

## Daily Treasury Outlook

15 January 2025

### Highlights

**Global:** Global markets paused on Tuesday, taking a breather after a sharp rebound in China's equity market and weaker-than-expected U.S. Producer Price Index (PPI) data tempered the recent global bond selloff. The DXY eased from its recent high of 110. The U.S. PPI rose 0.2% MoM in December, slightly below the market's expectation of 0.3% MoM. Meanwhile, core PPI, excluding volatile food and energy prices, was unchanged following a 0.2% gain in November. Attention now shifts to the U.S. CPI data due tonight. If CPI remains contained, core PCE inflation—a key measure tracked by the Fed—is expected to hold at around 0.2% MoM. In the UK, Chancellor Rachel Reeves reiterated her commitment to fiscal rules, stating, "we will meet them at all times." However, the latest survey revealed that two-thirds of British retailers plan to increase prices this year to offset higher employer social security costs, raising concerns about the growing risk of stagflation. The combination of stagflation risks and debt sustainability has driven a selloff in British government bonds over recent months. Elsewhere, in Japan, government bond yields climbed to a fresh 14-year high on Tuesday, with the 10-year JGB yield touching 1.25%. BOJ Deputy Governor Himino, in a speech to business leaders, left the door open to an additional rate hike in January, stating that the board remains undecided at this stage.

**Market Watch:** Looking ahead, market focus will turn to CPI data in both the UK and U.S., which will be critical in confirming whether both economies remain on the path of disinflation. On the central bank front, Bank Indonesia is expected to maintain its current interest rate.

**Oil:** Crude oil benchmarks closed lower on Tuesday, with WTI and Brent declining by 1.7% and 1.3%, respectively, to close at USD77.5/bbl and USD79.9/bbl. The dip in oil prices was attributed to prospects of easing geopolitical tensions in the Middle East. This follows reports that Hamas and Israel have agreed in principle to a draft ceasefire deal, as reported by Bloomberg. Separately, the American Petroleum Institute (API) reported a drawdown of 2.6mn bbls in US crude inventories for the week ending on 10 January. However, US gasoline and distillate inventories is expected to build up. The Energy Information Administration (EIA) is scheduled to release its oil inventories tonight (15 January), with consensus anticipating a drawdown of 0.6mn bbls in US crude inventories.

### Key Market Movements

Equity	Value	% chg
S&P 500	5842.9	0.1%
DJIA	42518	0.5%
Nikkei 225	38474	-1.8%
SH Comp	3240.9	2.5%
STI	3788.8	-0.1%
Hang Seng	19220	1.8%
KLCI	1576.5	-0.6%
	Value	% chg
DXY	109.273	-0.6%
USDJPY	157.96	0.3%
EURUSD	1.0308	0.6%
GBPUSD	1.2215	0.1%
USDIDR	16265	-0.1%
USDSGD	1.3666	-0.2%
SGDMYR	3.2923	0.4%
	Value	chg (bp)
2Y UST	4.37	-1.25
10Y UST	4.79	1.45
2Y SGS	2.97	0.30
10Y SGS	3.09	-0.13
3M SORA	2.97	-0.18
3M SOFR	4.61	-0.64
	Value	% chg
Brent	79.92	-1.3%
WTI	77.5	-1.7%
Gold	2677	0.5%
Silver	29.90	1.0%
Palladium	941	-0.4%
Copper	9154	0.7%
BCOM	102.73	-0.3%

Source: Bloomberg

## Major Markets

**CN:** China's aggregate social financing increased by CNY 2.85 trillion in December, exceeding expectations due to strong government debt issuance. The stock of ASF reaccelerated to 8% YoY, up from 7.8% YoY in November. New Yuan loans rose by CNY 990 billion, CNY 180 billion less than the same period last year. Medium- to long-term loans to households remained resilient, increasing by CNY 300 billion, supported by a rebound in property transactions over the past two months. However, medium- to long-term loans to corporates dropped sharply, rising by only CNY 400 billion, the lowest level since August 2016. The weakness in corporate loans was likely influenced by local government debt swaps, as part of the implicit debts of local government financing vehicles (LGFVs) were either replaced or repaid early, reducing the demand for new corporate borrowing. On the monetary front, broad money supply (M2) growth reaccelerated to 7.3% YoY in December from 7.1% YoY in November. The contraction in M1 growth narrowed more than expected to -1.4% YoY, driven by two key factors: the CNY effect and the faster-than-expected disbursement of fiscal funds. Additionally, China has announced plans to redefine M1 accounting, which could further narrow the contraction of M1 in 2025.

