

## Daily Treasury Outlook

2 December 2022

### Highlights

**Global:** Easing inflation theme in the US – the October PCE deflator cooled to 0.3% MoM (6.0% YoY) with the core PCE deflator also easing to 0.2% MoM (5.0% YoY). Meanwhile US' personal income and spending accelerated to 0.7% and 0.8% respectively in October, but initial jobless claims fell 15k to 225k and the manufacturing ISM slipped into contraction territory at 49.0 (previously 50.2) with the new orders, employment and prices paid gauges sinking further to 47.2, 48.4 and 43.0 respectively. The UST bond market also rallied on the back of easing inflationary pressures, pushing the 10-year yield down to 3.52% (lowest since 21 September) and the 2-year yield down to 4.23%. The foreign central banks' cash holdings at the Fed overnight repo facility reached a record US\$381b. However, the S&P500 traded lower by 0.09% overnight. Fed's Bowman opined that "we would have a slightly higher rate than I had anticipated in September". Over in the Eurozone, the October unemployment rate fell from 6.6% to 6.5% while Germany's manufacturing PMI contracted further to 46.2 from 46.7 previously. Elsewhere, China's Caixin manufacturing PMI actually edged up from 49.2 to 49.4, with Taiwan and South Korea both notching up an improvement to 41.6 and 49.0, but the other regional PMIs were also generally weaker including Malaysia (47.9), Vietnam (47.4), Indonesia (50.3), Thailand (51.1), and Japan (49.0).

**Market watch:** Asian markets may tread water today while awaiting the US' labour market report, with market eyeing the November nonfarm payrolls, unemployment rate, average hourly earnings at 200k, 3.7% and 0.3% MoM/ 4.6% YoY respectively compared to October's 261k, 3.7% and 0.4% MoM/ 4.7% YoY. Today's economic data calendar also comprises of Eurozone's CPI, Germany's October trade data, and S'pore's manufacturing and electronics PMIs. ECB's Lane, Villeroy, Guindos, Nagel, as well as Fed's Barkin and Evans are also speaking today.

**MY:** Malaysia's new PM Anwar Ibrahim said that he will hold a vote of confidence in the parliament on 19 December, according to a notice sent out to lawmakers yesterday. The motion is reportedly among a list of agenda items for a 2-day parliamentary sitting. Other matters include election of the parliamentary speaker as well as other government bills and matters.

**ID:** Indonesia's headline CPI inflation for November was reported at 5.42%, lower than the 5.5% estimated, with fuel costs and airfares still the dominant elements. Meanwhile, core inflation rose 3.3% YoY, also lower than the 3.42% expected, led by house and car rents, detergents and college tuition costs.

### Key Market Movements

Equity	Value	% chg
S&P 500	4076.6	-0.1%
DJIA	34395	-0.6%
Nikkei 225	28226	0.9%
SH Comp	3165.5	0.4%
STI	3292.7	0.1%
Hang Seng	18736	0.7%
KLCI	1491.5	0.2%
	Value	% chg
DX	104.728	-1.2%
USDJPY	135.33	-2.0%
EURUSD	1.0520	1.1%
GBPUSD	1.2247	1.6%
USDIDR	15563	-1.1%
USDSGD	1.3535	-0.6%
SGDMYR	3.2443	-0.2%
	Value	chg (bp)
2Y UST	4.23	-8.26
10Y UST	3.50	-10.06
2Y SGS	3.14	-0.50
10Y SGS	3.03	-3.80
3M LIBOR	4.77	1.80
3M SIBOR	4.17	0.00
3M SOR	4.45	0.00
3M SORA	2.92	2.36
3M SOFR	3.11	1.71
	Value	% chg
Brent	86.88	-0.1%
WTI	81.22	0.8%
Gold	1803	2.0%
Silver	22.76	2.5%
Palladium	1944	3.3%
Copper	8336	1.2%
BCOM	116.08	0.0%

Source: Bloomberg

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### Major Markets

**SG:** The November manufacturing and electronics PMIs may stay soft around or below the October prints of 49.7 and 49.1 respectively. The STI added 0.07% to close up at 3,292.73 yesterday and may range trade today as investors anticipate the US labour market report. SGS bonds may track UST bonds higher amid the easing US inflation readings.

