

## Daily Treasury Outlook

5 December 2022

### Highlights

**Global:** Strong US nonfarm payrolls surprised on the upside at 263k in November, while the average hourly earnings also rose faster than expected by 0.6% MoM (5.1% YoY). However, the unemployment rate was static at 3.7%, while the labor participation rate actually slipped slightly to 62.1% and the two-month payroll revision was -23k. The S&P 500 edged down 0.12% on Friday while the 10-year UST bond yield fell 2bps to 3.49%. Crude oil prices also slipped on Friday, but OPEC+ has decided to hold its output unchanged for now.

**Market watch:** Asian markets are likely to open firmer today, banking on hopes that China will usher in greater relaxation of its zero Covid strategy after news that Shanghai has eased some restrictions. Today's economic data calendar comprises of the slew of services and composite PMIs from US, Europe and Asia including China's Caixin, S'pore's retail sales, Eurozone's Sentix investor confidence index and October retail sales. ECB's Lagarde, Villeroy and Makhlouf, and Wunsch are also speaking. For the week ahead, watch for RBA policy decision tomorrow (where a 25bps rate hike to 3.1% is expected), RBI policy decision on Wednesday (with a 35bps hike to 6.25% for its repurchase rate is anticipated whilst keeping its cash reserve ratio unchanged at 4.5%), and the BoE's inflation expectations survey on Friday (ahead of the 15 December policy decision).

**SG:** The manufacturing and electronics PMI stabilised at 49.8 and 49.2 respectively in November, up marginally from October's readings of 49.7 and 49.1 previously, but remained in contraction territory. Today's October retail sales data is likely to ease from September's 11.2% YoY (3.3% MoM sa) to 10.6% YoY (0.2% MoM sa). The STI retreated 1.02% to close at 3259.14 on Friday but may range trade today. SGS bonds are likely to gain today, tracking the UST bond market action on Friday.

**MY:** Malaysia's PM Anwar Ibrahim announced his cabinet line up on Friday, in which he has appointed himself as the finance minister. He said that he wanted to "begin a new approach" and provide confidence to local businesses and foreign investors. He was previously the finance minister in Mahathir Mohamad's cabinet in the prelude to the 1998 Asian Financial Crisis.

**ID:** Indonesian authorities have placed the highest alert level on Sunday after Mount Semeru in eastern Java saw a series of volcanic eruptions. The mountain is the highest peak in Java and is among 127 active volcanoes around the country.

### Key Market Movements

Equity	Value	% chg
S&P 500	4071.7	-0.1%
DJIA	34430	0.1%
Nikkei 225	27778	-1.6%
SH Comp	3156.1	-0.3%
STI	3259.1	-1.0%
Hang Seng	18675	-0.3%
KLCI	1481.8	-0.7%
	Value	% chg
DX	104.545	-0.2%
USDJPY	134.31	-0.8%
EURUSD	1.0535	0.1%
GBPUSD	1.2280	0.3%
USDIDR	15428	-0.9%
USDSGD	1.3516	-0.1%
SGDMYR	3.2506	0.2%
	Value	chg (bp)
2Y UST	4.27	4.41
10Y UST	3.49	-1.86
2Y SGS	3.16	2.90
10Y SGS	2.99	-4.14
3M LIBOR	4.73	-1.36
3M SIBOR	4.17	0.00
3M SOR	4.38	-5.24
3M SORA	2.94	1.99
3M SOFR	3.13	1.71
	Value	% chg
Brent	85.57	-1.5%
WTI	79.98	-1.5%
Gold	1798	-0.3%
Silver	23.14	1.7%
Palladium	1901	-2.2%
Copper	8450	1.4%
BCOM	114.47	-1.4%

Source: Bloomberg

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### ESG Updates

**MY:** Malaysia will be launching its voluntary carbon market exchange on 9 Dec to drive the country's climate goals.

**Rest of the world:** Japan announced a proposal to gradually expand the domestic use of carbon pricing to help fund \$1.1 trillion in economic transition bonds while launching a push for increased use of an emissions market to drive decarbonisation across Asia.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly lower last Friday, with shorter tenors trading 7-10bps lower, belly tenors trading 9-10bps lower and 10Y trading 11bps lower. UST 10Y yields fell by 1bps to 3.49% amidst fresh labour market data for November which suggested little weakness in the resilient labour market. Nonfarm payrolls increased by 263,000 in November, significantly above Bloomberg median estimates of 200,000 although slightly below prior month's revised figure of 284,000 as US employers hired more workers than expected while the US unemployment rate remained at 3.7%, in line with Bloomberg median estimates. More concerning for the Federal Reserve ("Fed") perhaps was the increase in average hourly earnings, which rose by 0.6% m/m and contributed to a 5.1% y/y growth. Separately, Chicago Fed president Charles Evans commented that he sees a "slightly higher" peak policy rate despite the "step down" in the pace of subsequent rate hikes while Fed vice chairman of supervision Michael Barr (non-voting member) indicated his support for slowdown in the pace of subsequent rate hikes, echoing Fed chairman Jerome Powell's sentiments last Wednesday.

