

Daily Treasury Outlook

3 April 2024

Highlights

Global: US stocks ended lower on Tuesday as the market continued to adjust for the likelihood of a US Fed rate cut amid still resilient US data. The positive beat of China's March manufacturing PMI contributed to the narrative of a recovery in global growth. Ahead of Fed Chairman Powell's speech on Wednesday, two Fed speakers, Cleveland Fed Bank President Mester and San Francisco Fed President Daly, reiterated that it would be reasonable for the Fed to cut interest rates three times this year, while acknowledging that there is no immediate urgency for the Fed to cut rates. Mester emphasized that the Fed will remain data dependent. On data releases, the latest job openings data showed a slight increase of 8,000 to 8.756 million on the last day of February, although the January reading was revised lower to 8.748 million from the previous 8.863 million. The increase in overall job openings was primarily driven by medium-sized businesses, while small businesses with 10 to 49 employees saw a decline of 152,000 unfilled jobs. The quits rate, considered a measure of labour market confidence, remained unchanged at 2.2% for the fourth consecutive month, which may help alleviate wage inflation. The layoffs rate increased slightly to 1.1% from 1.0% in January but remains low. Market participants will be closely watching Friday's non-farm payroll data. In the Eurozone, consumer inflation expectations fell to 3.1% in February, according to the latest survey by the ECB, down from 3.3% in January, indicating a diminishing impact of the Ukraine war on Eurozone inflation. However, long-term inflation expectations for the next three years remained unchanged at 2.5%.

Market Watch: Today, the market will be watching for March CPI data and the unemployment rate for the Eurozone. Additionally, the US will release its service and composite PMI data for March. Fed Chairman Powell will speak tonight, along with six other Fed speakers.

SG: The manufacturing and electronics PMIs accelerated to 50.7 (+0.1 point) and 50.8 (+0.4 points) in March, suggesting that the February prints were a temporary blip which were likely attributable to the Lunar New Year festive season. The March readings also marked the 7th and 5th consecutive months of expansion above the 50-threshold. The improvements were supported by faster expansions in new orders, new exports, input purchases and employment. That said, the manufacturing PMI saw imports, input prices and future business gauges moderate slightly March, whilst the supplier deliveries index remained in contraction for the 10th straight month, albeit the contraction pace narrowed. For the electronics PMI, the output gauge resurfaced to expansion territory after two months of contraction, alongside faster expansion in finished goods, imports, order backlog, and future business. Notably, the input price index had expanded for 11 consecutive months. COE auction results are due later today as well.

Key Market Movements

Equity	Value	% chg
S&P 500	5205.8	-0.7%
DJIA	39170	-1.0%
Nikkei 225	39839	0.1%
SH Comp	3075.0	-0.1%
STI	3247.7	0.4%
Hang Seng	16932	2.4%
KLCI	1548.0	0.3%
	Value	% chg
DXY	104.816	-0.2%
USDJPY	151.56	-0.1%
EURUSD	1.0770	0.3%
GBPUSD	1.2578	0.2%
USDIDR	15897	0.0%
USDSGD	1.3515	-0.1%
SGDMYR	3.5145	0.2%
	Value	chg (bp)
2Y UST	4.69	-1.65
10Y UST	4.35	3.99
2Y SGS	3.47	0.50
10Y SGS	3.15	4.76
3M SORA	3.68	0.09
3M SOFR	5.35	-0.06
	Value	% chg
Brent	88.92	1.7%
WTI	85.15	1.7%
Gold	2281	1.3%
Silver	26.14	4.2%
Palladium	1006	-0.1%
Copper	8991	1.4%
BCOM	100.70	0.8%

Source: Bloomberg

Major Markets

ID: Minister of Public Works and Public Housing (PUPR), Basuki Hadimuljono, reiterated that the inauguration of President and Vice President-elect, Prabowo-Gibran, will be held in the new capital city of Nusantara (IKN) in East Kalimantan. The ceremony is scheduled for October 20, 2024. Meanwhile, following Prabowo's visit to Beijing, China's President Xi Jinping expressed China's willingness to enhance "all-round strategic cooperation" with Indonesia, as reported by China Central Television (CCTV). President Xi also highlighted the Jakarta-Bandung high-speed train as a symbol of "high-quality cooperation between the two countries." Prabowo is currently in Japan for similar high-level talks with PM Fumio Kishida and Defence Minister Minoru Kihara.