**HK:** The value of total retail sales rose 3.9% YoY in October, alongside the disbursement of a new batch of consumption vouchers. On volume term, total retail sales returned to year-on-year growth of 2.4% during the month. Analyze by retail outlet segment, the sales of consumer durable goods (+17.2% YoY) and Jewellery, watches and clocks, and valuable gifts (+13.6% YoY) rose by the most in October.

**MO:** Year-on-year decline in Macau's gross gaming revenue widened again to 55.6% in November, due to Covid flareup in Macau and Guangdong province during the month. On month-to-month basis, the gross gaming revenue reverted to a year-on-year decline of 23.1%. In the first eleven months of 2022, the gaming revenue amounted to MOP38.7 billion, down by 50.9% YoY, and way below government earlier forecast at MOP130 billion.

### ESG Updates

**SG:** A trans-Pacific trade lane between Singapore and Southern California will use enhanced routing technology to develop a green and digital shipping corridor, to speed deployment of low- and zero-carbon container ships. This partnership between the Maritime and Port Authority of Singapore (MPA) and the ports of Los Angeles and Long Beach, is part of a wider Green Shipping Challenge initiative unveiled at COP27.

**Rest of the world:** At UN talks in Uruguay, countries have begun to discuss a future global plastics treaty to cut pollution. Some states are calling for curbs on plastic production to achieve this.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 4-7bps lower (with the exception of 1Y which traded flat), belly tenors trading 7-8bps lower and 10Y trading 7bps lower. UST 10Y yields fell again by 10bps to 3.50% amidst a slew of economic data releases from the manufacturing and labour market front as well as further inflation prints. The headline Personal Consumption Expenditure (“PCE”) price index, the Federal Reserve’s (“Fed”) preferred inflation barometer rose by 0.3% MoM in October and contributed to a 6% increase YoY while core PCE for October which excludes food and energy rose by 0.2% m/m and 5% YoY as both headline and core showed signs of slowing although still far above the Fed’s long-term inflation target of 2%. Separately, the Institute for Supply Management’s (“ISM”) Purchasing Manager’s Index (“PMI”) came in at 49, marking its first contraction since May 2020 as the manufacturing sector slowed amidst aggressive rate hikes although per ISM the index would need to fall below 48.7 to signal a recession. Lastly, initial jobless claims for the week ended 26 November 2022 came in at 225,000, below prior week’s revised reading of 241,000 and Bloomberg median estimates of 235,000 as the labour market remains tight.

**New Issues:** Deyang Development Holdings Group Co Ltd priced a 3-year USD350mn senior unsecured sustainability bond at 7%, tightening from an IPT of 7.4% area. Kunming Rail Transit Group Co Ltd priced a 3-year USD253mn senior unsecured green bond at 8.5%, in line with its final guidance. The Industrial and Commercial Bank of China priced a 3-year USD300mn senior unsecured bond at a coupon rate of 4.69%.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX-Y	104.728	-1.15%	USD-SGD	1.3535	-0.58%
USD-JPY	135.330	-1.98%	EUR-SGD	1.4236	0.49%
EUR-USD	1.052	1.10%	JPY-SGD	1.0000	1.44%
AUD-USD	0.681	0.34%	GBP-SGD	1.6583	1.01%
GBP-USD	1.225	1.57%	AUD-SGD	0.9219	-0.24%
USD-MYR	4.407	-0.84%	NZD-SGD	0.8621	0.60%
USD-CNY	7.053	-0.55%	CHF-SGD	1.4445	0.31%
USD-IDR	15563	-1.07%	SGD-MYR	3.2443	-0.22%
USD-VND	24518	-0.74%	SGD-CNY	5.2067	0.54%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.5120	1.50%	O/N	3.8240	3.82%
2M	-0.3360	-0.34%	1M	4.1723	4.14%
3M	1.9730	1.98%	3M	4.7650	4.78%
6M	2.4140	2.44%	6M	5.1756	5.20%
9M	-0.1940	-0.20%	12M	5.4947	5.57%
12M	2.8300	2.89%			

