

## Daily Treasury Outlook

21 February 2025

### Highlights

**Global:** US equities closed lower (S&P: -0.4%; NASDAQ: -0.5%; Dow Jones: -1.0%), UST yields closed mixed with the yield curve flattening and the DXY index sliding. Despite healthy 4Q24 results, Walmart's weaker guidance for coming fiscal year weighed on equity sentiment. The company projects net sales between 3% and 4% from 5.6% recorded for the previous year. Walmart's guidance serves as a bellwether for the health of US consumer spending, with the CFO noting "uncertainties related to consumer behaviour and global economic and geopolitical conditions." Meanwhile, US Treasury Secretary Scott Bessent, in an interview with Bloomberg, stated that the current administration has not shortened the duration of issuances further compared to the previous administration. He added that it is easier for the US Treasury to extend duration as the US Federal Reserve considers slowing the balance-sheet run-off but that terming out duration will be 'path dependent'. He maintained that US economic policies remain geared towards reducing inflationary pressures. In terms of Fed speak, Adriana Kugler added to the chorus of thought on the uncertain implications from the current US administrations' policies. Specially, she noted that the Fed's preferred inflation gauge, the PCE deflator, still had "some way to go before achieving the FOMC's 2% objective". Data releases overnight were mixed – the initial jobless claims and continuing claims came in broadly in with expectations while the Philadelphia Fed Business Outlook for Feb dropped by more than 26 points to 18.1, still higher than recent average.

**Market Watch:** The data releases today include Malaysia's January CPI, UK January retail sales, US January existing home sales and the US February Uni. of Michigan Sentiment index.

### Major Markets

**CN:** The People's Bank of China (PBoC) kept its Loan Prime Rate (LPR) unchanged for the fourth consecutive month, with the one-year LPR at 3.1% and the five-year LPR at 3.6%. The decision to maintain rate stability is primarily aimed at ensuring financial stability, particularly amid renewed pressures on the Chinese yuan due to escalating trade tensions. However, with fading U.S. exceptionalism and a softer dollar, China may soon regain policy room to resume monetary easing to support its economic recovery. Given that CPI is expected to return to negative territory, the urgency for interest rate cuts remains high, as monetary easing will be crucial in addressing persistent disinflationary pressures and sustaining economic momentum.

### Key Market Movements

Equity	Value	% chg
S&P 500	6117.5	-0.4%
DJIA	44177	-1.0%
Nikkei 225	38678	-1.2%
SH Comp	3350.8	0.0%
STI	3927.5	-0.2%
Hang Seng	22577	-1.6%
KLCI	1577.7	-0.2%
	Value	% chg
DXY	106.372	-0.7%
USDJPY	149.64	-1.2%
EURUSD	1.0501	0.7%
GBPUSD	1.2669	0.7%
USDIDR	16330	0.0%
USDSGD	1.3335	-0.7%
SGDMYR	3.3082	0.0%
	Value	chg (bp)
2Y UST	4.27	0.23
10Y UST	4.51	-2.74
2Y SGS	2.75	-2.90
10Y SGS	2.88	-1.84
3M SORA	2.80	-0.66
3M SOFR	4.44	-0.25
	Value	% chg
Brent	76.48	0.6%
WTI	72.48	0.5%
Gold	2939	0.2%
Silver	32.96	0.8%
Palladium	983	1.1%
Copper	9564	1.0%
BCOM	107.71	0.1%

Source: Bloomberg

**HK:** Starting from 1 March, mainland branches of Hong Kong and Macau-domiciled banks were allowed to launch a range of banking services to customers, in the latest series of steps to integrate the financial sector of mainland China and the two special administrative regions. Specifically, mainland citizens will be able to open foreign currency accounts at these banks, though restrictions on opening offshore bank accounts remain unchanged. Meanwhile, foreign citizens can open both foreign currency and yuan accounts.

