

Daily Treasury Outlook

3 January 2024

Highlights

Global: Soft start to 2024 after a strong 2023. S&P500 dipped 0.57% yesterday, whilst Asian bourses were also mostly mired in a sea of red ink amid weak market sentiment, dragged down by the Chinese sell-off. UST bonds also fell with the 10-year touching 3.97% before closing at 3.94% despite the weaker S&P global manufacturing print at 47.9. Gold also declined. Asian manufacturing PMIs remained a mixed bag for December, with South Korea dipping back into contraction territory at 49.9 (previously 50.0), Taiwan retreating to 47.1 (previously 48.3), Thailand weakening further to 45.1 (previously 47.6), Philippines slipping to 51.5 (previously 52.7), Malaysia unchanged at 47.9. The exceptions were the China Caixin (50.8 versus 50.7), Indonesia (52.2 versus 51.7) and Vietnam (48.9 versus 47.3) PMI reading which improved. Elsewhere, China's PBOC injected CNY350b via its Pledged Supplemental Lending program for policy banks.

Market watch: Asian markets are likely to trade with a soft tone today. Today's economic data calendar comprises of Germany's December unemployment, Singapore's manufacturing and electronics PMIs, US manufacturing ISM and JOLTS job opening. Fed's Barkin is also speaking on the economic outlook, while December FOMC minutes are also due.

SG: The December manufacturing and electronics PMIs may stay rangebound from November's 50.3 and 50.1 respectively. While 4Q23 GDP growth ended on a strong note at 2.8% yoy (1.7% qoq sa), the growth prognosis for 2024 remains intact at 1-3% yoy. MAS is likely to keep its monetary policy stance static at the upcoming review later this month, but Budget 2024 due on 16 February may see more assistance for cost-of-living and unemployment challenges. The STI slipped 0.32% to close at 3,229.95 yesterday and may continue to search for fresh catalysts today. SGS bond yields climbed 2-8bps yesterday and may remain under selling pressure given weak leads from the UST bond market overnight.

Oil: Both WTI and Brent declined 1.8% and 1.5% on Tuesday to close at USD70.4/bbl and USD75.9/bbl respectively. The intraday trade for oil was choppy on the first trading session of 2024. Initially, Brent prices rose above USD79/barrel after the reported arrival of an Iranian warship to the Red Sea, which led to concerns that geopolitical tensions in the region would disrupt supplies. However, a broad risk-off sentiment in the equity markets exerted downward pressures on Brent towards the close of the session.

Key Market Movements

Equity	Value	% chg
S&P 500	4742.8	-0.6%
DJIA	37715	0.1%
Nikkei 225	33464	0.0%
SH Comp	2962.3	-0.4%
STI	3230.0	-0.3%
Hang Seng	16789	-1.5%
KLCI	1453.1	-0.1%
	Value	% chg
DX	102.200	0.9%
USDJPY	141.99	0.8%
EURUSD	1.0942	-0.9%
GBPUSD	1.2617	-0.9%
USDIDR	15470	0.5%
USDSGD	1.3256	0.4%
SGDMYR	3.4817	0.1%
	Value	chg (bp)
2Y UST	4.32	7.02
10Y UST	3.93	5.03
2Y SGS	3.29	3.40
10Y SGS	2.79	8.22
3M LIBOR	5.59	0.00
3M SIBOR	4.06	0.00
3M SORA	3.70	-0.72
3M SOFR	5.36	0.28
	Value	% chg
Brent	75.89	-1.5%
WTI	70.38	-1.8%
Gold	2059	-0.2%
Silver	23.66	-0.6%
Palladium	1081	-1.7%
Copper	8545	-0.2%
BCOM	98.10	-0.6%

Source: Bloomberg

Major Markets

CN: Recent data shows that PBoC has reactivated its pledged supplementary lending (PSL) tool in December, with an increase in outstanding amounts by CNY350 billion. Similar to the ECB's TLTRO, the PSL is a critical tool for stimulating the economy, particularly in the context of the 2015 property market situation. However, this could exert pressure on the RMB.

