

Daily Treasury Outlook

2 August 2022

Highlights

Global: Sabre-rattling over US House Speaker Nancy Pelosi's potential visit to Taiwan rose yesterday. The S&P 500 snapped a three-day rally to fall 0.28% overnight after the US' manufacturing ISM retreated from 53.0 in June to 52.8 in July, with the new orders gauge falling further from 49.2 to 48.0 and the prices paid component also slumping from 78.5 to 60.0 which implied weakening demand conditions. Meanwhile, UST bonds gained on the flight to quality coupled with the weak ISM data which saw the 10-year yield down 8bps to 2.57%. The US Treasury department is tipped to pare back for the fourth consecutive time its quarterly sale of longer-dated debt this month. Crude oil prices also sank with WTI below US\$96 per barrel. Meanwhile, the Hong Kong economy fell for the second straight quarter by 1.4% in 2Q, worse than market estimates of -0.2%. Elsewhere, Japan is also set to hike its minimum wage by JPY31 (3.3%) this fiscal year given the inflationary environment.

Market watch: Asian markets are likely to tread cautiously today amid the heightened geopolitical tensions. First up today will be RBA's policy decision where another 50bps rate hike to 1.85% is already anticipated. Today's economic data calendar comprises of US' JOLTS job openings, Hong Kong's June retail sales, and S'pore's manufacturing and electronics PMIs. Fed's Evans and Mester are also speaking while the BoK minutes of its July meeting will also be released.

SG: MAS will launch S'pore's inaugural sovereign green bond – known as Green SGS (Infra) – this week with a tenor of either 30 or 50 years and a minimum issuance size of about \$1.5bn, as part of the plan to issue up to \$35bn of sovereign and public sector green bonds by 2030. Meanwhile, the July manufacturing and electronics PMIs are likely to ease slightly from their June readings of 50.3 and 50.8 respectively.

HK: According to the advance estimates, Hong Kong's real GDP contracted by 1.4% for the second quarter, extending the decline registered in the previous quarter (1Q: -3.9% YoY). External demand shrank notably on the back of multiple headwinds, including worsened global economic outlook, lingering geopolitical tensions, aggressive interest rate hikes by major central banks and COVID uncertainties in Mainland China, while domestic demand largely held up. On a seasonally adjusted basis, GDP expanded by 0.9% QoQ (1Q: -2.9% QoQ), as COVID disruptions subsided. Zooming in, year-on-year declines on exports of goods widened to 8.6% in 2Q (1Q: -4.5% YoY), completely offsetting the moderated declines/growth in other components. Gross domestic fixed capital formation recorded narrower decline of 3.0% from a year ago (1Q: -7.8% YoY), while that of private consumption expenditure stayed virtually unchanged (1Q: -5.8%). On the other hand, on the back of massive COVID spending, government consumption expenditure expanded further by 13.0% YoY (1Q: +6.7% YoY).

Key Market Movements

Equity	Value	% chg
S&P 500	4118.6	-0.3%
DJIA	32798	-0.1%
Nikkei 225	27993	0.7%
SH Comp	3260.0	0.2%
STI	3238.8	0.8%
Hang Seng	20166	0.0%
KLCI	1502.1	0.7%
	Value	% chg
DXY	105.450	-0.4%
USDJPY	131.61	-1.2%
EURUSD	1.0262	0.4%
GBPUSD	1.2250	0.6%
USDIDR	14873	0.3%
USDSGD	1.3776	-0.2%
SGDMYR	3.2336	0.2%
	Value	chg (bp)
2Y UST	2.87	-1.43
10Y UST	2.57	-7.55
2Y SGS	2.54	-0.70
10Y SGS	2.64	-1.60
3M LIBOR	2.79	0.60
3M SIBOR	2.48	0.00
3M SOR	2.66	0.00
3M SORA	1.27	4.17
3M SOFR	1.17	6.63
	Value	% chg
Brent	100.03	-3.8%
WTI	93.89	-4.8%
Gold	1772	0.4%
Silver	20.36	0.0%
Palladium	2196	3.0%
Copper	7820	-1.2%
BCOM	119.80	-1.7%

Source: Bloomberg

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Major Markets

SG: The STI added 0.85% to close at 3,238.75 yesterday and may consolidate today amid the heightened geopolitical tensions. SGS bonds gained yesterday led by the belly of the curve, and may stay supported amid the tilt towards risk-off, but investors are also awaiting the issuance size for the inaugural sovereign green bond later this week.

