

Daily Treasury Outlook

9 February 2024

Highlights

Global: Stocks were mostly higher on Thursday, with the S&P 500 rising 0.06% and closing just below the 5,000 level, while the Nasdaq index gained 0.24%. In terms of data, initial jobless claims came in slightly below expectations at 218k (compared to an upwardly revised 227k in the previous week), and continuing claims also fell to 1.87mn. Meanwhile, US Treasury yields moved higher, with the 10-year yield currently hovering around the 4.15% level. Oil prices rose over 3% due to ongoing geopolitical tensions in the Middle East. With light economic data this week, investors will focus on the upcoming CPI and PPI data to be released next week, which will determine if the prints align with the gradual easing trend seen in the past couple of months. The consensus forecast suggests a 0.2% MoM increase in the headline CPI for January compared to 0.3% December. Meanwhile, the core CPI is expected to remain steady at 0.3% from December.

Market Watch: Today's economic calendar comprises Germany CPI estimates, Canada labour data and Japan money stocks for January. China's new lending and money supply figures may also be released as soon as today. On central banks, RBA Governor Michele Bullock will speak to the parliamentary committee. Markets are closed in China, Taiwan, South Korea, Indonesia, Philippines, Vietnam while Hong Kong and Singapore trading will be shut after half-day.

SG: The STI headed further south on Thursday, falling 0.4%, resuming its losing streak after it ended a two-day slump of 1.7%. The STI sits at 3,142.9 and may inch slightly higher today. We will be watching the developments leading up to the Budget 2024 announcement due next Friday, 16 February, where we expect the Budget 2023 outturn to be a surplus of \$3.1 billion (0.4% of GDP) and pencil in a modest deficit of \$1.7 billion (0.2% of GDP) in Budget 2024.

CN: January Consumer Price Index (CPI) experienced a significant year-on-year contraction of 0.8%, marking the largest decline since 2009. This contraction was primarily attributed to the negative base effect resulting from the Chinese New Year falling in February this year, which alone dragged the CPI down by 1.1%. However, on a sequential basis, the CPI showed a modest increase of 0.3% month-on-month, driven by both food and non-food price rises. Food prices, buoyed by cold weather, rose by 0.4% month-on-month, with vegetable prices notably increasing by 3.8%. Additionally, non-food prices also edged up by 0.2% month-on-month. Looking ahead, the impact of the base effect is expected to continue exerting a considerable drag, amounting to approximately 0.6% in February. However, with the Chinese New Year approaching, recent high frequency data indicate that food prices have surged by over 3% in the first week of February, which is likely to

Key Market Movements

| Equity | Value | % chg |
|------------|---------|----------|
| S&P 500 | 4997.9 | 0.1% |
| DJIA | 38726 | 0.1% |
| Nikkei 225 | 36863 | 2.1% |
| SH Comp | 2865.9 | 1.3% |
| STI | 3142.9 | -0.4% |
| Hang Seng | 15878 | -1.3% |
| KLCI | 1512.4 | 0.0% |
| | Value | % chg |
| DXY | 104.165 | 0.1% |
| USDJPY | 149.32 | 0.8% |
| EURUSD | 1.0778 | 0.1% |
| GBPUSD | 1.2617 | -0.1% |
| USDIDR | 15635 | 0.0% |
| USDSGD | 1.3472 | 0.3% |
| SGDMYR | 3.5487 | 0.1% |
| | Value | chg (bp) |
| 2Y UST | 4.45 | 2.53 |
| 10Y UST | 4.15 | 3.29 |
| 2Y SGS | 3.22 | 1.10 |
| 10Y SGS | 2.97 | 0.11 |
| 3M LIBOR | 5.58 | 0.00 |
| 3M SIBOR | 4.06 | 0.00 |
| 3M SORA | 3.64 | 0.02 |
| 3M SOFR | 5.36 | -0.01 |
| | Value | % chg |
| Brent | 81.63 | 3.1% |
| WTI | 76.22 | 3.2% |
| Gold | 2035 | 0.0% |
| Silver | 22.58 | 1.6% |
| Palladium | 891 | -0.8% |
| Copper | 8312 | 0.0% |
| BCOM | 96.99 | 0.4% |

Source: Bloomberg

offset the base effect drag. Consequently, it is anticipated that China's CPI will grow by more than 0.5% year-on-year in February.

