

Daily Treasury Outlook

19 March 2024

Highlights

Global: US stock market closed higher on Monday, with mega-size tech stocks leading the rebound while investors waited for major central banks' policy meetings this week. Treasury yields edged up across the board, with the long-end underperforming. 2-year UST yield hovered near the year-to-date high. The dollar extended last week's gains, while gold also managed to hold onto gains. Oil prices refreshed four-month high as economic data from China came in better-than-expected alongside other supply concerns. In the first two months this year, China's industrial production and fixed asset investment grew by 7.0% YoY and 4.2% YoY respectively (vs estimate of 5.2% YoY and 3.2% YoY). During the period, retail sales growth slowed to 5.5% YoY, marginally below the consensus of 5.6% YoY, though partly due to a high base last year (reflecting the reopening of the economy). Surveyed unemployment rate ticked up to 5.3% January-February, from that of 5.1% in December last year.

Market Watch: Asian markets may trade with a cautious tone. Market will watch for RBA and BOJ meetings today, as well as Japan's January factory output and Philippines February balance of payments, as well as Canada's February CPI. The two-day Fed meeting will also kick start on Tuesday.

SG: STI traded sideways in the lead up to the US Fed rate decision due 20 March, closing flat at 3,171.9. Across the market, decliners outnumbered advancers 296 to 261.

Oil: Crude oil benchmarks rose on Monday to a four-month high. WTI and Brent rose higher by 2.1% and 1.8% to settle at USD82.7/bbl and USD86.9/bbl respectively. The oil market started the week on a firmer note due to green shoots from China's data releases: China's January-February fixed asset investment and industrial production rose by 4.2% YoY and 7.0% YoY, surprising market to the upside, while retail sales went up by 5.5% YoY roughly in line with expectation. On the supply side, crude exports from Iraq are expected to reduce in the coming months as Iraq aims to compensate for exceeding its OPEC+ quota in January and February.

Key Market Movements

Equity	Value	% chg
S&P 500	5149.4	0.6%
DJIA	38790	0.2%
Nikkei 225	39740	2.7%
SH Comp	3084.9	1.0%
STI	3171.9	0.0%
Hang Seng	16737	0.1%
KLCI	1553.6	0.1%
	Value	% chg
DXY	103.579	0.1%
USDJPY	149.15	0.1%
EURUSD	1.0872	-0.2%
GBPUSD	1.2729	-0.1%
USDIDR	15690	0.6%
USDSGD	1.3392	0.1%
SGDMYR	3.5266	0.2%
	Value	chg (bp)
2Y UST	4.73	0.43
10Y UST	4.32	1.79
2Y SGS	3.46	0.90
10Y SGS	3.10	0.70
3M SORA	3.61	-0.53
3M SOFR	5.35	-0.04
	Value	% chg
Brent	86.89	1.8%
WTI	82.72	2.1%
Gold	2160	0.2%
Silver	25.04	-0.6%
Palladium	1032	-4.5%
Copper	9072	0.0%
BCOM	99.68	0.5%

Source: Bloomberg

Major Markets

ID: The weather agency, BMKG, forecasts a milder dry season this year compared to 2023, reducing the risk of severe forest fires and crop damage. Last year's El Nino-induced drought led to extensive forest fires, burning over 1.16 million hectares of land, the worst since 2019. BMKG's head, Dwikorita Karnawati, warns of continued risk in provinces with peatlands, such as Riau, South Sumatra, and Kalimantan, but anticipates the dry season to start later than usual and peak in July-August, followed by a transition to a weak La Nina pattern in September, which typically brings more rainfall.

MY: Export growth worsened to -0.8% YoY in February, compared to 8.7% in January, while import growth slowed to 8.4%, down from 18.7% in January. Consequently, the trade surplus widened modestly to MYR10.9mn in February. The drag in exports was partly due to seasonal factors, including the impact of the Lunar New Year holiday. Indeed, exports to Mainland China and Hong Kong SAR dropped further to -9.9% YoY in February, while exports to the US were resilient, rising 10.1%. In terms of imports by end use, import growth across capital, consumer, and intermediate goods sustained double-digit YoY growth rates, albeit slightly eased compared to January.

TH: Commercial energy use is expected to increase by 3.1% in 2024, according to the Energy Policy and Planning Office (EPPO). EPPO added that the increase will be supported by a recovery in exports and tourism. Additionally, EPPO Director-General Veerapat Kiatfuengfoo shared that the power use in Thailand could be lifted during the summer due to weather-related factors such as the El Nino phenomenon and drought.

