

Daily Treasury Outlook

20 February 2025

Highlights

Global: The S&P500, European and benchmark UK equity indices hit new highs, as the market digested the FOMC minutes, as well as slew of tariff and geopolitical headlines. US treasury yields fell across board, while the dollar strengthened. January FOMC minutes echoed the well telegraphed view of extended pause on rates, while hinting at a potential pause or taper of QT. Officials stressed the need to see additional evidence of continued disinflation, amid concerns over the inflationary impact of Trump's agenda. Noting that the Fed is committed to maintaining an ample reserves regime, Fed members commented that it may be appropriate to consider pausing or slowing balance sheet runoff until the resolution of this event. RBNZ cut the cash rate by 50bps to 3.75% as expected, while maintaining a dovish tone. Governor Orr commented that the expected decline of inflation will allow for further easing. The RBNZ anticipated smaller pace of cut at 25bps each in April and May meeting, provided economic conditions evolve as projected. Meanwhile, Bank Indonesia kept the policy rate unchanged at 5.75%. In terms of data, UK headline inflation came in hotter-than-expected at 3.0% in January, the highest in 10 months. The major boost came from airfares, motor fuel, food, and education which was the result of VAT hike on private school fees. On geopolitical front, Trump is ratcheting up pressures on Zelenskyy to accept a deal the end war with Russia, while reportedly seeking to strike a wide-ranging deal with China.

Market Watch: Asia markets are expected to trade with a cautious tone this morning. The data calendar is packed, comprising Australia's January employment report (unemployment rate edged up to 4.1%; employment changed beat estimate at 44k), Malaysia's January trade data, Hong Kong's January CPI and Indonesia's January Consumer Confidence. Later today, the market will be watching Germany's January CPI, US' weekly jobless claim and Eurozone's February consumer confidence. The PBOC is expected to leave 1-year and 5-year LPR rates unchanged at 3.1% and 3.6%, respectively, as authorities are expected to prioritize financial and currency stability over further monetary stimulus.

Key Market Movements

Equity	Value	% chg
S&P 500	6144.2	0.2%
DJIA	44628	0.2%
Nikkei 225	39165	-0.3%
SH Comp	3351.5	0.8%
STI	3934.0	0.2%
Hang Seng	22944	-0.1%
KLCI	1580.9	-0.2%
	Value	% chg
DXY	107.173	0.1%
USDJPY	151.47	-0.4%
EURUSD	1.0423	-0.2%
GBPUSD	1.2586	-0.2%
USDIDR	16330	0.3%
USDSGD	1.3429	0.0%
SGDMYR	3.3091	-0.1%
	Value	chg (bp)
2Y UST	4.27	-3.80
10Y UST	4.53	-1.76
2Y SGS	2.78	2.10
10Y SGS	2.90	3.40
3M SORA	2.81	-0.66
3M SOFR	4.45	-0.21
	Value	% chg
Brent	76.04	0.3%
WTI	72.25	0.6%
Gold	2933	-0.1%
Silver	32.70	-0.6%
Palladium	972	-1.5%
Copper	9467	-0.1%
BCOM	107.55	0.2%

Source: Bloomberg

Commodities: Crude oil benchmarks extended gains for the second consecutive trading session, with WTI and Brent increasing by 0.6% and 0.3%, respectively, to close at USD72.3/bbl and USD76.0/bbl. Nevertheless, gains were limited relative to the previous trading session. Supply risks in Russia and the US remain the primary driver to higher oil prices. Separately, the American Petroleum Institute (API) reported a buildup of 3.3mn bbls in US crude oil inventories for the week ending 14 February. The Energy Information Administration (EIA) is scheduled to release its weekly oil inventories status report tonight (20 February), with consensus anticipating a buildup of 3.5mn bbls in US crude inventories. Elsewhere, gold reached a new record high of ~USD2947/oz but failed to maintain its gains, eventually closing lower at ~USD2933/oz.

