

## Daily Treasury Outlook

5 September 2022

### Highlights

**Global:** Stronger US nonfarm payrolls data (315k versus market expectations for 300k) failed to support risk appetite as the unemployment rate unexpectedly jumped from 3.5% to 3.7% (with the labor force participation rate rising from 62.1% to 62.4% as more workers returned to the workforce) and the average hourly earnings eased to 5.2% YoY. The S&P 500 lost 1.07% to register its third weekly loss (longest since mid-June) while UST bonds rallied on Friday, led by the shorter tenors with the 2- and 10-year bond yields down 11bps and 6bps to 3.39% and 3.19% respectively. Weighing on market sentiments was also the worsening energy crisis for Europe amid news that Gazprom had halted gas supplies via the Nord Stream pipeline (which was supposed to reopen on Saturday after a 3-day maintenance period), likely in reaction to the G7 news of an agreement to implement a price cap on Russian oil. This prompted Germany to unveil a EUR65bn package to help consumers, with Chancellor Scholz saying that tapping the windfall profits of energy companies will yield “many, many billions” of euros and remains confident that there will not be blackouts during winter despite energy rationing. Meanwhile, China extended its lockdown in some districts in Chengdu, whilst the Biden administration is said to be considering measures to restrict US investment in Chinese tech companies.

**Market watch:** Asian markets are likely to start the week on a soft tone despite the US markets being closed for holiday today, but market attention will be focused on the new UK PM as well as the ongoing energy crisis in Europe as OPEC+ meet to discuss October supply, especially after Saudi Arabia flagged a possible cut. The economic data calendar comprises of the August services and composite PMIs from Europe and Asia including China's Caixin, Eurozone's July retail sales, S'pore's August PMI and July retail sales, and Thailand's August CPI. BoE's Mann is also speaking today. For the week ahead, watch for RBA policy decision tomorrow (likely to see a 50bps hike to 2.35%), BoC policy decision (possibly a 75bps hike to 3.25%) on Wednesday, Fed's Beige Book release, BNM policy decision (also another 25bps hike to 2.5%) and the ECB policy decision (with a jumbo 75bps hike to 1.25%/1.5%/0.75% for the main refinancing rate, marginal lending facility and the deposit facility rate respectively) on Thursday.

**SG:** July retail sales likely rose 14.9% YoY (1.9% MoM sa), similar to June's 14.8% YoY (-1.4% MoM sa) as visitor arrivals continue to pick up.

**CN:** More than 100 cities across China reported new cases in the beginning of September, highest since 2020. As such, China stepped up its anti-pandemic measures last week. Chengdu, the mega city with a population of 21 million residents, extended its stay home notice for another three days to 7 September to all its 12 districts, 4 out of 5 county level cities and 2 out of 3 counties. Although businesses in Chengdu have returned to full production after the power supply was restored and production largely unaffected under closed loop management, the uncertain outlook on virus may continue to weigh on market sentiments.

### Key Market Movements

Equity	Value	% chg
S&P 500	3924.3	-1.1%
DJIA	31318	-1.1%
Nikkei 225	27651	0.0%
SH Comp	3186.5	0.0%
STI	3205.7	-0.6%
Hang Seng	19452	-0.7%
KLCI	1491.2	-0.1%
	Value	% chg
DXY	109.534	-0.1%
USDJPY	140.2	0.0%
EURUSD	0.9954	0.1%
GBPUSD	1.1509	-0.3%
USDIDR	14897	0.1%
USDSGD	1.4022	0.0%
SGDMYR	3.1972	-0.2%
	Value	chg (bp)
2Y UST	3.39	-11.21
10Y UST	3.19	-6.39
2Y SGS	2.85	4.10
10Y SGS	3.07	2.65
3M LIBOR	3.16	4.44
3M SIBOR	2.67	0.04
3M SOR	2.88	0.82
3M SORA	1.62	1.97
3M SOFR	1.72	1.68
	Value	% chg
Brent	93.02	0.7%
WTI	86.87	0.3%
Gold	1712	0.9%
Silver	18.04	1.3%
Palladium	2024	0.5%
Copper	7633	0.5%
BCOM	119.10	-0.3%

Source: Bloomberg

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### Major Markets

**SG:** The STI fell 0.57% to close at 3,205.69 on Friday and may consolidate further today amid weak market sentiments. SGS bond yields rose 1-5bps on Friday with shorter tenors bearing the brunt of the selling pressure, but may see better support today amid the tilt towards risk-off. There is a 6-month T-bill auction announcement and auction on 8 and 15 September respectively, followed by an upcoming re-opening of the 30-year SGS (infrastructure) bond issue announcement on 21 September.

