

Daily Treasury Outlook

1 December 2022

Highlights

Global: Fed chair Powell got the markets excited with his comments that “the time for moderating the pace of rate increases may come as soon as the December meeting”, although he caveated that the “timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation and the length of time it will be necessary to hold policy at a restrictive level”. With hopes for a downshift to a 50bps Fed rate hike cemented for the December FOMC meeting, the S&P500 jumped 3.09% to a 2-month high and pushed the Dow Jones Index into a bull market after it reached 20% from its September low. The UST bond market also rallied strongly, with the 10-year yield down 14bps to 3.61%. The futures market has dialled back their terminal Fed Funds rate expectations to around 4.9% by June 2023 and down to 4.4-4.6% by end-2023. The Fed’s Beige Book also noted that “economic activity was about flat or up slightly since the previous report, down from the modest average pace of growth”, while “interest rates and inflation continued to weigh on activity, and many contacts expressed greater uncertainty or increased pessimism concerning the outlook”. Meanwhile, the US ADP payrolls rose 127k (slowest in nearly two years) and wage gains also tapered, whilst the JOLTS shrank further by 36.7% to 10.334m in October. US pending home sales also contracted 4.6% MoM (-36.7% YoY nsa) while the Chicago PMI slumped from 45.2 to 37.2 in November, although the 3Q22 GDP growth was revised higher to 2.9% annualised QoQ amid stronger personal consumption (+1.7%). Elsewhere, China’s Guangzhou lifted lockdowns in most parts of the city while Chongqing and Beijing are also easing restrictions. Oil prices rose as US inventories fell 12.6m barrels last week in its biggest drawdown since 2019. Separately, BOT hiked 25bps to 1.25% as expected yesterday.

Market watch: Asian markets are likely to open higher and trade with a firm tone today, while awaiting global/regional manufacturing PMIs including China’s Caixin. Today’s economic data calendar is quite full with Indonesia’s November CPI, Germany’s retail sales, UK’s Nationwide house price, HK’s retail sales, Eurozone’s October unemployment rate, and US’ October personal income and spending data, core PCE deflator, initial jobless claims, and November manufacturing ISM. Fed’s Logan, Bowman, Bar and ECB’s Lane are also speaking today.

SG: Bank loans growth moderated from 4.4% YoY in September to 2.7% YoY in October, but fell again by 1.5% MoM. Business loans shrank again by 6.0% MoM, weighed down by manufacturing, general commerce, and transport, storage & communications, while consumer loans also declined 0.7% MoM amid weak car and share financing loans. The STI also rose 0.43% to close at 3290.49 yesterday and may attempt higher today. SGS bonds were pressured yesterday with yields higher by up to 4bps, but may reverse course and rally today.

Key Market Movements		
Equity	Value	% chg
S&P 500	4080.1	3.1%
DJIA	34590	2.2%
Nikkei 225	27969	-0.2%
SH Comp	3151.3	0.1%
STI	3290.5	0.4%
Hang Seng	18597	2.2%
KLCI	1488.8	0.8%
	Value	% chg
DXY	105.950	-0.8%
USDJPY	138.07	-0.4%
EURUSD	1.0406	0.7%
GBPUSD	1.2058	0.9%
USDIDR	15732	-0.1%
USDSGD	1.3614	-0.9%
SGDMYR	3.2515	-1.0%
	Value	chg (bp)
2Y UST	4.31	-16.30
10Y UST	3.61	-13.87
2Y SGS	3.14	4.10
10Y SGS	3.07	2.47
3M LIBOR	4.78	2.57
3M SIBOR	4.06	0.00
3M SOR	4.43	0.00
3M SORA	2.90	1.87
3M SOFR	3.09	1.70
	Value	% chg
Brent	86.97	3.2%
WTI	80.55	3.0%
Gold	1769	1.1%
Silver	22.19	4.4%
Palladium	1882	2.4%
Copper	8239	2.5%
BCOM	116.05	0.8%

Source: Bloomberg

Daily Treasury Outlook

1 December 2022

MY: Bank Negara Malaysia said that Malaysia's reserves amounted to USD105.23bn as at end-October 2022, compared to USD107.5bn before. It noted that, for the next 12 months, the pre-determined short-term outflows of foreign currency loans, securities and deposits, which include, among others, scheduled repayment of external borrowings by the government and the maturity of foreign currency Bank Negara interbank bills, amounted to US\$13.52 billion.

ID: Bank Indonesia's Governor Perry Warjiyo said that the central bank stands ready to further raise interest rates and boost short-term bond yields, to help support its currency into 2023. At BI's annual meeting, he noted that the rupiah should bounce back next year on the back of Indonesia's recovery momentum and cooling inflation. Separately, BI has also launched a white paper for digital rupiah, focusing on wholesale CBDCs.

ESG Updates

CN: China's Ningxia Hui Autonomous Region is gradually transforming vast desert areas to green and arable land, benefitting local communities who get jobs from PV power stations while continuing their farming activities.

ID: The Indonesian Stock Exchange (IDX) will begin the development of a carbon trading system in 2023, to keep pace with the development trend in the application of ESG and sustainable finance at the global exchange level.