MY: PM Anwar Ibrahim inaugurated the Central Database Hub (Padu) on 2 January 2024, a database of individual and household profiles of Malaysian citizens and permanent residents. The database will primarily serve to implement the government's planned targeted subsidy mechanism. PM Anwar emphasized that the initiative aims to ensure a more equitable distribution of subsidies, addressing the current disproportionate benefit to the affluent, as reported by The Edge. Economy Minister Rafizi Ramli highlighted Padu's role in steering the government away from the B40, M40, and T20 classifications, while aiding in achieving the target of reducing the fiscal deficit to 3%-3.5% of GDP by 2025.

ID: Headline CPI eased more-than-expected to 2.6% in December from 2.9% in November (Consensus: 2.7%, OCBC: 2.8%), within BI's 2-4% target range. The main drivers were lower food and utilities inflation. However, we note that certain food prices remained elevated. For 4Q23, average headline CPI eased to 2.7% YoY from 2.9% in 3Q23 and for 2023, headline inflation eased to 3.7% from 4.2% in 2022. Similarly, the full-year core CPI eased to 2.5% YoY from 2.8% in 2022. Looking ahead, we maintain our full-year 2024 average headline CPI forecast of 3.1%, with monthly figures expected to stay within BI's lower 1.5% to 3.5% target (versus 2.0% - 4.0% target in 2023). We continue to expect Bank Indonesia (BI) to maintain its policy rate at 6.00% in 1Q24 before starting its easing cycle in 2Q24.

PH: The Presidential Communications Office announced that Japanese company Toyota Motor Corp. has pledged to invest an additional PHP1.1bn to the country's Public Utility Modernisation program. The committed amount is on top of the company's prior commitment of PHP4.4bn to the Philippines, bringing its total investment to PHP5.5bn. Separately, inflation for December 2023 is expected to "settle within the range of 3.6%-4.4%", according to Bangko Sentral ng Pilipinas (BSP). BSP added that the primary sources of upward price pressures will come from higher prices of rice and meat. Meanwhile, lower prices in vegetables, fruits, and fish, as well as lower electricity rates and petroleum prices are expected to contribute to downward price pressures.

TH: Tourism Authority of Thailand Governor Thapanee Kiatphaibool shared that tourism and tourism-related activities during this year's festive season are projected to generate ~THB54.4bn in revenue – a 44% increase over last year. Between the Christmas to New Year festive period, spending by both foreign and domestic tourists are estimated at about THB41.7bn and THB12.7bn respectively. This is an increase of 60% and 11% from the same period last year. Meanwhile, Thailand and China have agreed on a bilateral visa exemption plan for travellers. According to Thai government spokesperson Chai Wacharonke, the bilateral agreement will be officially signed by both countries by end-February and will take effect in March.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday when compared to 29 December 2023 (last trading day of 2023), with short tenors trading 6-8bps higher, belly tenors trading 9-10bps higher, and the 10Y trading 9bps higher. According to Bloomberg, Vedanta Ltd ("Vedanta") is suggesting to pay USD779mn in early February for notes due this year (2024) and the next (2025), and plans to lengthen the maturity on the remaining principal by up to 4 years. Vedanta bondholders have until 2 January 2024 to agree to delay the USD3.2bn in bond repayments, a move that made S&P Global Ratings cut the company's rating deeper into junk (CCC to CC). Reportedly, a few holders of China Fortune Land dollar bonds received only about 30% of the money they were owed as part of a restructuring. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened 1bps to 103bps while the Asia USD High Yield spreads also tightened 55bps to 726bps, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
02-Jan-2024	UETD Construction & Development State-owned Capital Investment Operation Group Co	Fixed	USD	74.5	3-Yr	7.50%	7.50%

New Issues:

