

Daily Treasury Outlook

27 March 2024

Highlights

Global: US stocks ended the day down for the third consecutive trading day in a holiday-shortened week, as the market eagerly awaits the release of key PCE data on Friday. Despite this, US manufacturing data remained resilient in February. Durable goods orders rose 1.4% last month, surpassing market expectations. However, there was a revision to the January data, which now shows orders falling 6.9% instead of the previously reported 6.2%. In February, transportation orders climbed 3.3% after a significant drop of 18.3% in January, primarily driven by a 24.6% increase in civilian orders. Non-defence capital goods orders, excluding aircraft, a closely watched indicator of business spending plans, rose 0.7% in February, rebounding from a 0.4% decline in the previous month. However, orders for computers and electronic products fell 1.4% last month, while those for electrical equipment, appliances, and components decreased by 1.5%. These mixed figures indicate a varied picture for global semiconductor demand. In other news, the US consumer confidence index remained relatively unchanged at 104.7 in March, as concerns about a recession continued to diminish. The survey's labour market differential, which measures respondents' views on job availability, widened to 32.2 from 30.1 in February, suggesting a resilient job market in the US. Furthermore, more consumers expressed intentions to purchase motor vehicles and houses over the next six months. Regarding central banks, Bank of England policy maker Catherine Mann expressed her belief that the market is pricing in too many rate cuts. Financial markets have already priced in three quarter-point reductions in rates for this year.

Market Watch: For today, market will watch for March consumer confidence date in Eurozone and China's industrial profit. Bank of England will publish its latest financial policy committee minutes while Fed's Waller will speak tonight.

SG: February industrial production surprised on the upside at 3.8% YoY growth, albeit the January data was revised lower to 0.6% from initial estimates of 1.1% YoY. The bright spots are the rebound in electronics (especially semiconductors) and biomedical clusters by 2.6% and 27.4% YoY respectively. The star performer within the electronics cluster were infocomms & consumer electronics (30.9% YoY), followed by a distant semiconductors (2.1%) and other electronic modules & components (0.3%), whilst computer peripherals and data storage shrank 10.7%. For biomedical cluster, pharmaceutical output surged 73.2% YoY due to more biological products whereas medical tech output contracted amid lower demand for medical devices. On markets, STI edged higher by 1.1% to end at 3,233.3 by close. The S\$2.8bn new 5-year bond auction fetched a cut off yield of 3.06% and a bid-cover ratio of 1.94x.

Key Market Movements

Equity	Value	% chg
S&P 500	5203.6	-0.3%
DJIA	39282	-0.1%
Nikkei 225	40398	0.0%
SH Comp	3031.5	0.2%
STI	3233.3	1.1%
Hang Seng	16618	0.9%
KLCI	1538.4	0.1%
	Value	% chg
DXY	104.298	0.1%
USDJPY	151.56	0.1%
EURUSD	1.0831	-0.1%
GBPUSD	1.2628	-0.1%
USDIDR	15790	-0.1%
USDSGD	1.3457	0.0%
SGDMYR	3.5120	0.1%
	Value	chg (bp)
2Y UST	4.59	-3.44
10Y UST	4.23	-1.38
2Y SGS	3.46	3.20
10Y SGS	3.10	3.64
3M SORA	3.66	0.70
3M SOFR	5.35	-0.04
	Value	% chg
Brent	86.25	-0.6%
WTI	81.62	-0.4%
Gold	2179	0.3%
Silver	24.46	-0.9%
Palladium	998	-1.0%
Copper	8862	-0.1%
BCOM	98.68	-0.6%

Source: Bloomberg

Major Markets

CN: China's deputy commerce minister highlighted that the recovery of the consumption market in the first two months of 2024 was primarily driven by three key factors. Firstly, there was notable improvement in the consumption of big-ticket items such as automobiles and home furnishings. Secondly, there was increased activity in service consumption sectors, particularly in catering and tourism, indicating enhanced vitality. Lastly, there was robust growth in new types of consumption, including digital and green consumption. The Ministry of Commerce maintains a positive outlook for the future, citing the implementation of various policies aimed at expanding domestic demand and promoting consumption. These policies are expected to further stimulate economic activity and bolster consumer confidence in the coming months.