Daily Treasury Outlook

1 December 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 1-2bps higher (with the exception of 1Y which traded flat), belly tenors trading 1-2bps higher and 10Y trading 2bps higher. UST 10Y yields fell by 14bps to 3.60% amidst remarks from Federal Reserve ("Fed") chairman Jerome Powell which confirmed that the Feds will slow the pace of subsequent rate hikes and modest progress was observed in labour market data releases. Powell commented that the Feds are "slowing down" from the past four 75bps rate hikes as they "wouldn't...try to crash the economy and then clean up afterward" as well as trying to not "overtighten...because we think that cutting rates is not something we want to do soon". The Fed chairman however kept guidance towards terminal rates as an open debate, preferring to be "slower and feeling our way a little bit" towards the right level of restrictive policy rates. Separately, the Job Openings and Labor Turnover Survey ("JOLTS") for October came in at 10.3mn, below prior month's reading of 10.6mn and suggested a ratio of open jobs to each unemployed person of 1.7, falling from 1.85 as the Fed's aim of dampening demand for labour to put downward pressure on inflation appears to be taking effect.

New Issues: Deyang Development Holding Group Co., Ltd. has mandated banks to arrange a series of fixed income investor calls commencing 30 November 2022 for a proposed USD senior unsecured bond offering.

Daily Treasury Outlook

1 December 2022

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.950	-0.82%	USD-SGD	1.3614	-0.89%
USD-JPY	138.070	-0.40%	EUR-SGD	1.4167	-0.12%
EUR-USD	1.041	0.74%	JPY-SGD	0.9858	-0.43%
AUD-USD	0.679	1.50%	GBP-SGD	1.6417	-0.04%
GBP-USD	1.206	0.89%	AUD-SGD	0.9241	0.60%
USD-MYR	4.445	-1.47%	NZD-SGD	0.8570	0.59%
USD-CNY	7.092	-0.93%	CHF-SGD	1.4400	-0.02%
USD-IDR	15732	-0.07%	SGD-MYR	3.2515	-0.97%
USD-VND	24702	-0.25%	SGD-CNY	5.1789	-0.72%

Equity and Commodity

Index	Value	Net change
DJIA	34,589.77	737.24
S&P	4,080.11	122.48
Nasdaq	11,468.00	484.22
Nikkei 225	27,968.99	-58.85
STI	3,290.49	14.13
KLCI	1,488.80	11.84
JCI	7,081.31	69.24
Baltic Dry	1,347.00	23.00
VIX	20.58	-1.31

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.4920	1.48%	O/N	3.8174	3.82%
2M	-0.3360	-0.34%	1M	4.1201	4.07%
3M	1.9540	1.92%	3M	4.7606	4.73%
6M	2.4360	2.37%	6M	5.2089	5.21%
9M	-0.1940	-0.20%	12M	5.5534	5.57%
12M	2.8920	2.86%			

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.14 (+0.04)	4.47(--)
5Y	2.94 (+0.01)	3.74 (-0.19)
10Y	3.07 (+0.02)	3.74 (-0.14)
15Y	3.06 (+0.03)	--
20Y	2.93 (+0.03)	--
30Y	2.8 (+0.03)	3.8 (-0.07)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/14/2022	2.048	0.512	4.352
02/01/2023	3.497	0.874	4.715
03/22/2023	4.148	1.037	4.878
05/03/2023	4.359	1.090	4.930
06/14/2023	4.320	1.080	4.920
07/26/2023	4.128	1.032	4.873

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	244.20	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.80
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.55	3.01%	Corn (per bushel)	6.620	-0.6%
Brent (per barrel)	85.43	2.89%	Soybean (per bushel)	14.695	0.7%
Heating Oil (per gallon)	336.29	2.03%	Wheat (per bushel)	7.715	1.8%
Gasoline (per gallon)	241.85	3.70%	Crude Palm Oil (MYR/MT)	40.990	0.0%
Natural Gas (per MMBtu)	6.93	-4.22%	Rubber (JPY/KG)	2.156	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8239.00	2.51%	Gold (per oz)	1768.5	1.1%
Nickel (per mt)	26987.00	0.47%	Silver (per oz)	22.2	4.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/01/2022 21:30	US Initial Jobless Claims	Nov-26	235k	--	240k
12/01/2022 08:00	SK Exports YoY	Nov	-11.20%	-14.00%	-5.70%
12/01/2022 09:45	CH Caixin China PMI Mfg	Nov	48.90	--	49.20
12/01/2022 15:00	TU S&P Global/ICI Turkey Manufacturing PMI	Nov	--	--	46.40
12/01/2022 15:30	SW Swedbank/Silf PMI Manufacturing	Nov	--	--	46.80
12/01/2022 15:30	SZ CPI YoY	Nov	3.00%	--	3.00%
12/01/2022 16:30	HK Retail Sales Value YoY	Oct	-2.10%	--	0.20%
12/01/2022 16:50	FR S&P Global France Manufacturing PMI	Nov F	49.10	--	49.10
12/01/2022 17:00	NO DNB/NIMA PMI Manufacturing	Nov	--	--	53.10
12/01/2022 20:00	BZ GDP YoY	3Q	3.70%	--	3.20%
12/01/2022 21:00	RU Gold and Forex Reserve	Nov-25	--	--	\$568.8b
12/01/2022 21:30	US Net Export Sales Corn-Old Crop	45597	--	--	1850.3k
12/01/2022 21:30	US Net Export Sales Soybeans-Old	45597	--	--	690.2k
12/01/2022 21:30	US Net Export Sales Wheat-Old	Nov-24	--	--	511.7k
12/01/2022 21:30	US Net Export Sales Cotton-Old	Nov-24	--	--	-116.4k
12/01/2022 23:00	US ISM Manufacturing	Nov	49.70	--	50.20

Source: Bloomberg

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