**New Issues:** There were no new issues priced last Friday.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.545	-0.17%	USD-SGD	1.3516	-0.14%
USD-JPY	134.310	-0.75%	EUR-SGD	1.4242	0.04%
EUR-USD	1.054	0.14%	JPY-SGD	1.0071	0.71%
AUD-USD	0.679	-0.31%	GBP-SGD	1.6622	0.24%
GBP-USD	1.228	0.27%	AUD-SGD	0.9185	-0.37%
USD-MYR	4.388	-0.42%	NZD-SGD	0.8670	0.57%
USD-CNY	7.054	0.00%	CHF-SGD	1.4422	-0.16%
USD-IDR	15428	-0.87%	SGD-MYR	3.2506	0.19%
USD-VND	24477	-0.17%	SGD-CNY	5.2024	-0.08%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.5140	1.53%	O/N	3.8154	3.82%
2M	-0.3360	-0.34%	1M	4.1849	4.17%
3M	1.9750	1.97%	3M	4.7326	4.77%
6M	2.4060	2.41%	6M	5.1491	5.18%
9M	-0.1940	-0.20%	12M	5.4294	5.49%
12M	2.8110	2.84%			

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/14/2022	2.048	0.512	4.352
02/01/2023	3.500	0.875	4.715
03/22/2023	4.148	1.037	4.878
05/03/2023	4.381	1.095	4.936
06/14/2023	4.321	1.080	4.921
07/26/2023	4.108	1.027	4.868

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.98	-1.53%	Corn (per bushel)	6.350	-2.3%
Brent (per barrel)	85.57	-1.51%	Soybean (per bushel)	14.385	0.6%
Heating Oil (per gallon)	316.85	-2.88%	Wheat (per bushel)	7.373	-2.8%
Gasoline (per gallon)	228.04	-2.63%	Crude Palm Oil (MYR/MT)	39.050	-2.3%
Natural Gas (per MMBtu)	6.28	-6.78%	Rubber (JPY/KG)	2.160	-0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8450.00	1.37%	Gold (per oz)	1797.6	-0.3%
Nickel (per mt)	28862.00	4.57%	Silver (per oz)	23.1	1.7%

## Equity and Commodity

Index	Value	Net change
DJIA	34,429.88	34.87
S&P	4,071.70	-4.87
Nasdaq	11,461.50	-20.95
Nikkei 225	27,777.90	-448.18
STI	3,259.14	-33.59
KLCI	1,481.80	-9.71
JCI	7,019.64	-1.16
Baltic Dry	1,324.00	-14.00
VIX	19.06	-0.78

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.16 (+0.03)	4.3(--)
5Y	2.88 (-0.03)	3.65 (-0.01)
10Y	2.99 (-0.04)	3.52 (-0.02)
15Y	3 (-0.04)	--
20Y	2.86 (-0.03)	--
30Y	2.72 (-0.04)	3.57 (-0.05)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	246.30	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	3.82
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/05/2022 08:00	AU Melbourne Institute Inflation MoM	Nov	--	1.00%	0.40%
12/05/2022 09:45	CH Caixin China PMI Services	Nov	48	--	48.4
12/05/2022 09:45	CH Caixin China PMI Composite	Nov	--	--	48.3
12/05/2022 13:00	SI Retail Sales YoY	Oct	10.40%	--	11.20%
12/05/2022 13:00	IN S&P Global India PMI Services	Nov	--	--	55.10
12/05/2022 13:00	IN S&P Global India PMI Composite	Nov	--	--	55.50
12/05/2022 16:55	GE S&P Global Germany Services PMI	Nov F	46.4	--	46.40
12/05/2022 16:55	GE S&P Global Germany Composite PMI	Nov F	46.4	--	46.4
12/05/2022 17:00	EC S&P Global Eurozone Services PMI	Nov F	48.6	--	48.60
12/05/2022 17:00	EC S&P Global Eurozone Composite PMI	Nov F	47.8	--	47.8
12/05/2022 17:30	UK S&P Global/CIPS UK Services PMI	Nov F	48.8	--	48.80
12/05/2022 17:30	UK S&P Global/CIPS UK Composite PMI	Nov F	48.30	--	48.30
12/05/2022 23:00	US Factory Orders	Oct	0.70%	--	0.30%
12/05/2022 23:00	US Durable Goods Orders	Oct F	1.00%	--	1.00%
12/05/2022 23:00	US Durables Ex Transportation	Oct F	0.50%	--	0.50%
12/05/2022 23:00	US ISM Services Index	Nov	53.3	--	54.4

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Strategy & Research*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Keung Ching (Cindy)***Hong Kong & Macau*[cindyckeung@ocbcwh.com](mailto:cindyckeung@ocbcwh.com)**Herbert Wong***Hong Kong & Macau*[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)**Ong Shu Yi***Environmental, Social & Governance (ESG)*[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

### FX/Rates Strategy

**Frances Cheung***Rates Strategist*[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)**Christopher Wong***FX Strategist*[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

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