ID: Indonesia and Vietnam are aiming to strengthen their strategic economic partnership, especially in the technology sector. The Deputy Minister for Economic Affairs, Edi Prio Pambudi, expressed that Indonesia is particularly interested in Vietnam's growing industries, including electric cars, semiconductors, telecommunications, and digital technology, as reported by Tempo. Additionally, he proposed a partnership agreement through diplomatic means, which would facilitate economic cooperation, such as advanced technology training, the exchange of job opportunities, and investment.

MY: Prime Minister Anwar Ibrahim announced potential export sales of Malaysian products and significant investment opportunities following his recent visit to Australia and Germany. Specifically, the visit to Australia resulted in a potential investment of MYR 24.5bn, with commitments from companies such as AirTrunk, NextDC, Latrobe Magnesium, Arnott's Group, and Cochlear Ltd, and potential export sales amounted to MYR962mn. Meanwhile, the visit to Germany generated potential investments of MYR45.4bn in the energy industry and various manufacturing sectors, including semiconductors, aerospace, chemical products, medical devices, and automotive, and potential additional exports of MYR 1.4bn, as reported by the Edge.

TH: Customs trade performance remained resilient in February. Customs exports rose by 3.6% YoY, albeit lower versus 10.0% in January. Meanwhile, customs imports picked up by 3.2% YoY versus 2.6% in January. Consequently, the custom trade deficit narrowed to USD0.6bn versus USD2.8bn. Specifically, customs exports rose for a seventh consecutive month driven by higher shipments in agricultural products (7.5% YoY versus 14.0%) and principle manufacturing products (5.2% YoY versus 10.3%). The Ministry of Commerce expects overall exports to expand in 2024 and maintained its 2024 annual export growth target at 1-2%. Separately, the Ministry of Labour announced that the wage-setting committee has approved the proposal to raise the minimum wage rate of workers in the tourism industry. The wage adjustment to THB400/day (~10-15% increase) will take effect on 13 April. This will be piloted in 10 provinces and is only applicable to establishments (four-stars hotels and more) with at least 50

employees. On another separate reading, the 2024 budget bill has been approved by the Senate.

Oil: Crude oil benchmarks settled marginally lower on Tuesday. WTI and Brent declined by 0.4% and 0.6% to close at USD81.6/bbl and USD86.3/bbl respectively. Trading activity was relative muted ahead of the February US PCE core deflator. On a separate reading, the American Petroleum Institute (API) reported a significant buildup of 9.3mn bbls in US crude inventories for the week ending 22 March. Energy Information Administration (EIA) crude oil inventories data will be released tonight (27 March), and the consensus expectation is for a modest drawdown in US crude inventories (consensus: 0.7 mn bbls). We anticipate that the oil market will face some downward price pressure during Asian trading hours.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 3-4bps higher, belly tenors trading 3bps higher and 10Y trading 3bps higher. A key creditor group of defaulted Chinese developer Shimao Group Holdings Ltd. has not agree to the proposals for the handling its offshore debt, signalling future delay in negotiations. Shimao has offered four options for restructuring its offshore debt, of which none have been agreed to by the creditor group. Bloomberg Asia USD Investment Grade spreads were relatively flat at 85bps, while the Asia USD High Yield spreads tightened by 1bps to 573bps. (Bloomberg, OCBC)

New Issues:

There were a number of notable bond issuances in the Asiadollar market yesterday (including from Japan and Australian issuers). The largest issuances include:

- AIA Group Limited priced a USD1bn of 10Y subordinated bond, with final pricing of T+125bps.
- SMBC Aviation Capital Finance DAC (SMBCAC) (Guarantor: SMBC Aviation Capital Limited) priced a USD1.5bn offering in two parts.
- CSL Finance PLC (CSLAU) (Guarantors: CSL Ltd, CSLB Holdings Inc and CSL Finance Pty Ltd) priced a USD1.25bn offering in two parts.

There was one notable bond issuance in the Singdollar market yesterday.

- Wing Tai Holdings Ltd (WINGTA) priced a SGD100mn 5Y bond with final pricing of 4.38%.

