

## Daily Treasury Outlook

5 August 2022

### Highlights

**Global:** BoE hikes for the sixth consecutive time by 50bps to 1.75% in its largest move in 27 years with governor Bailey flagging that inflation may peak at 13.3% in October and that “all options are on the table for our September meeting and beyond that”, but warned that a recession will start in 4Q22 and last through 2023. He also outlined plans to actively sell around GBP10bn a quarter, evenly across “buckets” of short, medium and long tenors, following a confirmatory vote in September and including redemptions, the BoE’s holdings of gilts should fall around GBP80bn in the first year, while sales of its holdings of corporate bonds will also start in the week of 19 September. The BoE will also launch a new Short-Term Repo facility to keep short-term market rates close to its policy rate as it embarks on the shrinking of its balance sheet. The GBP fell while the 2-10 year gilt yield curve inverted amid the recession risk. Meanwhile, the S&P 500 edged down 0.08% overnight while UST bonds range traded yesterday with the 10-year yield hovering around 2.69% even as monkeypox is declared a public health emergency in the US. Fed’s Mester reiterated that the central bank is “committed to getting inflation” down to its 2% target. Crude oil prices fell to near 6-month lows below US\$90 per barrel amid the recession fears.

**Market watch:** Asian markets may tread cautiously ahead of the RBI policy decision (likely 35bps hike in the repurchase rate to 5.25% while the cash reserve ratio may stay unchanged at 4.5%) and tonight’s US key labour market data releases – market consensus is that US’ July nonfarm payrolls and the unemployment rate will come in around 250k and 3.6% respectively. Apart from the RBA monetary policy statement due this morning, today’s economic data calendar also comprises of Indonesia’s 2Q GDP growth, Thailand and Taiwan’s July CPI, S’pore’s June retail sales, Germany’s industrial production, and Malaysia’s foreign reserves. BoE’s Pill and Fed’s Barkin are also speaking today.

**SG:** June retail sales likely accelerated to 18.3% YoY versus May’s 17.8% print as more international travel returned and Malaysian minister of agriculture and food industries Ronald Kiandee clarified that there are no plans to end the chicken export ban on 31 August.

**CN:** China’s Ports and Harbours Association said total throughput of ports monitored by them rose by 8.4% YoY in July with that for foreign trade climbing 6.3%. The container throughput of eight coastal container hub ports rose by 12.7% YoY.

### Key Market Movements

Equity	Value	% chg
S&P 500	4151.9	-0.1%
DJIA	32727	-0.3%
Nikkei 225	27932	0.7%
SH Comp	3189.0	0.8%
STI	3269.9	0.5%
Hang Seng	20174	2.1%
KLCI	1507.7	1.1%
	Value	% chg
DXY	105.693	-0.8%
USDJPY	132.89	-0.7%
EURUSD	1.0246	0.8%
GBPUSD	1.2160	0.1%
USDIDR	14933	0.1%
USDSGD	1.3764	-0.3%
SGDMYR	3.2328	0.2%
	Value	chg (bp)
2Y UST	3.04	-2.24
10Y UST	2.69	-1.63
2Y SGS	2.54	-1.50
10Y SGS	2.63	1.37
3M LIBOR	2.83	2.53
3M SIBOR	2.48	0.00
3M SOR	2.62	0.00
3M SORA	1.30	0.76
3M SOFR	1.24	1.67
	Value	% chg
Brent	94.12	-2.7%
WTI	88.54	-2.3%
Gold	1791	1.5%
Silver	20.18	0.6%
Palladium	2070	2.6%
Copper	7728	0.7%
BCOM	118.04	0.1%

Source: Bloomberg

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### Major Markets

**SG:** The STI added 0.55% to close at 3,269.86 yesterday, but may range trade today while waiting for fresh market catalysts. MAS sold \$4.6bn of 6-month T-bills at an average yield of 2.87% with a bid-cover ratio of 2.52x.

**MY:** Malaysia's Agriculture Minister said that the government has no plan yet to lift its ban on chicken exports for the foreseeable future, in response to media reports suggesting that the ban will end on 31 August. He added that the measure is temporary but will stay in force until chicken supplies and prices stabilize.

**ID:** Indonesia is due to report its Q2 GDP print today, with the market pencilling in growth of 5.17% YoY, compared to 5.01% in Q1. We are likely to see some support in consumption coming from the commodities boom during the period, although the palm oil ban might complicate the picture for growth in some of the provinces. Overall exports should be supportive as well, particularly in coal.

### ESG Updates

**SG:** Singapore offers up to S\$2.4bn of 50-year sovereign green bonds in its inaugural offering. Proceeds from the green bond issuances must adhere to the published guidelines, and can be used for projects such as renewable energy, energy efficiency and climate change adaptation.

**MY:** ESG-related investments are anticipated to surge this year as more companies are likely to export ESG-compliant goods. In 1Q22, Malaysia attracted 212 green technology projects and services activities amounting to RM433mn.

