

## Daily Treasury Outlook

4 August 2022

### Highlights

**Global:** Risk appetite rebounded overnight with the S&P 500 snapping a two-day loss to close up 1.56% amid healthy US corporate earnings from PayPal and Moderna as well as robust economic data and as market jitters over US-China tensions (due to Taiwan) subsided slightly. The July US' non-manufacturing ISM unexpectedly improved from 55.3 to 56.7 (forecast: 53.5). Fed rhetoric also remained generally hawkish with Bullard favouring "frontloading" of rate hikes to 3.75-4% by year-end, while Daly argued that "we still have some ways to go here to get to restrictive monetary policy" and also pinpointed 3.75-4% this year, and Barkin also opined that "a recession could happen in the process. If one does, we need to keep it in perspective". The UST bond yield curve inverted further with the 2-10 year as much as 36bps after the 2-year yield surged to 3.07% whereas the 10-year yield stuck to 2.70%. Meanwhile, OPEC+ offered to add only 100,000 barrels a day extra for September, citing "severely limited" spare production capacity which should be used with "great caution in response to severe supply disruptions". Separately, the US Senate has voted to accept Sweden and Finland into NATO.

**Market watch:** Asian markets are likely to open firmer this morning, while awaiting the BoE rate decision due later today where a 50bps rate hike to 1.75% is already anticipated but the NIESR suggests that the UK economy is already heading into a period of stagflation with high inflation and a recession hitting the economy simultaneously. The economic data calendar comprises of Germany's June factory orders, US' Challenger job cuts, June trade deficit and initial jobless claims. Apart from BoE governor Bailey's press conference, Fed's Mester is also due to speak today.

**SG:** The S&P global S'pore PMI improved from 57.5 in June to 58.0 in July, marking the 2nd-fastest pace on record, the 20th month in expansion territory and also the highest since May 2022. Notably, new order and output growth accelerated to their highest since May 2022 amid improved demand conditions which prompted faster purchasing activity and pre-production inventories, but selling price inflation also hit the second-highest on record due to more expensive raw materials, energy and freight costs. However, average staff expenditure hit a 5-month high given overtime and commission pay-outs as well as salary adjustments, and staffing levels fell for the second straight month amid COVID-related illness and lower part-time employees. Separately, COE premiums for categories B & E slipped to \$107,001 and \$113,000 respectively even though category A still rose to \$80,000.

### Key Market Movements

Equity	Value	% chg
S&P 500	4155.2	1.6%
DJIA	32813	1.3%
Nikkei 225	27742	0.5%
SH Comp	3163.7	-0.7%
STI	3252.1	0.4%
Hang Seng	19767	0.4%
KLCI	1490.6	-0.3%
	Value	% chg
DXY	106.506	0.2%
USDJPY	133.86	0.5%
EURUSD	1.0166	0.0%
GBPUSD	1.2149	-0.2%
USDIDR	14913	0.1%
USDSGD	1.3809	-0.1%
SGDMYR	3.2267	-0.1%
	Value	chg (bp)
2Y UST	3.07	1.43
10Y UST	2.70	-4.37
2Y SGS	2.56	5.90
10Y SGS	2.61	6.83
3M LIBOR	2.81	0.49
3M SIBOR	2.48	0.00
3M SOR	2.66	0.00
3M SORA	1.29	1.10
3M SOFR	1.22	2.23
	Value	% chg
Brent	96.78	-3.7%
WTI	90.66	-4.0%
Gold	1765	0.3%
Silver	20.06	0.4%
Palladium	2018	-2.2%
Copper	7678	-1.7%
BCOM	117.87	0.1%

Source: Bloomberg

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### Major Markets

**SG:** The STI gained 0.4% to close at 3,252.06 yesterday and may trade firmer today amid positive overnight market cues. SGS bonds sold off to push yields higher by 5-8bps yesterday and may continue to take a back seat for now as investors wait for the \$4.6bn 6-month T-bill auction today and the upcoming inaugural green bond issue.

**CN:** China's passenger car sales continued to recover in July on the back of stimulus and improving consumer sentiment. The preliminary data showed that retail sales of passenger cars rose by 17% YoY in July to 1.77 million units while wholesale of passenger cars jumped by 40% YoY in July to 2.12 million units.

**MY:** Malaysia's Finance Minister, Tengku Zafrul Abdul Aziz, said that the KWAP retirement fund aims to grow to MYR200bn by 2025. He added that KWAP also aims to increase the number of property assets to more than 30 from 17 now, and have more than 35 subsidiaries within the same period. He noted that KWAP has expanded its investment portfolio threefold from 2007, to MYR159bn today.

**ID:** Indonesia said that it has begun to clear land and break ground to build the new capital city of Nusantara. According to the leading official in charge of the move, Bambang Susantono, the project is on track for first-phase completion in 2024. He told Bloomberg that, eventually, 80% of financing of the USD34bn project will come from the private sector, with Indonesia likely to consider a bond issuance later on. For now, the phase one of the project would cost about IDR50tn (USD3.4bn) and will be funded completely by the 2022-2024 state budget, he added.

### ESG Updates

**SG:** Singapore aims to raise at least S\$1.5bil via the sale of the inaugural green bond to be launched this week. The tenor will be either 30 or 50 years, with proceeds to fund expansion of Singapore's electric rail network.