**MY:** The Malaysia-UAE Comprehensive Economic Partnership Agreement (CEPA) was negotiated and completed in 11 months, marking Malaysia's fastest free trade negotiations. Minister of Investment, Trade, and Industry, Minister Zafrul Abdul Aziz noted that the agreement is expected to boost bilateral trade by at least 60% within five years and strengthen economic ties with the UAE, a Gulf Cooperation Council (GCC) member. This milestone paves the way for broader economic integration, with Malaysia aiming to negotiate FTAs with other GCC nations, including Bahrain, Saudi Arabia, and Qatar.

**ID:** Communications Minister Meutya Hafid revealed that the government plans to introduce a regulation that would set the minimum age for social media users, a plan that would be similar to Australia's recent move to ban users under 16 years of age from such platforms. Minister Hafid added that the plans received a strong support from President Prabowo Subianto, with aims to safeguard children in digital spaces. Indonesia's internet service provider's association survey found that internet penetration has reached 79.5% in 2024, with nearly half of children under 12 had access to internet.

**VN:** Vietnam and Russia signed a non-binding agreement focusing on nuclear cooperation, maritime research, and the digital economy, following a visit by Russian Prime Minister Mikhail Mishustin to the country. The collaboration includes a memorandum of understanding (MoU) between Russia's Rosatom and the Vietnam Electricity Corporation. Additionally, the two nations aim to increase bilateral trade from USD4.6bn in 2024 to USD15bn by 2030.

**TH:** The consumer confidence index (CCI) rose for the third consecutive month to 57.9 in December from 56.9 in November. This increase in CCI was broad-based across the sub-indices of 'economic situation' (51.4 versus 50.4 in November), 'income' (67.0 versus 66.1 in November), and 'job' (55.3 versus 54.3 in November). According to the University of the Thai Chamber of Commerce, the improvement in consumer confidence can be attributed to government subsidies for rice farmers, as well as handouts for the elderly and tax breaks aimed at boosting consumption.

## ESG

**Rest of the World:** Europe's wind farms are on track to produce more electricity than the region's coal-fired power plants for the first time in 2025 if the recent pace of output growth in wind production and output cuts in coal generation extends through 2025. Europe's wind electricity production may surpass coal production by around 6% in 2025 if coal generation decreases and wind generation continues to increase. Greater full-year generation by wind farms over coal plants would mark the first time a single source of renewable energy surpassed coal-fired electricity output in any major region and would mark a key energy transition milestone.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower yesterday, with shorter tenors trading 2bps lower, and belly tenors trading 1bps lower to flat and the 10Y remained flat. As per Bloomberg, last year, new loans from Chinese banks fell for the first time since 2011, indicating weak financing demand in an economy facing deflation and a housing market downturn. China Fortune Land Development Co., which defaulted in early 2021, is contemplating a new restructuring initiative under the guidance of a Chinese court. Ho Bee Land Limited (“HOBEE”) has announced that it has submitted to the directors of AVJennings Limited (“AVJ”, Australian-based residential property company), a non-binding indicative offer for acquisition of all shares in AVJ that HOBEE does not currently indirectly own. This proposed plan would replace an earlier debt arrangement that had received approval from creditors, according to sources familiar with the matter. Bloomberg Asia USD Investment Grade spreads remained flat at 73bps while Bloomberg Asia USD High Yield spreads widened by 7bps to 411bps. (Bloomberg, OCBC)

### New Issues:

There were eight notable issuances from seven issuers in the Asiadollar market yesterday

- Vedanta Resources Finance II PLC (guarantors: Vedanta Resources Ltd, Twin Star Holdings Ltd and Welter Trading Ltd) issued USD1.1bn of bonds in two tranches, a USD500mn 5.5NC2.5 Fixed bond at Par and USD550mn 8.25NCNC3 Fixed bond at 99.916.
- Industrial & Commercial Bank of China Ltd/Macau priced a USD250mn 3Y FRN bond at SOFR+55bps.
- Hyundai Capital Services Inc priced a USD500mn 3Y Fixed bond at T+80bps.
- Tata Capital Ltd priced a USD400mn 3.5Y Fixed bond at T+92bps.
- Yankuang Group Cayman Ltd (guarantor: Shandong Energy Group Co Ltd) priced a USD250m 3Y Green Fixed bond at 4.95%.
- Great Eastern Life Assurance Co Ltd/The priced a USD500m PerpNC7 at T+69.60bps.
- Mitsubishi Corp priced a USD500mn 10Y Fixed bond at T+93bps.

There was one notable issuances in the Singdollar market yesterday.

