

Daily Treasury Outlook

17 April 2024

Highlights

Global: US stocks closed slightly lower on Tuesday, while US Treasury yields continued to edge higher as Fed Chairman Powell confirmed the market's repricing of a potential rate cut this year. In a forum yesterday, Powell stated that recent data have not instilled greater confidence on the disinflation process and suggest that it may take longer than expected to achieve that confidence. Both Powell and Vice Chair Jefferson made separate remarks indicating that the central bank is prepared to maintain its restrictive monetary policy for a longer period if inflation fails to slow as anticipated. This shift in communication from Powell's previous statements to a US Senate panel five weeks ago, where he expressed confidence in falling inflation and the potential for rate cuts, confirms a more hawkish stance. By contrast, ECB officials are still considering their first interest rate cut in June. French Central Bank Chief Villeroy suggested a rate cut in early June, followed by others in a pragmatic and agile manner, while ECB President Lagarde stated that the disinflationary process is progressing as expected. Furthermore, Bank of England Governor Bailey noted strong evidence of falling inflation in the UK and stated that the process is underway. The BoE has forecasted that inflation will dip below its 2% target in the second quarter before rising back towards 3%. Overall, the central bank comments on Tuesday reinforced expectations of policy divergence, leading to a stronger US dollar. Meanwhile, the IMF revised its 2024 global growth forecast upward by 0.1% YoY from the previous estimate in January to 3.2%. This increase is mainly driven by a stronger growth forecast for the US, which has been revised higher to 2.7% from 2.1%. The IMF has lowered its growth forecast for the Eurozone to 0.8% from 0.9% due to weak consumer sentiment in Germany and France. The IMF has also issued a warning about the rising risk of a potential escalation in the Middle East, which could limit global economic growth. In line with such concerns, US Treasury Secretary Yellen stated on Tuesday that the Treasury would utilize its sanctions authority and collaborate with allies to disrupt Iran's activities.

Market Watch: Today, the market will closely monitor the release of March CPI data for the UK and Eurozone. Additionally, there will be speeches by both ECB and BoE governors, along with several Fed speakers including Mester and Bowman. Furthermore, the Fed Beige Book will also be released.

SG: NODX fell 20.7% YoY in March 2024 against -0.2% in February 2024, attributable to a high base from a year ago. The drag mostly came from non-electronics, down 23.2% (Feb: -1.7%). Electronics NODX also declined by 9.4% (Feb: 5.2%). NODX to key export markets fell as a whole, with the decline being led by the US (-50.2% YoY), EU (-45.4%) and Japan (36.5%). NODX to China and Taiwan, however, strengthened by 11.9% YoY and 2.0% respectively, from -0.1% and -16.0% prior.

Key Market Movements

Equity	Value	% chg
S&P 500	5051.4	-0.2%
DJIA	37799	0.2%
Nikkei 225	38471	-1.9%
SH Comp	3007.1	-1.6%
STI	3144.8	-1.2%
Hang Seng	16249	-2.1%
KLCI	1535.0	-0.5%
	Value	% chg
DXY	106.257	0.0%
USDJPY	154.72	0.3%
EURUSD	1.0619	0.0%
GBPUSD	1.2426	-0.2%
USDIDR	16175	2.1%
USDSGD	1.365	0.1%
SGDMYR	3.5146	0.0%
	Value	chg (bp)
2Y UST	4.99	6.66
10Y UST	4.67	6.60
2Y SGS	3.47	0.60
10Y SGS	3.38	5.50
3M SORA	3.64	-0.19
3M SOFR	5.35	0.00
	Value	% chg
Brent	90.02	-0.1%
WTI	85.36	-0.1%
Gold	2383	0.0%
Silver	28.11	-2.6%
Palladium	1017	-1.9%
Copper	9468	-1.1%
BCOM	102.83	0.0%

Source: Bloomberg

Major Markets

CN: 1Q24 GDP growth exceeded expectations at 5.3% YoY. This robust expansion was underpinned by several key factors: resilient industrial activities, strong service consumption, and a rebound in external demand. This figure is meaningful as it implies that the economy may achieve its growth target without property market reliance. The GDP deflator, estimated to be around -1.07% in 1Q24, has remained negative for the fourth consecutive quarter. Given the uncertainties surrounding both domestic and external demand, we believe that the stronger-than-expected 1Q24 GDP data is unlikely to deter further monetary easing and demand-side measures.

