

Daily Treasury Outlook

4 April 2024

Highlights

Global: US equities closed mixed on Wednesday with S&P and NASDAQ higher but Dow Jones lower. US Federal Reserve Chairman’s Powell speech at Stanford University were in focus. He did not deviate from his previous tone and implicitly emphasized data dependency. He noted that PCE readings are lower relative to the same period last year indicating some progress towards the 2% target. On the recent uptick in the January and February prints, he noted “it is too soon to say” whether they represent “more than just a bump”. The other Fed speakers including Adriana Kugler stuck to script in signalling that rate cuts remained on the cards for this year. In effect, market pricing for Fed rate cuts were little changed following remarks from these officials. The DXY index, however, moderated and gold prices continued to rally. Oil prices also ticked higher, with Brent rising close to USD90/barrel, albeit mainly because the OPEC+ alliance confirmed production cuts for 1H24. In terms of economic data, there was a downside surprise on the ISM Services reading to 51.4 for March versus expectations of 52.8 (February: 52.6). Most key sub-components surprised to the downside with employment remaining below the 50 threshold and prices paid falling notably to 53.4 versus 58.6 in February.

Market Watch: There may be some reprieve in store for Asian markets. That said, higher oil prices, however, means that certain net oil importing economies such as Indonesia, India, Philippines, Thailand maybe subject to more wavering sentiment. In terms of data, Eurozone February PPI, US February trade balance and US initial jobless claims for the 30 March are the main releases. The account of ECB’s March decision and Fed’s Harker will also speak today.

SG: COEs rose to S\$89,000, S\$101,334, and S\$101,002 for Categories A, B and E respectively. STI shed 0.8% to end at 3,222.7 by market close.

Oil: Crude oil benchmarks held on its recent gains to close higher on Wednesday. WTI and Brent increased by 0.3% and 0.5% to settle at USD85.4/bbl and USD89.4/bbl respectively. The OPEC+ alliance, at its 53rd Meeting of the Joint Ministerial Monitoring Committee on Wednesday, reaffirmed its current oil supply policy, i.e. production cuts for 1H24. Geopolitical tensions continue in Europe and the Middle East. Notwithstanding, a significant buildup in US crude inventories by 3.2mn bbls to 451.5mn bbls, for the week ending on 29 March, capped gains.

Key Market Movements

Equity	Value	% chg
S&P 500	5211.5	0.1%
DJIA	39127	-0.1%
Nikkei 225	39452	-1.0%
SH Comp	3069.3	-0.2%
STI	3222.7	-0.8%
Hang Seng	16725	-1.2%
KLCI	1537.0	-0.7%

	Value	% chg
DXY	104.249	-0.5%
USDJPY	151.7	0.1%
EURUSD	1.0836	0.6%
GBPUSD	1.2652	0.6%
USDIDR	15920	0.1%
USDSGD	1.3481	-0.3%
SGDMYR	3.5171	0.1%

	Value	chg (bp)
2Y UST	4.67	-1.65
10Y UST	4.35	-0.19
2Y SGS	3.48	1.90
10Y SGS	3.21	6.25
3M SORA	3.68	0.00
3M SOFR	5.35	-0.06

	Value	% chg
Brent	89.35	0.5%
WTI	85.43	0.3%
Gold	2300	0.8%
Silver	27.18	4.0%
Palladium	1021	1.4%
Copper	9263	3.0%
BCOM	101.91	1.2%

Source: Bloomberg

Major Markets

CN: In its first quarterly meeting in 2024, the monetary policy committee of the People's Bank of China (PBOC) reiterated the need for enhanced countercyclical adjustments and stressed the importance of maximizing the dual functions of both quantity and structural monetary policy tools as part of effective prudent monetary policy implementation. Elsewhere, PBoC has issued a new notice aimed at boosting financial support for car purchases. Under the new guidelines, the maximum loan-to-value ratio for loans intended for family use of vehicles will be raised to 100%, up from the previous range of 80-85% set in 2017. This significant increase in loan accessibility may potentially enable zero down payments, further stimulating demand for vehicles, particularly in the trade-in segment.