**Rest of the world:** Lufthansa Group announced the launch of a new green fare that offers passengers the option to book carbon-neutral travel, to compensate the CO<sub>2</sub> emissions of flights embedded in the price.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 3-5bps higher, belly tenors trading 1-2bps higher, and longer tenors trading flat (with the exception of 20Y and 30Y which traded 2bps and 5bps higher respectively). UST 10Y yields traded just 1bps lower to 2.69% as markets continued to digest incoming economic data in anticipation of future monetary policy following Wednesday's rebound in US services data. Initial jobless claims for the week ended 30 June 2022 came in at 260,000, in line with Bloomberg median estimates. Separately, Cleveland Federal Reserve ("Fed") President Loretta Mester commented that the Fed should raise interest rates to above 4% and aim to keep tightening through the first half of 2023 until it sees strong evidence that inflation is within the Fed's target, echoing similar sentiments made by other officials throughout the week.

**New Issues:** Standard Chartered PLC priced a USD1.25bn PerpNC5.5 additional tier 1 junior subordinated bond at 7.75%, tightening from an IPT of 8.125% area. Bengbu Gaoxin Investment Group priced a 3-year USD200mn senior unsecured bond at a coupon rate of 5.3%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	105.693	-0.76%	USD-SGD	1.3764	-0.33%
USD-JPY	132.890	-0.72%	EUR-SGD	1.4102	0.46%
EUR-USD	1.025	0.79%	JPY-SGD	1.0355	0.40%
AUD-USD	0.697	0.33%	GBP-SGD	1.6737	-0.19%
GBP-USD	1.216	0.09%	AUD-SGD	0.9594	0.00%
USD-MYR	4.457	0.01%	NZD-SGD	0.8674	0.21%
USD-CNY	6.749	-0.13%	CHF-SGD	1.4411	0.26%
USD-IDR	14933	0.13%	SGD-MYR	3.2328	0.19%
USD-VND	23388	-0.01%	SGD-CNY	4.9012	0.25%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.0400	-0.05%	O/N	2.3103	2.31%
2M	-0.3360	-0.34%	1M	2.3763	2.36%
3M	0.2520	0.26%	2M	0.1525	0.15%
6M	0.6670	0.65%	3M	2.8323	2.81%
9M	-0.1940	-0.20%	6M	3.3890	3.31%
12M	0.9630	0.93%	12M	3.8431	3.71%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.359	0.590	2.924
11/02/2022	3.603	0.901	3.235
12/14/2022	4.205	1.051	3.385
02/01/2023	4.375	1.094	3.428
03/22/2023	4.365	1.091	3.425
05/03/2023	4.099	1.025	3.359

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	88.54	-2.34%	Corn (per bushel)	6.023	1.8%
Brent (per barrel)	94.12	-2.75%	Soybean (per bushel)	16.150	3.7%
Heating Oil (per gallon)	333.72	-2.27%	Wheat (per bushel)	7.825	2.5%
Gasoline (per gallon)	279.35	-4.08%	Crude Palm Oil (MYR/MT)	39.400	-1.1%
Natural Gas (per MMBtu)	8.12	-1.74%	Rubber (JPY/KG)	2.395	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7727.50	0.65%	Gold (per oz)	1791.3	1.5%
Nickel (per mt)	22210.00	-0.55%	Silver (per oz)	20.2	0.6%

### Equity and Commodity

Index	Value	Net change
DJIA	32,726.82	-85.68
S&P	4,151.94	-3.23
Nasdaq	12,720.58	52.42
Nikkei 225	27,932.20	190.30
STI	3,269.86	17.80
KLCI	1,507.71	17.14
JCI	7,057.35	10.71
Baltic Dry	1,731.00	-86.00
VIX	21.44	-0.51

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.54 (-0.02)	3.03(--)
5Y	2.48 (--)	2.79 (-0.03)
10Y	2.63 (+0.01)	2.67 (-0.02)
15Y	2.73 (+0.01)	--
20Y	2.84 (--)	--
30Y	2.85 (+0.01)	2.96 (+0.02)

### Financial Spread (bps)

Value	Change	
EURIBOR-OIS	74.00	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	2.29
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/05/2022 07:00	SK BoP Current Account Balance	Jun	--	\$5609.8m	\$3859.9m
08/05/2022 09:00	PH CPI YoY 2018=100	Jul	6.10%	--	6.10%
08/05/2022 10:00	ID GDP YoY	2Q	5.17%	--	5.01%
08/05/2022 10:30	TH CPI YoY	Jul	8.00%	--	7.66%
08/05/2022 10:30	TH CPI Core YoY	Jul	2.63%	--	2.51%
08/05/2022 11:00	ID Foreign Reserves	Jul	--	--	\$136.40b
08/05/2022 12:30	IN RBI Repurchase Rate	Aug-05	5.25%	--	4.90%
08/05/2022 13:00	SI Retail Sales YoY	Jun	18.30%	--	17.80%
08/05/2022 14:00	GE Industrial Production SA MoM	Jun	-0.30%	--	0.20%
08/05/2022 15:30	TH Foreign Reserves	Jul-29	--	--	\$218.0b
08/05/2022 16:00	TA CPI YoY	Jul	3.60%	--	3.59%
08/05/2022 20:30	CA Unemployment Rate	Jul	5.00%	--	4.90%
08/05/2022 20:30	CA Net Change in Employment	Jul	15.0k	--	-43.2k
08/05/2022 20:30	US Unemployment Rate	Jul	3.60%	--	3.60%
08/05/2022 20:30	US Change in Nonfarm Payrolls	Jul	250k	--	372k
08/05/2022 20:30	US Change in Manufact. Payrolls	Jul	20k	--	29k

Source: Bloomberg

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