

Daily Treasury Outlook

4 February 2025

Highlights

Global: Monday was another headline driven session. Trump paused tariffs on Mexico and Canada for 30 days, after reaching a tentative agreement with leaders from these two countries. It offered hope that the Trump administrative would likely use tariffs as negotiation tool rather than risking a full-fledged trade war, which could include Europe and other trading partners. The markets whiplashed in response to the news flow. The US stock market trimmed the heavy intraday losses, but still ended the day lower (S&P 500: -0.8%, Nasdaq: -1.2%, and Dow Jones -0.3%). Dollar pared back gains, while the CAD and Mexican peso rebounded alongside other currencies. Gold hit a record high amid haven flows. Fed's Bostic said he wants to wait "a while" before cutting interest rates again, while Goolsbee flagged caution amid tariff uncertainties. According to BoJ's meeting minutes, many board members were concerned over the upside risks to prices. The board also deemed a rapid depreciation of the yen as not desirable and saw the need to raise the policy rate. On data front, US' ISM manufacturing PMI rose 1.7 percentage points to 50.9 in January, reaching above the 50 boom-bust-divide for the first time since 2022. Meanwhile, prices paid sub-index rose to eight-month high of 54.9. Eurozone's CPI and core CPI was little changed at 2.5% and 2.7% respectively in January.

Market Watch: Asian market is likely to see some calmness today, in light of the "trade truce". Economic calendar is fairly light for Asia today, and market will likely focus on US' trade talks with China. Later today, attention will turn to US' December factory orders and JOLTS job openings data.

Oil: Crude oil benchmarks rose on Monday, with WTI increasing by 0.9% and Brent futures for April delivery rising by 0.4%, closing at USD73.2/bbl and USD76.0/bbl, respectively. The intraday trading was choppy. Specifically, WTI crude rose by 3.7% to an intraday high of USD75.2/bbl during the NY session, driven by concerns about supply disruption following the announcement of US tariffs on imports from Canada, Mexico, and China. However, some of these gains were pared back after the announcement of a one-month suspension of tariffs on Mexico and Canada. Elsewhere, OPEC+ reaffirmed its existing plans for a gradual increase in oil production starting in April during its Joint Ministerial Monitoring Committee (JMMC) on 3 February.

Key Market Movements

Equity	Value	% chg
S&P 500	5994.6	-0.8%
DJIA	44422	-0.3%
Nikkei 225	38520	-2.7%
SH Comp	3250.6	0.0%
STI	3826.5	-0.8%
Hang Seng	20217	0.0%
KLCI	1553.6	-0.2%
	Value	% chg
DXY	108.990	0.6%
USDJPY	154.73	-0.3%
EURUSD	1.0344	-0.2%
GBPUSD	1.2450	0.4%
USDIDR	16435	0.8%
USDSGD	1.3611	0.3%
SGDMYR	3.2729	-0.5%
	Value	chg (bp)
2Y UST	4.25	5.18
10Y UST	4.56	1.63
2Y SGS	2.81	0.10
10Y SGS	2.90	-2.10
3M SORA	2.90	-1.89
3M SOFR	4.50	-1.57
	Value	% chg
Brent	75.96	0.4%
WTI	73.16	0.9%
Gold	2815	0.6%
Silver	31.60	0.9%
Palladium	1014	-0.3%
Copper	9099	0.6%
BCOM	103.78	1.5%

Source: Bloomberg

Major Markets

HK: Real GDP growth accelerated to 2.4% in 4Q24, from an upwardly revised 1.9% in 3Q24, due to a smaller drag from private consumption. For 2024 as a whole, the economy expanded by 2.5% YoY (2023: 3.2% YoY), largely aligned with market consensus, and slightly above our in-house forecast at 2.4%. In 4Q24, private consumption expenditure contracted by a slower pace of 0.2% YoY (3Q24: -1.3%), as result of positive wealth effect created from the sharp rally in local equity market in late-September and a series of rate cuts. Growth in goods exports slowed further to 1.2%, while service exports paced up to 5.6% YoY (3Q24: 4.0% and 2.9%). On the flip side, gross domestic fixed capital formation fell by 0.9% YoY (3Q24: 5.7%). Separately, Hong Kong's retail sales fell by a 9.7% YoY in December, partly reflecting the increased outbound travels by local residents. For 2024 as a whole, total retail sales decreased by 7.3% in value and 9.0% in volume compared with 2023.

