

Daily Treasury Outlook

3 August 2022

Highlights

Global: Tensions over US House Speaker Nancy Pelosi's visit to Taiwan simmered and may continue to weigh on financial markets today - China announced military drills and missile tests around Taiwan between 4-7 August and plans to halt natural sand exports as Pelosi is due to meet President Tsai Ing-wen and visit the parliament later today – the S&P 500 fell 0.67% while UST bonds also traded in a choppy fashion with the 10-year bond yield jumping 18bps higher to 2.75% amid the tug of war between US-China tensions and Fed's still hawkish rhetoric. Fed's Daly opined that rate hikes were "nowhere near" done while Evans opined that another 75bps hike in September "could also be ok" even though he hopes for a decelerated pace, and Mester also commented that the Fed has more work to do with inflation not having peaked whereas Bullard also believed the Fed and ECB may be able to disinflate in an orderly manner and achieve a relatively soft landing". Meanwhile, the JOLTS job openings data fell below 11m for the first time since November to 10.7m and also showed 4.2m workers quit in June. The Treasury Department plans to borrow US\$444b in Jul-Sep, some US\$262b higher than its May estimate. The USD rose in line with rising UST bond yields while oil traders are waiting for the OPEC+ meeting to see if the September output will be raised. Elsewhere, New Zealand's unemployment rate unexpectedly rose from a record low of 3.2% in 1Q to 3.3% in 2Q, but annual wage inflation accelerated to 3.4% (fastest since 2008) amid labour shortages and may reinforce expectations for RBNZ to hike again by 50bps for the 4th time later this month.

Market watch: Asian markets are likely to trade sideways watching the US-China developments. Today's economic data calendar kicks off with the July services and composite PMIs from China's Caixin, Europe, UK and Asia, as well as US' mortgage applications, services and composite PMIs, June factory orders and final durable goods orders. Fed's Harker, Daly, Barkin and Kashkari are also due to speak later today.

SG: The manufacturing and electronics PMIs both slipped to 50.1 and 50.5 in July, registering slower expansions in new orders, exports, output and employment gauges. While there is a risk that the manufacturing PMI may slip below the 50 handle into mild contraction territory in the coming months since the business expectations survey for Jul-Dec 2022 has already turned net bearish and if global growth and in turn demand conditions stumbles. Implications for S'pore's 3Q and full-year 2022 GDP growth are limited for now – we expect manufacturing growth is tipped to slow to around 4% and sub-2% YoY in 3Q and 4Q22 respectively, but maintain our full-year 2022 GDP growth forecast of 3.5-4.0% as 2-3% YoY growth in 2H should still be achievable given that the services sector remains resilient, especially with the healthy domestic labour market and the pickup in hospitality-related sectors.

Key Market Movements

Equity	Value	% chg
S&P 500	4091.2	-0.7%
DJIA	32396	-1.2%
Nikkei 225	27595	-1.4%
SH Comp	3186.3	-2.3%
STI	3239.2	0.0%
Hang Seng	19689	-2.4%
KLCI	1495.1	-0.5%
	Value	% chg
DXY	106.241	0.8%
USDJPY	133.17	1.2%
EURUSD	1.0166	-0.9%
GBPUSD	1.2170	-0.7%
USDIDR	14893	0.1%
USDSGD	1.3822	0.3%
SGDMYR	3.2288	-0.1%
	Value	chg (bp)
2Y UST	3.05	18.07
10Y UST	2.75	17.51
2Y SGS	2.50	-4.50
10Y SGS	2.54	-9.69
3M LIBOR	2.80	1.39
3M SIBOR	2.48	0.00
3M SOR	2.63	0.00
3M SORA	1.28	1.18
3M SOFR	1.20	2.21
	Value	% chg
Brent	100.54	0.5%
WTI	94.42	0.6%
Gold	1760	-0.7%
Silver	19.98	-1.9%
Palladium	2063	-6.1%
Copper	7807	-0.2%
BCOM	117.78	-1.7%

Source: Bloomberg

Daily Treasury Outlook

3 August 2022

Major Markets

SG: The STI closed nearly flat (+0.01%) at 3,239.15 yesterday and range trade again today. SGS bond yields fell 4-9bps yesterday amid the flight to quality, but may reverse gains today after UST bond yields surged overnight. Market players are awaiting the inaugural green SGS (infrastructure) bond issue.

