

Daily Treasury Outlook

24 April 2024

Highlights

Global: Risk-on sentiment was evident in Tuesday's session, as key US equity indexes closed higher (S&P 500: +1.2%, Nasdaq: 1.6%, and Dow Jones: 0.7%). Meanwhile, UST yields moved slightly lower, with the 10-year and 2-year yields currently hovering around 4.60% and 4.91%, respectively. Data releases were relatively light, with the S&P Global flash US Services PMI falling to 50.9 in April from 51.7 in March, the weakest since December, while the manufacturing reading contracted to 49.9 in April from 51.9 in the previous month. Elsewhere, the Eurozone flash composite PMI reading rose to 51.4 in April from 50.3 in March, the highest in 11 months. Similarly, Japan's composite flash PMI reading increased to 52.6 in April from 51.7 in March.

Market Watch: Asian markets are likely to open firm today following a positive Wall St close. Today's economic calendar comprises of Australia's March CPI, IFO business survey results for Germany, durable goods and MBA mortgage applications for the US and retail sales for Canada. On central banks, Bank Indonesia's rate decision will be announced today where we expect the policy rate to be held steady at 6.00%.

SG: Headline and core inflation moderated more than expected to 2.7% YoY and 3.1% YoY respectively, below our forecast of 3.3% and 3.5% and the Bloomberg consensus of 3.1% and 3.5%. Key contributors to the pullback in headline CPI were declines in private transport prices (-0.3% versus +1.4% previously due to lower COE premiums), and lower food prices (3.0% versus 3.8%) and services costs (3.9% versus 4.0%). COE premiums which fell in March largely reversed in April, so we should not anticipate another big downside surprise for the April. Headline inflation may still reaccelerate to around 3.2% YoY in 2Q24 before easing further in 2H24 to average around 3% YoY for the full-year 2024. Core CPI may subside less to around 3.1% for the full-year 2024 after clocking in at 3.3% YoY in 1Q24. Our base scenario sees MAS monetary policy settings in a prolonged pause mode for the rest of 2024 as core inflation will only step down more significantly in 4Q24 (our 4Q24 forecast 2.8% YoY) into 2025.

Key Market Movements

Equity	Value	% chg
S&P 500	5070.6	1.2%
DJIA	38504	0.7%
Nikkei 225	37552	0.3%
SH Comp	3022.0	-0.7%
STI	3272.7	1.5%
Hang Seng	16829	1.9%
KLCI	1561.6	0.1%
	Value	% chg
DXY	105.675	-0.4%
USDJPY	154.83	0.0%
EURUSD	1.0701	0.4%
GBPUSD	1.2449	0.8%
USDIDR	16220	-0.1%
USDSGD	1.3614	0.0%
SGDMYR	3.5078	0.1%
	Value	chg (bp)
2Y UST	4.93	-4.03
10Y UST	4.60	-0.81
2Y SGS	3.48	-0.30
10Y SGS	3.39	-1.38
3M SORA	3.64	0.07
3M SOFR	5.35	0.00
	Value	% chg
Brent	88.42	1.6%
WTI	83.36	1.8%
Gold	2322	-0.2%
Silver	27.31	0.4%
Palladium	1022	1.0%
Copper	9707	-1.3%
BCOM	102.95	0.2%

Source: Bloomberg

Major Markets

ID: Bank Indonesia is expected to keep the benchmark policy rate at 6.00% in today's (3pm SGT) MPC decision announcement, though with an outside chance of a 25bp hike, according to Bloomberg consensus. We view that the effectiveness of raising the policy rate to credibly support the currency against a volatile global markets backdrop is likely low, and that the trade-off for BI is sharper in terms of the currency versus economic growth. As such, we expect BI to stay pat in today's MPC, and our house view remains that BI's next move is likely to be a cut rather than a hike.

