

Daily Treasury Outlook

5 October 2022

Highlights

Global: Bad news is good news? The US' JOLTS job openings fell more than expected to a 14-month low of 10.053mn in August and marked its biggest drop since April 2020, which in turn fuelled hopes that the Fed may pivot and start to pare back on its aggressive rate hikes. The S&P 500 posted another 3.06% rally, clocking up its best 2-day gains since April 2020, despite some worries that this would turn out to be a technical bounce due to a short squeeze rather than a sustained uptrend and would await the upcoming corporate earnings for further guidance. Nasdaq jumped 3.3% with Twitter gaining after Elon Musk said he would proceed with the US\$44bn acquisition. VIX also retreated further to below the 30-handle to 29.07. UST bonds traded mixed with the 10-year bond yield little changed at 3.63% while the US\$34bn of 52-week bills sold at 3.955%.

Market watch: Asian markets may extend gains today amid the improved sentiments, while awaiting the RBNZ policy decision where a 50bps rate hike for the 5th consecutive meeting to 3.5% is likely, but any dovish tilt will be closely watched since RBA had surprised yesterday with a 25bps instead of a 50bps rate hike. Meanwhile, the OPEC+ meeting is said to be considering a quota cut of up to 2 million barrels per day. Today's economic data calendar comprises of September CPI readings from Thailand and Philippines, S'pore's August retail sales and COE tender, Germany's August trade, services and composite PMIs from Europe, UK and US, as well as US' ADP employment change and services ISM. Fed's Kashkari and Bostic are also speaking today.

SG: August retail sales may have expanded 15.9% YoY (-0.3% MoM sa), versus July's 13.7% YoY (0.6% MoM sa) amid the gradual return of overseas visitors and resilient private consumption. The STI added 1.02% to close at 3,138.90 yesterday and may extend gains today. SGS bonds also saw a strong rally yesterday, but may tread water today. The \$14.6bn 84-day MAS bills fetched 3.75% while the US\$8.9bn of 28-day bills fetched 3.19%.

MY: Malaysia's PM Ismail Sabri said that he will have an audience with the King on Thursday. While he did not specify the agenda for the meeting, media reports added that the PM said that the decision on when to dissolve the parliament is his prerogative, signalling that the meeting is likely to be talking about the potential election dates.

ID: Indonesia's Finance Ministry sold IDR755bn worth of sukuk in auction on Tuesday. The result was considerably lower than the IDR5tn indicative target set for the auction. The ministry said that incoming bids came in at IDR7.05tn, adding that the global financial markets are still in "risk-off" mode, as reflected in foreign net selling of government bonds and stocks in the past week and the increase in yields for the majority of Sukuk.

Key Market Movements

| Equity | Value | % chg |
|------------|---------|----------|
| S&P 500 | 3790.9 | 3.1% |
| DJIA | 30316 | 2.8% |
| Nikkei 225 | 26992 | 3.0% |
| SH Comp | 3024.4 | 0.0% |
| STI | 3138.9 | 1.0% |
| Hang Seng | 17080 | 0.0% |
| KLCI | 1409.4 | 0.8% |
| | Value | % chg |
| DXY | 110.065 | -1.5% |
| USDJPY | 144.13 | -0.3% |
| EURUSD | 0.9986 | 1.6% |
| GBPUSD | 1.1476 | 1.4% |
| USDIDR | 15245 | -0.4% |
| USDSGD | 1.423 | -0.6% |
| SGDMYR | 3.2479 | 0.2% |
| | Value | chg (bp) |
| 2Y UST | 4.09 | -2.08 |
| 10Y UST | 3.63 | -0.58 |
| 2Y SGS | 3.31 | -7.60 |
| 10Y SGS | 3.28 | -18.60 |
| 3M LIBOR | 3.75 | -0.64 |
| 3M SIBOR | 3.17 | 0.00 |
| 3M SOR | 3.23 | 0.00 |
| 3M SORA | 2.09 | 1.96 |
| 3M SOFR | 2.20 | 1.63 |
| | Value | % chg |
| Brent | 91.8 | 3.3% |
| WTI | 86.52 | 3.5% |
| Gold | 1726 | 1.5% |
| Silver | 21.06 | 1.7% |
| Palladium | 2321 | 4.3% |
| Copper | 7718 | 2.8% |
| BCOM | 115.71 | 2.6% |

Source: Bloomberg

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ESG Updates

SG: The MAS will contribute to a S\$5mn Asia climate solutions grant, hosted by a global network for blended finance known as Convergence.