CN: PBoC reiterated yesterday to guide the real funding costs lower to support the real economy. In addition, China's Ministry of Industry and Information Technology, NDRC and Ministry of Ecology and Environment also unveiled a plan to promote green growth in the industrial sector. Energy consumption per unit added value of industrial enterprises with annual turnover of at least CNY20 million will decrease by 13.5% by 2025 from the level in 2020.

MO: Macau's gross gaming revenue in July hit the lowest level since 2003 as casinos were ordered to shut from 11 July to 23 July amid the local COVID outbreak. The figure plunged to MOP398 million in July, down by 95.3% compared to a year ago. In the first seven months of 2022, the gaming revenue fell by 53.6% YoY.

MY: Malaysia's Manufacturing PMI for July came in at 50.6, vs 50.4 in June. It marks the highest reading since April this year and the fourth consecutive month of expansion. The output reading rose to 50.4 vs 50.0 in June, the highest reading since December last year. New orders also rose compared to the prior month.

ID: Indonesia reported July headline inflation which came in at 4.94% YoY, higher than 4.82% expected and 4.35% of the prior month. Food prices continued to drive the upticks. Core inflation has ticked up to 2.86% from 2.63% before, as well. Still, Bank Indonesia appeared to maintain a relatively dovish view. Governor Perry Warjiyo said in a briefing yesterday that there is no need to quickly raise interest rates like other countries, adding that core inflation is "still low."

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ESG Updates

SG: Singapore issued new guidelines for retail ESG funds to tackle greenwashing, including requiring them to provide details on their investment strategy and investment focus.

CN: China's officials said that the country's clean energy transition will continue despite the challenges to global energy security posed by the Russia-Ukraine conflict and Europe's return to coal.

ID: Indonesia and South Korea signed an MoU on sustainable green investment, covering the promotion and facilitation of investment activities in the industrial and green energy sectors (e.g. electric vehicle ecosystem, batteries, semiconductors and renewable energy).

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 3-5bps lower, belly tenors trading 6-7bps lower, and longer tenors traded 8-10bps lower. UST 10Y yields traded 8bps lower to 2.57% as further incoming data from the manufacturing sector suggested signs of a cooling economy. Data for the Institute of Supply Management's ("ISM") manufacturing index for July came in at 52.8, higher than Bloomberg median estimates of 52.0 while final S&P US manufacturing Purchasing Managers' Index ("PMI") for July came in at 52.2, slightly lower than Bloomberg median estimates of 52.3. Separately, Minneapolis Federal Reserve ("Fed") President Neel Kashkari (non-voting member this year) commented on Sunday that he is very focused on inflation data, citing the labour market to be "very, very strong" and reiterated the Fed's commitment to tame inflation even if it meant slowing economic growth, reiterating earlier sentiments made by Chairman Jerome Powell and Treasury secretary Janet Yellen last week.