Major Markets

CN: China's housing prices continued to recover in January, with both resale and new home prices in tier-one cities extending their sequential gains. In tier-two cities, the market showed mixed performance, as resale home prices declined, while new home prices posted their first increase since June 2023. The latest data suggests that policy-driven stabilization efforts are gaining traction, particularly in bigger cities.

ID: Bank Indonesia (BI) kept its policy rate unchanged at 5.75%, in line with consensus, following two rate cuts since September 2024, including a surprise cut in January 2025. BI maintained its key forecasts for growth (4.7%-5.5%) and inflation (1.5%-3.5%) in 2025. Notably, Governor Warjiyo emphasized that rupiah stability "is the most important thing for our economy to continue growing," and "that's why we continue to be in the market and maintain the stability of the rupiah." Nonetheless, Governor Warjiyo signaled that further rate cuts to support growth are only a matter of timing. In this context, we believe that the scope for BI to implement additional easing measures is limited, with only one 25 basis point cut remaining in our baseline projections.

MY: Prime Minister Anwar Ibrahim noted that Malaysia and Bahrain are set to deepen cooperation in new areas, including the semiconductor sector, following the 50th anniversary of their diplomatic ties. During a meeting with Bahrain's Crown Prince and Prime Minister Salman Hamad Al Khalifa, PM Anwar emphasized potential collaboration in investment, trade, Islamic finance, semiconductors, and tourism. PM Anwar, also serving as finance minister, plans to meet Bahrain's Finance Minister and the Bahrain Economic Development Board to boost economic partnerships and has invited the Crown Prince to visit Malaysia or attend the upcoming ASEAN-GCC Summit.

TH: The Industry Sentiment Index rose to 91.6 points in January, up from 90.1 in December 2024. According to the Federation of Thai Industries, the improved sentiment can be attributed to "increased exports on the back of higher demand from trading partners, the government's consumption stimulus measures, as well as increased tourist arrivals and spending during the festive seasons." Meanwhile, the sentiment index for the next three months is projected to increase further to 96.2 points versus 95.5 points in December 2024, supported by "exports in electronics, tourism, and the Bank of Thailand's debt relief program".

ESG

Rest of the world: According to Carbon Pulse, the number of carbon projects signalling their interest to participate in the Paris Agreement Crediting Mechanism (PACM) has grown by 30% over the past month. This highlights positive momentum in Article 6 project interest after progress at COP29 on Article 6 discussions.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 1-4bps higher, belly tenors trading 5-6bps higher and 10Y trading 6bps higher. According to Bloomberg, a court in Hong Kong has granted approval for Sino-Ocean Group Holding Ltd.'s offshore debt restructuring plan despite receiving less than 50% support for its restructuring proposal in two of four creditor classes, following a law introduced in 2020 that allows an English court to approve a debt plan without full buy-in from all creditor classes. The plan entails converting HKD5.6bn in loans and dollar notes into new securities, thereby lowering the risk of liquidation. In a separate news, Mongolia priced a USD500mn bond which attracted orders exceeding USD2.8b following its credit upgrade last year, which may signal that appetite for riskier debt remains robust. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 66bps while Bloomberg Asia USD High Yield spreads widened by 4bps to 385bps. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market yesterday.

- Mirae Asset Securities Co Ltd priced a USD400mn 3Y Formosa bond at T+95bps.

There was one notable issuance in the Singdollar market yesterday.

- Lendlease Global Commercial REIT priced a SGD120mn Subordinated PerpNC3 at 4.75%.