CN: Port activity in Shanghai continued to recover in July with daily average throughput nearing 140K Twenty-foot-Equivalent Units (TEUs), recovering to the pre-pandemic level. The 4.3 million TEUs throughput in July marked the record high level for the month of July. In addition, China allows foreign MNCs to establish finance companies in China.

MY: Malaysia's Finance Minister Zafrul Abdul Aziz said that almost all or 97.5% of the federal government's outstanding debt is denominated in ringgit, based on data for Q1 this year, with the remainder of 2.5% in foreign currencies. He noted that this reduces the risk to the government's financial position due to the general decline in value of the ringgit, especially against the US dollar. The minister's comment was in a written parliamentary reply to queries regarding Malaysia's monetary policy plan.

ID: Indonesia said that it is still studying plans to impose taxes on nickel exports. According to Bloomberg, a finance ministry official said that the plan is to impose them on nickel pig iron and ferronickel shipments, with the aim of pushing for more downstream investment in the industry, who added that further technical details are yet to be discussed and that the government has not set target on the timing of the policy implementation.

ESG Updates

SG: MAS and Google's Cloud team launched the Point Carbon Zero Programme that aims to bolster access to climate-related data for the financial sector to better invest in sustainable projects.

CN: China unveiled a plan to promote green growth in the industrial sector, including promoting the optimisation and upgrading of industrial structures, as well as developing green and low-carbon industries.

Rest of the world: Britain's competition regulator will investigate fashion brands (ASOS, Boohoo and George at ASDA) and their environmental claims to tackle greenwashing.

Daily Treasury Outlook

3 August 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 5-7bps lower, belly tenors trading 7-8bps lower, and longer tenors traded 8-10bps lower. UST 10Y yields traded 18bps higher to 2.75% whilst markets parsed the effects of House Speaker Nancy Pelosi landing in Taiwan and possible implications on the US-China relationship. Separately, comments from a trio of Federal Reserve ("Fed") officials including Cleveland Fed President Loretta Mester, San Francisco Fed President Mary Daly (non-voting member this year) and Chicago Fed President Charles Evans (non-voting member this year) indicated their support for getting US interest rates to a level that will more significantly curb economic activity and tackle the current inflation storm, with Mester commenting that "It's got to be a sustained several months of evidence that inflation has first peaked -- we haven't even seen that yet -- and that it's moving down".

New Issues: ANZ Bank New Zealand Ltd priced a 10NC5 USD500mn tier 2 subordinated bond at T+270bps, tightening from an IPT of T+300bps area. Jinan Hi-tech Holding Group Co Ltd priced a 3-year USD300mn senior unsecured bond at 5.5%, tightening from an IPT of 5.8% area. KT Corp priced a 3-year USD500mn senior unsecured bond at T+125bps, tightening from an IPT of T+155bps area. Johnson Electric Holdings Ltd has mandated banks to arrange a series of fixed income investor calls commencing 1 August 2022 for a proposed USD senior unsecured bond offering. Tianjin Binhai New Area Construction & Investment Group Co. has mandated banks to arrange a series of fixed income investor calls commencing 2 August 2022 for a proposed USD senior unsecured fixed rate bond offering.

