

Daily Treasury Outlook

20 March 2024

Highlights

Global: US equities closed higher on Tuesday (S&P: +0.56%; NASDAQ: +0.39%; Dow: +0.83%) along with the DXY index. Tech stocks were the main drivers of the US equity rally including Nvidia Corp. UST yields were lower across the curve, led by the front-end. It is essentially wait-and-watch day ahead of the all-important US Federal Reserve meeting tonight, where the decision and the ensuing 'dot plot' will be scrutinised by market participants. There wasn't much by way of data overnight except for US February housing starts, which was modestly better-than-expected (Actual: 1521k; Consensus: 1440k) and building permits (Actual: 1.9%; Consensus: 0.5%). In Asia, the focus yesterday was Bank of Japan's move away from negative interest rates but USD/JPY continued to move higher above 151.1 levels. RBA left its policy rate unchanged as expected.

Market Watch: Asian markets may trade sideways ahead of the US FOMC meeting. PBoC will announce the 5-yr and 1-yr Loan Prime Rate while Bank Indonesia also meets today. Expectations for both decisions are status quo. Bank Negara Malaysia releases its 2023 Annual Report, 2023 Economic & Monetary Review & Financial Stability Review for 2H23. There are a few ECB speakers due to speak today including President Lagarde. Key data releases include UK February CPI and retail price index, German February PPI, and Taiwan Feb export orders (which will be important to gauge green shots in the electronics sector).

SG: STI edged slightly higher, gaining 0.1% to close at 3,173.6 at market close.

Oil: Crude oil benchmarks extended gains scaling multi-month highs on Tuesday. WTI and Brent rose by 0.9% and 0.6% to close higher at USD83.5/bbl and USD87.4/bbl respectively. The price uptick was supported by concerns of a potential tightening of global oil supplies: Ukrainian military operations on Russian oil infrastructure have increased in 2024. These drone attacks were estimated to have affected ~371,000 bpd (~7%) of Russia's refining capacity, as reported by Reuters. Separately, the American Petroleum Institute (API) reported a drawdown of 1.5mn bbls in US crude inventories for the week ending 15 March. Energy Information Administration (EIA) crude oil inventories data will be released tonight (20 March) with consensus expecting a modest drawdown in US crude inventories (consensus: 0.7 mn bbls).

Key Market Movements

Equity	Value	% chg
S&P 500	5178.5	0.6%
DJIA	39111	0.8%
Nikkei 225	40004	0.7%
SH Comp	3062.8	-0.7%
STI	3173.6	0.1%
Hang Seng	16529	-1.2%
KLCI	1545.0	-0.6%
	Value	% chg
DXY	103.818	0.2%
USDJPY	150.86	1.1%
EURUSD	1.0866	-0.1%
GBPUSD	1.2722	-0.1%
USDIDR	15715	0.2%
USDSGD	1.342	0.2%
SGDMYR	3.5265	0.0%
	Value	chg (bp)
2Y UST	4.68	-4.88
10Y UST	4.29	-3.17
2Y SGS	3.46	-0.20
10Y SGS	3.11	0.85
3M SORA	3.61	0.13
3M SOFR	5.35	0.00
	Value	% chg
Brent	87.38	0.6%
WTI	83.47	0.9%
Gold	2158	-0.1%
Silver	24.91	-0.5%
Palladium	996	-3.6%
Copper	8977	-1.2%
BCOM	99.59	-0.1%

Source: Bloomberg

Major Markets

ID: Speaking at the House of Representatives on Tuesday (19 March), Finance Minister Sri Mulyani highlighted her optimism for economic growth to accelerate to 5.2% in 2024 from 5.1% in 2023. However, she also expressed concerns about "fairly high downside risks," including the risk of a slowing global economy. Elsewhere, we expect that Bank Indonesia (BI) will keep its policy rate unchanged at 6.00% in today's MPC decision announcement. Despite inflation remaining in check and the need to support growth becoming clearer amid mixed economic data year-to-date, external risks from continued higher US interest rates and IDR depreciation pressures will prompt BI to remain 'patient'. To that end, we expect BI to only begin its easing cycle in late 2Q24, mirroring our house view for the US Fed rate cut.

