

Daily Treasury Outlook

21 March 2024

Highlights

Global: US stocks closed mostly higher, with the S&P 500 reaching an all-time high, while US Treasury (UST) yields mostly declined, with the 10-year yield dropping below 4.3%. The US Federal Reserve held its policy rates steady at 5.25% - 5.50%, but the focus of attention was on the latest Summary of Economic Projections (SEP) and Federal Reserve Chair Jerome Powell's press conference commentary. The SEP revealed an upgraded outlook for economic growth to 2.1% this year, up from December's projection of 1.4%, before easing slightly to 2.0% in 2025. Meanwhile, core PCE inflation is expected to peak at 2.6% this year, higher than the previous projection of 2.4% in December, before cooling to 2.2% in 2025. The "dot-plot" indicated that three rate cuts are expected in 2024, with 17 officials predicting a rate cut this year, while two see no cuts. The Fed funds futures now price in over an 80% chance of a 25bp cut in June, up from ~66% prior on Tuesday.

Market Watch: Asian markets are set to open firm given further clarity on FOMC messaging on cuts this year. February trade data for Japan came in better than expected this morning, with exports rising for the third straight month at 7.8% YoY (Consensus: 5.1%). Japan's PMIs for March is due today, along with Australian labour data and Eurozone PMI. On central banks, the RBA's Susan Woods is due to speak, and we await decisions from the Taiwan's CBC and UK's BoE, where we expect policy rates to hold at 1.875% and 5.25% respectively.

SG: COE premiums rose to S\$85,489 (cat A), S\$96,011 (cat B) and S\$95,856 (cat E). STI edged slightly higher by 0.1% to close at 3,177.5 by market close.

Oil: Gains from crude oil benchmarks reversed on Wednesday. WTI and Brent declined 2.1% and 1.6% to close at USD81.7/bbl and USD86.0/bbl respectively. Prices edged lower with profit-taking likely one of the main drivers. Incoming data, however, remained supportive of a tighter physical oil market: US crude and gasoline inventories declined by 2.0mn bbls and 3.3mn bbls to 445.0mn bbls and 230.8mn bbls, last week. Nonetheless, we expect the oil market to start firm during Asian trading hours as March FOMC meeting was within expectations and the reported larger-than-expected drawdown in US oil inventories are likely to support prices.

Key Market Movements

Equity	Value	% chg
S&P 500	5224.6	0.9%
DJIA	39512	1.0%
Nikkei 225	40004	0.0%
SH Comp	3079.7	0.6%
STI	3177.5	0.1%
Hang Seng	16543	0.1%
KLCI	1535.8	-0.6%
	Value	% chg
DXY	103.389	-0.4%
USDJPY	151.26	0.3%
EURUSD	1.0922	0.5%
GBPUSD	1.2785	0.5%
USDIDR	15715	0.0%
USDSGD	1.3397	-0.2%
SGDMYR	3.5227	-0.1%
	Value	chg (bp)
2Y UST	4.60	-8.08
10Y UST	4.27	-1.97
2Y SGS	3.44	-2.10
10Y SGS	3.09	-2.19
3M SORA	3.62	0.34
3M SOFR	5.35	0.00
	Value	% chg
Brent	85.95	-1.6%
WTI	81.27	-1.8%
Gold	2186	1.3%
Silver	25.58	2.7%
Palladium	1024	2.9%
Copper	8928	-0.5%
BCOM	99.25	-0.3%

Source: Bloomberg

Major Markets

ID: Bank Indonesia left its policy rate unchanged at 6.00%, in line with expectations. BI made no changes to its assessments on growth, inflation and external balances. Specifically, BI noted that it is confident that the recent volatility in inflation is temporary, and that inflation will remain within its 1.5% - 3.5% target range. On growth, BI continued to expect 2024 GDP growth to be within the range of 4.7-5.5%. Notwithstanding, it expanded the sectors eligible for macroprudential incentives to boost loan growth. We continue to expect a cumulative 125bp in rate cuts in 2024, starting late 2Q, mirroring our house view on the timeline of the US Fed rate cuts.

MY: Bank Negara Malaysia (BNM), in its annual report, projects that Malaysia's economy will grow between 4% and 5% in 2024 (OCBC: 4.2%), up from 3.7% in 2023, driven by resilient domestic expenditure and an expected recovery in exports. BNM forecasts 2024 headline inflation to be within a range of 2-3.5% in 2024 while core inflation is expected between 2-3%. BNM Governor Abdul Rasheed Ghaffour noted in his foreword that “as the global monetary policy tightening cycle has likely peaked, financial markets expect pressure on the ringgit to abate. However, the road ahead may still be bumpy”.

PH: Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona Jr. said there are plans to lower the lenders' reserve requirement ratio (RRR). However, it will not take place when the BSP's monetary policy remains hawkish. On inflation, Governor Remolona Jr. expects the inflation print for March to be ~4%. On monetary policy, he revealed that “the BSP need not wait for Fed easing before cutting key rate”, as reported by Bloomberg.

