

Daily Treasury Outlook

5 February 2025

Highlights

Global: Uncertainty remains the dominant theme in global markets as investors continue to digest the escalating US-China trade tensions and the ongoing AI revolution. Despite China announcing retaliatory tariffs on 80 US products, US equities ended higher on Tuesday, showing resilience in the face of geopolitical risks. The U.S. dollar weakened in volatile trading, as markets interpreted Trump’s tariff threats as a negotiation tactic rather than an immediate escalation. However, bond investors were less convinced, with US Treasury yields dipping amid renewed concerns over the potential fallout from trade policy uncertainty as well as softer US job market data. China’s retaliatory tariffs, set to take effect on February 10, include a 15% tariff on 8 products and a 10% tariff on 72 products, impacting an estimated US\$15 billion in U.S. exports. The scale of China’s retaliation is notably smaller than the US\$50 billion targeted in April 2018 during Trade War 1.0, suggesting a more measured approach. This moderate response has raised hopes for a potential negotiation between US and Chinese leaders later this week. Federal Reserve officials voiced concerns about the uncertainty surrounding trade policy. Boston Fed President Susan Collins noted that broad-based tariffs could raise costs not only for final goods but also for intermediate goods. While she sees room for policy normalization, she emphasized that there is “no urgency for additional adjustments” given the prevailing uncertainty. Chicago Fed President Austan Goolsbee warned that the Fed must be “more careful and prudent” in lowering interest rates, as inflationary risks could resurface. Atlanta Fed President Raphael Bostic echoed similar concerns, stating that business contacts are already preparing to pass through higher costs stemming from new tariffs. On the economic data front, the U.S. job market showed signs of cooling. Job openings fell by 556K to 7.6 million in December, marking the largest decline since October 2023. November job openings were revised higher to 8.156 million, indicating that while hiring remains resilient, the labour market is gradually slowing. Layoffs remained low, falling by 29K to 1.771 million, keeping the layoff rate steady at 1.1% for the fourth consecutive month. Hiring increased by 89K to 5.462 million, though it remained 325K lower YoY, indicating a decline in labour market churn. The number of people voluntarily quitting their jobs rose modestly by 67K to 3.197 million, maintaining the quits rate at 2.0%, signalling that job-hopping activity is cooling. The moderating wage inflation pressures were a welcome sign for the Fed, reinforcing expectations that rate cuts may remain on the table later this year.

Key Market Movements

Equity	Value	% chg
S&P 500	6037.9	0.7%
DJIA	44556	0.3%
Nikkei 225	38798	0.7%
SH Comp	3250.6	0.0%
STI	3823.0	-0.1%
Hang Seng	20790	2.8%
KLCI	1564.6	0.7%
	Value	% chg
DXY	107.960	-0.9%
USDJPY	154.34	-0.3%
EURUSD	1.0379	0.3%
GBPUSD	1.2480	0.2%
USDIDR	16345	-0.5%
USDSGD	1.353	-0.6%
SGDMYR	3.2771	0.1%
	Value	chg (bp)
2Y UST	4.21	-3.52
10Y UST	4.51	-4.45
2Y SGS	2.80	-0.90
10Y SGS	2.90	0.11
3M SORA	2.89	-0.63
3M SOFR	4.49	-0.53
	Value	% chg
Brent	76.2	0.3%
WTI	72.7	-0.6%
Gold	2843	1.0%
Silver	32.17	1.8%
Palladium	996	-1.8%
Copper	9151	0.6%
BCOM	104.21	0.4%

Source: Bloomberg

Market Watch: Looking ahead, China's markets will reopen after the weeklong Lunar New Year holiday, with investors closely monitoring the daily RMB fixing in light of the new tariff developments. The retracement of the U.S. dollar could provide China with room to stabilize the yuan's fixing. Additionally, markets will track the final PMI readings for major economies across Asia, Europe, and the US. Indonesia's Q4 GDP release and the U.S. ADP employment data will also be closely watched for further insights into global economic momentum.