ID: Indonesia raised its 2030 greenhouse gas emission reduction goal to cut emissions by 31.89% from 29% by 2030, through imposing stronger measures to boost usage of electric vehicles and biofuels.

Rest of the world: The EU Commission approved a 134mn euro German measure to support BASF's production of renewable hydrogen to decarbonise its chemical production processes.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 10-19bps lower, belly tenors trading 19-21bps lower and longer tenors traded 18-21bps lower. UST 10Y yields traded just 1bps down to 3.63% as markets assessed the release of labour market data which saw US job openings drop sharply. The Job Openings and Labor Turnover Survey ("JOLTS") fell to 10.05mn for August, below Bloomberg median estimate of 11.09mn and prior month's figures of 11.18mn. The ratio of job openings to every unemployed person also fell to 1.7 in August, down from 2 in July as higher interest rates and weaker business sentiment have seemingly begun to taper down labour market activity, although the upcoming data releases of the change in nonfarm payrolls and unemployment rate for September as well as labour force participation rate could offer more insights into the robustness of the labour market. Separately, San Francisco Federal Reserve ("Fed") President Mary Daly (non-voting member this year) commented that despite the heightened volatility observed in financial markets over the last few weeks, "we still have a healthy, stable financial system" and the Feds have paying attention to the effects of a stronger dollar and slowing growth abroad. In his first public remarks since his appointment in May 2022, Fed Governor Philip Jefferson (voting member this year) stated that "Restoring price stability may take some time and will likely entail a period of below-trend growth".

New Issues: There were no new issues priced yesterday.

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Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX | 110.065 | -1.50% | USD-SGD | 1.4230 | -0.61% |
| USD-JPY | 144.130 | -0.29% | EUR-SGD | 1.4210 | 1.01% |
| EUR-USD | 0.999 | 1.63% | JPY-SGD | 0.9872 | -0.33% |
| AUD-USD | 0.650 | -0.23% | GBP-SGD | 1.6328 | 0.70% |
| GBP-USD | 1.148 | 1.35% | AUD-SGD | 0.9254 | -0.80% |
| USD-MYR | 4.644 | -0.10% | NZD-SGD | 0.8154 | -0.48% |
| USD-CNY | 7.116 | -0.12% | CHF-SGD | 1.4527 | 0.73% |
| USD-IDR | 15245 | -0.38% | SGD-MYR | 3.2479 | 0.24% |
| USD-VND | 23879 | 0.00% | SGD-CNY | 4.9956 | 0.37% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | 0.6740 | 0.68% | O/N | 3.0663 | 3.07% |
| 2M | -0.3360 | -0.34% | 1M | 3.1744 | 3.14% |
| 3M | 1.1850 | 1.17% | 2M | 0.1525 | 0.15% |
| 6M | 1.7750 | 1.81% | 3M | 3.7483 | 3.75% |
| 9M | -0.1940 | -0.20% | 6M | 4.2729 | 4.23% |
| 12M | 2.5000 | 2.56% | 12M | 4.8027 | 4.78% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Implied Rate |
|------------|-----------------|---------------------|--------------|
| 11/02/2022 | 2.768 | 0.692 | 3.773 |
| 12/14/2022 | 4.625 | 1.156 | 4.238 |
| 02/01/2023 | 5.392 | 1.348 | 4.429 |
| 03/22/2023 | 5.505 | 1.376 | 4.458 |
| 05/03/2023 | 5.339 | 1.335 | 4.416 |
| 06/14/2023 | 5.188 | 1.297 | 4.378 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|-------|-------------------------|---------|-------|
| WTI (per barrel) | 86.52 | 3.46% | Corn (per bushel) | 6.830 | 0.3% |
| Brent (per barrel) | 91.80 | 3.31% | Soybean (per bushel) | 13.835 | 0.7% |
| Heating Oil (per gallon) | 353.58 | 4.95% | Wheat (per bushel) | 9.030 | -1.0% |
| Gasoline (per gallon) | 268.30 | 6.77% | Crude Palm Oil (MYR/MT) | 35.010 | 5.5% |
| Natural Gas (per MMBtu) | 6.84 | 5.67% | Rubber (JPY/KG) | 2.258 | -0.1% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 7718.00 | 2.80% | Gold (per oz) | 1726.1 | 1.5% |
| Nickel (per mt) | 22055.00 | 3.75% | Silver (per oz) | 21.1 | 1.7% |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 30,316.32 | 825.43 |
| S&P | 3,790.93 | 112.50 |
| Nasdaq | 11,176.41 | 360.98 |
| Nikkei 225 | 26,992.21 | 776.42 |
| STI | 3,138.90 | 31.81 |
| KLCI | 1,409.36 | 11.74 |
| JCI | 7,072.26 | 62.54 |
| Baltic Dry | 1,788.00 | 28.00 |
| VIX | 29.07 | -1.03 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 3.31 (-0.08) | 4.08(--) |
| 5Y | 3.34 (-0.18) | 3.85 (-0.02) |
| 10Y | 3.28 (-0.19) | 3.62 (-0.01) |
| 15Y | 3.22 (-0.18) | -- |
| 20Y | 3.16 (-0.18) | -- |
| 30Y | 3.02 (-0.19) | 3.69 (+0.02) |