HK: Total retail sales in February rose by 1.9% YoY (-7.6% MoM) in value terms, surprising market to the downside, probably due to more outbound travels during the New Year holidays. Breakdown by component, sales value of "consumer durable" (-25.1% YoY) recorded the sharpest decline in February, while that of "supermarkets" (+14.1% YoY) rose by the most. In the first two months, the retail sales increased by 1.4% YoY in value terms. Changes in consumption patterns of residents and visitors continued to pose challenges for local retailers, and we expect to see slower growth in overall retail sales in periods ahead.

ID: President-elect Prabowo Subianto met with Japanese Prime Minister Fumio Kishida in Tokyo on Wednesday (3/4). Prabowo emphasized the need for increased collaboration in various sectors, including defence, while PM Kishida expressed that both countries share similar values and principles, and have maintained a close partnership. The Japanese PM also stated that his government is eager to deepen cooperation, particularly in ensuring a free and open Indo-Pacific region. This meeting with Kishida follows Prabowo's recent meeting with Chinese President Xi Jinping earlier this week.

MY: Prime Minister Anwar Ibrahim has instructed ministers to spend more time on the ground to assess issues related to the prices and supply of essential goods before the Hari Raya Aidilfitri celebrations. This directive was emphasized during a cabinet meeting, following feedback from various programs attended by the Prime Minister, as reported by Communication Minister Fahmi Fadzil, according to Bernama.

TH: The Constitutional Court has accepted the petition by the Election Commission to disband the Move Forward Party. The Constitutional Court, in a statement, revealed that the Move Forward Party would be given fifteen days to submit its defence on the legal case. The Move Forward Party is the largest opposition party in the 500-member House of Representative, having won 151 seats during the May 2023 elections.

ESG Updates

MY: Petronas has signed a joint study agreement with Japanese power generation company JERA to evaluate the separation and capture of carbon dioxide emitted by JERA in Japan, for cross-border transportation and CO2 storage in Malaysia. This study can strengthen the carbon capture and storage value chain in Asia and enhance decarbonisation efforts.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 4-5bps higher and 10Y trading 5bps higher. Bloomberg has reported that an experienced banker, Omar Davis, who oversaw the restructuring of Vedanta Ltd (“Vedanta”), has left within a year of taking the role. Davis, who was named as president for strategy at Vedanta Resources Ltd. last year, was working closely with the group’s stakeholders to oversee its overhaul announced in September. The group had reached a deal with creditors in January to extend the maturities on three dollar bonds. Bloomberg Asia USD Investment Grade spreads remained flat at 84bps while Asia USD High Yield spreads widened by 3bps to 591bps, respectively. (Bloomberg, Reuters, OCBC)

New Issues:

There were three notable bond issuances in the Asiadollar market yesterday.

- **CDBL Funding 2 (Guarantor: CDB Leasing International Co Ltd)** priced a USD115mn 3Y with final pricing of SOFR+90bps.
- **Development Bank of Japan Inc (DBJJP) (Guarantor: Unconditionally and irrevocably guaranteed by Japan)** priced a USD1bn WNG 5Y fixed with final pricing of SOFR MS+55bps.
- **Rakuten Group Inc (RAKUTN)** priced a USD2bn 5NCL with final pricing of 9.875%.

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

- **QNB Finance Ltd** priced a SGD39mn 1.5Y with final pricing of 4.08%.