Daily Treasury Outlook

3 August 2022

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	106.241	0.75%	USD-SGD	1.3822	0.33%
USD-JPY	133.170	1.19%	EUR-SGD	1.4053	-0.59%
EUR-USD	1.017	-0.94%	JPY-SGD	1.0384	-0.76%
AUD-USD	0.692	-1.47%	GBP-SGD	1.6830	-0.26%
GBP-USD	1.217	-0.65%	AUD-SGD	0.9567	-1.11%
USD-MYR	4.455	0.05%	NZD-SGD	0.8656	-0.76%
USD-CNY	6.753	-0.24%	CHF-SGD	1.4437	-0.46%
USD-IDR	14893	0.13%	SGD-MYR	3.2288	-0.15%
USD-VND	23356	-0.01%	SGD-CNY	4.8931	-0.51%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.0620	-0.07%	O/N	2.3116	2.32%
2M	-0.3360	-0.34%	1M	2.3669	2.36%
3M	0.2460	0.23%	2M	0.1525	0.15%
6M	0.6540	0.65%	3M	2.8021	2.79%
9M	-0.1940	-0.20%	6M	3.3761	3.33%
12M	0.9420	0.92%	12M	3.7421	3.71%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.443	0.611	2.944
11/02/2022	3.638	0.910	3.243
12/14/2022	4.195	1.049	3.382
02/01/2023	4.314	1.078	3.412
03/22/2023	4.255	1.064	3.398
05/03/2023	3.934	0.983	3.317

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	94.42	0.56%	Corn (per bushel)	5.913	-2.6%
Brent (per barrel)	100.54	0.51%	Soybean (per bushel)	15.693	-1.6%
Heating Oil (per gallon)	338.04	-1.73%	Wheat (per bushel)	7.748	-3.2%
Gasoline (per gallon)	305.67	1.95%	Crude Palm Oil (MYR/MT)	39.430	-3.7%
Natural Gas (per MMBtu)	7.71	-6.97%	Rubber (JPY/KG)	2.346	-3.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7806.50	-0.17%	Gold (per oz)	1760.4	-0.7%
Nickel (per mt)	22492.00	-4.59%	Silver (per oz)	20.0	-1.9%

Equity and Commodity

Index	Value	Net change
DJIA	32,396.17	-402.23
S&P	4,091.19	-27.44
Nasdaq	12,348.76	-20.22
Nikkei 225	27,594.73	-398.62
STI	3,239.15	0.40
KLCI	1,495.05	-7.02
JCI	6,988.16	19.37
Baltic Dry	1,872.00	-23.00
VIX	23.93	1.09

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.5 (-0.04)	3.05(-)
5Y	2.41 (-0.09)	2.85 (+0.22)
10Y	2.54 (-0.1)	2.73 (+0.18)
15Y	2.65 (-0.08)	--
20Y	2.75 (-0.07)	--
30Y	2.76 (-0.07)	2.99 (+0.09)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	73.40	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.28
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/03/2022 06:45	NZ Unemployment Rate	2Q	3.10%	3.30%	3.20%
08/03/2022 06:45	NZ Employment Change QoQ	2Q	0.40%	0.00%	0.10%
08/03/2022 08:30	JN Jibun Bank Japan PMI Composite	Jul F	--	--	50.60
08/03/2022 08:30	JN Jibun Bank Japan PMI Services	Jul F	--	--	51.20
08/03/2022 09:45	CH Caixin China PMI Services	Jul	53.90	--	54.50
08/03/2022 15:55	GE S&P Global Germany Composite PMI	Jul F	48.00	--	48.00
08/03/2022 15:55	GE S&P Global Germany Services PMI	Jul F	49.20	--	49.20
08/03/2022 16:00	EC S&P Global Eurozone Composite PMI	Jul F	49.40	--	49.40
08/03/2022 16:00	EC S&P Global Eurozone Services PMI	Jul F	50.60	--	50.60
08/03/2022 16:30	UK S&P Global/CIPS UK Composite PMI	Jul F	52.80	--	52.80
08/03/2022 16:30	UK S&P Global/CIPS UK Services PMI	Jul F	53.30	--	53.30
08/03/2022 19:00	US MBA Mortgage Applications	Jul-29	--	--	-1.80%
08/03/2022 22:00	US Factory Orders	Jun	1.20%	--	1.60%
08/03/2022 22:00	US Durable Goods Orders	Jun F	1.90%	--	1.90%
08/03/2022 22:00	US Durables Ex Transportation	Jun F	0.30%	--	0.30%
08/03/2022 22:00	US ISM Services Index	Jul	53.50	--	55.30

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

Toh Su-N

Credit Research Analyst
TohSN@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