ESG

Rest of the world: Azerbaijan, the host of COP29, plans to upgrade its emissions reduction target ahead of the event. Azerbaijan's economy is heavily reliant on oil and gas, and its existing target to cut greenhouse gas emissions by 35% by 2030 and 40% by 2050 versus 1990 levels falls short of what is required to prevent catastrophic climate impacts. The decision to hold the annual climate talks in another oil-producing country like Azerbaijan has also faced criticism, similar to COP28 that was held in Dubai.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 0-1bps higher, belly tenors trading 1-2bps higher and 10Y trading 2bps higher. China Vanke (“Vanke”) stated that it has received “strong support” from its largest shareholder. In a filing to the Hong Kong Stock Exchange, Vanke stated that Shenzhen Metro, its largest shareholder, is intending to subscribe to up to 30% of units of CICC-SCPG Consumption Infrastructure REIT through a strategic placement. China Securities Regulatory Commission (“CSRC”) imposed a RMB47mn fine on former chairman and founder of China Evergrande Group, Hui Ka Yan, for inflating revenue by more than USD78bn over two years. According to the CSRC, the inflated figures accounted for half of total revenue at onshore unit Hengda Real Estate Group (“Hengda”) in 2019 and 79% in 2020. As such, the CSRC noted that Hengda bonds issued in 2020 and 2021 using data from 2019 and 2020 were suspected of fraudulent issuance. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 1bps to 90bps, while the Asia USD High Yield spreads remained flat at 560bps.

New Issues:

- There were four notable bond issuances in the Asiadollar market yesterday. Export-Import Bank of India of London priced a USD50mn retap of the EXIMBK FRN 29s. India Vehicle Finance (INVHFI) issued a USD300mn 6.5Y Fixed with final pricing of 5.85%. Vertex Capital Investment Ltd (GZINFU) (Guarantor: Guangzhou Industrial Investment Fund Management Co Ltd) issued a USD250mn 2Y Fixed Sustainability bond with final pricing of 5.95%. Tianfeng Securities Co., Ltd. tapped USD40mn 2Y Fixed with final pricing of 6.8%.
- 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	103.579	0.14%	USD-SGD	1.3392	0.12%
USD-JPY	149.150	0.07%	EUR-SGD	1.4560	-0.03%
EUR-USD	1.087	-0.16%	JPY-SGD	0.8978	0.06%
AUD-USD	0.656	0.00%	GBP-SGD	1.7046	0.08%
GBP-USD	1.273	-0.05%	AUD-SGD	0.8784	0.10%
USD-MYR	4.718	0.23%	NZD-SGD	0.8149	0.12%
USD-CNY	7.198	0.02%	CHF-SGD	1.5084	-0.36%
USD-IDR	15690	0.61%	SGD-MYR	3.5266	0.19%
USD-VND	24725	0.01%	SGD-CNY	5.3743	-0.09%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8620	0.49%	1M	5.3305	0.02%
3M	3.9280	0.00%	2M	5.3350	0.00%
6M	3.9080	0.13%	3M	5.3325	-0.03%
12M	3.7090	0.22%	6M	5.2760	-0.10%
			1Y	5.0916	-0.06%

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	-0.614	-0.153	5.176
07/31/2024	-1.008	-0.252	5.078
09/18/2024	-1.690	-0.423	4.907
11/07/2024	-2.180	-0.545	4.784
12/18/2024	-2.834	-0.709	4.621
01/29/2025	-3.308	-0.827	4.503

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.72	2.07%	Corn (per bushel)	4.360	-0.2%
Brent (per barrel)	86.89	1.82%	Soybean (per bushel)	11.878	-0.9%
Heating Oil (per gallon)	278.82	2.24%	Wheat (per bushel)	5.428	2.7%
Gasoline (per gallon)	275.73	1.34%	Crude Palm Oil (MYR/MT)	43.260	0.0%
Natural Gas (per MMBtu)	1.70	2.90%	Rubber (JPY/KG)	357.000	1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9072.00	#DIV/0!	Gold (per oz)	2160.4	0.2%
Nickel (per mt)	18074.00	#DIV/0!	Silver (per oz)	25.0	-0.6%

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

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/19/2024	JN	BOJ Policy Balance Rate	Mar-19	-0.10%	--	-0.10%	--
03/19/2024	JN	BOJ 10-Yr Yield Target	Mar-19	0.00%	--	0.00%	--
03/19/2024	PH	BoP Overall	Feb	--	--	-\$740m	--
03/19/2024 11:30	AU	RBA Cash Rate Target	Mar-19	4.35%	--	4.35%	--
03/19/2024 12:30	JN	Industrial Production MoM	Jan F	--	--	-7.50%	--
03/19/2024 12:30	JN	Capacity Utilization MoM	Jan	--	--	-0.10%	--
03/19/2024 12:30	JN	Industrial Production YoY	Jan F	--	--	-1.50%	--
03/19/2024 18:00	GE	ZEW Survey Expectations	Mar	20.5	--	19.9	--
03/19/2024 18:00	GE	ZEW Survey Current Situation	Mar	-82	--	-81.7	--
03/19/2024 18:00	EC	ZEW Survey Expectations	Mar	--	--	25	--
03/19/2024 20:30	CA	CPI YoY	Feb	3.10%	--	2.90%	--
03/19/2024 20:30	CA	CPI NSA MoM	Feb	0.60%	--	0.00%	--
03/19/2024 20:30	US	Housing Starts	Feb	1440k	--	1331k	--
03/19/2024 20:30	US	Building Permits	Feb	1496k	--	1470k	1489k
03/19/2024 20:30	US	Housing Starts MoM	Feb	8.20%	--	-14.80%	--
03/19/2024 20:30	US	Building Permits MoM	Feb	0.50%	--	-1.50%	-0.30%

Source: Bloomberg

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