

Daily Treasury Outlook

30 January 2024

Highlights

Global: Market were not overly concerned with the heightened geopolitical tensions in the Middle East, following an attack on US troops. Bulls appeared to have the upper hands ahead a busy week of FOMC meetings, US Nonfarm payroll and earnings from five of the “Magnificent Seven” companies (Alphabet, Microsoft, Apple, Amazon and Meta). MSCI's all-country world index climbed to a fresh two-year high, lifted by the S&P 500 record high closing. Bonds were bid across the curve, while dollar and gold ripped higher. The US Treasury Department trimmed its borrowing plan for the first half this year (USD760 billion in 1Q vs. estimate of USD816 billion; and USD202 billion in 2Q). UST yields pulled back further, while stock extended gain on this news. On data front, Texas manufacturing outlook's index for general business activity in January sank to -27.4 from a revised -10.4 in December, hit by weakening new orders, though expectations regarding future manufacturing activity improved. In Asia market, onshore Chinese equity market was trading heavy, despite tightened rules to lend securities for short selling.

Market Watch: Asian markets may trade with a firmer tone today, taking cue from the US market rally overnight. The Eurozone's 4Q GDP reading will be the main data release for today, together with GDP reading for France, Germany and Italy. Japan's labour market data in December was out. The market will also watch US' conference board consumer confidence in January, as well as Australia and South Korea's retail sales in December last year.

Oil: Both WTI and Brent declined 1.6% and 1.4% on Monday to close at USD76.8/bbl and USD82.4/bbl respectively. Prices edged lower as concerns over China's demand more than offset geopolitical risk premium stemming from ongoing Middle East tensions. A Hong Kong court has ordered the liquidation of Chinese property developer giant Evergrande Group. This has sparked concerns of a potential deepening of the real estate issue in China, which could have dampened sentiment of China's economy.

Key Market Movements

Equity	Value	% chg
S&P 500	4927.9	0.8%
DJIA	38333	0.6%
Nikkei 225	36027	0.8%
SH Comp	2883.4	-0.9%
STI	3140.3	-0.6%
Hang Seng	16077	0.8%
KLCI	1515.4	0.6%

	Value	% chg
DXY	103.609	0.2%
USDJPY	147.5	-0.4%
EURUSD	1.0833	-0.2%
GBPUSD	1.2709	0.0%
USDIDR	15810	-0.1%
USDSGD	1.3402	-0.1%
SGDMYR	3.5289	0.0%

	Value	chg (bp)
2Y UST	4.32	-3.09
10Y UST	4.07	-6.33
2Y SGS	3.22	-4.10
10Y SGS	2.96	1.04
3M LIBOR	5.58	0.00
3M SIBOR	4.06	0.00
3M SORA	3.66	-0.75
3M SOFR	5.36	0.03

	Value	% chg
Brent	82.4	-1.4%
WTI	76.78	-1.6%
Gold	2033	0.7%
Silver	23.20	1.8%
Palladium	989	2.9%
Copper	8558	0.1%
BCOM	97.91	-0.9%

Source: Bloomberg

Major Markets

HK: Rental market remained hot in Hong Kong, with residential property rental index rallying for the eleventh consecutive month in December 2023, in a sharp contrast to the declining price index. On month-on-month basis, the rental index increased further by 0.9% last month, while the price index fell by slower 1.4% in December over the previous month. For 2023 as a whole, housing price fell by 6.8% YoY, while rental index rose by 6.6% YoY. Further sharp correction in the housing market from this point onward is not our baseline scenario, amid pent-up demand and likely easing of financial condition in ensuing months.

SG: The STI sank 0.64% to close at 3,139.26 yesterday, marking the biggest decline since 17 January. The S\$3b 2-year SGS (Market Development) bond re-opening fetched a cut-off yield of 3.04% and a strong bid-cover ratio of 3.2x. Next on the SGS issuance calendar will be a new 5-year SGS (MD) bond with the size announcement on 20 March and auction on 26 March. There is a S\$6.3 6-month T-bill auction on 1 Feb.

