target of 17.9% that the government aimed for the year to achieve the 2025 target. Conversely, coal production reached an all-time high last year. Greater funding and the implementation of stronger transformative policies can better support Indonesia in its energy transition.

PH: Exports declined by 0.5% YoY in December (November: -13.0%) while imports unexpectedly contracted by 5.1% (November: +1.3%). As a result, the trade deficit narrowed in December to USD4.0bn (November: -USD4.7bn). The contraction in exports was driven by 'other agro-based products' (-16.6% YoY from -21.3% in November), 'forest products' (-10.2% YoY from -22.4% YoY in November), 'mineral products' (-14.2% YoY from +13.3% in November) which more than offset growth in other categories. For the full year 2023, the trade deficit narrowed to USD52.4bn (2022: -USD57.6bn), driven by contractions in both exports (-7.6% YoY) and imports (-8.2% YoY). Separately, BSP Governor Eli Remolona Jr., at the sidelines of the 2024 Annual Reception for the Banking Community, reiterated that a rate cut is possible in 2024, but noted that it is unlikely to be in 1H24. He also shared that 4Q23 GDP growth is likely to pick up from the previous quarter. He added that "if growth is strong, that gives us a bit more room to hike", according to Bloomberg.

TH: Customs trade balance unexpectedly shifted to a surplus of USD1.0bn in December from a deficit of USD2.4bn in November. Customs exports growth remained resilient at 4.7% YoY (November: 4.9%) while customs imports unexpectedly contracted by 3.1% YoY (Consensus: 7.4%), a reversal from 10.1% in November. Exports were driven by higher food and auto shipments. For the full year 2023, the custom trade deficit narrowed to USD5.2bn (2022: -USD13.6bn). Key challenges such as geopolitical conflicts (i.e., Red Sea shipping disruption), China's economic slowdown, and higher interest rate could impact Thai exports this year, according to Permanent Secretary of the Ministry of Commerce Kirati Ratchano. Nonetheless, he shared that the ministry maintains its working target for export growth of 1-2% for this year.

ESG Updates

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Rest of the World: European Union lawmakers backed a two-year delay until June 2026 in sector specific ESG corporate disclosures, to ease the regulatory burden on companies especially in a challenging macroeconomic environment. This also provides the European Financial Reporting Advisory Group (EFRAG) time to develop quality standards, as well as the time for companies to put them into practice.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower last Friday, with short tenors trading 3bps lower, belly tenors trading 2-3bps lower, and the 10Y trading 1bps lower. China Evergrande Group will be fending off liquidation at a court hearing in Hong Kong today after the winding-up proceedings have been adjourned multiple times. Should the world's most indebted developer with more than USD327bn of total liabilities be liquidated, this would likely send ripples through China's financial system, while further weakening confidence in China's housing industry. Last Friday, Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 102bps while the Asia USD High Yield spreads tightened by 12bps to 677bps, per Bloomberg.

Mandates:

- China Industrial Securities International Financial Group Limited priced a 3Y floating USD senior unsecured note at SOFR +90bps.
- There were no issuances in the SGD market last Friday.
- There are no mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX1	103.433	-0.14%	USD-SGD	1.3411	0.07%
USD-JPY	148.150	0.33%	EUR-SGD	1.4557	0.14%
EUR-USD	1.085	0.06%	JPY-SGD	0.9052	-0.26%
AUD-USD	0.658	-0.15%	GBP-SGD	1.7037	0.04%
GBP-USD	1.270	-0.04%	AUD-SGD	0.8816	-0.09%
USD-MYR	4.730	-0.03%	NZD-SGD	0.8169	-0.24%
USD-CNY	7.177	0.05%	CHF-SGD	1.5520	0.41%
USD-IDR	15820	-0.03%	SGD-MYR	3.5284	-0.07%
USD-VND	24605	-0.02%	SGD-CNY	5.3503	0.05%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8710	0.08%	1M	5.3275	-0.02%
3M	3.8870	-0.97%	2M	5.3244	-0.04%
6M	3.8730	-0.97%	3M	5.3051	-0.06%
12M	3.5970	-1.77%	6M	5.1490	-0.09%
			1Y	4.7980	-0.16%

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	38,109.43	60.30
S&P	4,890.97	-3.19
Nasdaq	15,455.36	-55.14
Nikkei 225	35,751.07	-485.40
STI	3,159.53	11.89
KLCI	1,506.28	2.18
JCI	7,137.09	-40.95
Baltic Dry	1,518.00	19.00
VIX	13.26	-0.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.26 (-0.05)	4.34(--)
5Y	2.88 (-0.03)	4.04 (+0.04)
10Y	2.95 (-0.03)	4.14 (+0.02)
15Y	2.97 (-0.02)	--
20Y	2.96 (-0.02)	--
30Y	2.85 (-0.02)	4.37(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.01	0.84%	Corn (per bushel)	4.463	-1.2%
Brent (per barrel)	83.55	1.36%	Soybean (per bushel)	12.093	-1.1%
Heating Oil (per gallon)	284.34	1.72%	Wheat (per bushel)	6.003	-2.0%
Gasoline (per gallon)	229.41	1.31%	Crude Palm Oil (MYR/MT)	40.190	1.4%
Natural Gas (per MMBtu)	2.71	5.48%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8545.50	-0.27%	Gold (per oz)	2018.5	-0.1%
Nickel (per mt)	16785.00	0.50%	Silver (per oz)	22.8	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
01/29/2024 05:45	NZ	Trade Balance NZD	Dec	--	-323m	-1234m	-1250m
01/29/2024 05:45	NZ	Exports NZD	Dec	--	5.94b	5.99b	5.95b
01/29/2024 05:45	NZ	Imports NZD	Dec	--	6.26b	7.23b	7.20b
01/29/2024 05:45	NZ	Trade Balance 12 Mth YTD NZD	Dec	--	-13567m	-13874m	-13895m
01/29/2024 08:00	SI	Singapore MAS January 2024 Monetary Policy Statement					
01/29/2024 10:00	CH	Bloomberg Jan. China Economic Survey					
01/29/2024 10:00	VN	CPI YoY	Jan	3.30%	--	3.58%	--
01/29/2024 10:00	VN	Industrial Production YoY	Jan	--	--	5.80%	--
01/29/2024 10:00	VN	Trade Balance	Jan	\$2225m	--	\$2280m	--
01/29/2024 10:00	VN	Exports YoY	Jan	0.31	--	0.131	--
01/29/2024 10:00	VN	Imports YoY	Jan	30.50%	--	12.30%	--
01/29/2024 10:00	VN	Retail Sales YoY	Jan	--	--	9.30%	--
01/29/2024 11:30	TH	Car Sales	Dec	--	--	6162100.00%	--
01/29/2024 21:00	CA	Bloomberg Nanos Confidence	46023	--	--	5140.00%	--
01/29/2024 22:00	CA	Bloomberg Jan. Canada Economic Survey					
01/29/2024 23:30	US	Dallas Fed Manf. Activity	Jan	-1180.00%	--	-930.00%	--

Source: Bloomberg

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