

Daily Treasury Outlook

4 October 2022

Highlights

Global: October rebound. The S&P 500 staged a 2.59% comeback in the first trading day of October, aided by tech stocks and marking its best day since July after suffering its worst September performance in two decades. The weak manufacturing ISM which fell to a two-year low of 50.9 in September also helped to tamp down Fed rate hike expectations (with the March futures market pricing a peak of 4.42% versus 4.65% a week ago) and contributing to the rally in the UST bond market. The 10-year bond yield fell 19bps to close at 3.64% even though Fed's Williams opined that monetary policy is "not yet in a restrictive place for growth" and "we still have a significant way to go" despite "real GDP to be close to flat this year and to grow modestly in 2023". Meanwhile, the Biden administration plans to announce fresh restrictions on chip technology exports to China later this week. Over in Europe, bond markets also gained, led by the UK gilts after the Truss government reversed on top income tax cuts. Separately, North Korea fired a midrange ballistic missile.

Market watch: Asian markets are likely to catch on to the overnight US equity rally and also trade with a firmer tone today. Key market focus will be on the RBA policy decision due later today where a 50bps rate hike is expected, but guidance may be less hawkish given that RBA Governor Lowe had earlier signalled a "diminished" case for outsized hikes as the cash rate approaches "more normal settings". Today's economic data calendar is very light with US' August factory orders, durable orders and JOLTS job openings. ECB's Lagarde, de Cos, Centeno, and Fed's Logan, Williams, Mester, Jefferson and Daly are also speaking.

ID: Indonesia reported its September inflation print yesterday. At 5.95% YoY, it marks the highest headline inflation number in seven years, although coming a tad softer than the 6% that the market had expected. Fuel price hike was unsurprisingly the main culprit, pushing the transport category CPI inflation up by 8.88% MoM, for instance. Meanwhile, core inflation has also picked up to 3.21% YoY from 3.04% the month before.

Key Market Movements

Equity	Value	% chg
S&P 500	3678.4	2.6%
DJIA	29491	2.7%
Nikkei 225	26216	1.1%
SH Comp	3024.4	0.0%
STI	3107.1	-0.7%
Hang Seng	17080	-0.8%
KLCI	1397.6	0.2%
	Value	% chg
DXY	111.745	-0.3%
USDJPY	144.55	-0.1%
EURUSD	0.9826	0.2%
GBPUSD	1.1323	1.4%
USDIDR	15303	0.5%
USDSGD	1.4318	-0.2%
SGDMYR	3.2402	0.0%
	Value	chg (bp)
2Y UST	4.11	-16.53
10Y UST	3.64	-18.99
2Y SGS	3.39	-0.40
10Y SGS	3.47	-1.45
3M LIBOR	3.75	1.19
3M SIBOR	3.17	0.00
3M SOR	3.28	0.00
3M SORA	2.07	9.23
3M SOFR	2.18	4.89
	Value	% chg
Brent	88.86	4.4%
WTI	83.63	5.2%
Gold	1700	2.4%
Silver	20.70	8.8%
Palladium	2226	2.7%
Copper	7508	-0.7%
BCOM	112.75	1.1%

Source: Bloomberg

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Major Markets

SG: The manufacturing PMI fell 0.1 point to 49.9 in September, breaking its 26 straight months of expansion, as new orders (49.9 versus 50.1 previously), output, order backlog, inventory, finished goods and import gauges contracted. Meanwhile, the new exports index also slowed from 50.2 to 50.0 and could sink into contraction territory in coming months amid the growing global recession concerns. The electronics PMI also registered the second consecutive month of contraction at 49.4 in September, down from 49.6 in August. Similarly, a faster contraction was seen in new orders, new exports, output, and inventory. In fact, the employment gauge sank back into contraction territory at 49.8 for the first time after 22 months of expansion. As the global demand cycle is starting to turn, the supplier deliveries indices improved for both the manufacturing and electronics industries to 50.5 and 50.8 respectively in September, up from 50.4 and 50.6 in August, while their input price indices have also continued to ease to 51.8 and 51.3, down from 52.3 and 51.9 previously as well. Growing global recession fears is likely to erode business and consumer confidence as major central banks continue to stay hawkish in the interim to burnish their inflation fighting credentials. Singapore now joins the camp of others like Taiwan (42.2 vs. 42.7 previously), Malaysia (49.1 vs. 50.3) and China (Caixin: 48.1 vs. 49.5) whose manufacturing PMIs are also in the red. The deflating global electronics momentum, especially in chipmaking, has been gaining speed of late and may continue to weigh on domestic manufacturing growth prospects in the coming months despite the traditional run up to peak Christmas order season. Singapore's 3Q22 advance GDP growth estimates may show a moderation to ~3.2% YoY compared to 4.4% YoY seen in 2Q22. Separately, the STI declined 0.74% to close at 3,107.09 yesterday but may gain today amid improved market sentiments and 3,100 should be the near-term support. With UST bond yields rallying some 10-16bps overnight, SGS bonds should also extend gains today.

MY: Malaysia's September PMI came in softer, at 49.1 compared to 50.3 in August, below the breakeven threshold. It marks the lowest reading since September 2021, with the output sub-reading falling to 47.6 versus 49.7 in the prior month, marking the second consecutive month of contraction. New orders sub-reading has also fallen to the lowest point since September 2021.

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ESG Updates

CN: Beijing aims to accelerate the deployment of methanol vehicles and develop a 'methanol economy', as part of efforts towards net-zero emissions.

MY: Malaysia can be expected to become a major carbon market in Asia due to its high potential to generate credits through nature-based sequestration.

