

Daily Treasury Outlook

1 September 2022

Highlights

Global: Markets remain nervous ahead of tomorrow's US nonfarm payrolls report. The S&P500 slipped by 0.78% to bring the index to its worst month since June as Fed's Mester reiterated that "even if the economy were to go into a recession we have to get inflation down" and supports lifting the policy rate to above 4% with no anticipated rate cuts in 2023. The UST bond market continued to sell off with the 10-year bond yield up 7bps to 3.18% while the 2-year bond yield posted its biggest monthly jump since March. US' ADP data showed private sector employers added 132k jobs in August, down from 268k in July, while the Chicago manufacturing PMI edged up from 52.1 to 52.2. Oil also posted its third monthly decline due to ongoing growth slowdown concerns and despite Russia halting the Nord Stream gas pipeline to Europe. Meanwhile California has declared a state-wide grid emergency amid surging demand due to a heatwave. Elsewhere, a fresh record inflation print of 9.1% YoY (previously 8.9%) in the Eurozone saw ECB's Nagel urging a "strong" reaction which added to market speculation of a jumbo 75bps hike next week and likely followed by another 50bps at the subsequent meeting. This contrasted with China whose official manufacturing PMI rose from 49 to 49.4 in July, but still stayed in contraction territory, whilst the non-manufacturing PMI also slipped from 53.8 to 52.6 amid ongoing Covid outbreaks and lockdowns, property market turmoil and droughts.

Market watch: Asian markets are likely to remain in consolidative mode awaiting the release of Asian manufacturing PMIs including China's Caixin PMI later today. Today's economic data calendar also comprises of Indonesia's August CPI, UK's Nationwide house prices, Germany's retail sales, Eurozone's unemployment rate and US' initial jobless claims and manufacturing ISM. ECB's Centeno and Fed's Bostic are also speaking.

CN: China's official manufacturing PMI improved slightly to 49.4 in August from 49 in July. Non-manufacturing PMI, however, softened to 52.6 in August from 53.8 in July. The improvement of demand was mainly attributable to two factors including the support from more policy stimulus such as the interest rate cut and seasonal demand ahead of the mid-Autumn festival. New orders for food and beverage industries rose to 55 and above. Infrastructure investment activities remained the key driver to growth. China's construction PMI stayed well above 50 at 56.5. Meanwhile, new orders for construction PMI improved further to 53.4 from 51.1 indicating rising activities associated with recent infrastructure boom. Elsewhere, China's State Council called for more efforts to boost effective demand and reduce institutional costs for companies. Premier Li stressed that details of the additional 19 measures announced last week should be finalized by early September.

Key Market Movements

Equity	Value	% chg
S&P 500	3955.0	-0.8%
DJIA	31510	-0.9%
Nikkei 225	28092	-0.4%
SH Comp	3202.1	-0.8%
STI	3221.7	-0.5%
Hang Seng	19954	0.0%
KLCI	1512.1	0.0%
	Value	% chg
DXY	108.700	-0.1%
USDJPY	138.96	0.1%
EURUSD	1.0054	0.4%
GBPUSD	1.1622	-0.3%
USDIDR	14843	0.0%
USDSGD	1.3971	-0.1%
SGDMYR	3.1996	-0.3%
	Value	chg (bp)
2Y UST	3.49	5.13
10Y UST	3.19	9.01
2Y SGS	2.78	1.00
10Y SGS	2.98	-1.07
3M LIBOR	3.08	1.26
3M SIBOR	2.67	0.00
3M SOR	2.84	0.00
3M SORA	1.58	1.86
3M SOFR	1.69	1.66
	Value	% chg
Brent	95.64	-2.2%
WTI	89.55	-2.3%
Gold	1711	-0.8%
Silver	17.99	-2.4%
Palladium	2088	-0.1%
Copper	7802	-0.8%
BCOM	121.64	-0.8%

Source: Bloomberg

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Major Markets

SG: Bank loans fell 0.4% MoM in July, dragged down by weak business loans (-0.6%) especially for manufacturing (-6.1% amid the moderation in electronics and pharmaceutical clusters) and general commerce (which had fallen for three straight months by -1.7% in July), whilst consumer loans also softened 0.1% (first contraction since March by 0.1%) despite resilient housing loans (0.3%). The STI fell 0.55% to close at 3,221.67 yesterday and may consolidate further today amid weak leads. SGS bonds gained yesterday with longer-dated bond yields down 3-7bps into the month-end, but may start September on a soft tone today given the continued hawkish Fed rhetoric and increased market speculation of more jumbo hikes to come from the Fed and also the ECB.