MY: The government plans to introduce a mandatory 2% Employees Provident Fund (EPF) contribution for foreign workers, according to Prime Minister Anwar Ibrahim. This rate is significantly lower than the initially suggested 12%, with PM Anwar emphasizing that that it would remain at 2% without further increases. The proposal will be discussed at the Cabinet level, with the Ministry of Human Resources expected to provide more details.

ID: Headline CPI eased significantly to 0.8% YoY in January 2025 from 1.6% in December 2024, marking the lowest reading since 2000. Meanwhile, the core print rose slightly to 2.4% YoY from 2.3% in December, largely reflecting elevated gold prices. Looking at the drivers, the lower CPI reading was primarily a drop of 8.8% in the 'housing, water, electricity & other fuel' category from +0.6% in December, which shaved off 1.4 percentage points (pp) from headline CPI after contributing 0.1pp in December 2024. This was mainly due to a 50% temporary electricity tariff discount effective in January and February 2025. This more than offset the uptick in the 'food, beverage, and tobacco' CPI (3.7% YoY from 1.9% in December), with its contribution rising to 1.1 pp to the headline print from 0.5 pp in the previous month, on account of higher prices for red chili, rice, eggs, and proteins.

TH: According to Commerce Minister Pichai Nariphaphan, Thailand and Bahrain are engaged in discussions regarding a bilateral free trade agreement aimed at bolstering trade and investment activities between the two countries, as well as enhancing Thailand's role as a hub for food security in the Middle East. Bahrain is Thailand's 59th largest trading partner, with Thai exports to Bahrain primarily consisting of automobiles and auto parts, gems and jewellery, wood and machinery.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for January 2025 is expected to “settle within the 2.5-3.3% range”. BSP stated that the primary sources of upward price pressures in January are driven by higher prices for petroleum and key food items, as well as annual adjustments in water rates and sin taxes. Meanwhile, lower rice and utility prices are expected to provide some offset to these upward price pressures. Moving forward, the BSP states that it will “continue to take a measured approach in ensuring price stability conducive to balanced and sustainable growth of the economy and employment.”

VN: Two-way trade between Vietnam and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) member countries rose by 6.8% YoY to reach USD102billion in 2024, representing 13.1% of the country’s total trade, as reported by Viet Nam News, citing the Ministry of Industry and Trade. In addition, Vietnam recorded a trade surplus of USD9.4billion with the CPTPP members in 2024. The CPTPP is a free trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam.

ESG

ID: Indonesia plans to build nuclear power plants with the capacity of about 4GW to support cleaner energy production. Indonesia's current installed power capacity is more than 90GW, with more than half of that powered by coal and less than 15% by renewables. As Indonesia is earthquake-prone, Indonesia will prioritise building the nuclear power plants on earthquake-resistant areas or areas with low risk of earthquakes amidst safety concerns.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded mixed yesterday with shorter tenors trading 0-1bps higher, belly tenors trading 0-1bps lower and 10Y trading 1bps lower. Per Bloomberg, Deutsche Bank led the underwriting of Asia ex-Japan G3 high-yield bonds in January, with deal values soaring 1,353% year-over-year. Issuers raised USD2.18bn, up from USD150mn last January, according to Bloomberg League Tables. China Evergrande New Energy Vehicle Group Ltd. (“Evergrande NEV”), the electric vehicle unit of the defaulted China Evergrande Group, has cut more jobs to conserve cash while seeking a buyer or investor according to a recent exchange filing. However, the low liquidity has hindered services like site audits for 2024. Evergrande NEV is using its available cash for essential operations, including plant maintenance, while pursuing strategic investors or buyers to address its liquidity issues. A London judge has approved Sino-Ocean Group Holding Ltd.'s debt restructuring plan, overcoming objections from bondholders. The plan seeks to restructure USD5.6bn in debt, following the company's default on dollar bonds and suspension of offshore borrowings in 2023. Following a three-day hearing, the judge found the plan fairly distributes value among stakeholders and ruled that two state-owned shareholders will keep at least 15% of Sino-Ocean's equity each for at least two years post-restructuring. Bloomberg Asia USD Investment Grade spreads widened by 2bps to 74bps while Bloomberg Asia USD High Yield spreads tightened by 6bps to 426bps. (Bloomberg, OCBC)

New Issues:

There were no notable issuances in the Asiadollar and Singdollar markets yesterday.