Mandates:

- There are no Asiadollar mandates today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.249	-0.54%	USD-SGD	1.3481	-0.25%
USD-JPY	151.700	0.09%	EUR-SGD	1.4609	0.38%
EUR-USD	1.084	0.61%	JPY-SGD	0.8887	-0.34%
AUD-USD	0.657	0.72%	GBP-SGD	1.7058	0.35%
GBP-USD	1.265	0.59%	AUD-SGD	0.8851	0.49%
USD-MYR	4.756	0.07%	NZD-SGD	0.8102	0.41%
USD-CNY	7.233	0.01%	CHF-SGD	1.4932	0.33%
USD-IDR	15920	0.14%	SGD-MYR	3.5171	0.07%
USD-VND	24997	0.50%	SGD-CNY	5.3668	0.28%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8550	0.00%	1M	5.3219	-0.03%
3M	3.8830	-0.23%	2M	5.3282	-0.02%
6M	3.8420	-0.23%	3M	5.3004	-0.10%
12M	3.6640	-0.14%	6M	5.2293	-0.08%
			1Y	5.0389	-0.08%

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	-0.638	-0.159	5.169
07/31/2024	-1.045	-0.261	5.068
09/18/2024	-1.735	-0.434	4.895
11/07/2024	-2.142	-0.536	4.793
12/18/2024	-2.845	-0.711	4.617
01/29/2025	-3.275	-0.819	4.510

Equity and Commodity

Index	Value	Net change
DJIA	39,127.14	-43.10
S&P	5,211.49	5.68
Nasdaq	16,277.46	37.01
Nikkei 225	39,451.85	-387.06
STI	3,222.66	-25.06
KLCI	1,537.01	-10.98
JCI	7,166.84	-70.14
Baltic Dry	1,714.00	-107.00
VIX	14.33	-0.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.48 (+0.02)	4.67(--)
5Y	3.13 (+0.05)	4.33 (-0.01)
10Y	3.21 (+0.06)	4.34 (0)
15Y	3.18 (+0.06)	--
20Y	3.14 (+0.06)	--
30Y	3.1 (+0.06)	4.5 (+0.01)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.34
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.43	0.33%	Corn (per bushel)	4.318	1.2%
Brent (per barrel)	89.35	0.48%	Soybean (per bushel)	11.823	0.7%
Heating Oil (per gallon)	273.24	0.76%	Wheat (per bushel)	5.560	2.0%
Gasoline (per gallon)	276.09	0.07%	Crude Palm Oil (MYR/MT)	45.790	2.6%
Natural Gas (per MMBtu)	1.84	-1.13%	Rubber (JPY/KG)	335.000	0.5%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9262.50	3.02%	Gold (per oz)	2300.0	0.8%
Nickel (per mt)	17339.00	1.81%	Silver (per oz)	27.2	4.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date		Event	Survey	Actual	Prior	Revised
04/04/2024 05:45	NZ	Building Permits MoM	Feb	--	14.90%	-8.80%
04/04/2024 07:50	JN	Japan Buying Foreign Bonds	Mar-29	--	-¥1660.5b	¥762.3b
04/04/2024 08:00	NZ	ANZ Commodity Price MoM	Mar	--	-1.30%	3.50%
04/04/2024 08:30	AU	Building Approvals MoM	Feb	3.00%	-1.90%	-1.00%
04/04/2024 13:00	IN	HSBC India PMI Composite	Mar F	--	--	61.3
04/04/2024 13:00	IN	HSBC India PMI Services	Mar F	--	--	60.3
04/04/2024 15:55	GE	HCOB Germany Services PMI	Mar F	49.8	--	49.8
04/04/2024 15:55	GE	HCOB Germany Composite PMI	Mar F	47.4	--	47.4
04/04/2024 16:00	EC	HCOB Eurozone Composite PMI	Mar F	49.9	--	49.9
04/04/2024 16:00	EC	HCOB Eurozone Services PMI	Mar F	51.1	--	51.1
04/04/2024 16:30	UK	S&P Global UK Services PMI	Mar F	53.4	--	53.4
04/04/2024 16:30	UK	S&P Global UK Composite PMI	Mar F	52.9	--	52.9
04/04/2024 20:30	US	Initial Jobless Claims	Mar-30	214k	--	210k
04/04/2024 20:30	US	Trade Balance	Feb	-\$67.6b	--	-\$67.4b
04/04/2024 20:30	US	Continuing Claims	Mar-23	1811k	--	1819k
04/04/2024 20:30	CA	Int'l Merchandise Trade	Feb	0.68b	--	0.50b

Source: Bloomberg

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W