ID: Indonesia's consumer confidence softened in July, according to Danareksa Research Institute. The main reading declined to 89.1 from June's 90.9, driven by downtick in the assessment of present situation and future expectations. Separately, Indonesia is due to report its July inflation print today. We expect headline inflation to pick up to 5.0% YoY, compared to the prior month's 4.94%. Of interest will be the core inflation as well, which is likely to head to around 3.0% YoY, compared to 2.86% before.

MY: The wife of jailed former Malaysian PM Najib Razak, Rosmah Mansor, has reportedly sought to remove the judge set to deliver a verdict in her graft case trial today. She cited a loss of confidence after a purported guilty judgment document was leaked online. She faces three charges of soliciting bribes and receiving MYR6.5mn to help secure a MYR1.25bn solar panel project in Borneo.

HK: In July, the value of total retail sales resumed moderate YoY growth at 4.1%. More recently, the stabilized epidemic situation and improved job market are supportive of the consumer sentiment. Looking ahead, with the distribution of more consumption vouchers and eased border measures, we should see further improvement in retail sale market. Yet we remain cautious to the risks posed by the external headwinds and tighter financial conditions.

MO: Macau government announced to allow entry of foreign nationals from 41 designated countries (including US, UK, Canada, Japan, Korea, Singapore, Malaysia and Thailand etc.) after serving 7-day of hotel quarantine and 3-day of health monitoring, starting from 1 September. While we do not expect the eased measure to bring meaningful number of visitors back to the gambling hub, this marked a significant step towards reopening, since Macau shut its border to most foreign nationals in early 2020. The pressure to reopen border mounted lately as the unemployment rate surged to 4.1%, the highest since 2005.

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ESG Updates

SG: The National Environmental Agency (NEA), the agency that oversees Singapore's carbon tax regulations, signed agreements with Verra and Gold Standard to set the standard for high-quality carbon credits for companies to offset their taxable emissions.

MY: Malaysia has agreed for new procurement options for green electricity supply through the Virtual Power Purchase Agreement (VPPA) concept. The revised electricity supply system would be implemented through the approval and re-distribution of renewable energy quota of 1,200MW for solar.

Rest of the world: US climate envoy John Kerry urged Chinese president Xi Jinping to resume climate talks, ahead of COP27 in Egypt.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 5-7bps higher, belly tenors trading 5-6bps higher and longer tenors traded 6bps higher. UST 10Y yields rose by 9bps to 3.19% yesterday as markets continue to digest recent rhetoric from central bankers while concurrently assessing more incoming labour market data which saw US private payrolls growth appearing to have slowed in August. The ADP National Employment report for August came in at 132,000, below Bloomberg median estimates of 300,000, although notably the survey did not include public employee information. Focus will now likely shift to Friday's nonfarm payroll data by the US Department of Labour. Cleveland Fed president Loretta Mester commented that she sees rates to remain elevated "for some time", echoing Fed Chairman Jerome Powell's and New York Fed president John Williams sentiments who both mentioned the same phrase.

New Issues: Zoomwe Hong Kong New Energy Technology Co Ltd (Guarantor: CNGR Advanced Material Co Ltd) priced a 3-year USD140mn senior unsecured green bond at 5.7%, in-line with its final price guidance of 5.7% area. Zhenjiang Cultural Tourism Industry Group Co Ltd (Guarantor: Bank of Nanjing, Zhenjiang Branch) priced a 3-year USD57.5mn senior unsecured bond at 5.2%, similar to its IPT of 5.2% area. The Korea Development Bank priced a USD1.45bn senior unsecured bond in two parts: (1) a USD1bn 3-year senior unsecured social bond at T+60bps, tightening from an IPT of T+90bps and (2) a USD450mn 10-year senior unsecured bond at T+115bps, tightening from an IPT of T+140bps.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	108.700	-0.07%	USD-SGD	1.3971	-0.06%
USD-JPY	138.960	0.12%	EUR-SGD	1.4048	0.34%
EUR-USD	1.005	0.39%	JPY-SGD	1.0055	-0.18%
AUD-USD	0.684	-0.18%	GBP-SGD	1.6239	-0.33%
GBP-USD	1.162	-0.29%	AUD-SGD	0.9561	-0.22%
USD-MYR	4.476	-0.31%	NZD-SGD	0.8550	-0.21%
USD-CNY	6.890	-0.30%	CHF-SGD	1.4294	-0.38%
USD-IDR	14843	0.00%	SGD-MYR	3.1996	-0.32%
USD-VND	23451	0.13%	SGD-CNY	4.9380	-0.17%

