

Daily Treasury Outlook

18 March 2024

Highlights

Global: Going dotty? With the upcoming FOMC on 21 March where a refresh of the dots plot and economic forecasts will shed light on the Fed's future rate cut intentions as well as the long-awaited discussion about the pace of QT, market players will likely be on edge to start the week. The University of Michigan sentiment index unexpectedly softened from 76.9 to 76.5 in March, as the expectations gauge eased from 75.2 to 74.6. The S&P500 fell 0.65% on Friday while the 10-year UST bond yield rose 2pm to 4.31%. Elsewhere, China kept its 1-year medium-term lending facility rate unchanged at 2.5% and trimmed the volume to CNY387bn even as February new home prices fell a slightly smaller 0.36% MoM whereas the new loans jumped from CNY4920bn to CNY6370bn.

Market Watch: Asian markets are likely to trade with a slightly cautious tone ahead of the major central bank policy decisions ahead. For the day ahead, watch for China's data dump including February retail sales, property investment, fixed asset investments, jobless rate, industrial production and residential property sales, as well as Malaysia's February trade data, HK's unemployment rate, Eurozone's CPI and trade, US' NAHB housing market index and New York Fed business activity. For the week ahead, there are the RBA policy decision tomorrow (likely unchanged at 4.35%), and BOJ policy decision (likely a live meeting for the policy balance rate currently at -0.1% and the YCC), China's 1- and 5-year LPR rate fixings and BI policy decision (likely steady at 6%) on Wednesday, CBC, SNB and BOE policy decisions (all likely on hold, but keep an eye on the potential shift in the 3-way split for the BOE) on Thursday.

SG: NODX disappointed by unexpectedly contracting by 0.1% YoY (-4.8% MoM sa) in February, following a downwardly revised 16.7% YoY (2.2% MoM sa). Electronics exports improved from 0.6% YoY in January to 5.2% in February, marking its second month of expansion. The STI declined 0.42% to close at 3,172.96 on Friday and may consolidate today.

Oil: Crude oil benchmarks dipped on Friday after rising to a four-month high on Thursday. WTI and Brent edged marginally lower by 0.2% and 0.1% to settle at USD81.1/bbl and USD85.3/bbl respectively. Over the weekend, Ukrainian drone attacks struck at infrastructures across Russia, as reported by Reuters. As the Russia-Ukraine war entered into its third year, the conflict continues to pose a risk to the flow of Russian oil production and exports into the global market.

Key Market Movements

Equity	Value	% chg
S&P 500	5117.1	-0.6%
DJIA	38715	-0.5%
Nikkei 225	38708	-0.3%
SH Comp	3054.6	0.5%
STI	3173.0	-0.4%
Hang Seng	16721	-1.4%
KLCI	1552.8	0.6%
	Value	% chg
DX	103.432	0.1%
USDJPY	149.04	0.5%
EURUSD	1.0889	0.1%
GBPUSD	1.2736	-0.1%
USDIDR	15595	0.1%
USDSGD	1.3376	0.1%
SGDMYR	3.5199	0.1%
	Value	chg (bp)
2Y UST	4.73	3.40
10Y UST	4.31	1.60
2Y SGS	3.45	1.80
10Y SGS	3.10	4.71
3M SORA	3.62	-0.33
3M SOFR	5.35	-0.01
	Value	% chg
Brent	85.34	-0.1%
WTI	81.04	-0.3%
Gold	2156	-0.3%
Silver	25.19	1.5%
Palladium	1081	1.2%
Copper	9072	2.1%
BCOM	99.19	0.1%

Source: Bloomberg

Major Markets

ID: Export growth fell to -9.5% YoY in February, worsening relative to January (-8.2% YoY). By contrast, import growth surprised to the upside, accelerating to 15.8% YoY versus 0.3% in January. Consequently, the trade surplus narrowed significantly to USD0.9bn from USD2bn in January. Specifically on imports by end-use, consumption goods imports rose by 36.5% YoY in February (January: 11%), followed by capital goods (18.5% versus 10.2%) and raw materials (12.8% versus -3.0%) imports. The narrowing trade surplus suggests that Bank Indonesia will remain vigilant of external pressures. However, with growth momentum weakening, we continue to expect a cumulative 125bp in rate cuts this year, starting late 2Q24.