MY: The government has agreed to reduce the retail price of imported white rice by MYR2 to MYR3 in an effort to ease the cost of living during Ramadan and upcoming festivities. The current price for a 10kg pack of imported white rice is around MYR38 to MYR45, and it is expected to drop to MYR35 after the price adjustment. Agriculture and Food Security Minister Mohammad Sabu has stated that discussions are ongoing to create a long-term action plan for a sustainable rice industry in the country. Malaysia's self-sufficiency level (SSL) for rice supply currently stands at 62%.

PH: President Ferdinand Marcos Jr. opined that it would be too early for the country to embark on a policy rate cut as inflation remains a key concern. Nonetheless, he expects the country's economic growth to meet the government's target of 7.5%. He shared that an economic growth of 8% is achievable during his term as the country's president.

ESG

CN: China has started consultation for enrolling aluminium smelters into the China ETS, with the consultation closing on 31 Mar. To reduce liable emissions under the ETS, companies may be driven to adopt green technologies and non-fossil fuels. Aluminium smelters also have to report carbon tetrafluoride (CF₄) and carbon hexafluoride (C₂F₆) emissions, which signals efforts to cover other greenhouse gases other than CO₂ under the China ETS.

Rest of the world: Over-the-counter trade has slowed in the voluntary carbon market and retirement levels have fallen ahead of the announcement at the end of the month regarding the methodologies that will qualify for the Core Carbon Principles (CCP) eligibility criteria indicating high integrity. Abatable's review of 80 methodologies revealed that only 6.4% of historical issuances in the market confidently meet the CCP eligibility criteria, translating to only 3.8% (32 mn) of all available carbon credits in the market today.

Credit Market Updates

Market Commentary: The SGD SORA curve traded flat yesterday, with short, belly tenors and 10Y trading flat. Recently, China's property-debt crisis has increasingly shifted to developers' court battles with creditors over debt restructuring plans and liquidation orders. Per Bloomberg, at least 23 Chinese builders or related companies have so far received wind-up petitions in Hong Kong from creditors since the beginning of the real estate crisis, of which at least five of them have been ordered to wind-up. That includes China Evergrande Group ("EVERRE"), of which the China Securities Regulatory Commission ("CSRC") fined its main onshore unit for falsely inflating revenue by RMB564bn (~USD78bn) in total in 2019 and 2020. Yesterday, Bloomberg Asia USD Investment Grade spreads remained flat at 90bps, while the Asia USD High Yield spreads widened by 8bps to 568bps. (Bloomberg, Nikkei Asia, OCBC)

New Issues:

- There were two notable bond issuances in the Asiadollar market yesterday. eHi Car Services Ltd priced a USD325mn 3.5Y Fixed bond with final pricing of 13.471%. Bank of the Philippine Islands (BPIPM) priced a USD400mn 5Y Fixed bond with final pricing of T+105bps.
- There was one notable bond issuance in the Singdollar market yesterday. FLCT Treasury Pte Ltd priced a SGD175mn 5Y Fixed bond at final pricing of 3.83%.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.818	0.23%	USD-SGD	1.3420	0.21%
USD-JPY	150.860	1.15%	EUR-SGD	1.4582	0.15%
EUR-USD	1.087	-0.06%	JPY-SGD	0.8895	-0.92%
AUD-USD	0.653	-0.43%	GBP-SGD	1.7072	0.15%
GBP-USD	1.272	-0.05%	AUD-SGD	0.8766	-0.20%
USD-MYR	4.737	0.40%	NZD-SGD	0.8121	-0.34%
USD-CNY	7.199	0.01%	CHF-SGD	1.5112	0.19%
USD-IDR	15715	0.16%	SGD-MYR	3.5265	0.00%
USD-VND	24750	0.10%	SGD-CNY	5.3645	-0.18%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8550	-0.18%	1M	5.3307	0.01%
3M	3.9280	0.00%	2M	5.3350	-0.01%
6M	3.9150	0.18%	3M	5.3302	-0.02%
12M	3.7500	1.11%	6M	5.2675	-0.02%
			1Y	5.0773	0.00%