## 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	3.412	0.853	4.693
03/22/2023	3.948	0.987	4.828
05/03/2023	4.114	1.029	4.869
06/14/2023	4.079	1.020	4.860
07/26/2023	3.848	0.962	4.802

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.22	0.83%	Corn (per bushel)	6.500	-1.8%
Brent (per barrel)	86.88	1.70%	Soybean (per bushel)	14.298	-2.7%
Heating Oil (per gallon)	326.24	-2.99%	Wheat (per bushel)	7.588	-1.7%
Gasoline (per gallon)	234.20	-3.16%	Crude Palm Oil (MYR/MT)	39.960	-2.5%
Natural Gas (per MMBtu)	6.74	-2.77%	Rubber (JPY/KG)	2.170	0.6%
Base Metals			Precious Metals		
Copper (per mt)	8336.00	1.18%	Gold (per oz)	1803.1	2.0%
Nickel (per mt)	27601.00	2.28%	Silver (per oz)	22.8	2.5%

## Equity and Commodity

Index	Value	Net change
DJIA	34,395.01	-194.76
S&P	4,076.57	-3.54
Nasdaq	11,482.45	14.45
Nikkei 225	28,226.08	257.09
STI	3,292.73	2.24
KLCI	1,491.51	2.71
JCI	7,020.80	-60.51
Baltic Dry	1,355.00	28.00
VIX	19.84	-0.74

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.14 (-0.01)	4.25(--)
5Y	2.91 (-0.04)	3.66 (-0.07)
10Y	3.03 (-0.04)	3.52 (-0.1)
15Y	3.04 (-0.02)	--
20Y	2.9 (-0.03)	--
30Y	2.76 (-0.04)	3.61 (-0.14)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	246.10	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	3.82
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/02/2022 21:30	US Change in Nonfarm Payrolls	Nov 200k	--	261k	--
12/02/2022 07:00	SK CPI YoY	Nov 5.20%	5.00%	5.70%	--
12/02/2022 07:00	SK CPI MoM	Nov 0.10%	-0.10%	0.30%	--
12/02/2022 07:50	JN Monetary Base YoY	Nov --	-6.40%	-6.90%	--
12/02/2022 15:30	TH Foreign Reserves	Nov-25 --	--	\$207.9b	--
12/02/2022 15:45	FR Industrial Production MoM	Oct --	--	-0.80%	--
12/02/2022 15:45	FR Industrial Production YoY	Oct --	--	1.80%	--
12/02/2022 16:00	CH SHFE Copper On Warrant Change	Dec-02 --	--	-1077	--
12/02/2022 16:00	SP Unemployment Change	Nov --	--	-27.0k	--
12/02/2022 16:00	CZ GDP YoY	3Q P 1.60%	--	1.60%	--
12/02/2022 17:00	UK LME Copper Stocks	Dec-02 --	--	-1425	--
12/02/2022 19:00	IR GDP QoQ	3Q --	--	1.80%	--
12/02/2022 21:00	SI Purchasing Managers Index	Nov 49.50	--	49.70	--
12/02/2022 21:30	CA Unemployment Rate	Nov 5.30%	--	5.20%	--
12/02/2022 21:30	US Unemployment Rate	Nov 3.70%	--	3.70%	--
12/02/2022 21:30	CA Net Change in Employment	Nov 10.0k	--	108.3k	--

Source: Bloomberg

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