Oil: Crude oil benchmarks closed mixed on Tuesday, with WTI declining by 0.6% and Brent increasing by 0.3%, closing at USD72.7/bbl and USD76.0/bbl, respectively. Crude oil prices were under downward pressure amid concerns about the impact of a US-China trade war on global economic growth. Nevertheless, an executive order signed by US President Donald Trump to reinstate "maximum pressure" on Iran mitigated some of the losses. The directive is expected to increase economic pressure on Iran through a series of sanctions and tighter enforcement of existing mechanisms to prevent further development of Iran's nuclear weapons. Separately, the American Petroleum Institute (API) reported a buildup of 5.0mn bbls and 5.4mn bbls in US crude oil and gasoline inventories, respectively. In contrast, US distillate inventories were reported to have fallen by 7.0mn bbls, for the week ending 31 January. The Energy Information Administration (EIA) is scheduled to release its weekly oil inventories status report tonight (5 February), with consensus anticipating a buildup of 1.0mn bbls in US crude inventories.

Major Markets

MY: Prime Minister Anwar Ibrahim signalled that the government plans to expand and diversify its trade partnerships to counteract global trade tensions, focusing on strengthening ties with countries in Africa, Latin America, and Russia. He emphasized the importance of an independent approach that safeguards Malaysia's economic interests while aligning with ASEAN's principle of centrality. Additionally, PM Anwar reaffirmed that the electricity tariff hike, set to be implemented on 1 July 2025, will not affect 85% of the country's households.

ID: The government has secured parliamentary approval on 4 February 2025 for the establishment of Daya Anagata Nusantara (Danantara), a state investment agency that will manage holdings of state-owned companies' assets both domestically and internationally. Danantara will consolidate state firms and oversee their operations, dividends, and investments and is set to receive IDR1,000trn in initial capital, as reported by Bloomberg, citing State Minister Prasetyo Hadi. Deputy Speaker of the House of Representatives Sufmi Dasco Ahmad revealed that implementing regulations will be issued soon, providing further legal clarity.

TH: According to Pongsarun Assawachaisophon, a deputy secretary-general to PM Paetongtarn Shinawatra, the Thai government has asked local petrochemical companies to boost imports of US ethane and agricultural products. This move aims to safeguard the export-driven economy from the looming threat of US tariffs. Commerce Minister Pichai Nariphaphan is scheduled to travel to the US this week for potential discussions with US trade officials to alleviate any tensions.

ESG

Rest of the world: The Integrity Council for the Voluntary Carbon Market (ICVCM) now expects the decision on which cookstove methodologies will qualify for its Core Carbon Principles (CCP) quality label to be published by the end of March. This has been delayed from last year because of complex discussions involving many stakeholders. The ICVCM has already approved three REDD+ methodologies in Nov 2024, which are (i) (ART) The REDD+ Environmental Excellence Standard (TREES) v2.0, TREES Crediting Level, (ii) (VCS) VM0048 Reducing Emissions from Deforestation and Forest Degradation v1.0 and (iii) (VCS) Jurisdictional and Nested REDD+ (JNR) Framework v4.1. While no credits have yet been issued under the approved methodologies, there is a large volume of credits in development.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded mostly higher yesterday with shorter tenors trading -1 to +1bps higher, belly tenors trading 1bps higher and 10Y trading 2bps higher. Asiadollar and SGD issuance continues to be muted following Chinese New Year holidays. In the US however, corporate bond issuance saw a strong resumption following a pause on Monday after President Trump's tariff announcements over the weekend with almost USD19bn priced across investment grade and high yield corporates, around USD15.5bn of which was from investment grade issuers. According to a report by JPMorgan, proposed tariffs are not expected to meaningfully impact US investment-grade credit risk or spreads unless proposed tariffs on the European Union are significant or the US Federal Reserve raises interest rates. This is because revenues for three quarters of the US high-grade market are mostly generated domestically. Also in the US, Royal Caribbean Cruises Ltd. was upgraded to investment grade by S&P Global Ratings with the cruise operator reporting a record start to its peak booking period. This marks a recovery from the pandemic when the company lost its investment grade status in April 2020. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 73bps while Bloomberg Asia USD High Yield spreads widened by 2bps to 428bps. (Bloomberg, OCBC)

New Issues:

There were no notable issuances in the Asiadollar and Singdollar markets yesterday.

