

Daily Treasury Outlook

13 January 2025

Highlights

Global: Another blockbuster nonfarm payrolls which printed at 256k (highest since March) in December, coupled with an unexpected dip in the unemployment rate from 4.2% to 4.1%. This strong dataset likely cements the market anticipation that the FOMC will pause at the upcoming FOMC meeting and possibly remain on hiatus until 2H25 given the potential return of inflation. Private payrolls also accelerated from a revised 182k in November to 223k in December, albeit the manufacturing payrolls contracted 13k. Meanwhile the average hourly earnings rose 0.3% MoM as expected but moderated to 3.9% YoY. The January preliminary University of Michigan (UoM) sentiment index also eased from 74.0 to 73.2, with expectations gauge (70.2 versus 73.3 previously) mitigating the current conditions optimism (77.9 versus 75.1 previously). The 1- and 5-10 year UoM inflation gauges both also jumped to 3.3% (highest since 2008 for long-term inflation expectations) from 2.8% and 3.0% respectively, suggesting rising concerns about the potentially inflationary impact of Trump policy changes. On Friday, the S&P500 slid 1.5% in its worst decline since mid-December which wiped out its gains for the new year and sent the 30-year UST bond yield above 5% and the 10-year yield was also up 7bps to 4.76%. Market pricing for Fed rate cuts this year has dropped further to less than 30bps, versus ~40bps pre-NFP.

Market Watch: Asian markets are likely to range trade, awaiting China's December trade data this morning, as well as China's data dump including 4Q24 GDP, new Yuan loans, FDI and monetary aggregates due this week. India's December CPI is also on tap today. ECB's Lane and Rehn are also speaking today. For the week ahead, watch for US' December PPI tomorrow and CPI on Wednesday with headline and core tipped at 2.9% YoY (0.3% MoM) and 3.3% YoY (0.2% MoM) respectively, Indonesia's trade, UK's December CPI/RPI/PPI on Wednesday, Fed's Beige Book and US' retail sales on Thursday, Malaysia's 4Q24 GDP growth as well as China's 4Q24 GDP growth, industrial production, retail sales, fixed asset and property investments, property sales and jobless rate data on Friday. On the central bank front, BI's policy decision is due on Wednesday (likely static at 6%), BOK policy decision is due on Thursday (with a 25bp rate cut to 2.75% pencilled in) while the ECB minutes from its 11-12 December meeting is also due, and MAS may announce the date of its monetary policy review which is due by end of January. US earnings season also kicks off on Wednesday with banks like Citigroup, Goldman Sachs, JPMorgan and Wells Fargo due.

Key Market Movements

Equity	Value	% chg
S&P 500	5827.0	-1.5%
DJIA	41938	-1.6%
Nikkei 225	39190	-1.0%
SH Comp	3168.5	-1.3%
STI	3801.6	-1.6%
Hang Seng	19064	-0.9%
KLCI	1602.4	0.1%
	Value	% chg
DXY	109.650	0.4%
USDJPY	157.73	-0.3%
EURUSD	1.0244	-0.5%
GBPUSD	1.2207	-0.8%
USDIDR	16185	-0.1%
USDSGD	1.3715	0.2%
SGDMYR	3.2864	-0.1%
	Value	chg (bp)
2Y UST	4.38	11.52
10Y UST	4.76	6.99
2Y SGS	2.89	2.50
10Y SGS	3.03	3.16
3M SORA	2.97	-0.44
3M SOFR	4.64	-0.57
	Value	% chg
Brent	79.76	3.7%
WTI	76.57	3.6%
Gold	2690	0.8%
Silver	30.41	0.9%
Palladium	951	2.2%
Copper	9092	0.1%
BCOM	102.49	2.0%

Source: Bloomberg

Oil: Crude oil benchmarks extended gains for the second consecutive trading session, with WTI and Brent increasing by 3.6% and 3.7%, respectively. Consequently, WTI and Brent closed the week higher at USD76.6/bbl and USD79.8/bbl, respectively. The rally was driven by concerns about supply disruption following the Biden administration's decision to impose fresh sanction on Russian oil. According to a press release from the US Department of the Treasury, sanctions were imposed on Gazprom Neft, Surgutneftegas, 183 vessels, a network of oil traders and service providers, as well as energy officials.

Major Markets

CN: China's Ministry of Finance reiterated a more proactive fiscal policy in 2025 in the latest press conference which will focus on four areas including higher fiscal deficit, more debt issuance, ensure funding for priority expenditure and improving the efficiency of fund allocation. In 2025, the purpose of local government special bond will be broadened to fund both land reserves and the acquisition of unsold commercial housing for affordable housing projects. Meanwhile, debt restructuring has progressed effectively. The two trillion yuan in debt-swap bonds slated for 2024 were fully issued by December 18. On average, local governments have reduced debt-servicing costs by more than two percentage points; in some areas, the reduction has exceeded 2.5 percentage points, significantly easing repayment pressure. Notably, the Ministry of Finance believed the government borrowing is sustainable given the current real interest rates on Chinese government bonds are substantially lower than the country's real economic growth rate. Furthermore, China's government debt is backed by abundant high-quality assets with both social and economic benefits.