**MY:** Former PM Najib Razak of Malaysia has reportedly been hospitalized and undergoing medical investigations, after starting his 12-year prison sentence recently. He is said to be in a stable condition. Meanwhile, another former PM, Mahathir Mohamad, was reportedly discharged from the hospital yesterday after being treated for COVID.

**ID:** Indonesia's government has raised the price of Pertalite, the most commonly used gasoline grade, by around 30% from IDR7650/lit to IDR10,000/lit yesterday. The cost of non-subsidized fuel Pertamax was set to increase by about 20% to IDR14,500/lit. The changes came after weeks of comments by officials about the ballooning subsidy bills. We see the risk of the headline inflation breaching past 7% YoY in the coming months due to the fuel price hike, which would likely prompt the central bank to hike rates by at least 50bps more.

### ESG Updates

**SG:** Two battery 'swap and charge' stations for electric motorcycles were launched by the LTA, to encourage greater adoption of cleaner-energy vehicle use in Singapore. The two trial sandboxes are run by Taiwanese company Gogoro and Singapore-headquartered MO Batteries.

**CN:** China's carbon emissions fell ~8% between April to June with the economic slowdown. This can be attributed to falls in steel and cement output due to the real estate slump, a decrease in transport oil consumption from the COVID-19 lockdowns.

**ID:** An IEA report stated that Indonesia needs to ensure policy reforms for its clean energy transition in order to reduce reliance on coal. It highlighted that clean energy technology is already commercially available and cost-effective, and requires supporting policies for implementation.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly higher last Friday with shorter tenors trading 1-2bps higher, belly tenors trading 4-5bps higher and longer tenors traded 3-5bps higher. UST 10Y yields fell 6bps to 3.19% last Friday as incoming labour data came in slightly better than expectations and lowered expectations for the Federal Reserve (“Fed”) to deliver a third 75 basis point interest rate hike later this month, although the August consumer price data to be released next week will likely be another major factor in the Fed’s upcoming data-dependent interest rate hike decision. Per the US Labour Department, change in Nonfarm Payrolls for August came in at 315k, slightly above Bloomberg median estimates of 298,000 and marked the twentieth straight month of job growth albeit being the smallest increase in sixteen months. The unemployment rate rose to 3.7% as well, reaching a six-month high and above Bloomberg median estimates and prior month’s figure of 3.5%, although that was partly due to an increase of 786k workers into the labour force, which was the biggest increase since January and pushing the total US workforce size to an all-time high. Separately, per the US Census Bureau, factory orders for July released fell by 1%, below Bloomberg median estimates of +0.2% while durable goods orders for July fell by 0.1%, below Bloomberg median estimates of it being flat. Despite Gross Domestic Product figures declining in the first half of 2022, the strength of the labour market has underscored the economy’s resilience and raised optimism that the Feds could engineer a soft landing as it attempts to cool the economy.