MY: The producer price index (PPI) stayed negative at -1.3% YoY in Dec-23, versus -1.5% in Nov-23, marking the third consecutive month of negative PPI growth. By sector, the contraction in PPI deepened to -3.4% YoY for 'mining,' -1.5% for 'manufacturing,' and -0.6% for 'electricity & gas supply' in December, from -1.6%, -0.1%, and -0.3% in November, respectively. In contrast, the 'agriculture, forestry, & fishing' and 'water supply' sectors recorded positive PPI growth of 1.3% YoY and 0.4%, respectively. Overall, December's figures bring the annual average 2023 PPI to -1.9% YoY (2022: +7.8%).

ID: The government plans to provide a monthly direct cash transfer of IDR 200k to 18.8mn low-income families from January to March, aiming to boost purchasing power amid high food costs. Coordinating Minister of Economic Affairs Airlangga Hartarto noted that the first batch of cash transfer will take place in February, with a possibility of extension based on evaluation, as reported by Bloomberg. Additionally, Minister Hartarto highlighted the government's focus on maintaining price stability for key staples ahead of the Ramadan and Eid-al-Fitr festivities, ensuring a stable supply and distribution of rice, chili, and onion.

TH: Officials in Thailand have renewed calls for the Bank of Thailand (BOT) to undergo an early rate cut. Despite being unable to lower its policy rate, Pichai Naripthaphan (an adviser to PM Srettha Thavisin) has called for the BOT to set rules for commercial banks to lower its net interest margin. Deputy Finance Minister Julapun Amornvivat also urged the BOT to cut its policy rate at its next MPC (on 7 February) to ease high borrowing costs. He pointed to the negative inflation prints that have occurred over the last few months as a factor to favour an easing to policy rates. Separately, China and Thailand have signed a bilateral agreement for a visa-free entry for China and Thailand travellers. The agreement will take effect from 01 March.

ESG Updates

CN: China's installed solar electric power generation capacity rose by 55.2% in 2023, based on data released by the National Energy Agency. The government committed to construct 1,200 GW of renewables capacity by 2030 and is already on track to meet that goal five years early. This is part of plans to peak carbon emissions before 2030 and achieve carbon neutrality by 2060.

Rest of the World: Colombia's renewable energy sector could see investments of up to \$2.2 billion in 2024 across 66 projects. This includes developing renewable energy sources such as solar, wind and geothermal as part of efforts to wean off the country's dependence on fossil fuels. However, significant hurdles to renewable energy project implementation include resistance from indigenous communities and regulatory delays.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mixed yesterday, with short tenors trading 1bps lower to 1bps higher, belly tenors trading 1bps higher, and the 10Y trading flat. Hong Kong's High Court has named restructuring consultancy firm Alvarez & Marsal as China Evergrande Group ("EVERRE")'s liquidator following EVERRE receiving a liquidation order yesterday. The firm's past cases include Lehman Brothers Holdings Inc. Uncertainty on the outcome will likely continue given questions on the effectiveness of a Hong Kong court appointed liquidator over onshore assets and its recognition by Chinese courts. According to a state-owned China News Service that referred to legal documents published by the Supreme People's Court, home buyers will enjoy priority in Evergrande's liquidation. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 1bps to 104bps while the Asia USD High Yield spreads widened by 2bps to 679bps, per Bloomberg. There were 3 bond issuances in the Asiadollar (ex-Japan) market yesterday. Issuances include Hyundai Capital Services, Inc with one USD500mn 3Y Fixed senior unsecured bond with final pricing of T+110bps and another USD500mn 5Y Fixed senior unsecured bond with final pricing of T+120bps. Lastly, Haichuan International Investment Co Ltd (Guarantor: Jiangsu Fangyang Group Co Ltd) (SBLC Provider: Postal Savings Bank of China Co., Ltd. Lianyungang Branch) issued a USD150mn 3Y Fixed senior unsecured green bond with final pricing at 5.45%.

