

Daily Treasury Outlook

19 February 2025

Highlights

Global: Equity markets ended higher on Tuesday, shrugging off mixed headlines, as US and European stocks closed at record highs despite Trump's tariff threats. European equities were driven by increased defense spending, which outweighed concerns surrounding this weekend's German election. Meanwhile, the US dollar strengthened, supported by tariff news, Fed speakers and fading optimism over a potential Ukraine peace deal. Ukrainian President Volodymyr Zelenskiy postponed his planned visit to Saudi Arabia until March 10, citing concerns that the trip might lend legitimacy to ongoing U.S.-Russia talks. On trade policy, Trump announced plans for auto tariffs "in the neighbourhood of 25%", along with similar duties on semiconductors and pharmaceutical imports, with details expected by April 2. Despite the protectionist rhetoric, markets remained resilient, suggesting investors are looking beyond near-term trade risks. On Fed, San Francisco Federal Reserve Bank President Mary Daly reaffirmed a cautious stance on monetary policy on Tuesday, stating that while there is no reason for discouragement regarding the gradual and sometimes imperceptible progress toward the 2% inflation target, the Fed should maintain its current short-term borrowing costs until more visible progress is evident. Her remarks underscore the central bank's patient approach, reinforcing the view that policymakers are in no rush to cut rates. On the economic front, European data remained upbeat, with Germany's ZEW economic sentiment index surging to 26.0 points in February, well above January's 10.3 points. Analysts attribute this to growing optimism about a more stable post-election government in Germany. Meanwhile, the Reserve Bank of Australia (RBA) cut its cash rate by 25bps to 4.10%, marking the beginning of a new easing cycle. The RBA cited faster-than-expected disinflation, subdued private demand, and easing wage pressures, but flagged persistent upside risks due to the still-tight labor market. In the press conference, Governor Bullock struck a more hawkish tone, suggesting that market expectations of aggressive rate cuts may be overdone.

Market Watch: Looking ahead, today's market focus will shift to key central bank decisions. The Reserve Bank of New Zealand (RBNZ) is expected to cut rates by 50bps, while Bank Indonesia (BI) remains a close call. The Federal Reserve will release its January FOMC meeting minutes, providing further clarity on its policy outlook. On the data front, housing market updates from both China and the US will be closely watched.

Key Market Movements

Equity	Value	% chg
S&P 500	6129.6	0.2%
DJIA	44556	0.0%
Nikkei 225	39270	0.2%
SH Comp	3324.5	-0.9%
STI	3925.6	0.5%
Hang Seng	22977	1.6%
KLCI	1584.8	0.1%
	Value	% chg
DXY	107.054	0.4%
USDJPY	152.06	0.4%
EURUSD	1.0446	-0.4%
GBPUSD	1.2613	-0.1%
USDIDR	16275	0.4%
USDSGD	1.3423	0.1%
SGDMYR	3.3125	0.2%
	Value	chg (bp)
2Y UST	4.31	4.67
10Y UST	4.55	7.41
2Y SGS	2.75	1.50
10Y SGS	2.87	3.14
3M SORA	2.81	-0.64
3M SOFR	4.45	-1.08
	Value	% chg
Brent	75.84	0.8%
WTI	71.85	1.6%
Gold	2936	1.4%
Silver	32.88	1.7%
Palladium	987	1.2%
Copper	9472	0.8%
BCOM	107.29	1.3%

Source: Bloomberg

Commodities: Oil prices rose on Tuesday, with Brent increasing by 0.8% to close at USD75.8/bbl. WTI, which traded without settlement on Monday due to the Presidents' Day holiday, rose by 1.6% to close higher, from its previous close, at USD71.9/bbl. Supply disruptions which are expected to complicate oil supply flows to the global market, continue to be the primary driver of higher oil prices. It was reported that a storm has led to the suspension of oil loadings to Russia's Novorossiisk port. Similarly, cold weather in the US has affected oil production in North Dakota. According to the North Dakota Pipeline Authority, production in the country's No.3 producing state is expected to fall by ~0.15mbpd.

Major Markets

CN: The Private Enterprise Symposium on Monday reaffirmed China's commitment to fostering the healthy and high-quality development of the private economy, with new pro-business policies set to be introduced. Key measures include revising the Market Access Negative List to further ease restrictions on private enterprises, expanding fair access to infrastructure projects and national research facilities, and strengthening legal protections for private businesses. Additionally, the government will implement stricter penalties for dishonest business practices and take concrete steps to resolve delayed payments owed to private firms by government and state-owned entities. These initiatives aim to restore business confidence, promote market fairness, and create a more favorable operating environment for private enterprises, reinforcing their crucial role in China's economic transformation.

