

Daily Treasury Outlook

12 April 2024

Highlights

Global: US equities were mixed overnight, the DXY index remained around the 105.2 handle and longer-term UST yields closed the session marginally higher. The March PPI reading was higher at 2.1% YoY versus 1.6% in February, but the pace of increase moderated to 0.2% MoM versus 0.6% in February (broadly in line with expectations). Initial jobless claims for the week of 6 April largely matched expectations. Fed funds futures pricing continue to price in 42bp of rate cuts for 2024. Meanwhile, ECB kept its policy rate unchanged as expected. President Christine Lagarde all but committed to start lowering the policy rate in June. Specifically, Lagarde noted that the disinflation progress is comforting ECB even as services inflation remains elevated. She added that US and Euro area do not mirror each other. She explicitly mentioned that the ECB is “data-dependent, not Fed-dependent.”

Market Watch: The Singapore economy expanded 2.7% YoY in 1Q24, according to the flash estimates, versus 2.2% in 4Q23 and shy of expectations (Consensus: 3.0%; OCBC: 2.9%). Concurrently, MAS kept the width, centre, and slope of the currency band unchanged, as was widely expected. Other data releases today include Japan’s preliminary February industrial production, final March German and France CPI, a deluge of February UK activity data, China’s March trade data and the preliminary April Uni of Michigan sentiment index.

SG: Flash 1Q24 GDP growth accelerated to 2.7% YoY (0.1% QoQ sa), slightly below our expectations for 2.9% YoY (0.2% QoQ sa) and the Bloomberg consensus forecast of 3.0% YoY (0.5% QoQ sa). This is still an improvement from the 2.2% YoY (1.2% QoQ sa) growth in 4Q23. The manufacturing sector expanded for the second straight quarter by 0.8% YoY, while services accelerated to 3.2% YoY and construction moderated slightly to 4.3% YoY. MAS stays the course as anticipated, with no change to monetary policy settings, citing that core inflation is likely to stay elevated in coming months before stepping down in 4Q24 and declining further into 2025. There was no change to the official 2024 GDP growth and headline/core CPI forecasts at 1-3% and 2.5-3.5% YoY respectively.

Oil: Crude oil benchmarks slid lower on Thursday, giving up gains from Wednesday. WTI and Brent declined by 1.4% and 0.8% to close at USD85.0/bbl and USD89.7/bbl respectively. Oil prices tumbled as concerns of sticky inflation may delay near-term Fed rate cuts. A higher for longer rate could dampen the demand for oil. Nonetheless, concerns of a potential widening geopolitical risk (i.e., Iran's warning of an "imminent" strike against Israel) will limit the downside movement, in our view.

Key Market Movements

Equity	Value	% chg
S&P 500	5199.1	0.7%
DJIA	38459	0.0%
Nikkei 225	39443	-0.4%
SH Comp	3034.2	0.2%
STI	3227.6	-0.3%
Hang Seng	17095	-0.3%
KLCI	1553.5	0.0%
	Value	% chg
DXY	105.282	0.0%
USDJPY	153.27	0.1%
EURUSD	1.0726	-0.2%
GBPUSD	1.2553	0.1%
USDIDR	15845	0.0%
USDSGD	1.3531	-0.1%
SGDMYR	3.5319	0.0%
	Value	chg (bp)
2Y UST	4.96	-1.22
10Y UST	4.59	4.30
2Y SGS	3.51	9.80
10Y SGS	3.39	13.32
3M SORA	3.65	-0.75
3M SOFR	5.35	0.00
	Value	% chg
Brent	89.74	-0.8%
WTI	85.02	-1.4%
Gold	2373	1.6%
Silver	28.44	1.8%
Palladium	1050	0.1%
Copper	9342	-0.3%
BCOM	102.35	-0.5%

Source: Bloomberg

Major Markets

CN: CPI moderated to 0.1% YoY in March from 0.7% YoY in February. On sequential basis, CPI fell by 1% MoM due to the seasonal pattern. Food prices fell by 3.2% MoM as prices normalized after the Lunar New Year holiday surge in February. However, the decline in non-food prices was more pronounced than the usual seasonal pattern, dropping by 0.5% MoM. Prices for durable goods softened more than anticipated, with home appliances and transportation equipment prices falling by 0.3% and 0.7% MoM, respectively. The intensified competition among car manufacturers led to price reductions in transportation equipment. Looking ahead, the trajectory of CPI is expected to be influenced significantly by changes in durable goods prices.