Mandates:

- Varanasi Aurangabad Nh-2 Tollway Pvt Ltd (guarantors: Indus Concessions India Pvt Ltd and Indus Concessions Infra Pvt Ltd) is planning a USD denominated 9NC3 senior secured issue, with fixed income investor meetings and calls starting 18 February.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	107.173	0.11%	USD-SGD	1.3429	0.04%
USD-JPY	151.470	-0.39%	EUR-SGD	1.3997	-0.19%
EUR-USD	1.042	-0.22%	JPY-SGD	0.8865	0.43%
AUD-USD	0.634	-0.14%	GBP-SGD	1.6901	-0.18%
GBP-USD	1.259	-0.21%	AUD-SGD	0.8519	-0.09%
USD-MYR	4.443	-0.05%	NZD-SGD	0.7661	0.05%
USD-CNY	7.279	0.05%	CHF-SGD	1.4845	-0.09%
USD-IDR	16330	0.34%	SGD-MYR	3.3091	-0.10%
USD-VND	25520	-0.03%	SGD-CNY	5.4223	0.03%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6240	0.31%	1M	4.3206	-0.11%
3M	2.5160	0.24%	2M	4.3248	-0.05%
6M	2.4840	-0.20%	3M	4.3261	-0.05%
12M	2.4440	0.83%	6M	4.3009	-0.10%
			1Y	4.2355	-0.14%

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
05/07/2025	-0.128	-10.9	-0.032
06/18/2025	-0.519	-39.1	-0.13
07/30/2025	-0.745	-22.6	-0.186
09/17/2025	-1.081	-33.6	-0.27
12/10/2025	-1.509	-24.4	-0.377

Equity and Commodity

Index	Value	Net change
DJIA	44,627.59	71.25
S&P	6,144.15	14.57
Nasdaq	20,056.25	14.99
Nikkei 225	39,164.61	-105.79
STI	3,934.04	8.48
KLCI	1,580.88	-3.96
JCI	6,794.87	-78.69
Baltic Dry	841.00	35.00
VIX	15.27	-0.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.78 (+0.02)	4.27(--)
5Y	2.8 (+0.03)	4.36 (-0.04)
10Y	2.9 (+0.03)	4.52 (-0.02)
15Y	2.92 (+0.03)	--
20Y	2.9 (+0.03)	--
30Y	2.86 (+0.03)	4.76(--)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.37
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.25	0.56%	Corn (per bushel)	4.975	-0.9%
Brent (per barrel)	76.04	0.26%	Soybean (per bushel)	10.318	-0.6%
Heating Oil (per gallon)	245.65	0.65%	Wheat (per bushel)	5.920	-2.1%
Gasoline (per gallon)	208.65	-0.01%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	4.28	6.81%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9466.50	-0.06%	Gold (per oz)	2933.4	-0.1%
Nickel (per mt)	15404.00	0.36%	Silver (per oz)	32.7	-0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
02/20/2025 05:00	SK	PPI YoY	Jan	--	1.70%	1.70%	--
02/20/2025 05:00	SK	Consumer Confidence	Feb	--	95.2	91.2	--
02/20/2025 08:30	AU	Unemployment Rate	Jan	4.10%	4.10%	4.00%	--
02/20/2025 08:30	AU	Employment Change	Jan	20.0k	44.0k	56.3k	60.0k
02/20/2025 08:30	AU	Participation Rate	Jan	67.10%	67.30%	67.10%	67.20%
02/20/2025 09:00	CH	1-Year Loan Prime Rate	20-Feb	3.10%	3.10%	3.10%	--
02/20/2025 15:00	GE	PPI MoM	Jan	0.60%	--	-0.10%	--
02/20/2025 16:00	TA	Export Orders YoY	Jan	2.70%	--	20.80%	--
02/20/2025 16:30	HK	CPI Composite YoY	Jan	1.80%	--	1.40%	--
02/20/2025 21:30	US	Initial Jobless Claims	15-Feb	215k	--	213k	--
02/20/2025 21:30	US	Philadelphia Fed Business Outlook	Feb	14.3	--	44.3	--
02/20/2025 21:30	US	Continuing Claims	08-Feb	1868k	--	1850k	--
02/20/2025 21:30	CA	Industrial Product Price MoM	Jan	0.80%	--	0.20%	--
02/20/2025 23:00	US	Leading Index	Jan	-0.10%	--	-0.10%	--
02/20/2025 23:00	EC	Consumer Confidence	Feb P	-14	--	-14.2	--

Source: Bloomberg

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