

## Daily Treasury Outlook

6 May 2022

### Highlights

**Global:** The post-FOMC euphoria did not last as BOE sufficiently spooked markets - the S&P500 snapped a 3-day rally to plunge 3.57% overnight while the 10-year UST bond yield surged 11bps to cross 3% again and closed at 3.07%. On the data front, US' 1Q22 productivity fell 7.5% (the most since 1947) amid rising labour costs due to a tight labour market, while initial jobless claims rose from 181k to 200k, which could weigh on market expectations for the key nonfarm payrolls report due later tonight. Meanwhile, BOE hiked for the fourth straight time by 25bps as expected to 1% (highest since 2009), but warned of double-digit inflation (above 10% by October) and growth contraction of 0.25% in 2023 despite narrowly avoiding a technical recession in 4Q22. Still, the decision was not unanimous as 2 members dissented from guidance that more hikes are needed while 3 members voted for a bigger hike amid rising pay growth concerns. Both the GBP and gilt yields fell in response. Separately, OPEC+ reiterated its 432,000 barrel a day increase for June, disappointing market players.

**Market watch:** Asian markets may trade on tenterhooks today while digesting the BOE implications and awaiting the US' labour market report. The economic data calendar comprises of Japan and Taiwan's April CPI, S'pore's April PMI and COE tender results, Germany's March industrial production, and US' April nonfarm payrolls, unemployment rate and average hourly earnings (consensus forecast: 380k, 3.5% and 5.5% YoY/0.4% MoM versus 431k, 3.6% and 5.6% YoY/0.4% MoM previously). ECB's Villeroy, Elderson, Fed's Williams, Kashkari, Bostic, Bullard and Waller, BOE's Pill and Tenreiro are all speaking today.

**SG:** March retail sales surged 8.7% YoY (7.5% MoM), while retail sales excluding autos also jumped 13.4% YoY amid healthy consumer spending following the relaxation of border controls and most Covid restriction measures. Private consumption may pick up speed in the coming months as tourists return, so we upgrade our full year 2022 retail sales forecast from 3.5% to 5.5% YoY.

**HK:** Hong Kong's PMI for April rebounded from 42.0 in March to the expansionary zone at 51.7, after three straight months of contraction, as local epidemic situation came under control. Business sentiment took a turn for the positive, while new orders and output returned to expansion. We expect PMI to stay above the boom-bust divide taking into consideration the effect of consumption voucher and more reopening measures down the road.

**Oil:** Brent added a further 0.7% yesterday after the 5% price rally from the day before. Brent rose to as high as \$114/bbl during intraday trading yesterday - about meeting the high set two weeks ago - but eventually settled at \$110.90/bbl.

### Key Market Movements

Equity	Value	% chg
S&P 500	4146.9	-3.6%
DJIA	32998	-3.1%
Nikkei 225	26819	0.0%
SH Comp	3067.8	0.7%
STI	3343.6	-0.2%
Hang Seng	20793	-0.4%
KLCI	1583.0	-1.1%
	Value	% chg
DXY	103.752	1.1%
USDJPY	130.2	0.9%
EURUSD	1.0542	-0.8%
GBPUSD	1.2362	-2.1%
USDIDR	14497	0.0%
USDSGD	1.3846	0.8%
SGDMYR	3.1568	0.4%
	Value	chg (bp)
2Y UST	2.70	6.13
10Y UST	3.04	10.21
2Y SGS	2.06	-2.90
10Y SGS	2.63	0.02
3M LIBOR	1.41	4.29
3M SIBOR	1.11	0.00
3M SOR	1.33	0.00
3M SORA	0.33	0.25
3M SOFR	0.18	0.28
	Value	% chg
Brent	110.9	0.7%
WTI	108.26	0.4%
Gold	1877	-0.2%
Silver	22.51	-2.0%
Palladium	2190	-3.1%
Copper	9490	0.2%
BCOM	132.40	0.7%

Source: Bloomberg

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### Major Markets

**SG:** The STI slipped 0.17% to close at 3,343.57 yesterday and may consolidate further amid negative overnight clues from Wall Street. SGS bonds may not fare much better either given the whippy action in the UST bond market.

**HK:** Hong Kong's retail sales extended YoY decline in March, albeit at a slower pace of 13.8%. The fall in consumer spending was due to the uncontained local epidemic and extended social distancing measures during that period. In real terms, total retail sales dropped by a moderated 16.8% YoY in March, as compared to that of 17.6% in February. For the first quarter of 2022, the fifth wave of infection posed a significant drag on retail sales, causing it to fall by 7.6% from a year ago. The Hong Kong Monetary Authority raised its benchmark interest rate by 50bps, following the rate hike by the Fed. Major local banks however kept their best lending rate unchanged.

**MY:** Malaysia's manufacturing PMI reading rose to 51.6 in April, back in the expansionary territory after the subpar 49.6 reading in March. Output levels are said to remain subdued but the new orders sub-index recovered strongly to register the biggest jump since April 2014. However, despite the high demand, manufacturers reduced their workforce because border restrictions hampered their ability to hire from abroad. Expectations on future output decline as well as producers were concerned about supply pressure and delivery delays.

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### ESG Updates

**SG:** Singapore intended to roll out a beverage container return scheme in 2023, but will relook its timeline based on feedback from industry players that they need more time to prepare for the implementation.

**ID:** Indonesia is seeking joint ASEAN effort for sustainable peatland management to support economic growth and maintain ecological balance in the region. A document outlining a sustainable peat management strategy has been released, to serve as a guide for ASEAN countries.

**Rest of the world:** The US will allocate more than US\$3 billion in infrastructure funding to finance electric vehicle (EV) battery manufacturing, including to help establish and retrofit battery factories.