TH: Thailand's Constitutional Court has requested the Election Commission (EC) to furnish additional documents in the petition to disband the Move Forward Party. The EC has seven days to provide the documents.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 0-1bps lower, belly tenors trading 1-2bps lower and 10Y trading 1bps lower. China Vanke Co. ("Vanke") has obtained a RMB1.4bn 14-year loan from Industrial Bank Co. to refinance its debt. Bloomberg Asia USD Investment Grade spreads remained flat at 90bps, while the Asia USD High Yield spreads widened by 5bps to 573bps. (Bloomberg, OCBC)

New Issues:

- There were four notable bond issuances in the Asiadollar market yesterday. Haixi Overseas Investment Co. Ltd. (SBLC Provider: Bank of Jiangsu Co Lianyungang Branch, Guarantor: Jiangsu Jinguan Investment Development Group Co Ltd) priced a USD100mn 3Y bond at 5.3%. Changxing Urban Construction Investment Group Co Ltd (CHXIN) priced a USD110mn 3Y bond at 5.5%. Deqing Construction Development Group Co Ltd (DQJSFZ) priced a USD150mn 3Y bond at 5.48%. Shanghai Pudong Development Bank Co Ltd/Hong Kong (SHANPU) priced a USD300mn 3Y FRN at SOFR+59bps.
- In the Singdollar market yesterday, National University of Singapore priced a SGD200mn 5Y bond at 3.255%.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	103.389	-0.41%	USD-SGD	1.3397	-0.17%
USD-JPY	151.260	0.27%	EUR-SGD	1.4633	0.35%
EUR-USD	1.092	0.52%	JPY-SGD	0.8857	-0.43%
AUD-USD	0.659	0.83%	GBP-SGD	1.7128	0.33%
GBP-USD	1.279	0.50%	AUD-SGD	0.8823	0.65%
USD-MYR	4.737	-0.01%	NZD-SGD	0.8147	0.32%
USD-CNY	7.198	-0.02%	CHF-SGD	1.5106	-0.04%
USD-IDR	15715	0.00%	SGD-MYR	3.5227	-0.11%
USD-VND	24784	0.14%	SGD-CNY	5.3751	0.20%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8620	0.18%	1M	5.3299	0.01%
3M	3.9350	0.18%	2M	5.3300	0.00%
6M	3.9090	-0.15%	3M	5.3120	-0.07%
12M	3.7560	0.16%	6M	5.2205	-0.18%
			1Y	4.9822	-0.26%

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	-0.124	-0.031	5.297
06/12/2024	-0.855	-0.214	5.114
07/31/2024	-1.340	-0.335	4.993
09/18/2024	-2.175	-0.544	4.784
11/07/2024	-2.682	-0.670	4.657
12/18/2024	-3.385	-0.846	4.481
01/29/2025	-3.890	-0.973	4.355

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.68	-2.14%	Corn (per bushel)	4.390	-0.1%
Brent (per barrel)	85.95	-1.64%	Soybean (per bushel)	12.095	2.0%
Heating Oil (per gallon)	269.57	-2.35%	Wheat (per bushel)	5.450	-1.4%
Gasoline (per gallon)	273.32	-1.05%	Crude Palm Oil (MYR/MT)	43.640	1.6%
Natural Gas (per MMBtu)	1.70	-2.58%	Rubber (JPY/KG)	362.900	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8928.00	-0.54%	Gold (per oz)	2186.4	1.3%
Nickel (per mt)	17492.00	0.56%	Silver (per oz)	25.6	2.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/21/2024	TA	CBC Benchmark Interest Rate	Mar-21	1.88%	--	1.88%	--
03/21/2024 02:00	US	FOMC Rate Decision (Upper Bound)	Mar-20	5.50%	5.50%	5.50%	--
03/21/2024 02:00	US	Interest on Reserve Balances Rate	Mar-21	5.40%	5.40%	5.40%	--
03/21/2024 05:45	NZ	GDP SA QoQ	4Q	0.10%	-0.10%	-0.30%	--
03/21/2024 08:30	AU	Unemployment Rate	Feb	4.00%	--	4.10%	--
03/21/2024 08:30	AU	Employment Change	Feb	40.0k	--	0.5k	--
03/21/2024 08:30	JN	Jibun Bank Japan PMI Mfg	Mar P	--	--	47.2	--
03/21/2024 13:00	IN	HSBC India PMI Mfg	Mar P	--	--	56.9	--
03/21/2024 16:30	GE	HCOB Germany Manufacturing PMI	Mar P	43	--	42.5	--
03/21/2024 17:00	EC	HCOB Eurozone Manufacturing PMI	Mar P	47	--	46.5	--
03/21/2024 17:30	UK	S&P Global UK Manufacturing PMI	Mar P	47.8	--	47.5	--
03/21/2024 20:00	UK	Bank of England Bank Rate	Mar-21	5.25%	--	5.25%	--
03/21/2024 20:30	US	Initial Jobless Claims	Mar-16	213k	--	209k	--
03/21/2024 21:45	US	S&P Global US Manufacturing PMI	Mar P	51.8	--	52.2	--
03/21/2024 22:00	US	Existing Home Sales	Feb	3.95m	--	4.00m	--
03/21/2024 22:00	US	Leading Index	Feb	-0.10%	--	-0.40%	--

Source: Bloomberg

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