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	-0.660	-0.165	5.164
07/31/2024	-1.068	-0.267	5.063
09/18/2024	-1.745	-0.436	4.893
11/07/2024	-2.230	-0.558	4.772
12/18/2024	-2.905	-0.726	4.603
01/29/2025	-3.408	-0.852	4.477

Equity and Commodity

Index	Value	Net change
DJIA	39,110.76	320.33
S&P	5,178.51	29.09
Nasdaq	16,166.79	63.34
Nikkei 225	40,003.60	263.16
STI	3,173.55	1.62
KLCI	1,544.96	-8.68
JCI	7,336.75	34.30
Baltic Dry	2,419.00	45.00
VIX	13.82	-0.51

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.46 (--)	4.68 (--)
5Y	3.06 (--)	4.3 (-0.04)
10Y	3.11 (+0.01)	4.29 (-0.03)
15Y	3.1 (+0.01)	--
20Y	3.08 (--)	--
30Y	3.02 (--)	4.44 (-0.01)

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)	83.47	0.91%	Corn (per bushel)	4.395	0.8%
Brent (per barrel)	87.38	0.56%	Soybean (per bushel)	11.855	-0.2%
Heating Oil (per gallon)	276.07	-0.99%	Wheat (per bushel)	5.525	1.8%
Gasoline (per gallon)	276.22	0.18%	Crude Palm Oil (MYR/MT)	42.970	-0.7%
Natural Gas (per MMBtu)	1.74	2.41%	Rubber (JPY/KG)	362.900	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8976.50	-1.24%	Gold (per oz)	2157.6	-0.1%
Nickel (per mt)	17395.00	-2.67%	Silver (per oz)	24.9	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/20/2024 04:00	US	Net Long-term TIC Flows	Jan	--	\$36.1b	\$160.2b	\$158.6b
03/20/2024 04:00	US	Total Net TIC Flows	Jan	--	-\$8.8b	\$139.8b	\$137.4b
03/20/2024 15:00	UK	CPI YoY	Feb	3.50%	--	4.00%	--
03/20/2024 15:00	UK	CPI MoM	Feb	0.70%	--	-0.60%	--
03/20/2024 15:00	UK	CPI Core YoY	Feb	4.60%	--	5.10%	--
03/20/2024 15:00	UK	PPI Input NSA YoY	Feb	-2.70%	--	-3.30%	--
03/20/2024 15:00	UK	RPI MoM	Feb	0.70%	--	-0.30%	--
03/20/2024 15:00	UK	RPI YoY	Feb	4.40%	--	4.90%	--
03/20/2024 15:00	UK	Retail Price Index	Feb	381	--	378	--
03/20/2024 15:00	UK	PPI Input NSA MoM	Feb	0.20%	--	-0.80%	--
03/20/2024 15:20	ID	BI-Rate	Mar-20	6.00%	--	6.00%	--
03/20/2024 16:00	TA	Export Orders YoY	Feb	1.20%	--	1.90%	--
03/20/2024 16:00	SI	Automobile COE Open Bid Cat A	Mar-20	--	--	83000	--
03/20/2024 16:00	SI	Automobile COE Open Bid Cat B	Mar-20	--	--	96010	--
03/20/2024 19:00	US	MBA Mortgage Applications	Mar-15	--	--	7.10%	--
03/20/2024 23:00	EC	Consumer Confidence	Mar P	-15	--	-15.5	--

Source: Bloomberg

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