**New Issues:** Jincheng State-Owned Capital Investment Operation Co Ltd priced a 3-year USD200mn senior unsecured bond at 6.9%, tightening from an IPT of 7% area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.534	-0.14%	USD-SGD	1.4022	-0.04%
USD-JPY	140.200	-0.01%	EUR-SGD	1.3959	0.06%
EUR-USD	0.995	0.08%	JPY-SGD	1.0002	-0.03%
AUD-USD	0.681	0.35%	GBP-SGD	1.6141	-0.33%
GBP-USD	1.151	-0.31%	AUD-SGD	0.9552	0.32%
USD-MYR	4.487	0.08%	NZD-SGD	0.8570	0.49%
USD-CNY	6.900	-0.10%	CHF-SGD	1.4293	0.02%
USD-IDR	14897	0.09%	SGD-MYR	3.1972	-0.21%
USD-VND	23444	-0.03%	SGD-CNY	4.9311	0.17%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.3140	0.23%	O/N	2.3147	2.32%
2M	-0.3360	-0.34%	1M	2.6557	2.63%
3M	0.7630	0.71%	2M	0.1525	0.15%
6M	1.2900	1.24%	3M	3.1581	3.14%
9M	-0.1940	-0.20%	6M	3.7366	3.70%
12M	1.8960	1.85%	12M	4.2206	4.21%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.557	0.639	2.970
11/02/2022	4.431	1.108	3.439
12/14/2022	5.337	1.334	3.665
02/01/2023	5.796	1.449	3.780
03/22/2023	5.967	1.492	3.823
05/03/2023	5.901	1.475	3.806

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	86.87	0.30%	Corn (per bushel)	6.690	1.6%
Brent (per barrel)	93.02	0.71%	Soybean (per bushel)	15.105	2.6%
Heating Oil (per gallon)	357.80	0.47%	Wheat (per bushel)	7.930	2.3%
Gasoline (per gallon)	246.36	3.28%	Crude Palm Oil (MYR/MT)	38.300	-0.8%
Natural Gas (per MMBtu)	8.79	-5.14%	Rubber (JPY/KG)	2.231	0.6%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	7633.00	0.47%	Gold (per oz)	1712.2	0.9%
Nickel (per mt)	20529.00	1.07%	Silver (per oz)	18.0	1.3%

## Equity and Commodity

Index	Value	Net change
DJIA	31,318.44	-337.98
S&P	3,924.26	-42.59
Nasdaq	11,630.86	-154.27
Nikkei 225	27,650.84	-10.63
STI	3,205.69	-18.39
KLCI	1,491.18	-0.77
JCI	7,177.18	24.07
Baltic Dry	1,086.00	84.00
VIX	25.47	-0.09

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.85 (+0.04)	3.39(-)
5Y	2.98 (+0.03)	3.29 (-0.1)
10Y	3.07 (+0.03)	3.19 (-0.06)
15Y	3.09 (+0.02)	--
20Y	3.08 (+0.01)	--
30Y	3.07 (+0.01)	3.34 (-0.02)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	125.10	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	2.29
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/05/2022 08:30	VN S&P Global Vietnam PMI Mfg	Aug	--	51.20	--
09/05/2022 08:30	HK S&P Global Hong Kong PMI	Aug	--	52.30	--
09/05/2022 09:00	AU Melbourne Institute Inflation MoM	Aug	--	1.20%	--
09/05/2022 09:45	CH Caixin China PMI Services	Aug	54.00	55.50	--
09/05/2022 09:45	CH Caixin China PMI Composite	Aug	--	54.00	--
09/05/2022 11:00	TH CPI YoY	Aug	7.90%	7.61%	--
09/05/2022 11:00	TH CPI Core YoY	Aug	3.27%	2.99%	--
09/05/2022 13:00	SI Retail Sales YoY	Jul	--	14.80%	--
09/05/2022 13:00	IN S&P Global India PMI Services	Aug	--	55.50	--
09/05/2022 13:00	IN S&P Global India PMI Composite	Aug	--	56.60	--
09/05/2022 15:55	GE S&P Global Germany Services PMI	Aug F	48.20	48.20	--
09/05/2022 15:55	GE S&P Global Germany Composite PMI	Aug F	47.60	47.60	--
09/05/2022 16:00	EC S&P Global Eurozone Composite PMI	Aug F	49.20	49.20	--
09/05/2022 16:00	EC S&P Global Eurozone Services PMI	Aug F	50.20	50.20	--
09/05/2022 16:30	UK S&P Global/CIPS UK Services PMI	Aug F	52.50	52.50	--
09/05/2022 16:30	UK S&P Global/CIPS UK Composite PMI	Aug F	50.90	50.90	--

Source: Bloomberg

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