SG: December NODX likely accelerated to 9.0% YoY compared to 3.4% YoY (14.7% MoM sa) in November, with electronics exports tipped to remain robust at ~ 20%. Market consensus NODX forecast is for 8.1% YoY (-0.5% MoM sa). For MAS, the easing in core inflation to ~2% handle paves the way for a potential slight slope flattening given greater conviction that the core inflation will be fairly well-behaved for the remainder of 2025 and into 2026 amid the gradual cooling of the domestic labour market and tapering of domestic demand conditions.

VN: Vietnamese overseas investment rose by 57.7% YoY to USD664.8mn across 190 projects in 2024, according to the Ministry of Planning and Investment. Key sectors included science and technology (30.2%), manufacturing (21%), and electricity (14.2%). Laos (28.8%), Indonesia (20.7%), and India (13.5%) were the top destinations among 31 countries last year. By the end of 2024, Vietnam had 1,825 active overseas projects worth USD22.6bn, with mining (31%), agriculture (15%), and information and communication (12.6%) as leading industries.

MY: The industrial production index (IPI) growth improved to 3.6% YoY in November 2024, up from 2.0% in the previous month, marking 11 consecutive months of expansion. Export-oriented industries saw growth accelerate to 5.6% YoY in November from 3.3% in October, while domestic-oriented industries experienced slower growth, easing to 2.6% from 3.3%. By sector, improvements in manufacturing (4.6% in November, up from 3.3% in October) and electricity (3.9% from 1.9%) more than offset the continued weakness in mining (-0.8% from -2.8%). For January to November 2024, IPI growth stood at 3.7% YoY, compared to 0.8% in the same period of 2023. Elsewhere, both the unemployment and labour force participation rates remained steady in November at 3.2% and 70.5%, respectively.

ID: Bank Indonesia's retail sales survey estimates sales to rise by 1.0% YoY in December 2024, up from 0.9% in the previous month. Higher sales are expected to be driven by improvements in 'spare parts and accessories' and 'food, beverage, & tobacco.' The survey also indicates that respondents anticipate a build-up in inflationary pressures over the next three months (February) ahead of Ramadan, followed by easing in the next six months (May 2025). Separately, wholesale car sales declined by 6.4% YoY in December to 79,806 units, bringing full-year 2024 car sales to 865,723 units, a 13.9% YoY contraction.

TH: Commerce Minister Pichai Nariphaphan and the Ambassador of Japan to Thailand, Otaka Masato, met on 10 January at the ministry. During the meeting, Minister Nariphaphan encouraged increased Japanese investment into the domestic automotive industry and other emerging sectors such as semiconductors, AI, data centres, and robotics technology. He noted that the Thai government was pleased with the rebound in Japanese investments and emphasised that Japan remains a leading investor in Thailand, following a dip in investment during the decade after the 2014 coup. The discussions also addressed the need to restore confidence among Japanese investors.

PH: According to the Bangko Sentral ng Pilipinas (BSP), Foreign Direct Investment (FDI) rose by 50.2% YoY in October (September: -36.2%), resulting in a net inflow of USD1bn. The manufacturing industry remains the primary focus for FDI inflows, followed by the real estate and construction industries. The October figure brings the total FDI net inflows for January to October to USD7.7bn, representing an 8.2% YoY increase from the USD7.1bn net inflows during the same period last year.

ESG

SG: PacificLight Power will build a hydrogen-compatible natural gas power plant on Jurong Island that will begin operations in 2029. It will have a capacity of at least 600MW and can burn natural gas with at least 30% hydrogen to generate electricity. There are plans for the plant to burn 100% hydrogen as the power sector works towards net-zero carbon emissions. Keppel is also building a hydrogen-ready plant on Jurong Island that is expected to be completed by 1H 2026. These projects contribute to Singapore's plans to have at least nine hydrogen-ready power plants by 2030.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher last Friday, with shorter tenors trading 3-5bps higher, and belly tenors trading 5bps higher and the 10Y traded 5bps higher. China Vanke Co. Ltd. ("VANKE") announced that a subsidiary secured a RMB1.08bn loan from Shanghai Pudong Development Bank for 30 years, according to a Shenzhen Stock Exchange filing. Another VANKE subsidiary's financing facility repayment deadline has been extended to the end of 2026, totalling RMB2.04bn. Bloomberg Asia USD Investment Grade spreads tightened by 3bps to 73bps while Bloomberg Asia USD High Yield spreads tightened by 12bps to 401bps. (Bloomberg, OCBC)

New Issues:

- There were no notable issuances in the Asiadollar and Singdollar markets last Friday.

