

## Daily Treasury Outlook

3 October 2022

### Highlights

**Global:** 3Q22 marked a tumultuous quarter amid the tug of war between inflation and recession fears and as policymakers reiterate their resolve to combat inflation despite the risk of potentially stalling the economic recovery in the process. Adding to market worries are the resurgent USD and the ongoing Russian-Ukraine war, especially since US president Biden has declared the Nord Stream gas pipeline leak as due to an intentional act. The S&P 500 closed down 1.51% on Friday to near-2 year lows, marking a volatile week and a brutal close to 3Q22 which saw the third straight quarter of losses for the first time since 2009. UST bonds also fell on Friday amid a late sell-off which marked the 9th consecutive week of yield increases (longest since 1994) despite the month-end, with the 10-year bond yield up 4bps to 3.83%. The Fed reverse repo facility also drew a record US\$2.426tn at the month-end, registering its third record last week. The US' PCE deflator (which is the Fed's preferred inflation gauge) rose 6.2% YoY in August, slightly lower than 6.3% in July, but core PCE beat market expectations to surge 4.9% YoY (0.6% MoM). This is likely to bolster market expectations that the Fed will hike another 75bps at the next FOMC meeting in November. Note that Fed Vice Chair Brainard opined that interest rates will need to stay higher for some time and that the Fed is committed to avoid pulling back prematurely. Meanwhile Eurozone's September CPI hit 10%, exceeding market forecast of 9.7% and up from August's 9.1% print as energy prices accelerated to 40.8% YoY, and core CPI also jumped from 4.3% to 4.8%. Elsewhere, UK PM Truss has said it was Chancellor Kwarteng's decision to cut the top tax rate amid pushback from other Conservative leaders.

**Market watch:** Asian markets are likely to start October on a mixed tone today. Today's economic data calendar comprises manufacturing PMIs from Asia, Europe and UK, US' manufacturing ISM, as well as Indonesia's September CPI. Fed's Bostic and Williams, and BOE's Mann also speaking later today. China is also out for Golden Week holidays this week. For the week ahead, keep an eye on tomorrow's RBA policy decision (likely 50bps hike to 2.85%), OPEC+ who is now contemplating an output cut of more than 1 million barrels of oil in order to stabilise oil prices when it meets on Wednesday, while the RBNZ may also hike 50bps to 3.5% on Wednesday, and Friday's US labour market report with September nonfarm payrolls, unemployment rate and average hourly earnings tipped at 250k, 3.7% and 5.1% YoY (0.3% MoM) respectively, compared to August readings of 315k, 3.7% and 5.2% YoY (0.3% MoM).

**CN:** China's manufacturing PMI rebounded to 50.1 in September from 49.4 in August while non-manufacturing PMI softened to 50.6 from 52.6. Both supply and demand improved for the manufacturing sector. Production returned to expansionary territory while new demand also increased to 49.8 from 49.2. Nevertheless, external demand moderated further with new export order falling to 47, lowest since October last year from 48.1. On a positive note, business expectation improved to 53.4 from 52.3 thanks to more stimulus measures rolled out in September to support the manufacturing sector.

### Key Market Movements

Equity	Value	% chg
S&P 500	3585.6	-1.5%
DJIA	28726	-1.7%
Nikkei 225	25937	-1.8%
SH Comp	3024.4	-0.6%
STI	3130.2	0.5%
Hang Seng	17223	0.3%
KLCI	1394.6	-0.2%
	Value	% chg
DXY	112.117	-0.1%
USDJPY	144.74	0.2%
EURUSD	0.9802	-0.1%
GBPUSD	1.1170	0.5%
USDIDR	15228	-0.2%
USDSGD	1.4353	0.2%
SGDMYR	3.2390	0.5%
	Value	chg (bp)
2Y UST	4.28	8.63
10Y UST	3.83	4.30
2Y SGS	3.39	-4.80
10Y SGS	3.48	-1.11
3M LIBOR	3.75	6.87
3M SIBOR	3.17	0.00
3M SOR	3.28	-0.17
3M SORA	1.97	2.55
3M SOFR	2.13	1.61
	Value	% chg
Brent	85.14	-2.3%
WTI	79.49	-2.1%
Gold	1661	0.0%
Silver	19.03	1.1%
Palladium	2166	-1.7%
Copper	7560	0.2%
BCOM	111.49	-1.0%

Source: Bloomberg

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### Major Markets

**SG:** Today's manufacturing PMI may sink into contraction territory for September while the electronics PMIs may see its second month below the key 50 handle. The STI gained 0.49% to close at 3,130.24 on Friday and may range trade today. SGS bonds are likely to remain on the backfoot given the ongoing sell-off in the UST bond market.

**MY:** Malaysia's PM Ismail Sabri is reportedly seeking an audience with the King to propose the dissolution date for the parliament, paving the way for the country to hold a general election this year. The news came after a supreme council meeting by the ruling party UMNO on late Friday.

**ID:** Indonesia is due to report its September inflation number today, with the market pencilling in 6.0% YoY gain on the back of fuel subsidy cuts during the period. In an event over the weekend, Bank Indonesia predicted that headline inflation will come in at 5.88% YoY.

### ESG Updates

**SG:** Singapore and the US aim to jointly explore the viability of green lanes for sustainable aviation, through the exchange of information in areas such as industry development and infrastructure planning.