**Rest of the world:** Cities in Germany are imposing energy-saving measures amid the Russian gas crisis, such as switching off spotlights at public monuments and imposing cold showers on swimming pools and sports halls.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 8-12bps higher, belly tenors trading 11bps higher, and longer tenors traded 10-11bps higher with the exception of the 30Y which traded 5bps higher. UST 10Y yields traded 5bps lower to 2.70% as several Federal Reserve (“Fed”) officials made hawkish comments on future monetary policy, notably with St Louis Fed President James Bullard commenting that the Fed will probably have to keep rates “higher for longer” and he prefers a front-loading strategy in order to tackle the broad-based inflation. Separately, the S&P Global US Services Purchasing Managers' Index (“PMI”) for July came in at 47.3, slightly above Bloomberg median estimates of 47.0 while Factory Orders data released by the US Census Bureau came in at 2% for June, above Bloomberg median estimates of 1.2%.

**New Issues:** Phoenix Charm International Investment Ltd (Guarantor: Danyang Investment Group Co Ltd) priced a 3-year USD205mn senior unsecured bond at 6.4%, in-line with its IPT of 6.4% area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	106.506	0.25%	USD-SGD	1.3809	-0.09%
USD-JPY	133.860	0.52%	EUR-SGD	1.4037	-0.11%
EUR-USD	1.017	0.00%	JPY-SGD	1.0314	-0.67%
AUD-USD	0.695	0.40%	GBP-SGD	1.6769	-0.36%
GBP-USD	1.215	-0.17%	AUD-SGD	0.9594	0.28%
USD-MYR	4.457	0.04%	NZD-SGD	0.8656	0.00%
USD-CNY	6.758	0.08%	CHF-SGD	1.4373	-0.44%
USD-IDR	14913	0.13%	SGD-MYR	3.2267	-0.07%
USD-VND	23391	0.15%	SGD-CNY	4.8889	-0.09%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.0480	-0.06%	O/N	2.3071	2.31%
2M	-0.3360	-0.34%	1M	2.3573	2.37%
3M	0.2600	0.25%	2M	0.1525	0.15%
6M	0.6520	0.65%	3M	2.8070	2.80%
9M	-0.1940	-0.20%	6M	3.3134	3.38%
12M	0.9260	0.94%	12M	3.7077	3.74%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.432	0.608	2.942
11/02/2022	3.649	0.912	3.246
12/14/2022	4.205	1.051	3.385
02/01/2023	4.401	1.100	3.434
03/22/2023	4.445	1.111	3.445
05/03/2023	4.190	1.048	3.381

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	90.66	-3.98%	Corn (per bushel)	5.915	0.0%
Brent (per barrel)	96.78	-3.74%	Soybean (per bushel)	15.580	-0.7%
Heating Oil (per gallon)	341.48	1.02%	Wheat (per bushel)	7.638	-1.4%
Gasoline (per gallon)	291.22	-4.73%	Crude Palm Oil (MYR/MT)	39.850	1.1%
Natural Gas (per MMBtu)	8.27	7.27%	Rubber (JPY/KG)	2.391	1.9%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	7677.50	-1.65%	Gold (per oz)	1765.3	0.3%
Nickel (per mt)	22332.00	-0.71%	Silver (per oz)	20.1	0.4%

### Equity and Commodity

Index	Value	Net change
DJIA	32,812.50	416.33
S&P	4,155.17	63.98
Nasdaq	12,668.16	319.40
Nikkei 225	27,741.90	147.17
STI	3,252.06	12.91
KLCI	1,490.57	-4.48
JCI	7,046.64	58.48
Baltic Dry	1,817.00	-55.00
VIX	21.95	-1.98

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.56 (+0.06)	3.09(--)
5Y	2.48 (+0.07)	2.83 (-0.03)
10Y	2.61 (+0.07)	2.71 (-0.04)
15Y	2.72 (+0.07)	--
20Y	2.83 (+0.08)	--
30Y	2.84 (+0.08)	2.96 (-0.06)

### Financial Spread (bps)

Value	Change	
EURIBOR-OIS	74.80	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	2.30
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/04/2022 07:50	JN Japan Buying Foreign Bonds	Jul-29	--	¥37.1b	¥112.0b
08/04/2022 07:50	JN Foreign Buying Japan Stocks	Jul-29	--	-¥120.3b	¥297.6b
08/04/2022 07:50	JN Foreign Buying Japan Bonds	Jul-29	--	¥1296.3b	-¥15.5b
08/04/2022 07:50	JN Japan Buying Foreign Stocks	Jul-29	--	¥336.9b	¥230.3b
08/04/2022 09:30	AU Trade Balance	Jun	A\$14000m	--	A\$15965m
08/04/2022 14:00	GE Factory Orders MoM	Jun	-0.90%	--	0.10%
08/04/2022 14:00	GE Factory Orders WDA YoY	Jun	-9.20%	--	-3.10%
08/04/2022 15:30	GE S&P Global Germany Construction PMI	Jul	--	--	45.90
08/04/2022 16:00	UK New Car Registrations YoY	Jul	--	--	-24.30%
08/04/2022 16:30	UK S&P Global/CIPS UK Construction PMI	Jul	52.00	--	52.60
08/04/2022 19:00	UK Bank of England Bank Rate	Aug-04	1.75%	--	1.25%
08/04/2022 20:30	US Initial Jobless Claims	Jul-30	260k	--	256k
08/04/2022 20:30	US Trade Balance	Jun	-\$80.0b	--	-\$85.5b
08/04/2022 20:30	CA Building Permits MoM	Jun	-2.00%	--	2.30%
08/04/2022 20:30	US Continuing Claims	Jul-23	1383k	--	1359k
08/04/2022 20:30	CA Int'l Merchandise Trade	Jun	4.90b	--	5.32b

Source: Bloomberg

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