MY: Prime Minister Anwar Ibrahim highlighted the need for Malaysia and the European Union (EU) to resume discussions on a free trade agreement (FTA) to enhance bilateral ties and regional integration. Speaking at the 101st Ostasiatisches Liebesmahl in Hamburg, PM Anwar expressed Malaysia's readiness to facilitate an FTA, adding that an FTA would allow Europe to capitalize on Malaysia's position as a gateway to Asia. Additionally, PM Anwar discussed the Madani Economy framework, aiming to position Malaysia as a leading economy in Asia while promoting sustainable and inclusive development. Elsewhere, Malaysia's crude oil and condensate production rose 0.9% YoY reaching 49.1mn barrels in 4Q23, but full-year 2023 production was decline by -0.1% (188.8mn barrels). Likewise, natural gas production marginally lower (-0.03% YoY) at 2,862bn cubic feet in 2023.

PH: The balance of payments surplus widened to USD1.9bn in 4Q23, up from USD0.6bn in 4Q22. The higher BOP surplus was driven by significant increases in net inflows in the financial account, according to Bangko Sentral ng Pilipinas (BSP). Meanwhile, the current account deficit widened to USD0.5bn (0.4% of GDP) in 4Q23 from USD0.1bn (0.04% of GDP) in 4Q22. The goods trade deficit narrowed while the surpluses on the services and secondary income account narrowed relative to 3Q24. The surplus on the primary income account improved marginally. Separately, overseas cash remittance rose 2.7% YoY in January from 3.8% in December. By destination, the increase in remittances was supported by growth in cash remittances from the US, Saudi Arabia, the UAE, and Singapore.

TH: Thailand and the US have both agreed to establish a joint working group to negotiate US investments in Thailand's semiconductor industry, according to government spokesman Chai Wacharonke. Government spokesman Chai Wacharonke added that "the US private sector views Thailand as one of the best alternative countries to diversify supply chain risks in semiconductor production".

ESG

SG: Singapore and Australia have signed an MoU to establish the Singapore-Australia Green and Digital Shipping Corridor (GDSC). Both countries will work with interested partners to develop zero or near-zero greenhouse gas emission fuel supply chains for the maritime industry. This includes building infrastructure, developing new technologies and implementing capability development programmes.

Rest of the world: The US Department of Energy is granting US\$750 million to projects across 24 states that are building capacity to produce and use clean hydrogen. The projects are working on six aspects of the hydrogen industry, including research and development on production of electrolyzers, securing supply chains for the machines, and recycling critical materials used in hydrogen production e.g., iridium.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 2bps higher, belly tenors trading 4bps higher and 10Y trading 4bps higher. China's bank loans expanded at the slowest pace on record in February, pointing to low borrowing demand despite efforts by the central bank to stimulate the economy. The stock of yuan loans grew 9.7% in February from a year ago, the lowest since this data was recorded in 2003 (first time the rate dropped below 10%). Yesterday, Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 89bps, while the Asia USD High Yield spreads tightened by 4bps to 560bps. (Bloomberg, OCBC)

New Issues:

