

Daily Treasury Outlook

26 March 2024

Highlights

Global: The market turned a bit cautious following last week broad-based risk rally. The US market closed the Monday session lower, as February new home sales and March Dallas Fed manufacturing index missed estimates. USD was trading heavy, while UST yields and gold ended the day higher. UST yields were 4-5bps higher across the curve. Oil prices surged as market eyed the escalating geopolitical tensions in the Middle East and war in Ukraine. Sales of new US single-family homes fell unexpectedly by 0.3% month-on-month in February, while median new house price was the lowest in more than 2 years. Separately, Texas factory activity weakened more than expected in March, with the manufacturing index down by 3.1 points to -14.4. On Fed speak, governor Cook reiterated the need for the bank or proceed carefully on rate cuts, while Goolsbee commented that he expects three rate cuts this year. BOE's Mann, who voted for a hike in February meeting, said that her position on the right level of interest rates had been finely balanced before her vote last week.

Market Watch: Asian markets may trade with a weak tone today. The market will watch US' February durable goods orders and March consumer confidence, and Germany's April consumer confidence. Other key data releases coming out of Asia include Singapore's February industrial output, as well as Thailand and Hong Kong's February trade. Separately, exchange rates will remain under spotlight today, in particular for yuan and yen, after Japanese official flagged the risk of interventions earlier.

SG: Headline inflation reaccelerated from 2.9% YoY to 3.4% YoY, attributable to higher accommodation (mainly due to the additional earlier S&CC rebates which were not disbursed in February, which also affected housing) and core CPI. This is in line with our forecast of 3.4% YoY but a tad higher than the consensus forecast of 3.2%. The inflation outlook remains a tad bumpy in the near-term, but largely intact to ease over the medium term. MAS-MTI noted that while crude oil prices have risen, most food commodities and manufactured goods prices have continued to decline. In addition, services associated with overseas leisure travel is tipped to moderate as supply ramps up, and the gradually appreciating S\$ should continue to temper imported inflation in the quarters ahead. With Budget 2024, S&CC rebates will also apply for April, July and October. Moreover, the housing supply is also being ramped up, so accommodation inflation, especially for rental, should continue to ease. We lower our 2024 full-year headline inflation forecast to 3.0% YoY but keep our core inflation forecast at 3.1%.

Key Market Movements

Equity	Value	% chg
S&P 500	5218.2	-0.3%
DJIA	39314	-0.4%
Nikkei 225	40414	-1.2%
SH Comp	3026.3	-0.7%
STI	3198.1	-0.6%
Hang Seng	16474	-0.2%
KLCI	1537.5	-0.3%
	Value	% chg
DX	104.224	-0.2%
USDJPY	151.42	0.0%
EURUSD	1.0837	0.3%
GBPUSD	1.2636	0.3%
USDIDR	15798	0.1%
USDSGD	1.346	-0.2%
SGDMYR	3.5083	-0.1%
	Value	chg (bp)
2Y UST	4.63	3.63
10Y UST	4.25	4.73
2Y SGS	3.42	2.20
10Y SGS	3.07	-1.24
3M SORA	3.66	2.87
3M SOFR	5.35	-0.03
	Value	% chg
Brent	86.75	1.5%
WTI	81.95	1.6%
Gold	2172	0.3%
Silver	24.68	0.0%
Palladium	1008	2.0%
Copper	8873	0.1%
BCOM	99.28	0.6%

Source: Bloomberg

Major Markets

CN: CNY rebounded on Monday following the People's Bank of China's (PBoC) adjustment of its daily fixing to slightly below 7.10, effectively dispelling speculation surrounding a potential imminent mini devaluation. In other developments, Jin Zhuanglong, the Minister of the Ministry of Industry and Information Technology, outlined plans for continuous efforts to enhance high-level opening-up. Robust support will be extended to foreign-funded enterprises in establishing research and development centres within China, facilitating joint technology research and development ventures, and fostering industrial applications in collaboration with domestic enterprises.