Mandates:

Korea Electric Power Corp has mandated banks for fixed income investor calls for possible USD denominated 144A/Reg S Senior Unsecured issues.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	107.960	-0.95%	USD-SGD	1.3530	-0.60%
USD-JPY	154.340	-0.25%	EUR-SGD	1.4041	-0.28%
EUR-USD	1.038	0.34%	JPY-SGD	0.8765	-0.31%
AUD-USD	0.625	0.43%	GBP-SGD	1.6884	-0.31%
GBP-USD	1.248	0.24%	AUD-SGD	0.8464	-0.09%
USD-MYR	4.444	-0.66%	NZD-SGD	0.7644	-0.14%
USD-CNY	7.245	0.05%	CHF-SGD	1.4939	0.01%
USD-IDR	16345	-0.55%	SGD-MYR	3.2771	0.13%
USD-VND	25181	-0.43%	SGD-CNY	5.3574	1.03%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6440	-0.60%	1M	4.3144	0.02%
3M	2.5620	-1.04%	2M	4.3080	-0.01%
6M	2.5360	-2.08%	3M	4.3052	0.02%
12M	2.4360	-3.29%	6M	4.2608	0.04%
			1Y	4.1858	0.10%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate	
03/19/2025	-0.149	-14.9	-0.037	4.289
7/5/2025	-0.413	-26.5	-0.103	4.223
06/18/2025	-0.823	-40.9	-0.206	4.121
07/30/2025	-1.045	-22.2	-0.261	4.065
09/17/2025	-1.344	-29.9	-0.336	3.99
10/12/2025	-1.745	-21	-0.436	3.89

Equity and Commodity

Index	Value	Net change
DJIA	44,556.04	134.13
S&P	6,037.88	43.31
Nasdaq	19,654.02	262.06
Nikkei 225	38,798.37	278.28
STI	3,823.01	-3.46
KLCI	1,564.56	10.93
JCI	7,073.46	43.40
Baltic Dry	738.00	3.00
VIX	17.21	-1.41

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.8 (-0.01)	4.22(--)
5Y	2.83 (+0.01)	4.32 (-0.04)
10Y	2.9 (--)	4.52 (-0.04)
15Y	2.92 (-0.01)	--
20Y	2.9 (--)	--
30Y	2.85 (--)	4.75 (-0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.35
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.70	-0.63%	Corn (per bushel)	4.945	1.2%
Brent (per barrel)	76.20	0.32%	Soybean (per bushel)	10.750	1.6%
Heating Oil (per gallon)	242.98	-1.35%	Wheat (per bushel)	5.770	1.8%
Gasoline (per gallon)	209.90	-0.88%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.25	-2.95%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9150.50	0.57%	Gold (per oz)	2842.7	1.0%
Nickel (per mt)	15270.00	0.41%	Silver (per oz)	32.2	1.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
2/5/2025 5:45	NZ	Unemployment Rate	4Q	5.10%	5.10%	4.80%	--
2/5/2025 5:45	NZ	Employment Change QoQ	4Q	-0.20%	-0.10%	-0.50%	-0.60%
2/5/2025 7:00	SK	CPI YoY	Jan	2.10%	2.20%	1.90%	--
2/5/2025 7:00	SK	CPI MoM	Jan	0.50%	0.70%	0.40%	--
2/5/2025 9:00	PH	CPI YoY 2018=100	Jan	2.80%	2.90%	2.90%	--
2/5/2025 9:45	CH	Caixin China PMI Services	Jan	52.4	--	52.2	--
2/5/2025 9:45	CH	Caixin China PMI Composite	Jan	--	--	51.4	--
2/5/2025 12:00	ID	GDP YoY	4Q	4.96%	--	4.95%	--
2/5/2025 13:00	SI	Retail Sales YoY	Dec	1.00%	--	-0.70%	--
2/5/2025 16:55	GE	HCOB Germany Services PMI	Jan F	52.5	--	52.5	--
2/5/2025 17:00	EC	HCOB Eurozone Composite PMI	Jan F	50.2	--	50.2	--
2/5/2025 17:30	UK	S&P Global UK Services PMI	Jan F	51.2	--	51.2	--
2/5/2025 20:00	US	MBA Mortgage Applications	31-Jan	--	--	-2.00%	--
2/5/2025 21:15	US	ADP Employment Change	Jan	150k	--	122k	--
2/5/2025 21:30	US	Trade Balance	Dec	-\$96.8b	--	-\$78.2b	--
2/5/2025 23:00	US	ISM Services Index	Jan	54	--	54.1	54

Source: Bloomberg

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