Mandates:

- PT Bank Negara Indonesia Persero Tbk is planning to issue a USD benchmark-sized 5Y Reg S senior unsecured bond.
- Chengdu Tianfu New Area Investment Group Co. is planning to issue a USD Reg S senior unsecured bond.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	104.298	0.07%	USD-SGD	1.3457	-0.02%
USD-JPY	151.560	0.09%	EUR-SGD	1.4576	-0.07%
EUR-USD	1.083	-0.06%	JPY-SGD	0.8880	-0.10%
AUD-USD	0.653	-0.11%	GBP-SGD	1.6994	-0.08%
GBP-USD	1.263	-0.06%	AUD-SGD	0.8792	-0.11%
USD-MYR	4.721	-0.07%	NZD-SGD	0.8081	0.00%
USD-CNY	7.217	0.07%	CHF-SGD	1.4887	-0.52%
USD-IDR	15790	-0.05%	SGD-MYR	3.5120	0.11%
USD-VND	24775	0.06%	SGD-CNY	5.3643	0.11%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8420	-0.29%	1M	5.3277	-0.01%
3M	3.8860	-0.44%	2M	5.3225	-0.06%
6M	3.8550	-0.49%	3M	5.2995	-0.12%
12M	3.6580	-0.65%	6M	5.2200	-0.10%
			1Y	5.0072	-0.19%

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	-0.160	-0.040	5.286
06/12/2024	-0.790	-0.197	5.129
07/31/2024	-1.195	-0.299	5.028
09/18/2024	-1.940	-0.485	4.841
11/07/2024	-2.431	-0.608	4.719
12/18/2024	-3.117	-0.779	4.547
01/29/2025	-3.595	-0.899	4.427

Equity and Commodity

Index	Value	Net change
DJIA	39,282.33	-31.31
S&P	5,203.58	-14.61
Nasdaq	16,315.70	-68.77
Nikkei 225	40,398.03	-16.09
STI	3,233.33	35.23
KLCI	1,538.42	0.88
JCI	7,365.66	-12.10
Baltic Dry	2,123.00	-73.00
VIX	13.24	0.05

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.46 (+0.03)	4.59(--)
5Y	3.06 (+0.05)	4.22 (-0.01)
10Y	3.1 (+0.04)	4.23 (-0.01)
15Y	3.08 (+0.03)	--
20Y	3.06 (+0.02)	--
30Y	3 (+0.01)	4.4 (-0.02)

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)	81.62	-0.40%	Corn (per bushel)	4.325	-1.2%
Brent (per barrel)	86.25	-0.58%	Soybean (per bushel)	11.990	-0.8%
Heating Oil (per gallon)	262.18	-2.12%	Wheat (per bushel)	5.435	-2.1%
Gasoline (per gallon)	270.06	-1.74%	Crude Palm Oil (MYR/MT)	43.320	-0.5%
Natural Gas (per MMBtu)	1.58	-2.48%	Rubber (JPY/KG)	330.000	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8862.00	-0.12%	Gold (per oz)	2178.8	0.3%
Nickel (per mt)	16640.00	-1.75%	Silver (per oz)	24.5	-0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event		Survey	Actual	Prior	Revised
03/27/2024 05:00	SK	Business Survey Manufacturing	Apr	--	73	75	--
03/27/2024 05:00	SK	Business Survey Non-Manufacturing	Apr	--	69	70	--
03/27/2024 07:30	AU	Westpac Leading Index MoM	Feb	--	0.08%	-0.08%	--
03/27/2024 08:01	UK	Lloyds Business Barometer	Mar	40	42	42	--
03/27/2024 08:01	UK	Lloyds Own Price Expectations	Mar	--	57	58	--
03/27/2024 08:30	AU	CPI YoY	Feb	3.50%	--	3.40%	--
03/27/2024 09:30	CH	Industrial Profits YTD YoY	Feb	--	--	-2.30%	--
03/27/2024 13:00	IN	Bloomberg March India Economic Survey					
03/27/2024 16:00	TA	Monitoring Indicator	Feb	--	--	27	--
03/27/2024 18:00	EC	Consumer Confidence	Mar F	--	--	-14.9	--
03/27/2024 18:00	EC	Economic Confidence	Mar	96.2	--	95.4	--
03/27/2024 18:00	EC	Industrial Confidence	Mar	-9.5	--	-9.5	--
03/27/2024 18:00	EC	Services Confidence	Mar	7.8	--	6	--
03/27/2024 19:00	US	MBA Mortgage Applications	Mar-22	--	--	-1.60%	--
03/27/2024 22:00	US	Revisions: Wholesale sales, inventories					

Source: Bloomberg

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