ID: Energy and Mineral Ministry official Eniya Listiani Dewi noted that the government is exploring a 50% palm oil biodiesel blend (B50) and a 3% blend for jet fuel for 2026, as reported by Reuters. Indonesia has increased the mandatory palm oil mix in biodiesel to 40% (B40) in 2025 from B35 previously, as part of efforts to lessen dependence on imported diesel. The state plantation fund is set to allocate IDR35.47trn to support the biodiesel program, with about half of the expected 15.62 million kilolitres of biodiesel sold this year being subsidized.

MY: The Malaysia Digital Economy Corporation (MDEC) is committed to achieving a 25.5% contribution of the digital economy to the country's GDP by year-end, focusing on enhancing SME competitiveness, attracting investments, and developing a digitally skilled workforce, as reported by The Edge. MDEC seeks to promote digital growth at the state level, including in Johor, which has the potential to emerge as a regional center for data centres, fintech, and digital content, thereby enhancing national competitiveness.

ESG

SG: Announced at Singapore Budget 2025, Singapore has plans to proactively study the potential deployment of nuclear power in Singapore and develop further capabilities in this area, with the aim of including nuclear energy in its energy mix. This can be attributed to significant interest and advancements in nuclear technologies in recent years e.g. small modular reactors (SMRs), which are advanced nuclear reactors that have been thought to be suitable for Singapore as they are compact systems that can be installed in populated urban areas because of their smaller footprint. In addition, SMRs have better safety features than conventional reactors.

Rest of the world: Japan's government approved new targets to cut greenhouse gas emissions through 2040, alongside a revised energy plan and an updated industrial policy for the same period. Japan also has plans to submit its 2035 Nationally Determined Contribution (NDC) under the Paris Agreement to the United Nations this month. The revised energy policy aims for renewables to account for up to 50% of Japan's electricity mix by fiscal year 2040, with nuclear power contributing another 20% as the country pushes for clean energy while meeting rising power demand. However, there are uncertainties emerging around Japan's policies, as the domestic offshore wind market faces headwinds from inflation and high costs.

Market Commentary: The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 1-2bps higher, belly tenors trading 3-4bps higher and 10Y trading 4bps higher. As per Bloomberg, New World Development Co. plans to use USD3.8bn in additional properties as collateral to refinance bank loans maturing in 2027 and later, aiming to alleviate liquidity pressure per Bloomberg. This follows a prior proposal to pledge 25 property assets worth USD15.3bn to refinance USD7.7bn in loans due this year and next, bringing the total collateral to USD19.1bn. Vedanta Ltd.'s creditors will vote on a plan to split the company into at least five businesses. This plan needs the approval from three-fourths in debt value of the creditors present. This restructuring aims to simplify its corporate structure, manage debt, and improve valuation through separate listings. Vedanta Resources Ltd. has cut its debt by over USD4bn in the last two years and plans to repay an additional USD3bn in the next three years. Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 67 bps while Bloomberg Asia USD High Yield spreads tightened by 11bps to 381bps. (Bloomberg, OCBC)

New Issues:

There were seven notable issuances in the Asiadollar market yesterday.

- BHP Billiton Finance USA Ltd (guarantor: BHP Group Ltd) issued USD3bn debt in three tranches: a USD1bn 5Y (1-month par call) Fixed bond at T+62bps, a USD750mn 7Y (2-month par call) Fixed bond at T+72bps and a USD1.25bn 10Y (3-month par call) Fixed bond at T+80bps.
- ORIX Corp priced a USD500mn 10Y Fixed bond at T+85bps.
- Sumitomo Mitsui Financial Group Inc priced a USD1.25bn PerpNC10.25 AT1 at 6.452%.
- HPHT Finance Ltd (guarantor: Hutchison Port Holdings Trust acting through its trustee-manager, initially being Hutchison Port Holdings Management Pte. Ltd.; and HPHT Limited) priced a USD500mn 5Y Fixed bond at T+73bps.
- Kansai Electric Power Co Inc/The priced a USD500mn 5Y Fixed bond at T+67bps.
- Greentown China Holdings Ltd priced a USD150mn retap of GRNCH 8.45% '28s at 8.258%.
- Government of Mongolia priced a USD500mn 5Y Fixed bond at 6.625%.

There was one notable issuance in the Singdollar market yesterday.