Rest of the world: Japan has designated three areas off the coast of Nagasaki, Niigata and Akita prefectures for developing offshore wind farms.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 2bps higher (with the exception of 1Y which traded 1bps lower), belly tenors trading 2-3bps higher and longer tenors traded 2-6bps higher. UST 10Y yields traded 19bps lower yesterday amidst the release of manufacturing figures for September which suggested slowing US manufacturing figures. The Institute for Supply Management's ("ISM") manufacturing index came in at 50.9 for September, its lowest reading since May 2020 and below Bloomberg median estimates of 52. Separately, ISM Business Price Index, a gauge of inflation at the factory gate, came in at 51.7 as it fell for a sixth consecutive month on the backdrop of loosening supply chains and falling commodity prices. Going forward into this week, key economic releases include a slew of critical data from the labour market front, including the Job Openings and Labor Turnover Survey ("JOLTS") for August to be released tonight, ADP National Employment report for September out on Wednesday, Initial Jobless Claims for the week ended 1 October 2022 out on Thursday and lastly the change in US nonfarm payrolls and US unemployment rates for September on Friday. Markets will be closely assessing these data for any cracks in the labour market which has remained largely resilient thus far despite the headwinds of aggressive monetary policy, evidenced by unemployment rates still hovering near 50-year lows while the JOLTS figure is still hovering near all-time highs set earlier in March.

New Issues: There were no new issues priced yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	111.745	-0.33%	USD-SGD	1.4318	-0.24%
USD-JPY	144.550	-0.13%	EUR-SGD	1.4068	-0.04%
EUR-USD	0.983	0.24%	JPY-SGD	0.9905	-0.15%
AUD-USD	0.652	1.81%	GBP-SGD	1.6214	1.10%
GBP-USD	1.132	1.37%	AUD-SGD	0.9329	1.53%
USD-MYR	4.648	0.23%	NZD-SGD	0.8193	1.97%
USD-CNY	7.116	-0.12%	CHF-SGD	1.4422	-0.83%
USD-IDR	15303	0.49%	SGD-MYR	3.2402	0.04%
USD-VND	23880	0.08%	SGD-CNY	4.9770	0.33%

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	2.708	0.677	3.758
12/14/2022	4.505	1.126	4.208
02/01/2023	5.271	1.318	4.399
03/22/2023	5.355	1.339	4.420
05/03/2023	5.189	1.297	4.378
06/14/2023	5.085	1.271	4.353

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.63	5.21%	Corn (per bushel)	6.808	0.5%
Brent (per barrel)	88.86	1.02%	Soybean (per bushel)	13.740	0.7%
Heating Oil (per gallon)	336.91	0.00%	Wheat (per bushel)	9.120	-1.0%
Gasoline (per gallon)	251.29	1.63%	Crude Palm Oil (MYR/MT)	33.200	-0.2%
Natural Gas (per MMBtu)	6.47	-4.37%	Rubber (JPY/KG)	2.260	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7508.00	-0.69%	Gold (per oz)	1699.9	2.4%
Nickel (per mt)	21258.00	0.72%	Silver (per oz)	20.7	8.8%

Equity and Commodity

Index	Value	Net change
DJIA	29,490.89	765.38
S&P	3,678.43	92.81
Nasdaq	10,815.43	239.81
Nikkei 225	26,215.79	278.58
STI	3,107.09	-23.15
KLCI	1,397.62	2.99
JCI	7,009.72	-31.08
Baltic Dry	1,760.00	3.00
VIX	30.10	-1.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (--)	4.07 (--)
5Y	3.52 (-0.02)	3.88 (-0.21)
10Y	3.47 (-0.01)	3.6 (-0.19)
15Y	3.41 (-0.02)	--
20Y	3.34 (-0.03)	--
30Y	3.2 (-0.03)	3.66 (-0.1)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	2.98
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/04/2022 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Sep	2.80%	2.80%	2.60%
10/04/2022 07:30	JN Tokyo CPI YoY	Sep	2.80%	2.80%	2.90%
10/04/2022 07:50	JN Monetary Base YoY	Sep	--	-3.30%	0.40%
10/04/2022 08:30	AU Building Approvals MoM	Aug	10.00%	--	-17.20%
10/04/2022 08:30	SK S&P Global South Korea PMI Mfg	Sep	--	--	47.60
10/04/2022 08:30	AU ANZ Job Advertisements MoM	Sep	--	--	2.00%
10/04/2022 11:30	AU RBA Cash Rate Target	Oct-04	2.85%	--	2.35%
10/04/2022 13:30	AU Commodity Index SDR YoY	Sep	--	--	21.70%
10/04/2022 13:30	AU Commodity Index AUD	Sep	--	--	147.40
10/04/2022 17:00	EC PPI YoY	Aug	43.20%	--	37.90%
10/04/2022 17:00	EC PPI MoM	Aug	5.00%	--	4.00%
10/04/2022 22:00	US Durable Goods Orders	Aug F	-0.20%	--	-0.20%
10/04/2022 22:00	US Durables Ex Transportation	Aug F	0.20%	--	0.20%
10/04/2022 22:00	US Factory Orders	Aug	0.00%	--	-1.00%
10/04/2022 22:00	US Cap Goods Orders Nondef Ex Air	Aug F	--	--	1.30%
10/04/2022 22:00	US Cap Goods Ship Nondef Ex Air	Aug F	--	--	0.30%

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**Keung Ching (Cindy)***Hong Kong & Macau*cindyckeung@ocbcwh.com**Herbert Wong***Hong Kong & Macau*herberthtwong@ocbcwh.com**Ong Shu Yi***Environmental, Social & Governance (ESG)*ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@ocbc.com**Christopher Wong***FX Strategist*christopherwong@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

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