MY: The government plans to develop specific indicators to measure the country's food security level, as discussed in the executive committee meeting on the national food security policy. DPM Fadillah Yusof added that this initiative aims to reduce onion imports by 30% by 2030, which includes utilizing undeveloped land for the onion cultivation program, as reported by The Edge. Additionally, proposals for structural transformation in the paddy and rice sectors, such as establishing a centralized fertilizer distribution centre and implementing digital technology, will be examined with input from stakeholders before being implemented. Plant factory planning guidelines will also be developed to support the food plant industry ecosystem.

TH: The Thai cabinet has approved the plan to widen the budget deficit for fiscal year 2025 as it sought to spur economic growth. The fiscal deficit for FY2025 has been widened by ~21.4% to THB865.7bn (or 4.42% of GDP) versus THB713bn (or 3.56% of GDP). Consequently, the public debt rose to THB12.84tn (or 66.93% of GDP) versus THB12.66tn (or 63.73% of GDP). The cabinet also revised the medium-term budget framework which covers FY2025-FY2028.

Oil: Crude oil benchmarks continued to edge higher on Tuesday. Both WTI and Brent increased by 1.7% to settle at USD85.2/bbl and USD88.9/bbl respectively. Both oil benchmarks reached multi-month highs on prospect of tightening global oil supply and escalating tensions in the Middle East. Ukrainian drone attacks, once again, targeted Russian energy infrastructure with the intention to reduce Russia's oil revenue: Ukrainian drone struck a processing unit (155k bbl/d) in the Tatarstan region, but the damage was not significant. In addition, Iran has vowed to "take revenge on Israel" after an airstrike on its embassy in Syria. Separately, the American Petroleum Institute (API) reported a significant drawdown of 2.3mn bbls in US crude inventories for the week ending 29 March. Energy Information Administration (EIA) crude oil inventories data will be released tonight (03 April), and the consensus expectations is for a modest buildup in US crude inventories (consensus: 9.4k bbls). We anticipate that sentiment in the oil market will remain supported during Asian trading hours.

ESG Updates

Rest of the world: Australia will be setting up a US\$653 million fund to expand solar panel manufacturing for homes, as part of efforts to accelerate the transition to renewable energy from coal power. Currently, only 1% of installed roof solar panels in Australian homes are manufactured in the country. Increasing domestic manufacturing of solar panels can avoid issues caused by supply chain disruptions and provide more jobs as coal-fired power stations retire.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 3-7bps higher, belly tenors trading 7-8bps higher and 10Y trading 7bps higher. Country Garden Holdings Co.'s ("COGARD") contracted sales for March were down 83% y/y to RMB4.3bn (USD590mn), following an 85% y/y decline in February. This follows its announcement last week that it has insufficient information to report its annual results and the suspension of its shares from trading. The poor sales are worsening COGARD's already weak financial position with the company reportedly continuing to use the government's property funding program with 272 projects eligible for financing support. In other government support news, Seazen Holdings Co., Ltd. may issue new bonds this month, guaranteed by state-owned China Bond Insurance. Finally in the US, office vacancies reached a new record of 19.8% in 1Q2024 according to Moody's Analytics, up from 19.6% in 4Q2023. That said, Moody's Analytics expects some stability for US commercial real estate in 2Q2024. Bloomberg Asia USD Investment Grade spreads remained flat at 84bps while Asia USD High Yield spreads widened by 3bps to 588bps, respectively. (Bloomberg, OCBC)

New Issues:

There was one notable bond issuance in the Asiadollar market yesterday.