- Export-Import Bank of Korea (KEXIM) has mandated several banks to arrange two global fixed income investor conference calls on 3 January 2024 on the potential issuance of USD-denominated SEC-registered senior unsecured notes with expected tenors of 3Y, 5Y and/or 10Y.
- Vista Land & Lifescapes, Inc says its wholly-owned subsidiary VLL International, Inc has approved the establishment of a USD2bn Medium Term Note Program which allows it to sell dollar-denominated notes occasionally

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.200	0.86%	USD-SGD	1.3256	0.40%
USD-JPY	141.990	0.78%	EUR-SGD	1.4505	-0.56%
EUR-USD	1.094	-0.93%	JPY-SGD	0.9344	-0.28%
AUD-USD	0.676	-0.76%	GBP-SGD	1.6738	-0.41%
GBP-USD	1.262	-0.86%	AUD-SGD	0.8967	-0.31%
USD-MYR	4.606	0.26%	NZD-SGD	0.8293	-0.68%
USD-CNY	7.143	0.61%	CHF-SGD	1.5601	-0.62%
USD-IDR	15470	0.47%	SGD-MYR	3.4817	0.10%
USD-VND	24335	0.28%	SGD-CNY	5.3837	0.17%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8450	-0.70%	1M	5.3448	0.00%
3M	3.9090	0.41%	2M	5.3471	0.01%
6M	3.8610	-0.41%	3M	5.3290	-0.02%
12M	3.5130	-0.65%	6M	5.1700	-0.01%
			1Y	4.8003	0.00%

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	37,715.04	25.50
S&P	4,742.83	-27.00
Nasdaq	14,765.94	-245.41
Nikkei 225	33,464.17	-75.45
STI	3,229.95	-10.32
KLCI	1,453.10	-1.56
JCI	7,323.59	50.79
Baltic Dry	2,094.00	7.00
VIX	13.20	0.75

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.29 (+0.03)	4.32(--)
5Y	2.74 (+0.07)	3.91 (+0.07)
10Y	2.79 (+0.08)	3.93 (+0.05)
15Y	2.83 (+0.07)	--
20Y	2.84 (+0.07)	--
30Y	2.78 (+0.08)	4.07 (+0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.38
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.46	11.00%	Corn (per bushel)	464.250	12.5%
Brent (per barrel)	75.86	-4.00%	Soybean (per bushel)	1272.500	-12.5%
Heating Oil (per gallon)	252.96	15.00%	Wheat (per bushel)	607.750	18.8%
Gasoline (per gallon)	209.49	0.00%	Crude Palm Oil (MYR/MT)	3640.000	19.0%
Natural Gas (per MMBtu)	2.58	54.50%	Rubber (JPY/KG)	243.500	133.0%
Base Metals	Futures	% chg	Precious Metals		
Copper (per mt)	8544.50	-17.00%	Gold (per oz)	3680.6	5.4%
Nickel (per mt)	16574.00	-17.00%	Silver (per oz)	23.7	-2.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/03/2024 13:00	IN HSBC India PMI Mfg	Dec	--	56	--
01/03/2024 16:55	GE Unemployment Change (000's)	Dec	20.0k	22.0k	--
01/03/2024 16:55	GE Unemployment Claims Rate SA	Dec	5.90%	5.90%	--
01/03/2024 19:01	NZ CoreLogic House Prices YoY	Dec	--	-4.50%	--
01/03/2024 20:00	US MBA Mortgage Applications	Dec-29	--	--	--
01/03/2024 21:00	SI Purchasing Managers Index	Dec	--	50.3	--
01/03/2024 21:00	SI Electronics Sector Index	Dec	--	50.1	--
01/03/2024 22:00	US Wards Total Vehicle Sales	Dec	15.50m	15.32m	--
01/03/2024 23:00	US ISM Manufacturing	Dec	47.1	46.7	--
01/03/2024 23:00	US ISM Prices Paid	Dec	49.5	49.9	--
01/03/2024 23:00	US JOLTS Job Openings	Nov	8821k	8733k	--
01/03/2024 23:00	US ISM New Orders	Dec	49.1	48.3	--
01/03/2024 23:00	US ISM Employment	Dec	46.5	45.8	--

Source: Bloomberg

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