**ID:** The balance of payments (BoP) surplus widened USD7.9bn in 4Q24 from USD5.9bn in 3Q24, driven by a narrowing current account deficit (CAD) and a higher capital and financial account surplus. Specifically, CAD narrowed to USD1.1bn (0.3% of GDP) in 4Q24 from USD2.0bn (0.6% of GDP) in 3Q24. The improvement was supported by a higher surplus on the goods trade and secondary income balances, which more than offset the deeper deficits in the services trade and primary income accounts. Similarly, the portfolio flows picture turned more positive in 4Q24 versus 3Q24, leading to a higher surplus on the financial and capital account accounts to USD8.5bn (2.4% of GDP) from USD7.5bn (2.1% of GDP) in 3Q24. For 2024, the current account deficit widened to 0.6% of GDP (USD8.9bn) from 0.1% of GDP (USD2.0bn) in 2023, in line with our expectations. We expect a deeper CAD to 1.4% of GDP in 2025, slightly above Bank Indonesia's 0.5% - 1.3% of GDP deficit forecast, partly on the back of potential trade headwinds amid rising global risks of tariff wars.

**MY:** Exports and imports growth eased to 0.3% YoY and 6.2% in January 2025, versus 16.9% and 11.9% in December 2024, respectively. Consequently, the trade balance narrowed to MYR3.6bn in January from MYR19.1bn in December. Focusing on imports by end use, weaker consumption goods (-2.6% YoY in January, down from 11.5% in December) more than offset the improvement in capital goods (45.9% from 41.3%) and intermediate goods (3.3% from 1.5%).

**VN:** The parliament has approved a revision of the economic growth target to at least 8% for 2025, up from the previously approved range of 6.5% to 7%, following 7.1% YoY growth in 2024. Meanwhile, headline inflation is expected to be in the range of 4.5% to 5.0%. The parliament also approved major administrative reforms, including merging ministries to enhance governance efficiency and initiatives to boost science and technology, such as allowing full foreign control of satellite internet providers, as reported by Business Times. Additionally, plans for urban rail development and an USD 8.4 billion high-speed railway project linking Vietnam to China were greenlit.

## ESG

**MY:** Malaysia's ASEAN Chairmanship in 2025 will be important for shaping the region's policies and initiatives in fostering economic growth and promoting environmental sustainability. There are plans to promote the adoption of Fourth Industrial Revolution (4IR) technologies e.g. AI and blockchain, address regional challenges such as inequality and poverty, and tackle other regional issues such as the South China Sea disputes and the Myanmar crisis.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 4bps lower, belly tenors trading 3-4bps lower and 10Y trading 3bps lower. As per data compiled by Bloomberg, borrowers in the APAC region have issued approximately USD8.5bn in dollar notes this week, marking the largest issuance week for the region since early January. According to exchange filings, creditors and shareholders of Vedanta Ltd. have given their approval by a "requisite majority" for a plan to divide the Indian mining conglomerate into at least five distinct businesses. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 67bps while Bloomberg Asia USD High Yield spreads tightened by 1bps to 384bps. (Bloomberg, OCBC)

### New Issues:

There was one notable issuance in the Asiadollar market yesterday.

- Westpac New Zealand Ltd priced a USD750mn 5Y Fixed bond at T+60bps.

There was one notable issuance in the Singdollar market yesterday.

- Perpetual Asia Ltd. in its capacity as trustee of ESR-Reit priced a SGD100mn 5Y Fixed bond at 4.05%.