- Housing & Development Board priced a SGD700mn 7Y Fixed bond at 2.884%.

Mandates:

There were no notable mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	107.054	0.45%	USD-SGD	1.3423	0.05%
USD-JPY	152.060	0.36%	EUR-SGD	1.4024	-0.29%
EUR-USD	1.045	-0.36%	JPY-SGD	0.8827	-0.32%
AUD-USD	0.635	-0.05%	GBP-SGD	1.6931	-0.03%
GBP-USD	1.261	-0.10%	AUD-SGD	0.8527	0.00%
USD-MYR	4.446	0.26%	NZD-SGD	0.7657	-0.51%
USD-CNY	7.275	0.15%	CHF-SGD	1.4859	-0.23%
USD-IDR	16275	0.37%	SGD-MYR	3.3125	0.21%
USD-VND	25527	0.20%	SGD-CNY	5.4208	0.10%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6160	0.46%	1M	4.3260	0.13%
3M	2.5100	-0.48%	2M	4.3289	0.03%
6M	2.4890	-0.99%	3M	4.3319	0.02%
12M	2.4240	-0.57%	6M	4.3122	0.03%
			1Y	4.2561	-0.08%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate	
03/19/2025	-0.019	-1.9	-0.005	4.324
05/07/2025	-0.128	-10.9	-0.032	4.297
06/18/2025	-0.509	-38.1	-0.127	4.201
07/30/2025	-0.705	-19.6	-0.176	4.153
09/17/2025	-1.031	-32.6	-0.258	4.071
12/10/2025	-1.425	-22	-0.356	3.972

Equity and Commodity

Index	Value	Net change
DJIA	44,556.34	10.26
S&P	6,129.58	14.95
Nasdaq	20,041.26	14.49
Nikkei 225	39,270.40	96.15
STI	3,925.56	20.71
KLCI	1,584.84	2.08
JCI	6,873.55	42.67
Baltic Dry	806.00	14.00
VIX	15.35	-0.02

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.75 (+0.02)	4.3(--)
5Y	2.77 (+0.02)	4.4 (+0.07)
10Y	2.87 (+0.03)	4.55 (+0.07)
15Y	2.88 (+0.03)	--
20Y	2.87 (+0.03)	--
30Y	2.83 (+0.02)	4.77 (+0.07)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.33
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.97	0.17%	Corn (per bushel)	5.018	0.0%
Brent (per barrel)	75.95	0.15%	Soybean (per bushel)	10.373	-0.1%
Heating Oil (per gallon)	243.90	-0.07%	Wheat (per bushel)	6.050	0.0%
Gasoline (per gallon)	209.44	0.37%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.97	-0.82%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9472.00	#DIV/0!	Gold (per oz)	2934.3	-0.1%
Nickel (per mt)	15349.00	#DIV/0!	Silver (per oz)	32.8	-0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
02/19/2025	PH	BoP Overall	Jan	--	--	-\$1508m	--
02/19/2025 05:00	US	Net Long-term TIC Flows	Dec	--	\$72.0b	\$79.0b	\$53.2b
02/19/2025 07:30	AU	Westpac Leading Index MoM	Jan	--	0.12%	-0.02%	--
02/19/2025 07:50	JN	Core Machine Orders MoM	Dec	0.50%	-1.20%	3.40%	--
02/19/2025 09:00	NZ	RBNZ Official Cash Rate	19-Feb	3.75%	3.75%	4.25%	--
02/19/2025 15:00	UK	CPI YoY	Jan	2.80%	--	2.50%	--
02/19/2025 15:00	UK	CPI MoM	Jan	-0.30%	--	0.30%	--
02/19/2025 15:00	UK	CPI Core YoY	Jan	3.70%	--	3.20%	--
02/19/2025 15:00	UK	PPI Input NSA YoY	Jan	-0.60%	--	-1.50%	--
02/19/2025 15:00	UK	RPI YoY	Jan	3.70%	--	3.50%	--
02/19/2025 15:00	UK	RPI MoM	Jan	0.00%	--	0.30%	--
02/19/2025 15:20	ID	BI-Rate	19-Feb	5.75%	--	5.75%	--
02/19/2025 20:00	US	MBA Mortgage Applications	14-Feb	--	--	2.30%	--
02/19/2025 21:30	US	Housing Starts	`	1390k	--	1499k	--
02/19/2025 21:30	US	New York Fed Services Business Activity	Feb	--	--	-5.6	--

Source: Bloomberg

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