Mandates:

- There are no new mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX1	103.609	0.17%	USD-SGD	1.3402	-0.07%
USD-JPY	147.500	-0.44%	EUR-SGD	1.4518	-0.27%
EUR-USD	1.083	-0.18%	JPY-SGD	0.9084	0.35%
AUD-USD	0.661	0.55%	GBP-SGD	1.7030	-0.04%
GBP-USD	1.271	0.05%	AUD-SGD	0.8858	0.48%
USD-MYR	4.734	0.07%	NZD-SGD	0.8217	0.59%
USD-CNY	7.180	0.04%	CHF-SGD	1.5556	0.23%
USD-IDR	15810	-0.06%	SGD-MYR	3.5289	0.01%
USD-VND	24543	-0.25%	SGD-CNY	5.3517	0.03%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8710	0.08%	1M	5.3260	-0.01%
3M	3.8870	-0.97%	2M	5.3229	-0.03%
6M	3.8730	-0.97%	3M	5.3087	0.02%
12M	3.5970	-1.77%	6M	5.1491	0.00%
			1Y	4.7920	-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	38,333.45	224.02
S&P	4,927.93	36.96
Nasdaq	15,628.04	172.68
Nikkei 225	36,026.94	275.87
STI	3,140.31	-19.22
KLCI	1,515.39	9.11
JCI	7,157.18	20.09
Baltic Dry	1,518.00	19.00
VIX	13.60	0.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.22 (-0.04)	4.32(--)
5Y	2.87 (-0.01)	3.98 (-0.05)
10Y	2.96 (+0.01)	4.07 (-0.06)
15Y	2.98 (+0.01)	--
20Y	2.97 (--)	--
30Y	2.85 (--)	4.31 (-0.06)

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)	76.78	-1.58%	Corn (per bushel)	4.403	-1.3%
Brent (per barrel)	82.40	-1.38%	Soybean (per bushel)	11.943	-1.2%
Heating Oil (per gallon)	283.39	-0.33%	Wheat (per bushel)	5.935	-1.1%
Gasoline (per gallon)	222.85	-2.86%	Crude Palm Oil (MYR/MT)	39.510	-1.7%
Natural Gas (per MMBtu)	2.49	-8.19%	Rubber (JPY/KG)	243.200	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8558.00	0.15%	Gold (per oz)	2033.2	0.7%
Nickel (per mt)	16439.00	-2.06%	Silver (per oz)	23.2	1.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
01/30/2024 07:30	JN	Jobless Rate	Dec	2.50%	2.40%	2.50%	--
01/30/2024 07:30	JN	Job-To-Applicant Ratio	Dec	128.00%	127.00%	128.00%	--
01/30/2024 08:30	AU	Retail Sales MoM	Dec	-1.70%	--	2.00%	--
01/30/2024 17:00	GE	GDP SA QoQ	4Q P	-0.30%	--	-0.10%	--
01/30/2024 17:00	GE	GDP NSA YoY	4Q P	-0.40%	--	-0.80%	--
01/30/2024 17:00	GE	GDP WDA YoY	4Q P	-0.20%	--	-0.40%	--
01/30/2024 17:30	UK	Mortgage Approvals	Dec	53.0k	--	50.1k	--
01/30/2024 17:30	UK	Money Supply M4 MoM	Dec	--	--	-0.10%	--
01/30/2024 17:30	UK	M4 Money Supply YoY	Dec	--	--	-2.30%	--
01/30/2024 18:00	EC	GDP SA QoQ	4Q A	-0.10%	--	-0.10%	--
01/30/2024 18:00	EC	GDP SA YoY	4Q A	0.10%	--	0.00%	--
01/30/2024 18:00	EC	Consumer Confidence	Jan F	--	--	-1610.00%	--
01/30/2024 22:00	US	FHFA House Price Index MoM	Nov	0.30%	--	0.30%	--
01/30/2024 23:00	US	Conf. Board Consumer Confidence	Jan	11450.00%	--	11070.00%	--
01/30/2024 23:00	US	Conf. Board Expectations	Jan	--	--	8560.00%	--
01/30/2024 23:00	US	Conf. Board Present Situation	Jan	--	--	14850.00%	--

Source: Bloomberg

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