

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

Daily Treasury Outlook

1 September 2022

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.

Daily Treasury Outlook

1 September 2022

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.

Daily Treasury Outlook

1 September 2022

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.

Daily Treasury Outlook

1 September 2022

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	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%

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%

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

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%

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

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)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	2.29
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/01/2022 07:00	SK GDP YoY	2Q P	2.90%	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

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia
WellianWiranto@ocbc.com

Herbert Wong

Hong Kong & Macau
herberthwong@ocbcwh.com

Ong Shu Yi

Environmental, Social &
Governance (ESG)
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung

Rates Strategist
FrancesCheung@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
WongHongWei@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. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

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