ID: The government has identified 14 new national strategic projects (PSNs) in various sectors, including transportation, infrastructure, energy, health, and telecommunications. These projects will be located in several provinces, such as Riau Islands, Banten, Jakarta, West Java, East Java, East Kalimantan, and Sulawesi. The aim of the PSNs is to ensure an equitable economy, sufficient food supplies, boost tourism, and develop technology and education, as well as border regions. The coordinating minister of economic affairs office has stated that these projects will be fully funded by private investors. The projects will include eight industrial zones, two tourism zones, two toll roads, one offshore oil and gas project, and one educational research, technology, and health zone.

MY: February's headline CPI rose to 1.8% YoY, beating market consensus and January's print of 1.5%. Meanwhile, core inflation remained steady at 1.8% YoY. February's uptick was led by housing, water, electricity, gas, and other fuels, which rose to 2.7% YoY from 2.0% in January, which partly reflects the implementation of the adjustment in water tariffs for domestic users in Peninsular Malaysia and Labuan starting on February 1st. Looking ahead, the inflation outlook continues to hinge on the timeline and mechanism of fuel subsidy rationalization in the country. To that end, we maintain our forecast for 2024 headline inflation at 2.5%, implying some pickup in price pressures in the coming months.

TH: The government plans to implement its THB500bn digital wallet programme in 4Q24. Deputy Finance Minister Julapun Amornvivat shared that the registration of eligible individuals and businesses will begin in 3Q24. He also revealed that PM Srettha Thavisin will chair a meeting of the digital wallet committee on 10 April to finalise the details of the programme. This would include the source of funding and technical issues, as reported by Bloomberg.

Oil: Crude oil benchmarks reversed their losses on Monday. WTI and Brent rose by ~1.6% to close at USD82.0/bbl and USD86.8/bbl respectively. Oil prices rose as global oil supplies are expected to tighten. In addition to military strikes on energy infrastructures across both Russia and Ukraine, the Russian government has issued an order to its companies to curb oil output in 2Q24 to meet its production target. Nonetheless, there is some offset from geopolitical events in the Middle East: The United Nations Security Council has adopted a resolution demanding an immediate ceasefire in Israel-Hamas conflict, with the US having abstained from the vote.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-2bps higher, belly tenors trading 0-1bps higher and 10Y trading flat. People's Bank of China governor Pan Gongsheng is confident that the nation's property market can have long-term healthy and stable development when speaking at the China Development Forum on Monday in Beijing. Mr Pan also added that recent property market fluctuations have a limited impact on China's financial system and that efforts to contain local debt risks are showing results. Bloomberg Asia USD Investment Grade spreads remained flat at 86bps, while the Asia USD High Yield spreads tightened by 2bps to 574bps. (Bloomberg, OCBC)

New Issues:

- There were four notable bond issuances in the Asiadollar market yesterday. Korea National Oil Corp ("KOROIL") priced three of the four bonds. KOROIL issued a USD500mn 3Y Fixed bond at T+70bps, a USD300mn 3Y FRN at SOFR+83bps and a USD600mn 5Y Fixed at T+80bps. China Everbright Bank Co. Ltd. of Sydney issued a USD100mn 3Y FRN at final pricing of SOFR+59bps.
- There was one notable bond issuance in the Singdollar market yesterday. Deutsche Bank AG priced a SGD400mn 4NC3 SNP bond with final pricing of 4.4%.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.224	-0.20%	USD-SGD	1.3460	-0.19%
USD-JPY	151.420	0.01%	EUR-SGD	1.4586	0.06%
EUR-USD	1.084	0.27%	JPY-SGD	0.8889	-0.19%
AUD-USD	0.654	0.38%	GBP-SGD	1.7008	0.04%
GBP-USD	1.264	0.28%	AUD-SGD	0.8802	0.08%
USD-MYR	4.724	-0.27%	NZD-SGD	0.8081	-0.01%
USD-CNY	7.211	-0.25%	CHF-SGD	1.4965	-0.43%
USD-IDR	15798	0.11%	SGD-MYR	3.5083	-0.10%
USD-VND	24759	-0.04%	SGD-CNY	5.3582	0.07%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8530	0.13%	1M	5.3320	0.00%
3M	3.9030	-0.59%	2M	5.3305	0.00%
6M	3.8740	-0.72%	3M	5.3110	-0.02%
12M	3.6820	-1.42%	6M	5.2285	-0.09%
			1Y	5.0116	-0.05%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.327
05/01/2024	-0.129	-0.032	5.296
06/12/2024	-0.770	-0.193	5.136
07/31/2024	-1.225	-0.306	5.023
09/18/2024	-1.993	-0.498	4.831
11/07/2024	-2.481	-0.620	4.709
12/18/2024	-3.195	-0.799	4.530
01/29/2025	-3.675	-0.919	4.410