Major Markets

MY: Wholesale and retail trade sales value growth eased to 4.8% YoY to RM143.9bn in December from 6.2% (RM142.5bn) in November. This brings the 4Q23 print to 5.8% YoY, slowing from 6.8% growth in 3Q23. December's print was weighted by slowing growth in all sub-sectors, with growth in the motor vehicles, wholesale trade, and retail trade sectors easing to 5.9% YoY, 4.4%, and 5.0% from 12.7%, 6.2%, and 4.4% in November, respectively.

ID: Provincial Government will enforce a US\$10 or Rp150,000 tourism tax on foreign visitors starting 14-February 2024. This payment will be facilitated through the Love Bali app, introduced by the Bali Regional Government, with the aim of addressing waste issues, preserving Balinese culture, and upholding local customs. Tourism and Creative Economy Minister Sandiaga Uno expressed optimism in July 2023 that this policy would enhance Bali's tourism quality by ensuring conservation funding through visitor contributions, while the Love Bali app is expected to simplify payments and promote awareness of nature and cultural conservation efforts.

PH: Finance Secretary Ralph G. Recto has said that the Bangko Sentral ng Pilipinas (BSP) will "likely take its cue on future monetary policy easing from the Federal Reserve", as reported by Bloomberg. Finance Secretary Recto also mentioned that the current policy rate is sufficiently high and that the BSP is likely to maintain its policy rate at its first Monetary Board meeting in 2024, on 15 February.

Oil: WTI and Brent rose ~3.1% on Thursday to close at USD76.2/bbl and USD81.6/bbl respectively. Both oil benchmarks edged higher for a fourth consecutive trading day on concerns of escalating geopolitical tensions in the Middle East. The Israeli military forces intensified its military operations in the southern border city of Rafah after the rejection of Hamas' ceasefire proposal by Israel Prime Minister Benjamin Netanyahu. Meanwhile, the US military has conducted new strikes in Iraq (i.e., this has led to the killing of Kataib Hezbollah commander) in response to attacks on US troops, as reported by Reuters.

ESG Updates

SG: The marine biofuel market in Singapore has seen growth over the last two years as shippers explore low-carbon alternatives for conventional fuel oil, but the broader demand remains slow as shippers usually buy them for sporadic trials and term contracts. The B24 blend, which is the current benchmark grade for marine biofuel, combines 24% used cooking oil methyl ester (UCOME) with 76% very low sulphur fuel oil (VLSFO). The cargoes typically trade at a premium to Singapore VLSFO quotes, but the price spread has narrowed this year after conventional VLSFO bunker prices strengthened, as shipping disruptions in the Red Sea led to firmer demand for VLSFO marine fuel.

Rest of the World: Concerns surrounding Electric Vehicles (EVs) such as safety, price and a lack of charging infrastructure weigh on EV demand in South Korea. Higher interest rates and inflation are also dampening demand as consumers rein in spending and await announcements on government subsidies for EVs.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-2bps lower, belly tenors trading 1bps lower, and the 10Y trading 1bps lower. According to Bloomberg, Shinhan Financial Group Co. has signaled confidence in improving its buffers against a roughly USD1bn exposure to US property. Chief Executive Officer Jin Okdong said his firm's exposure to US and Canadian commercial real estate is about KRW2.4tn (USD1.8bn), with the risky tranche amounting to around KRW1.4tn. Nonperforming assets currently stand at KRW208bn (USD160mn). The firm has already set aside KRW933.3bn (USD703mn) in 2023, up 71% from 2022. Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 98bps while the Asia USD High Yield spreads tightened by 7bps to 645bps, per Bloomberg.

New Issues:

- There were no notable bond issuances in the Asiadollar market yesterday.
- There was one notable bond issuance in the Singdollar market yesterday. Mapletree Industrial Trust priced a senior unsecured 3Y SGD50mn bond at 3.751%.

Mandates:

- Korea Housing Finance Corp. ("KHFC") is planning to issue a USD-denominated Rule 144A/3c7/Reg S senior unsecured social bond offering with expected tenor(s) of 3- and/or 5Y.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 104.165 | 0.10% | USD-SGD | 1.3472 | 0.29% |
| USD-JPY | 149.320 | 0.77% | EUR-SGD | 1.4521 | 0.35% |
| EUR-USD | 1.078 | 0.06% | JPY-SGD | 0.9023 | -0.46% |
| AUD-USD | 0.649 | -0.43% | GBP-SGD | 1.6999 | 0.22% |
| GBP-USD | 1.262 | -0.07% | AUD-SGD | 0.8747 | -0.14% |
| USD-MYR | 4.773 | 0.25% | NZD-SGD | 0.8213 | 0.01% |
| USD-CNY | 7.197 | 0.03% | CHF-SGD | 1.5422 | 0.42% |
| USD-IDR | 15635 | -0.60% | SGD-MYR | 3.5487 | 0.12% |
| USD-VND | 24426 | 0.03% | SGD-CNY | 5.3439 | -0.21% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|------------|---------|--------|-----------|----------|--------|
| 1M | 3.8740 | -0.49% | 1M | 5.3200 | -0.03% |
| 3M | 3.8950 | -0.94% | 2M | 5.3215 | -0.01% |
| 6M | 3.8990 | -0.59% | 3M | 5.3096 | 0.00% |
| 12M | 3.6560 | -0.30% | 6M | 5.1902 | -0.02% |
| | | | 1Y | 4.8830 | -0.05% |