MY: Port Klang operator, Westports, announced plans to double the port's capacity starting 2024 via internally generated funding and an upsized sukuk issuance. Ruben Emir Gnanalingam, managing director of Westports, shared that the Federal Government approved Port Klang's expansion from an annual capacity of 14mn twenty-foot equivalent units (TEUs) to 27mn TEUs, with Westports Holdings investing RM39.6bn over the next few decades. He further added that the expansion was to capitalise on shipping realignments to Southeast Asia as multinationals adopt a "China plus one" strategy for supply chain diversification.

TH: The consumer confidence index (CCI) fell to 63.0 in March from 63.8 in February. The decline in CCI was broad-based across the sub-indices of 'economic situation' (56.9 versus 57.7 in February), 'income' (72.2 versus 73.2 in February), and 'job' (59.8 versus 60.4 in February). University of the Thai Chamber of Commerce (UTCC) President Thanawat Polwichai said that consumer confidence is expected to improve significantly over the rest of 2024 as "the Cabinet has already approved the national budget, allowing the government to begin massive spending and implement a number of subsidy measures to boost domestic consumption". Separately, PM Srettha Thavisin continued to call for the lowering of policy rate. He said that "a cut in Thailand's policy interest rate could have helped boost the value of exports and tourism spending as such a move would have weakened baht.

PH: February exports accelerated to 15.7% YoY versus 9.1% in January while imports picked up 6.3% YoY (January: -6.1%). Consequently, the trade deficit narrowed to USD3.6bn versus USD4.4bn in January. Separately, the unemployment rate in the country declined to 3.5% in February from 4.5% in January (February 2023: 4.8%). The labour force participation rate rose to 64.8% in February from 61.1% in January (February 2023: 66.6%).

ESG Updates

Rest of the World: The US and Japan announced a joint partnership to accelerate the development of nuclear fusion to provide carbon-free electricity. Nuclear fusion, unlike nuclear fission, would produce little long-lasting radioactive waste. However, this also comes with regulatory, construction and siting hurdles in replacing parts of existing energy systems to accommodate nuclear fusion technologies.

Credit Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with short tenors trading 9-16bps higher, belly tenors trading 15-16bps higher and 10Y trading 13bps higher. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Asia USD High Yield spreads widened by 9bps to 581bps. (Bloomberg, OCBC)

New Issues:

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

- **Huzhou Moganshan Hi-tech Group Co Ltd (HZMGSG)** (Guarantor: Huzhou Moganshan State-owned Capital Holding Group Co.) priced a USD210mn 3Y with final pricing of 5.48%.

There were no notable bond issuances in the Singdollar market yesterday.

Mandates:

- KEB Hana Bank is planning to issue USD-denominated 144A/Reg S senior unsecured sustainability bonds with expected tenor(s) of 3- and/or 5-year.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.282	0.04%	USD-SGD	1.3531	-0.05%
USD-JPY	153.270	0.07%	EUR-SGD	1.4515	-0.19%
EUR-USD	1.073	-0.16%	JPY-SGD	0.8828	-0.12%
AUD-USD	0.654	0.40%	GBP-SGD	1.6987	0.05%
GBP-USD	1.255	0.10%	AUD-SGD	0.8847	0.34%
USD-MYR	4.748	-0.10%	NZD-SGD	0.8115	0.33%
USD-CNY	7.237	0.04%	CHF-SGD	1.4869	0.26%
USD-IDR	#N/A N/A	#VALUE!	SGD-MYR	3.5319	0.10%
USD-VND	24990	0.18%	SGD-CNY	5.3488	0.14%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8540	0.44%	1M	5.3190	-0.01%
3M	3.9120	-0.10%	2M	5.3267	-0.03%
6M	3.8300	-0.98%	3M	5.3238	-0.04%
12M	3.6890	-0.16%	6M	5.2980	-0.08%
			1Y	5.2090	-0.13%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/20/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
05/01/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
06/12/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
07/31/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
09/18/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
11/07/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
12/18/2024	#N/A Terminated	#N/A Terminated	#N/A Terminated
01/29/2025	#N/A Terminated	#N/A Terminated	#N/A Terminated

Equity and Commodity

Index	Value	Net change
DJIA	38,459.08	-2.43
S&P	5,199.06	38.42
Nasdaq	16,442.20	271.84
Nikkei 225	39,442.63	-139.18
STI	3,227.61	-9.91
KLCI	1,553.51	-6.47
JCI	#N/A N/A	#VALUE!
Baltic Dry	1,587.00	17.00
VIX	14.91	-0.89

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.51 (+0.1)	4.95(--)
5Y	3.33 (+0.14)	4.63 (+0.03)
10Y	3.39 (+0.13)	4.57 (+0.04)
15Y	3.34 (+0.12)	--
20Y	3.31 (+0.11)	--
30Y	3.26 (+0.1)	4.67 (+0.06)

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)	85.02	-1.38%	Corn (per bushel)	4.288	-1.3%
Brent (per barrel)	89.74	-0.82%	Soybean (per bushel)	11.593	-0.5%
Heating Oil (per gallon)	265.98	-1.77%	Wheat (per bushel)	5.518	-1.2%
Gasoline (per gallon)	277.41	-0.27%	Crude Palm Oil (MYR/MT)	#VALUE!	#VALUE!
Natural Gas (per MMBtu)	1.76	-6.42%	Rubber (JPY/KG)	345.000	-0.6%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9342.00	-0.34%	Gold (per oz)	2372.5	1.6%
Nickel (per mt)	17811.00	-3.01%	Silver (per oz)	28.4	1.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised
04/12/2024	SK BOK Base Rate	Apr-12	3.50%	--	3.50%
04/12/2024 - 04/15/2024	CH Money Supply M2 YoY	Mar	8.70%	--	8.70%
04/12/2024 06:30	NZ BusinessNZ Manufacturing PMI	Mar	--	47.1	49.3
04/12/2024 06:45	NZ Food Prices MoM	Mar	--	-0.50%	-0.60%
04/12/2024 07:00	SK Unemployment rate SA	Mar	2.80%	2.80%	2.60%
04/12/2024 08:00	SI GDP YoY	1Q A	3.00%	2.70%	2.20%
04/12/2024 12:30	JN Industrial Production MoM	Feb F	--	--	-0.10%
04/12/2024 14:00	GE CPI YoY	Mar F	2.20%	--	2.20%
04/12/2024 14:00	UK Industrial Production MoM	Feb	0.00%	--	-0.20%
04/12/2024 14:00	GE CPI MoM	Mar F	0.40%	--	0.40%
04/12/2024 14:00	UK Manufacturing Production MoM	Feb	0.10%	--	0.00%
04/12/2024 15:00	CH Trade Balance	Mar	\$69.10b	--	\$39.71b
04/12/2024 15:00	CH Exports YoY	Mar	-1.90%	--	5.60%
04/12/2024 20:00	IN Industrial Production YoY	Feb	6.00%	--	3.80%
04/12/2024 20:00	IN CPI YoY	Mar	4.90%	--	5.09%
04/12/2024 22:00	US U. of Mich. Sentiment	Apr P	79	--	79.4

Source: Bloomberg

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