ID: The consumer confidence index (CCI) rose to 123.8 in March from 123.1 in February. The increased optimism was primarily attributed to an improvement in the 'present situation' sub-index, with all subcomponents (income, durable goods purchases, and employment conditions) improving. This has more than offset the easing in the 'expectations' sub-index, with consumers seeing worsening business conditions and employment prospects in the next six months, albeit with the index remaining above the 100 level. The March print brings the 1Q24 CCI to improve slightly to 124.0 from 123.9 in 4Q23.

MY: Prime Minister Anwar Ibrahim announced that the Ministry of Investment, Trade, and Industry (MITI) will develop a comprehensive semiconductor strategic plan to ensure that Malaysia remains an attractive investment destination for the industry. This decision was made during the third national investment council meeting chaired by Anwar on Tuesday (16/4). The strategic plan will include more incentives to encourage high-tech semiconductor investments, particularly in front-end activities as reported by The Edge. Additionally, MITI Minister Zafrul Aziz noted that the strategic plan will be launched in line with initiatives under the New Industrial Master Plan 2030.

Oil: Crude oil benchmarks traded relatively flat on Tuesday. WTI and Brent closed at USD85.4/bbl and USD90.0/bbl respectively. Markets continued to monitor Israel's response to Iranian attacks on its territory over the weekend. Separately, US Treasury Secretary Janet Yellen said that the US intends to hit Iran with new sanctions in "coming days", as reported by Reuters. This could have an impact on Iran's oil export capacity which could exacerbate supply tightness in the near term and keep oil prices supported in the near term. On a separate reading, the American Petroleum Institute (API) reported a strong buildup of 4.1mn bbls in US crude inventories for the week ending 12 April. Energy Information Administration (EIA) crude oil inventories data will be released tonight (17 April) with consensus expecting a similar buildup in US crude inventories (consensus: 1.4 mn bbls).

ESG Updates

SG: The Singapore Business Federation (SBF) launched a registry called the Emission Factors Registry on 15 Apr at Ecosperity Week 2024, with the aim of helping local businesses track and report their carbon emissions more easily and accurately. The registry, which contains localised emission factors, can support businesses in making more informed decisions on how to reduce their carbon footprint. The registry comes ahead of Singapore's requirement for all listed companies to make climate-related disclosures from FY2025, while large non-listed companies will be required to do so from FY2027.

Rest of the World: Japan's greenhouse gas emissions fell 2.5% to a record low in the fiscal year through March 2023, falling to the equivalent of 1.135 billion metric tons of carbon dioxide from 1.164 billion tons a year earlier. The industrial sector saw a 5.3% decline while the commercial and services sector experienced a 4.2% drop, though the transportation sector witnessed a 3.9% rise due to increased passenger traffic amid the recovery of socioeconomic activities from the pandemic.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mixed yesterday, with the 12M – 18M trading 1-2bps lower and the rest of the short end flat to 3bps, belly tenors trading 5-6bps higher and 10Y trading 7bps higher. Country Garden Holdings Co. is delaying some onshore bond payments despite extensions being made last year. The builder's main onshore unit plans to extend coupon and principal installment payments for a 4.8% RMB-denominated bond maturing in March 2026 to September. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Asia USD High Yield spreads widened by 17bps to 607bps. (Bloomberg, OCBC)

New Issues:

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

- Agricultural Bank of China Ltd/London (AGRBK) has priced a USD300mn 3Y FRN with final pricing of SOFR+48bps.
- Hana Bank (KEBHNB) priced two bonds. A USD300mn 3Y with final pricing of T+70bps and a USD300mn 5Y with final pricing of T+78bps.