Mandates:

- Tata Capital Ltd. may issue a USD denominated 3.5Y senior unsecured bond.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	109.650	0.43%	USD-SGD	1.3715	0.23%
USD-JPY	157.730	-0.26%	EUR-SGD	1.4050	-0.31%
EUR-USD	1.024	-0.54%	JPY-SGD	0.8697	0.51%
AUD-USD	0.615	-0.79%	GBP-SGD	1.6744	-0.58%
GBP-USD	1.221	-0.82%	AUD-SGD	0.8429	-0.57%
USD-MYR	4.498	-0.12%	NZD-SGD	0.7621	-0.54%
USD-CNY	7.333	0.01%	CHF-SGD	1.4966	-0.23%
USD-IDR	16185	-0.09%	SGD-MYR	3.2864	-0.06%
USD-VND	25371	-0.04%	SGD-CNY	5.3473	-0.22%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.8390	-1.53%	1M	4.3075	0.07%
3M	2.7660	-0.82%	2M	4.3133	0.15%
6M	2.6410	-0.30%	3M	4.3047	0.35%
12M	2.5640	0.43%	6M	4.2863	0.86%
			1Y	4.2614	1.90%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
01/29/2025	-0.027	-0.007	4.323
03/19/2025	-0.217	-0.054	4.275
05/07/2025	-0.382	-0.095	4.234
06/18/2025	-0.689	-0.172	4.157
07/30/2025	-0.767	-0.192	4.137
09/17/2025	-0.909	-0.227	4.102

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.57	3.58%	Corn (per bushel)	4.705	3.2%
Brent (per barrel)	79.76	3.69%	Soybean (per bushel)	10.135	2.1%
Heating Oil (per gallon)	250.17	5.19%	Wheat (per bushel)	5.308	-0.6%
Gasoline (per gallon)	207.49	2.30%	Crude Palm Oil (MYR/MT)	47.100	1.6%
Natural Gas (per MMBtu)	3.99	7.78%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9091.50	0.14%	Gold (per oz)	2689.8	0.8%
Nickel (per mt)	15658.00	1.14%	Silver (per oz)	30.4	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	41,938.45	-696.75
S&P	5,827.04	-91.21
Nasdaq	19,161.63	-317.25
Nikkei 225	39,190.40	-414.69
STI	3,801.56	-61.04
KLCI	1,602.41	1.60
JCI	7,088.87	24.28
Baltic Dry	1,048.00	79.00
VIX	19.54	1.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.89 (+0.02)	4.38(--)
5Y	2.87 (+0.04)	4.57 (+0.12)
10Y	3.03 (+0.03)	4.76 (+0.07)
15Y	3.03 (+0.03)	--
20Y	2.97 (+0.04)	--
30Y	2.92 (+0.03)	4.95 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	#N/A N/A	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.30
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Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
01/13/2025 01:15	CH	Money Supply M2 YoY	Dec	7.30%	--	7.10%	--
01/13/2025 01:15	CH	Aggregate Financing CNY YTD	Dec	31560.0b	--	29400.0b	29402.5b
01/13/2025 01:15	CH	Money Supply M1 YoY	Dec	-1.80%	--	-3.70%	--
01/13/2025 01:15	CH	Money Supply M0 YoY	Dec	--	--	12.70%	--
01/13/2025 05:45	NZ	Building Permits MoM	Nov	--	5.30%	-5.20%	--
01/13/2025 05:45	NZ	Filled Jobs SA MoM	Nov	--	0.30%	-0.10%	-0.20%
01/13/2025 08:00	AU	Melbourne Institute Inflation MoM	Dec	--	0.60%	0.20%	--
01/13/2025 08:00	AU	Melbourne Institute Inflation YoY	Dec	--	2.60%	2.90%	--
01/13/2025 08:30	AU	ANZ-Indeed Job Advertisements MoM	Dec	--	0.30%	-1.30%	-1.80%
01/13/2025 10:00	CH	Trade Balance	Dec	\$100.00b	--	\$97.44b	--
01/13/2025 10:00	CH	Exports YoY	Dec	7.50%	--	6.70%	--
01/13/2025 10:00	CH	Imports YoY	Dec	-1.00%	--	-3.90%	--
01/13/2025 10:00	CH	Exports YoY CNY	Dec	--	--	5.80%	--
01/13/2025 10:00	CH	Imports YoY CNY	Dec	--	--	-4.70%	--
01/13/2025 10:00	CH	Trade Balance CNY	Dec	--	--	692.80b	--
01/13/2025 18:30	IN	CPI YoY	Dec	5.30%	--	5.48%	--

Source: Bloomberg

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