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### Bond Market Updates

**Market Commentary:** Shorter tenors traded 1-2bps lower, belly tenors traded 0-1bps lower, while longer tenors traded 1bps higher (with the exception of the 30Y which traded 1bps lower) across the SGD SORA curve yesterday. UST 10Y yields traded 11bps higher to 3.04% yesterday. This comes in stark contrast to the downwards move following the Federal Open Market Committee ("FOMC") release the prior day. Separately, US initial jobless claims for the week ended 30 April came in higher than expected at a 200,000 increase, as compared to Bloomberg median estimates and the prior month's 180,000 increase. Preliminary nonfarm productivity data for the first quarter of 2022 also fell faster than expected at the fastest pace in almost 75 years (since the third quarter of 1947), falling by a 7.5% annualized rate compared to Bloomberg estimates of a 5.3% decrease and in sharp contrast to the prior quarter's 6.6% increase. The release of the April jobs market data including nonfarm payrolls and the unemployment rate by the US Bureau of Labour Statistics tonight (Singapore time) will be the next key economic data for investors.

**New Issues:** ENN Energy Holdings Ltd has arranged investor calls commencing 5 May for its proposed USD senior unsecured green notes offering. Korea Expressway Corp has arranged investor calls commencing 6 May for its proposed USD senior unsecured bond offering.

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	Day Close	% Change		Day Close	% Change
DXY	103.752	1.14%	USD-SGD	1.3846	0.76%
USD-JPY	130.200	0.86%	EUR-SGD	1.4593	-0.02%
EUR-USD	1.054	-0.75%	JPY-SGD	1.0632	-0.09%
AUD-USD	0.711	-2.04%	GBP-SGD	1.7120	-1.35%
GBP-USD	1.236	-2.13%	AUD-SGD	0.9840	-1.33%
USD-MYR	4.349	0.00%	NZD-SGD	0.8893	-1.10%
USD-CNY	6.656	0.00%	CHF-SGD	1.4051	-0.59%
USD-IDR	0	0.00%	SGD-MYR	3.1568	0.42%
USD-VND	22957	-0.04%	SGD-CNY	4.7995	0.31%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5440	-0.54%	O/N	0.3303	0.33%
2M	-0.3360	-0.34%	1M	0.8451	0.83%
3M	-0.4270	-0.43%	2M	0.1525	0.15%
6M	-0.2050	-0.20%	3M	1.4061	1.36%
9M	-0.1940	-0.20%	6M	2.0196	1.98%
12M	0.2340	0.23%	12M	2.7484	2.69%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.162	0.541	1.388
07/27/2022	4.091	1.023	1.87
09/21/2022	5.681	1.42	2.267
11/02/2022	6.926	1.732	2.579
12/14/2022	7.891	1.973	2.82
02/01/2023	8.586	2.146	2.994

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	108.26	0.42%	Corn (per bushel)	8.038	0.7%
Brent (per barrel)	110.90	0.69%	Soybean (per bushel)	16.785	0.5%
Heating Oil (per gallon)	404.13	-3.71%	Wheat (per bushel)	10.960	2.8%
Gasoline (per gallon)	365.87	0.18%	Crude Palm Oil (MYR/MT)	73.820	0.0%
Natural Gas (per MMBtu)	8.78	4.37%	Rubber (JPY/KG)	2.488	0.0%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	9489.50	0.17%	Gold (per oz)	1877.2	-0.2%
Nickel (per mt)	30114.00	-1.71%	Silver (per oz)	22.5	-2.0%

## Equity and Commodity

Index	Value	Net change
DJIA	32,997.97	-1063.09
S&P	4,146.87	-153.30
Nasdaq	12,317.69	-647.17
Nikkei 225	26,818.53	26818.53
STI	3,343.57	-5.70
KLCI	1,582.98	1582.98
JCI	0.00	0.00
Baltic Dry	2,485.00	73.00
VIX	31.20	5.78

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.06 (-0.03)	2.72(--)
5Y	2.47 (-0.02)	3.01 (+0.1)
10Y	2.63 (--)	3.04 (+0.1)
15Y	2.76 (--)	--
20Y	2.83 (--)	--
30Y	2.69 (--)	3.12 (+0.08)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.10	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.30
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/06/2022 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Apr	1.80%	1.90%	0.80%
05/06/2022 07:30	JN Tokyo CPI YoY	Apr	2.30%	2.50%	1.30%
05/06/2022 07:50	JN Monetary Base YoY	Apr	--	6.60%	7.90%
05/06/2022 09:00	PH Exports YoY	Mar	2.10%	--	15.00%
05/06/2022 09:00	PH Trade Balance	Mar	-\$4433m	--	-\$3529m
05/06/2022 09:00	HK Foreign Reserves	Apr	--	--	\$481.6b
05/06/2022 10:00	VN Domestic Vehicle Sales YoY	Apr	--	--	19.40%
05/06/2022 15:30	TH Foreign Reserves	Apr-29	--	--	\$233.9b
05/06/2022 16:00	TA CPI YoY	Apr	3.25%	--	3.27%
05/06/2022 16:00	SI Automobile COE Open Bid Cat A	May-06	--	--	68699.00
05/06/2022 16:30	UK S&P Global/CIPS UK Construction PMI	Apr	58.00	--	59.10
05/06/2022 20:30	US Change in Nonfarm Payrolls	Apr	380k	--	431k
05/06/2022 20:30	CA Unemployment Rate	Apr	5.20%	--	5.30%
05/06/2022 20:30	US Unemployment Rate	Apr	3.50%	--	3.60%
05/06/2022 20:30	CA Net Change in Employment	Apr	40.0k	--	72.5k
05/06/2022 20:30	US Change in Manufact. Payrolls	Apr	35k	--	38k

Source: Bloomberg

## Treasury Research & Strategy

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