- **Development Bank of Japan Inc (DBJJP)** issued a USD500mn WNG 10Y Fixed with final pricing of SOFR MS+82bps.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.816	-0.19%	USD-SGD	1.3515	-0.06%
USD-JPY	151.560	-0.06%	EUR-SGD	1.4554	0.18%
EUR-USD	1.077	0.25%	JPY-SGD	0.8917	0.00%
AUD-USD	0.652	0.45%	GBP-SGD	1.6998	0.14%
GBP-USD	1.258	0.21%	AUD-SGD	0.8808	0.38%
USD-MYR	4.753	0.47%	NZD-SGD	0.8069	0.22%
USD-CNY	7.233	0.02%	CHF-SGD	1.4883	-0.47%
USD-IDR	15897	0.04%	SGD-MYR	3.5145	0.21%
USD-VND	24872	0.29%	SGD-CNY	5.3516	0.11%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8550	0.52%	1M	5.3229	-0.02%
3M	3.8920	-0.41%	2M	5.3277	-0.02%
6M	3.8510	-0.28%	3M	5.3043	-0.02%
12M	3.6690	-0.41%	6M	5.2409	-0.02%
			1Y	5.0606	0.02%

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	-0.067	-0.017	5.312
06/12/2024	-0.664	-0.166	5.163
07/31/2024	-1.005	-0.251	5.078
09/18/2024	-1.660	-0.415	4.914
11/07/2024	-2.082	-0.521	4.808
12/18/2024	-2.763	-0.691	4.638
01/29/2025	-3.185	-0.796	4.533

Equity and Commodity

Index	Value	Net change
DJIA	39,170.24	-396.61
S&P	5,205.81	-37.96
Nasdaq	16,240.45	-156.38
Nikkei 225	39,838.91	35.82
STI	3,247.72	12.83
KLCI	1,547.99	3.97
JCI	7,236.98	31.92
Baltic Dry	1,821.00	-24.00
VIX	14.61	0.96

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.47 (--)	4.69 (--)
5Y	3.09 (+0.05)	4.34 (+0.02)
10Y	3.15 (+0.05)	4.36 (+0.04)
15Y	3.12 (+0.03)	--
20Y	3.08 (+0.03)	--
30Y	3.04 (+0.03)	4.5 (+0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.35
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.15	1.72%	Corn (per bushel)	4.265	-2.1%
Brent (per barrel)	88.92	1.72%	Soybean (per bushel)	11.740	-1.0%
Heating Oil (per gallon)	271.19	3.23%	Wheat (per bushel)	5.453	-2.1%
Gasoline (per gallon)	275.89	1.80%	Crude Palm Oil (MYR/MT)	44.640	1.0%
Natural Gas (per MMBtu)	1.86	1.36%	Rubber (JPY/KG)	334.200	0.2%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8991.00	1.40%	Gold (per oz)	2280.7	1.3%
Nickel (per mt)	17030.00	1.68%	Silver (per oz)	26.1	4.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event	Survey	Actual	Prior	Revised
04/03/2024 08:30	JN	Jibun Bank Japan PMI Composite	Mar F	--	52.3	--
04/03/2024 08:30	JN	Jibun Bank Japan PMI Services	Mar F	--	54.9	--
04/03/2024 09:45	CH	Caixin China PMI Services	Mar	52.5	52.5	--
04/03/2024 09:45	CH	Caixin China PMI Composite	Mar	--	52.5	--
04/03/2024 16:00	SI	Automobile COE Open Bid Cat A	Apr-03	--	85489	--
04/03/2024 16:30	HK	Retail Sales Value YoY	Feb	--	0.90%	--
04/03/2024 16:30	HK	Retail Sales Volume YoY	Feb	--	-1.20%	--
04/03/2024 17:00	EC	CPI MoM	Mar P	0.90%	0.60%	--
04/03/2024 17:00	EC	CPI Estimate YoY	Mar	2.50%	2.60%	--
04/03/2024 17:00	EC	CPI Core YoY	Mar P	3.00%	3.10%	--
04/03/2024 17:00	EC	Unemployment Rate	Feb	6.40%	6.40%	--
04/03/2024 19:00	US	MBA Mortgage Applications	Mar-29	--	-0.70%	--
04/03/2024 20:15	US	ADP Employment Change	Mar	150k	140k	--
04/03/2024 21:45	US	S&P Global US Composite PMI	Mar F	--	52.2	--
04/03/2024 21:45	US	S&P Global US Services PMI	Mar F	51.7	51.7	--
04/03/2024 22:00	US	ISM Services Index	Mar	52.8	52.6	--

Source: Bloomberg

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