- There was one notable bond issuance in the Asiadollar market yesterday. Shuifa International Holdings BVI Co Ltd (SHUGRP) (Guarantor: Shuifa Group Co Ltd) issued a USD180mn 3Y Green Fixed with final pricing of 7.2%.
- There were no notable bond issuances in the Singdollar market yesterday.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.432	0.07%	USD-SGD	1.3376	0.12%
USD-JPY	149.040	0.48%	EUR-SGD	1.4564	0.17%
EUR-USD	1.089	0.06%	JPY-SGD	0.8973	-0.39%
AUD-USD	0.656	-0.32%	GBP-SGD	1.7033	-0.03%
GBP-USD	1.274	-0.13%	AUD-SGD	0.8775	-0.19%
USD-MYR	4.707	0.45%	NZD-SGD	0.8139	-0.63%
USD-CNY	7.197	0.04%	CHF-SGD	1.5138	0.13%
USD-IDR	15595	0.08%	SGD-MYR	3.5199	0.06%
USD-VND	24722	0.09%	SGD-CNY	5.3791	-0.10%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8620	0.49%	1M	5.3285	0.03%
3M	3.9280	0.00%	2M	5.3351	0.02%
6M	3.9080	0.13%	3M	5.3338	0.00%
12M	3.7090	0.22%	6M	5.2806	0.20%
			1Y	5.0895	0.44%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.328
05/01/2024	-0.090	-0.023	5.307
06/12/2024	-0.605	-0.151	5.178
07/31/2024	-1.028	-0.257	5.073
09/18/2024	-1.773	-0.443	4.886
11/07/2024	-2.263	-0.566	4.764
12/18/2024	-2.895	-0.724	4.606
01/29/2025	-3.388	-0.847	4.483

Equity and Commodity

Index	Value	Net change
DJIA	38,714.77	-190.89
S&P	5,117.09	-33.39
Nasdaq	15,973.17	-155.36
Nikkei 225	38,707.64	-99.74
STI	3,172.96	-13.44
KLCI	1,552.83	9.08
JCI	7,328.05	-105.26
Baltic Dry	2,374.00	24.00
VIX	14.41	0.01

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.45 (+0.02)	4.73(--)
5Y	3.05 (+0.04)	4.33 (+0.04)
10Y	3.1 (+0.05)	4.31 (+0.02)
15Y	3.07 (+0.03)	--
20Y	3.07 (+0.02)	--
30Y	3.02 (+0.02)	4.43(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.04	-0.27%	Corn (per bushel)	4.368	3.4%
Brent (per barrel)	85.34	-0.09%	Soybean (per bushel)	11.983	1.5%
Heating Oil (per gallon)	272.70	0.67%	Wheat (per bushel)	5.285	1.7%
Gasoline (per gallon)	272.08	0.65%	Crude Palm Oil (MYR/MT)	43.270	-0.1%
Natural Gas (per MMBtu)	1.66	-4.94%	Rubber (JPY/KG)	348.100	2.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9072.00	2.08%	Gold (per oz)	2155.9	-0.3%
Nickel (per mt)	18074.00	-0.02%	Silver (per oz)	25.2	1.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/18/2024 07:50	JN	Core Machine Orders MoM	Jan	-0.70%	--	2.70%	--
03/18/2024 07:50	JN	Core Machine Orders YoY	Jan	-10.50%	--	-0.70%	--
03/18/2024 08:01	UK	Rightmove House Prices MoM	Mar	--	--	0.90%	--
03/18/2024 08:01	UK	Rightmove House Prices YoY	Mar	--	--	0.10%	--
03/18/2024 08:30	SI	Non-oil Domestic Exports YoY	Feb	4.70%	--	16.80%	--
03/18/2024 08:30	SI	Non-oil Domestic Exports SA MoM	Feb	-0.50%	--	2.30%	--
03/18/2024 10:00	CH	Residential Property Sales YTD YoY	Feb	--	--	--	--
03/18/2024 10:00	CH	Industrial Production YTD YoY	Feb	5.20%	--	--	--
03/18/2024 10:00	CH	Fixed Assets Ex Rural YTD YoY	Feb	3.20%	--	--	--
03/18/2024 10:00	CH	Retail Sales YTD YoY	Feb	5.60%	--	--	--
03/18/2024 12:00	MA	Exports YoY	Feb	2.40%	--	8.70%	--
03/18/2024 16:30	HK	Unemployment Rate SA	Feb	2.90%	--	2.90%	--
03/18/2024 18:00	EC	CPI YoY	Feb F	2.60%	--	2.60%	--
03/18/2024 18:00	EC	CPI MoM	Feb F	0.60%	--	0.60%	--
03/18/2024 18:00	EC	CPI Core YoY	Feb F	3.10%	--	3.10%	--
03/18/2024 20:30	CA	Industrial Product Price MoM	Feb	0.00%	--	-0.10%	--

Source: Bloomberg

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