Mandates:

There were no notable mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	108.990	0.57%	USD-SGD	1.3611	0.32%
USD-JPY	154.730	-0.30%	EUR-SGD	1.4081	0.18%
EUR-USD	1.034	-0.17%	JPY-SGD	0.8792	0.59%
AUD-USD	0.623	0.14%	GBP-SGD	1.6936	0.65%
GBP-USD	1.245	0.44%	AUD-SGD	0.8472	0.52%
USD-MYR	4.474	0.30%	NZD-SGD	0.7655	0.01%
USD-CNY	#N/A N/A	#VALUE!	CHF-SGD	1.4938	0.26%
USD-IDR	16435	0.83%	SGD-MYR	3.2729	-0.51%
USD-VND	25291	0.83%	SGD-CNY	5.3030	-0.70%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6600	-2.53%	1M	4.3090	0.01%
3M	2.5890	-0.65%	2M	4.3065	0.00%
6M	2.5900	-0.12%	3M	4.3056	0.00%
12M	2.5190	-0.47%	6M	4.2674	0.04%
			1Y	4.2035	0.17%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/19/2025	-0.139	-13.9	-0.035
05/07/2025	-0.393	-25.5	-0.098
06/18/2025	-0.793	-40	-0.198
07/30/2025	-0.995	-20.2	-0.249
09/17/2025	-1.278	-28.3	-0.319
12/10/2025	-1.648	-19.3	-0.412

Equity and Commodity

Index	Value	Net change
DJIA	44,421.91	-122.75
S&P	5,994.57	-45.96
Nasdaq	19,391.96	-235.48
Nikkei 225	38,520.09	-1052.40
STI	3,826.47	-29.35
KLCI	1,553.63	-3.29
JCI	7,030.06	-79.14
Baltic Dry	735.00	20.00
VIX	18.62	2.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.81 (--)	4.26(--)
5Y	2.82 (-0.01)	4.36 (+0.03)
10Y	2.9 (-0.02)	4.56 (+0.02)
15Y	2.92 (-0.02)	--
20Y	2.9 (-0.02)	--
30Y	2.85 (-0.01)	4.8(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.38
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.16	0.87%	Corn (per bushel)	4.888	1.4%
Brent (per barrel)	75.96	-1.04%	Soybean (per bushel)	10.583	1.6%
Heating Oil (per gallon)	246.31	-0.86%	Wheat (per bushel)	5.668	1.3%
Gasoline (per gallon)	211.77	3.99%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.35	10.12%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9099.00	0.56%	Gold (per oz)	2815.2	0.6%
Nickel (per mt)	15208.00	-0.01%	Silver (per oz)	31.6	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
02/04/2025 05:36	US	Wards Total Vehicle Sales	Jan	16.00m	15.60m	16.80m	--
02/04/2025 05:45	NZ	Building Permits MoM	Dec	--	-5.60%	5.30%	4.90%
02/04/2025 07:50	JN	Monetary Base YoY	Jan	--	-2.50%	-1.00%	--
02/04/2025 07:50	JN	Monetary Base End of period	Jan	--	¥653.4t	¥660.3t	--
02/04/2025 08:30	AU	Household Spending YoY	Dec	3.40%	4.30%	2.40%	3.20%
02/04/2025 08:30	AU	Household Spending MoM	Dec	0.30%	0.40%	0.40%	0.80%
02/04/2025 23:00	US	Durable Goods Orders	Dec F	-2.20%	--	-2.20%	--
02/04/2025 23:00	US	Factory Orders	Dec	-0.80%	--	-0.40%	--
02/04/2025 23:00	US	Durables Ex Transportation	Dec F	0.30%	--	0.30%	--
02/04/2025 23:00	US	JOLTS Job Openings	Dec	8000k	--	8098k	--
02/04/2025 23:00	US	Cap Goods Orders Nondef Ex Air	Dec F	0.50%	--	0.50%	--
02/04/2025 23:00	US	Cap Goods Ship Nondef Ex Air	Dec F	0.60%	--	0.60%	--
02/04/2025 23:00	US	JOLTS Job Openings Rate	Dec	4.80%	--	4.80%	--
02/04/2025 23:00	US	JOLTS Quits Rate	Dec	--	--	1.90%	--
02/04/2025 23:00	US	Factory Orders Ex Trans	Dec	--	--	0.20%	--
02/04/2025 23:00	US	JOLTS Layoffs Rate	Dec	--	--	1.10%	--

Source: Bloomberg

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