MY: The Science, Technology, and Innovation Ministry (MOSTI) has officially launched the MYStartup Single Window, a one-stop online platform for start-ups. The platform was created with the aim of creating a seamless business environment for start-ups, with features and services such as access to resources, mentorship, funding, and regulatory support. MOSTI Minister, Chang Lih Kang, noted that the platform aims to unite founders, investors, tech talents, and government agencies, providing comprehensive data and insights on starting and scaling a business. It is part of the country's initiative to become a top 20 global start-up ecosystem by 2030.

TH: The Cabinet has approved the THB500bn digital wallet programme, according to PM Srettha Thavisin. Deputy Finance Minister Julapun Amornvivat shared that the timeline for the disbursement remains on course for 4Q24. Meanwhile, the government will consult the Council of State to ensure that the programme complies with the law. Separately, PM Srettha Thavisin also revealed that the Thai cabinet has approved the Election Commission's plan for multi-level Senate elections, as well as three national referendums to amend the military-backed constitution.

Oil: Crude oil futures rose on Tuesday, reversing the marginal losses from Monday. Both WTI and Brent increased by 0.6% and 1.6% to settle at USD83.4/bbl and USD88.4/bbl respectively. Prices traded firmly on Tuesday due to softer DXY profile. On a separate reading, the American Petroleum Institute (API) reported a significant drawdown of 3.2mn bbls in US crude inventories for the week ending 19 April. The Energy Information Administration (EIA) will release its crude oil inventories tonight (24 April), with consensus expecting a buildup of 1.3 mn bbls in US crude inventories. US oil inventories will be the key focus and will provide further direction to the oil market today.

ESG Updates

Rest of the World: The UN reported that a large proportion of workers globally are facing health hazards linked to climate change, such as agricultural workers and others who carry out heavy labour in hot climates. There are workers who have chronic kidney disease linked to workplace heat stress and non-melanoma skin cancer from high exposure to UV radiation. Countries are urged to re-evaluate existing legislation or create new regulations to protect workers from health hazards linked to climate change.

Credit Market Updates

Market Commentary: The SGD SORA curve traded lower yesterday, with short tenors trading 1-3bps lower, belly tenors trading 3-4bps lower and 10Y trading 5bps lower. Per Bloomberg, borrowing costs for China's local government financing vehicles (LGFV) have fallen to a record low as investors have gained confidence that authorities will bail out operations that run into trouble. The sentiment shift has been so swift that some LGFVs have seen their borrowing costs effectively halve in just over six months. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 82bps while Asia USD High Yield spreads widened by 5bps to 615bps. (Bloomberg, OCBC)

New Issues:

There were two notable bond issuers in the Asiadollar market yesterday.

- **Yi Bright International Limited** (Guarantor: Linyi City Construction Investment Group Co Ltd) priced a USD100mn 2Y with final pricing of 6.8%.
- **CK Hutchison International (24) Limited** (Guarantor: CK Hutchison Holdings Limited) priced two bonds. A USD1bn 5Y green bond at T+80bps, and a USD1bn 10Y bond at T+100bps.

There were two notable bond issuer in the Singdollar market yesterday.

- **Housing & Development Board (HDB)** priced a SGD800mn 3Y with final pricing of 3.409%.
- **Hotel Properties Ltd ("HPL")** priced a SGD190mn 5Y with final pricing of 5.1%.