New Issues: Mianyang Investment Holding Group Co Ltd priced a 3-year USD300mn senior unsecured bond at 6.7%. Suzhou City Construction has mandated banks for its proposed USD senior unsecured bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	105.450	-0.43%	USD-SGD	1.3776	-0.21%
USD-JPY	131.610	-1.25%	EUR-SGD	1.4136	0.18%
EUR-USD	1.026	0.41%	JPY-SGD	1.0464	0.96%
AUD-USD	0.702	0.54%	GBP-SGD	1.6874	0.34%
GBP-USD	1.225	0.65%	AUD-SGD	0.9674	0.23%
USD-MYR	4.453	0.04%	NZD-SGD	0.8722	0.43%
USD-CNY	6.769	0.36%	CHF-SGD	1.4504	-0.02%
USD-IDR	14873	0.27%	SGD-MYR	3.2336	0.21%
USD-VND	23358	0.06%	SGD-CNY	4.9180	0.77%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.0710	-0.04%	O/N	2.3216	2.30%
2M	-0.3360	-0.34%	1M	2.3623	2.37%
3M	0.2320	0.27%	2M	0.1525	0.15%
6M	0.6530	0.66%	3M	2.7883	2.78%
9M	-0.1940	-0.20%	6M	3.3299	3.34%
12M	0.9210	1.04%	12M	3.7073	3.76%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.264	0.566	2.897
11/02/2022	3.303	0.826	3.157
12/14/2022	3.765	0.941	3.273
02/01/2023	3.760	0.940	3.271
03/22/2023	3.585	0.896	3.227
05/03/2023	3.164	0.791	3.122

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	93.89	-4.80%	Corn (per bushel)	6.070	-1.5%
Brent (per barrel)	100.03	-9.07%	Soybean (per bushel)	15.943	-2.6%
Heating Oil (per gallon)	344.00	-5.10%	Wheat (per bushel)	8.003	-0.9%
Gasoline (per gallon)	299.81	-14.05%	Crude Palm Oil (MYR/MT)	40.930	-6.0%
Natural Gas (per MMBtu)	8.28	0.66%	Rubber (JPY/KG)	2.433	-3.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7819.50	-1.24%	Gold (per oz)	1772.2	0.4%
Nickel (per mt)	23575.00	-0.19%	Silver (per oz)	20.4	0.0%

Equity and Commodity

Index	Value	Net change
DJIA	32,798.40	-46.73
S&P	4,118.63	-11.66
Nasdaq	12,368.98	-21.71
Nikkei 225	27,993.35	191.71
STI	3,238.75	27.19
KLCI	1,502.07	9.84
JCI	6,968.78	17.66
Baltic Dry	1,895.00	-50.00
VIX	22.84	1.51

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.54 (-0.01)	2.87(-)
5Y	2.5 (-0.07)	2.63 (-0.04)
10Y	2.64 (-0.02)	2.56 (-0.08)
15Y	2.73 (-0.01)	--
20Y	2.82 (-0.01)	--
30Y	2.82 (-0.01)	2.9 (-0.1)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	72.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.27
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/02/2022 07:00	SK CPI YoY	Jul	6.30%	6.30%	6.00%
08/02/2022 07:00	SK CPI MoM	Jul	0.40%	0.50%	0.60%
08/02/2022 07:00	SK CPI Core YoY	Jul	4.50%	4.50%	4.40%
08/02/2022 07:50	JN Monetary Base YoY	Jul	--	2.80%	3.90%
08/02/2022 09:30	AU Building Approvals MoM	Jun	-5.00%	--	9.90%
08/02/2022 12:30	AU RBA Cash Rate Target	Aug-02	1.85%	--	1.35%
08/02/2022 14:00	UK Nationwide House PX MoM	Jul	0.20%	--	0.30%
08/02/2022 14:00	UK Nationwide House Px NSA YoY	Jul	11.40%	--	10.70%
08/02/2022 14:30	AU Commodity Index SDR YoY	Jul	--	--	24.30%
08/02/2022 14:30	AU Commodity Index AUD	Jul	--	--	157.70
08/02/2022 16:30	HK Retail Sales Value YoY	Jun	0.00%	--	-1.70%
08/02/2022 16:30	HK Retail Sales Volume YoY	Jun	-0.40%	--	-4.90%
08/02/2022 21:00	SI Purchasing Managers Index	Jul	50.10	--	50.30
08/02/2022 21:00	SI Electronics Sector Index	Jul	--	--	50.80
08/02/2022 21:00	US Wards Total Vehicle Sales	Jul	13.40m	--	13.00m
08/02/2022 21:30	CA S&P Global Canada Manufacturing PMI	Jul	--	--	54.60

Source: Bloomberg

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