Equity and Commodity

Index	Value	Net change
DJIA	39,313.64	-162.26
S&P	5,218.19	-15.99
Nasdaq	16,384.47	-44.35
Nikkei 225	40,414.12	-474.31
STI	3,198.10	-19.87
KLCI	1,537.54	-4.85
JCI	7,377.76	27.61
Baltic Dry	2,196.00	-44.00
VIX	13.19	0.13

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.42 (+0.02)	4.58(--)
5Y	3.01 (--)	4.23 (+0.05)
10Y	3.07 (-0.01)	4.24 (+0.05)
15Y	3.05 (-0.01)	--
20Y	3.03 (-0.02)	--
30Y	2.99 (--)	4.41 (+0.04)

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)	81.95	1.64%	Corn (per bushel)	4.378	-0.3%
Brent (per barrel)	86.75	1.55%	Soybean (per bushel)	12.093	1.4%
Heating Oil (per gallon)	267.86	0.95%	Wheat (per bushel)	5.550	0.0%
Gasoline (per gallon)	274.84	0.31%	Crude Palm Oil (MYR/MT)	43.520	1.0%
Natural Gas (per MMBtu)	1.62	-2.65%	Rubber (JPY/KG)	346.000	-4.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8873.00	0.07%	Gold (per oz)	2171.8	0.3%
Nickel (per mt)	16937.00	-1.77%	Silver (per oz)	24.7	0.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/26/2024 05:00	SK	Consumer Confidence	Mar	--	100.7	101.9	--
03/26/2024 07:30	AU	Westpac Consumer Conf SA MoM	Mar	--	-1.80%	6.20%	--
03/26/2024 11:00	TH	Customs Exports YoY	Feb	4.15%	--	10.00%	9.99%
03/26/2024 13:00	SI	Industrial Production YoY	Feb	0.50%	--	1.10%	--
03/26/2024 13:00	SI	Industrial Production SA MoM	Feb	2.10%	--	-5.70%	--
03/26/2024 14:00	JN	Machine Tool Orders YoY	Feb F	--	--	-8.00%	--
03/26/2024 15:00	GE	GfK Consumer Confidence	Apr	-28	--	-29	--
03/26/2024 16:30	HK	Exports YoY	Feb	2.00%	--	33.60%	--
03/26/2024 16:30	HK	Imports YoY	Feb	-1.00%	--	21.70%	--
03/26/2024 20:30	US	Durable Goods Orders	Feb P	1.00%	--	-6.20%	--
03/26/2024 20:30	US	Durables Ex Transportation	Feb P	0.40%	--	-0.40%	--
03/26/2024 21:00	US	FHFA House Price Index MoM	Jan	0.30%	--	0.10%	--
03/26/2024 22:00	US	Conf. Board Consumer Confidence	Mar	107	--	106.7	--
03/26/2024 22:00	US	Conf. Board Expectations	Mar	--	--	79.8	--
03/26/2024 22:00	US	Richmond Fed Manufact. Index	Mar	-5	--	-5	--
03/26/2024 22:00	US	Conf. Board Present Situation	Mar	--	--	147.2	--

Source: Bloomberg

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