Financial Spread (bps)

| Value | Change | |
|-------------|--------|------|
| EURIBOR-OIS | 167.30 | (--) |
| TED | 35.36 | -- |

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 3.00 |
|------|------|

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised |
|------------------|--------------------------------------|--------|----------|-------|----------|
| 10/05/2022 07:00 | SK CPI YoY | Sep | 5.70% | 5.60% | 5.70% |
| 10/05/2022 07:00 | SK CPI MoM | Sep | 0.40% | 0.30% | -0.10% |
| 10/05/2022 09:00 | NZ RBNZ Official Cash Rate | Oct-05 | 3.50% | -- | 3.00% |
| 10/05/2022 09:00 | PH CPI YoY 2018=100 | Sep | 6.90% | -- | 6.30% |
| 10/05/2022 11:30 | TH CPI YoY | Sep | 6.58% | -- | 7.86% |
| 10/05/2022 11:30 | TH CPI Core YoY | Sep | 3.20% | -- | 3.15% |
| 10/05/2022 13:00 | SI Retail Sales YoY | Aug | 15.40% | -- | 13.70% |
| 10/05/2022 15:55 | GE S&P Global Germany Services PMI | Sep F | 45.40 | -- | 45.40 |
| 10/05/2022 15:55 | GE S&P Global Germany Composite PMI | Sep F | 45.90 | -- | 45.90 |
| 10/05/2022 16:00 | EC S&P Global Eurozone Composite PMI | Sep F | 48.20 | -- | 48.20 |
| 10/05/2022 16:30 | UK S&P Global/CIPS UK Services PMI | Sep F | 49.20 | -- | 49.20 |
| 10/05/2022 19:00 | US MBA Mortgage Applications | Sep-30 | -- | -- | -3.70% |
| 10/05/2022 20:15 | US ADP Employment Change | Sep | 200k | -- | 132k |
| 10/05/2022 20:30 | US Trade Balance | Aug | -\$67.7b | -- | -\$70.7b |
| 10/05/2022 20:30 | CA Building Permits MoM | Aug | -0.50% | -- | -6.60% |
| 10/05/2022 22:00 | US ISM Services Index | Sep | 56.00 | -- | 56.90 |

Source: Bloomberg

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