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.675	-0.38%	USD-SGD	1.3614	-0.04%
USD-JPY	154.830	-0.01%	EUR-SGD	1.4569	0.41%
EUR-USD	1.070	0.43%	JPY-SGD	0.8793	-0.03%
AUD-USD	0.649	0.57%	GBP-SGD	1.6948	0.76%
GBP-USD	1.245	0.80%	AUD-SGD	0.8830	0.52%
USD-MYR	4.780	0.07%	NZD-SGD	0.8077	0.19%
USD-CNY	7.245	0.02%	CHF-SGD	1.4929	-0.03%
USD-IDR	16220	-0.09%	SGD-MYR	3.5078	0.07%
USD-VND	25445	0.04%	SGD-CNY	5.3227	0.05%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8190	-0.47%	1M	5.3178	0.00%
3M	3.8910	-0.03%	2M	5.3200	-0.02%
6M	3.8500	0.10%	3M	5.3217	-0.02%
12M	3.7340	0.05%	6M	5.2857	-0.05%
			1Y	5.1821	-0.07%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	-0.008	-0.002	5.327
05/01/2024	-0.026	-0.006	5.322
06/12/2024	-0.188	-0.047	5.282
07/31/2024	-0.525	-0.131	5.198
09/18/2024	-0.980	-0.245	5.084
11/07/2024	-1.246	-0.311	5.017
12/18/2024	-1.752	-0.438	4.891
01/29/2025	-2.045	-0.511	4.818

Equity and Commodity

Index	Value	Net change
DJIA	38,503.69	263.71
S&P	5,070.55	59.95
Nasdaq	15,696.64	245.33
Nikkei 225	37,552.16	113.55
STI	3,272.72	47.55
KLCI	1,561.64	2.05
JCI	7,110.81	36.99
Baltic Dry	1,882.00	-37.00
VIX	15.69	-1.25

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.48 (--)	4.91(--)
5Y	3.34 (-0.01)	4.63 (-0.02)
10Y	3.39 (-0.01)	4.6 (-0.01)
15Y	3.33 (-0.01)	--
20Y	3.33 (-0.01)	--
30Y	3.25 (--)	4.72 (+0.01)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.31
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.36	0.62%	Corn (per bushel)	4.430	0.7%
Brent (per barrel)	88.42	1.63%	Soybean (per bushel)	11.675	0.6%
Heating Oil (per gallon)	257.92	0.73%	Wheat (per bushel)	5.850	2.6%
Gasoline (per gallon)	272.53	1.49%	Crude Palm Oil (MYR/MT)	40.730	-0.1%
Natural Gas (per MMBtu)	1.81	1.17%	Rubber (JPY/KG)	330.900	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9706.50	-1.25%	Gold (per oz)	2322.0	-0.2%
Nickel (per mt)	19006.00	-3.71%	Silver (per oz)	27.3	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event	Survey	Actual	Prior	Revised
04/24/2024	PH	Budget Balance PHP	Mar	--	--	-164.7b
04/24/2024	TH	Customs Exports YoY	Mar	-4.00%	--	3.60%
04/24/2024 06:45	NZ	Trade Balance NZD	Mar	--	588m	-218m
04/24/2024 06:45	NZ	Exports NZD	Mar	--	6.50b	5.89b
04/24/2024 09:30	AU	CPI YoY	1Q	3.50%	--	4.10%
04/24/2024 09:30	AU	CPI QoQ	1Q	0.80%	--	0.60%
04/24/2024 09:30	AU	CPI Trimmed Mean QoQ	1Q	0.80%	--	0.80%
04/24/2024 15:20	ID	BI-Rate	Apr-30	6.00%	--	6.00%
04/24/2024 16:00	GE	IFO Business Climate	Apr	88.8	--	87.8
04/24/2024 16:00	GE	IFO Expectations	Apr	88.9	--	87.5
04/24/2024 16:00	GE	IFO Current Assessment	Apr	88.7	--	88.1
04/24/2024 19:00	US	MBA Mortgage Applications	Apr-19	--	--	3.30%
04/24/2024 20:30	US	Durable Goods Orders	Mar P	2.50%	--	1.30%
04/24/2024 20:30	CA	Retail Sales MoM	Feb	0.10%	--	-0.30%
04/24/2024 20:30	US	Durables Ex Transportation	Mar P	0.20%	--	0.30%
04/24/2024 20:30	CA	Retail Sales Ex Auto MoM	Feb	0.10%	--	0.50%

Source: Bloomberg

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