- Housing & Development Board priced a SG950mn 5Y Green Fixed bond at 3.12%.

### Mandates:

- Bank of Communications Co., Ltd./Hong Kong may issue USD denominated 3Y SOFR Digitally Native Notes.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	109.273	-0.62%	USD-SGD	1.3666	-0.22%
USD-JPY	157.960	0.30%	EUR-SGD	1.4088	0.41%
EUR-USD	1.031	0.61%	JPY-SGD	0.8651	-0.53%
AUD-USD	0.620	0.29%	GBP-SGD	1.6694	-0.12%
GBP-USD	1.222	0.11%	AUD-SGD	0.8466	0.07%
USD-MYR	4.508	-0.06%	NZD-SGD	0.7659	0.16%
USD-CNY	7.331	-0.01%	CHF-SGD	1.4978	0.28%
USD-IDR	16265	-0.06%	SGD-MYR	3.2923	0.35%
USD-VND	25389	-0.03%	SGD-CNY	5.3627	0.32%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.8500	0.39%	1M	4.3017	-0.02%
3M	2.7850	0.69%	2M	4.3076	-0.01%
6M	2.6550	0.53%	3M	4.3041	0.01%
12M	2.5760	0.47%	6M	4.2892	-0.01%
			1Y	4.2596	-0.10%

## 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	-0.194	-0.049	4.281
05/07/2025	-0.388	-0.097	4.232
06/18/2025	-0.694	-0.174	4.156
07/30/2025	-0.827	-0.207	4.123
09/17/2025	-1.027	-0.257	4.072

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	77.50	-1.67%	Corn (per bushel)	4.745	-0.4%
Brent (per barrel)	79.92	-1.35%	Soybean (per bushel)	10.430	0.1%
Heating Oil (per gallon)	252.53	-0.32%	Wheat (per bushel)	5.463	0.2%
Gasoline (per gallon)	210.46	0.20%	Crude Palm Oil (MYR/MT)	46.680	-3.1%
Natural Gas (per MMBtu)	3.97	0.86%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9154.00	0.65%	Gold (per oz)	2677.5	0.5%
Nickel (per mt)	15956.00	0.35%	Silver (per oz)	29.9	1.0%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Equity and Commodity

Index	Value	Net change
DJIA	42,518.28	221.16
S&P	5,842.91	6.69
Nasdaq	19,044.39	-43.71
Nikkei 225	38,474.30	-716.10
STI	3,788.77	-2.93
KLCI	1,576.46	-9.13
JCI	6,956.67	-60.21
Baltic Dry	1,093.00	45.00
VIX	18.71	-0.48

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.97 (-)	4.36(-)
5Y	2.96 (+0.01)	4.6(-)
10Y	3.09 (-)	4.78 (+0.01)
15Y	3.09 (-)	--
20Y	3.04 (-)	--
30Y	2.99 (-)	4.97 (+0.01)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	4.29
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## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
01/15/2025	PH	Overseas Cash Remittances YoY	Nov	3.00%	--	2.70%	--
01/15/2025	IN	Exports YoY	Dec	--	--	-4.80%	-5.10%
01/15/2025 03:00	US	Federal Budget Balance	Dec	-\$80.0b	-\$86.7b	-\$129.4b	--
01/15/2025 07:00	SK	Unemployment rate SA	Dec	2.90%	3.70%	2.70%	--
01/15/2025 07:50	JN	Money Stock M2 YoY	Dec	--	1.30%	1.20%	--
01/15/2025 15:00	UK	CPI YoY	Dec	2.60%	--	2.60%	--
01/15/2025 15:00	UK	CPI MoM	Dec	0.40%	--	0.10%	--
01/15/2025 15:00	UK	CPI Core YoY	Dec	3.40%	--	3.50%	--
01/15/2025 15:00	GE	Wholesale Price Index MoM	Dec	--	--	0.00%	--
01/15/2025 15:00	UK	PPI Input NSA YoY	Dec	-1.30%	--	-1.90%	--
01/15/2025 15:20	ID	BI-Rate	Jan-15	6.00%	--	6.00%	--
01/15/2025 20:00	US	MBA Mortgage Applications	Jan-10	--	--	-3.70%	--
01/15/2025 21:30	US	CPI MoM	Dec	0.40%	--	0.30%	--
01/15/2025 21:30	US	CPI YoY	Dec	2.90%	--	2.70%	--
01/15/2025 21:30	US	Empire Manufacturing	Jan	3	--	0.2	--
01/15/2025 21:30	US	CPI Ex Food and Energy MoM	Dec	0.30%	--	0.30%	--

Source: Bloomberg

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