### Mandates:

There were no notable mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	106.372	-0.75%	USD-SGD	1.3335	-0.70%
USD-JPY	149.640	-1.21%	EUR-SGD	1.4004	0.05%
EUR-USD	1.050	0.75%	JPY-SGD	0.8911	0.52%
AUD-USD	0.640	0.88%	GBP-SGD	1.6894	-0.04%
GBP-USD	1.267	0.66%	AUD-SGD	0.8535	0.19%
USD-MYR	4.430	-0.31%	NZD-SGD	0.7685	0.31%
USD-CNY	7.243	-0.49%	CHF-SGD	1.4849	0.03%
USD-IDR	16330	0.00%	SGD-MYR	3.3082	-0.03%
USD-VND	25526	0.02%	SGD-CNY	5.4397	0.32%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6410	0.65%	1M	4.3208	0.01%
3M	2.5290	0.52%	2M	4.3241	-0.02%
6M	2.4740	-0.40%	3M	4.3215	-0.01%
12M	2.4470	0.12%	6M	4.2910	-0.02%
			1Y	4.2274	-0.03%

## 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	-0.206	-18.7	-0.051
06/18/2025	-0.589	-38.3	-0.147
07/30/2025	-0.805	-21.6	-0.201
09/17/2025	-1.131	-32.6	-0.283
12/10/2025	-1.533	-22.8	-0.383

## Equity and Commodity

Index	Value	Net change
DJIA	44,176.65	-450.94
S&P	6,117.52	-26.63
Nasdaq	19,962.36	-93.89
Nikkei 225	38,678.04	-486.57
STI	3,927.51	-6.53
KLCI	1,577.67	-3.21
JCI	6,788.04	-6.83
Baltic Dry	904.00	63.00
VIX	15.66	0.39

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.75 (-0.03)	4.27(--)
5Y	2.77 (-0.03)	4.34 (-0.02)
10Y	2.88 (-0.02)	4.51 (-0.03)
15Y	2.9 (-0.02)	--
20Y	2.89 (-0.02)	--
30Y	2.84 (-0.02)	4.75 (-0.02)

## 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)	72.57	0.44%	Corn (per bushel)	4.980	0.1%
Brent (per barrel)	76.48	0.58%	Soybean (per bushel)	10.455	1.3%
Heating Oil (per gallon)	250.34	1.91%	Wheat (per bushel)	5.855	-1.1%
Gasoline (per gallon)	208.65	0.00%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	4.15	-2.99%	Rubber (JPY/KG)	309.500	2.8%

  

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9563.50	1.02%	Gold (per oz)	2939.0	0.2%
Nickel (per mt)	15665.00	1.69%	Silver (per oz)	33.0	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
02/21/2025 05:45	NZ	Trade Balance NZD	Jan	--	-486m	219m	94m
02/21/2025 07:30	JN	Natl CPI YoY	Jan	4.00%	4.00%	3.60%	--
02/21/2025 08:30	JN	Jibun Bank Japan PMI Mfg	Feb P	--	48.9	48.7	--
02/21/2025 12:00	MA	CPI YoY	Jan	1.80%	--	1.70%	--
02/21/2025 13:00	IN	HSBC India PMI Mfg	Feb P	--	--	57.7	--
02/21/2025 15:00	UK	Retail Sales Inc Auto Fuel MoM	Jan	0.50%	--	-0.30%	--
02/21/2025 15:00	UK	Retail Sales Inc Auto Fuel YoY	Jan	0.70%	--	3.60%	--
02/21/2025 15:30	TH	Gross International Reserves	14-Feb	--	--	\$243.6b	--
02/21/2025 16:30	GE	HCOB Germany Manufacturing PMI	Feb P	45.5	--	45	--
02/21/2025 16:30	GE	HCOB Germany Services PMI	Feb P	52.5	--	52.5	--
02/21/2025 17:00	EC	HCOB Eurozone Manufacturing PMI	Feb P	47	--	46.6	--
02/21/2025 17:30	UK	S&P Global UK Manufacturing PMI	Feb P	48.5	--	48.3	--
02/21/2025 17:30	UK	S&P Global UK Services PMI	Feb P	50.8	--	50.8	--
02/21/2025 22:45	US	S&P Global US Manufacturing PMI	Feb P	51.4	--	51.2	--
02/21/2025 23:00	US	U. of Mich. Sentiment	Feb F	67.8	--	67.8	--
02/21/2025 23:00	US	Existing Home Sales	Jan	4.13m	--	4.24m	--

Source: Bloomberg

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