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 | 38,726.33 | 48.97 |
| S&P | 4,997.91 | 2.85 |
| Nasdaq | 15,793.71 | 37.07 |
| Nikkei 225 | 36,863.28 | 743.36 |
| STI | 3,142.91 | -13.24 |
| KLCI | 1,512.36 | -0.75 |
| JCI | 7,235.15 | -12.26 |
| Baltic Dry | 1,487.00 | -29.00 |
| VIX | 12.79 | -0.04 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 3.22 (+0.01) | 4.45(--) |
| 5Y | 2.88 (+0.01) | 4.12 (+0.05) |
| 10Y | 2.97 (--) | 4.15 (+0.03) |
| 15Y | 2.98 (--) | -- |
| 20Y | 2.93 (+0.01) | -- |
| 30Y | 2.85 (+0.03) | 4.35 (+0.03) |

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) | 76.22 | 3.20% | Corn (per bushel) | 4.333 | -0.2% |
| Brent (per barrel) | 81.63 | 3.06% | Soybean (per bushel) | 11.935 | 0.4% |
| Heating Oil (per gallon) | 289.08 | 2.69% | Wheat (per bushel) | 5.885 | -2.2% |
| Gasoline (per gallon) | 234.20 | 3.49% | Crude Palm Oil (MYR/MT) | 39.170 | -0.3% |
| Natural Gas (per MMBtu) | 1.92 | -2.54% | Rubber (JPY/KG) | 243.200 | -0.1% |

| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|----------|--------|-----------------|---------|-------|
| Copper (per mt) | 8312.00 | -1.07% | Gold (per oz) | 2034.5 | 0.0% |
| Nickel (per mt) | 16012.00 | 0.53% | Silver (per oz) | 22.6 | 1.6% |

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

| Date | Event | Survey | Actual | Prior | Revised |
|------------------|---|--------------|--------|----------|---------|
| 02/09/2024 09:00 | CH Money Supply M2 YoY | Jan 9.30% | -- | 9.70% | -- |
| 02/09/2024 09:00 | CH New Yuan Loans CNY | Jan 4500.0b | -- | 1170.0b | 1170.9b |
| 02/09/2024 09:00 | CH Money Supply M1 YoY | Jan 2.90% | -- | 1.30% | -- |
| 02/09/2024 09:00 | CH Money Supply M0 YoY | Jan -- | -- | 8.30% | -- |
| 02/09/2024 09:00 | CH Aggregate Financing CNY | Jan 5600.0b | -- | 1940.0b | 1940.1b |
| 02/09/2024 07:50 | JN Money Stock M2 YoY | Jan -- | -- | 2.30% | -- |
| 02/09/2024 07:50 | JN Money Stock M3 YoY | Jan -- | -- | 1.70% | -- |
| 02/09/2024 15:00 | GE CPI YoY | Jan F 2.90% | -- | 2.90% | -- |
| 02/09/2024 15:00 | GE CPI MoM | Jan F 0.20% | -- | 0.20% | -- |
| 02/09/2024 15:00 | GE CPI EU Harmonized YoY | Jan F 3.10% | -- | 3.10% | -- |
| 02/09/2024 15:00 | GE CPI EU Harmonized MoM | Jan F -0.20% | -- | -0.20% | -- |
| 02/09/2024 15:30 | TH Foreign Reserves | Feb-02 -- | -- | \$221.2b | -- |
| 02/09/2024 21:30 | CA Unemployment Rate | Jan 5.90% | -- | 5.80% | -- |
| 02/09/2024 21:30 | CA Net Change in Employment | Jan 15.0k | -- | 0.1k | -- |
| 02/09/2024 21:30 | CA Hourly Wage Rate Permanent Employees YoY | Jan 5.30% | -- | 5.70% | -- |
| 02/09/2024 21:30 | CA Full Time Employment Change | Jan -- | -- | -23.5k | -- |

Source: Bloomberg

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