**Rest of the world:** Germany is likely to prolong its use of nuclear power to next year to prevent the risk of blackouts in winter.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly lower last Friday, with shorter tenors trading 5-6bps lower, belly tenors trading 7-10bps lower and longer tenors traded 11-13bps lower. UST 10Y yields traded 4bps higher last Friday amidst incoming data from the consumer spending front as well as Personal Consumption Expenditures (“PCE”) figures for August. US Personal Spending, which accounts for more than two-thirds of US economic activity, increased by 0.4% in August, above Bloomberg median estimates of 0.2%. Headline and core PCE both came in higher, increasing by 0.3% MoM and 0.6% MoM respectively, possibly providing further ammunition for the Federal Reserve (“Fed”) to continue hiking as it seeks to bring inflation rates back to 2%. Separately, Richmond Fed president Thomas Barkin (non-voting member this year) commented that there were “promising signs” inflation pressures have eased although the Feds will likely “persist” with interest rate hikes and “not declare victory prematurely” given that any drops in inflation rates would not be immediate or predictable.

**New Issues:** There were no new issues priced last Friday.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	112.117	-0.12%	USD-SGD	1.4353	0.18%
USD-JPY	144.740	0.19%	EUR-SGD	1.4074	0.08%
EUR-USD	0.980	-0.13%	JPY-SGD	0.9920	-0.01%
AUD-USD	0.640	-1.54%	GBP-SGD	1.6037	0.70%
GBP-USD	1.117	0.48%	AUD-SGD	0.9188	-1.34%
USD-MYR	4.638	0.03%	NZD-SGD	0.8035	-2.06%
USD-CNY	7.116	-0.12%	CHF-SGD	1.4543	-1.01%
USD-IDR	15228	-0.23%	SGD-MYR	3.2390	0.52%
USD-VND	23861	0.14%	SGD-CNY	4.9605	-0.08%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6790	0.67%	O/N	3.0651	3.06%
2M	-0.3360	-0.34%	1M	3.1427	3.13%
3M	1.1730	1.16%	2M	0.1525	0.15%
6M	1.8090	1.80%	3M	3.7547	3.74%
9M	-0.1940	-0.20%	6M	4.2320	4.21%
12M	2.5560	2.58%	12M	4.7806	4.79%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/02/2022	2.686	0.671	3.755
12/14/2022	4.535	1.134	4.218
02/01/2023	5.451	1.363	4.446
03/22/2023	5.595	1.399	4.483
05/03/2023	5.540	1.385	4.469
06/14/2023	5.479	1.370	4.453

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.49	-2.14%	Corn (per bushel)	6.775	1.2%
Brent (per barrel)	87.96	-0.60%	Soybean (per bushel)	13.648	-3.3%
Heating Oil (per gallon)	336.90	-1.34%	Wheat (per bushel)	9.215	2.8%
Gasoline (per gallon)	247.26	-1.40%	Crude Palm Oil (MYR/MT)	33.270	1.5%
Natural Gas (per MMBtu)	6.77	-1.57%	Rubber (JPY/KG)	2.260	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7560.00	0.24%	Gold (per oz)	1660.6	0.0%
Nickel (per mt)	21107.00	-5.55%	Silver (per oz)	19.0	1.1%

## Equity and Commodity

Index	Value	Net change
DJIA	28,725.51	-500.10
S&P	3,585.62	-54.85
Nasdaq	10,575.62	-161.89
Nikkei 225	25,937.21	-484.84
STI	3,130.24	15.16
KLCI	1,394.63	-2.87
JCI	7,040.80	4.60
Baltic Dry	1,760.00	3.00
VIX	31.62	-0.22

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (-0.05)	4.22(-)
5Y	3.54 (-0.01)	4.09 (+0.07)
10Y	3.48 (-0.01)	3.8 (+0.04)
15Y	3.42 (-0.03)	--
20Y	3.36 (-0.06)	--
30Y	3.23 (-0.09)	3.76 (+0.05)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	166.10	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	2.96
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/03/2022 07:50	JN Tankan Large Mfg Index	3Q 10.00	8.00	9.00	--
10/03/2022 07:50	JN Tankan Large Mfg Outlook	3Q 11.00	9.00	10.00	--
10/03/2022 07:50	JN Tankan Large Non-Mfg Index	3Q 13.00	14.00	13.00	--
10/03/2022 07:50	JN Tankan Large All Industry Capex	3Q 18.90%	21.50%	18.60%	--
10/03/2022 08:30	JN Jibun Bank Japan PMI Mfg	Sep F --	--	51.00	--
10/03/2022 08:30	ID S&P Global Indonesia PMI Mfg	Sep --	--	51.70	--
10/03/2022 08:30	VN S&P Global Vietnam PMI Mfg	Sep --	--	52.70	--
10/03/2022 08:30	TA S&P Global Taiwan PMI Mfg	Sep --	--	42.70	--
10/03/2022 12:00	ID CPI YoY	Sep 6.00%	--	4.69%	--
10/03/2022 13:00	IN S&P Global India PMI Mfg	Sep --	--	56.20	--
10/03/2022 15:55	GE S&P Global/BME Germany Manufacturing PMI	Sep F 48.30	--	48.30	--
10/03/2022 16:00	EC S&P Global Eurozone Manufacturing PMI	Sep F 48.50	--	48.50	--
10/03/2022 16:30	UK S&P Global/CIPS UK Manufacturing PMI	Sep F 48.50	--	48.50	--
10/03/2022 21:30	CA S&P Global Canada Manufacturing PMI	Sep --	--	48.70	--
10/03/2022 21:45	US S&P Global US Manufacturing PMI	Sep F 51.80	--	51.80	--
10/03/2022 22:00	US ISM Manufacturing	Sep 52.10	--	52.80	--

Source: Bloomberg

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