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

Mandates:

- There are no Asiadollar mandates for today.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	106.257	0.05%	USD-SGD	1.3650	0.15%
USD-JPY	154.720	0.29%	EUR-SGD	1.4495	0.10%
EUR-USD	1.062	-0.05%	JPY-SGD	0.8823	-0.14%
AUD-USD	0.640	-0.62%	GBP-SGD	1.6963	-0.01%
GBP-USD	1.243	-0.16%	AUD-SGD	0.8739	-0.47%
USD-MYR	4.796	0.33%	NZD-SGD	0.8027	-0.25%
USD-CNY	7.238	0.00%	CHF-SGD	1.4951	-0.01%
USD-IDR	16175	#DIV/0!	SGD-MYR	3.5146	0.04%
USD-VND	25278	0.41%	SGD-CNY	5.3028	-0.15%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8460	0.26%	1M	5.3188	-0.02%
3M	3.8880	-0.89%	2M	5.3265	-0.01%
6M	3.8200	-1.16%	3M	5.3302	0.02%
12M	3.6930	-1.47%	6M	5.3094	0.01%
			1Y	5.2249	0.04%

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	-0.161	-0.040	5.288
07/31/2024	-0.465	-0.116	5.213
09/18/2024	-0.910	-0.228	5.101
11/07/2024	-1.140	-0.285	5.044
12/18/2024	-1.618	-0.404	4.924
01/29/2025	-1.895	-0.474	4.855

Equity and Commodity

Index	Value	Net change
DJIA	37,798.97	63.86
S&P	5,051.41	-10.41
Nasdaq	15,865.25	-19.77
Nikkei 225	38,471.20	-761.60
STI	3,144.76	-38.85
KLCI	1,535.00	-7.53
JCI	7,164.81	7164.81
Baltic Dry	1,730.00	1.00
VIX	18.40	-0.83

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.47 (+0.01)	4.99(--)
5Y	3.33 (+0.04)	4.7 (+0.08)
10Y	3.38 (+0.06)	4.68 (+0.07)
15Y	3.3 (+0.04)	--
20Y	3.28 (+0.05)	--
30Y	3.21 (+0.03)	4.78 (+0.05)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	5.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.36	-0.06%	Corn (per bushel)	4.310	-0.1%
Brent (per barrel)	90.02	-0.09%	Soybean (per bushel)	11.450	-1.1%
Heating Oil (per gallon)	265.13	-0.11%	Wheat (per bushel)	5.498	-0.4%
Gasoline (per gallon)	282.23	1.38%	Crude Palm Oil (MYR/MT)	42.140	-4.3%
Natural Gas (per MMBtu)	1.73	2.42%	Rubber (JPY/KG)	338.000	-2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9468.00	-1.13%	Gold (per oz)	2382.9	0.0%
Nickel (per mt)	17726.00	-0.67%	Silver (per oz)	28.1	-2.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Event	Survey	Actual	Prior	Revised	
04/17/2024 06:45	NZ CPI QoQ	1Q	0.60%	0.60%	0.50%	--
04/17/2024 06:45	NZ CPI YoY	1Q	4.00%	4.00%	4.70%	--
04/17/2024 07:50	JN Trade Balance	Mar	¥345.5b	¥366.5b	¥379.4b	¥377.8b
04/17/2024 08:30	SI Non-oil Domestic Exports YoY	Mar	-7.40%	-20.70%	-0.10%	--
04/17/2024 08:30	AU Westpac Leading Index MoM	Mar	--	--	0.08%	--
04/17/2024 14:00	UK CPI YoY	Mar	3.10%	--	3.40%	--
04/17/2024 14:00	UK CPI MoM	Mar	0.40%	--	0.60%	--
04/17/2024 14:00	UK CPI Core YoY	Mar	4.10%	--	4.50%	--
04/17/2024 14:00	UK PPI Input NSA YoY	Mar	-2.70%	--	-2.70%	--
04/17/2024 14:00	UK RPI MoM	Mar	0.40%	--	0.80%	--
04/17/2024 14:00	UK RPI YoY	Mar	4.20%	--	4.50%	--
04/17/2024 14:00	UK Retail Price Index	Mar	382.7	--	381	--
04/17/2024 17:00	EC CPI YoY	Mar F	2.40%	--	2.40%	--
04/17/2024 17:00	EC CPI MoM	Mar F	0.80%	--	0.80%	--
04/17/2024 17:00	EC CPI Core YoY	Mar F	2.90%	--	2.90%	--
04/17/2024 19:00	US MBA Mortgage Applications	Apr-12	--	--	0.10%	--

Source: Bloomberg

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