Equity and Commodity

Index	Value	Net change
DJIA	31,510.43	-280.44
S&P	3,955.00	-31.16
Nasdaq	11,816.20	-66.94
Nikkei 225	28,091.53	-104.05
STI	3,221.67	-17.66
KLCI	1,512.05	10.48
JCI	7,178.59	19.12
Baltic Dry	1,017.00	-65.00
VIX	25.87	-0.34

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.1960	0.12%	O/N	2.3083	2.31%
2M	-0.3360	-0.34%	1M	2.5640	2.52%
3M	0.6200	0.58%	2M	0.1525	0.15%
6M	1.1930	1.08%	3M	3.0821	3.07%
9M	-0.1940	-0.20%	6M	3.5954	3.57%
12M	1.7580	1.61%	12M	4.1599	4.12%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.78 (+0.01)	3.51(--)
5Y	2.91 (--)	3.35 (+0.09)
10Y	2.98 (-0.01)	3.21 (+0.09)
15Y	3.01 (-0.02)	--
20Y	3.02 (-0.07)	--
30Y	3.01 (-0.04)	3.31 (+0.08)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.714	0.679	3.013
11/02/2022	4.693	1.173	3.507
12/14/2022	5.674	1.419	3.753
02/01/2023	6.194	1.548	3.882
03/22/2023	6.444	1.611	3.945
05/03/2023	6.455	1.614	3.948

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	110.80	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.29
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	89.55	-2.28%	Corn (per bushel)	6.738	-0.9%
Brent (per barrel)	96.49	-2.84%	Soybean (per bushel)	15.075	-0.4%
Heating Oil (per gallon)	371.54	-2.66%	Wheat (per bushel)	8.090	1.3%
Gasoline (per gallon)	260.59	-3.28%	Crude Palm Oil (MYR/MT)	40.030	-1.8%
Natural Gas (per MMBtu)	9.13	0.94%	Rubber (JPY/KG)	2.285	0.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7801.50	-0.79%	Gold (per oz)	1711.0	-0.8%
Nickel (per mt)	21411.00	0.20%	Silver (per oz)	18.0	-2.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/01/2022 07:00	SK GDP YoY	2Q P	2.90%	2.90%	--
09/01/2022 08:00	SK Exports YoY	Aug	5.60%	6.60%	9.20%
09/01/2022 08:30	TA S&P Global Taiwan PMI Mfg	Aug	--	--	44.60
09/01/2022 08:30	ID S&P Global Indonesia PMI Mfg	Aug	--	--	51.30
09/01/2022 08:30	SK S&P Global South Korea PMI Mfg	Aug	--	--	49.80
09/01/2022 08:30	JN Jibun Bank Japan PMI Mfg	Aug F	--	--	51.00
09/01/2022 09:45	CH Caixin China PMI Mfg	Aug	50.00	--	50.40
09/01/2022 12:00	ID CPI YoY	Aug	4.87%	--	4.94%
09/01/2022 13:00	IN S&P Global India PMI Mfg	Aug	--	--	56.40
09/01/2022 15:55	GE S&P Global/BME Germany Manufacturing PMI	Aug F	49.80	--	49.80
09/01/2022 16:00	EC S&P Global Eurozone Manufacturing PMI	Aug F	49.70	--	49.70
09/01/2022 16:30	UK S&P Global/CIPS UK Manufacturing PMI	Aug F	46.00	--	46.00
09/01/2022 20:30	US Initial Jobless Claims	Aug-27	248k	--	243k
09/01/2022 21:30	CA S&P Global Canada Manufacturing PMI	Aug	--	--	52.50
09/01/2022 21:45	US S&P Global US Manufacturing PMI	Aug F	51.30	--	51.30
09/01/2022 22:00	US ISM Manufacturing	Aug	51.90	--	52.80

Source: Bloomberg

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