

Daily Treasury Outlook

6 September 2022

Highlights

Global: With the US markets out for Labor Day holiday yesterday, market attention continued to focus on the energy woes plaguing Europe amid the indefinite shutdown of the Nord Stream pipeline. The Euro Stoxx 50 declined 1.53% even as EU energy ministers are convening an extraordinary meeting on electricity market intervention on Friday and OPEC+ agreed to cut oil production by a modest 100,000 barrels per day, rolling back the increase approved just a month ago. Over in the UK, incoming PM Truss plans to fix annual electricity and gas bills at or below the current GBP1,971 as well as cut taxes but the questions about how to fund it and if it would stoke inflation further linger. Note BoE's Mann has called for acting on inflation "forcefully now...to avoid depending on a deeper and longer contraction to return inflation to target". Meanwhile, China announced a cut in the foreign-exchange deposits that banks need to set aside as reserves for the second time this year from 8% to 6% from 15 September onwards to bolster the yuan, and pledged to speed up stimulus.

Market watch: Asian markets are likely to tread cautiously as investors await the RBA policy decision where another 50bps hike to 2.35% is widely anticipated. Today's economic data calendar comprises of Germany's factory orders, Taiwan's August CPI, and US' services ISM.

SG: The Singapore PMI retreated from 58.0 in July to 56.0 in August, suggesting that firms remain generally upbeat despite current interest rate and inflationary pressures.

CN: PBoC announced on 5 September that it would lower foreign exchange reserve requirement ratio (RRR) for financial institutions by 200 bps to 6%, effective from 15 September. The FX RRR cut is expected to inject less than US\$15 billion into the system which will help banks' ability to meet demand for foreign currency. However, the move is unlikely to be a game changer as the liquidity injection is small as compared to cross border receipts. Nevertheless, it is a strong signal that PBoC is increasingly more uncomfortable with the recent pace of RMB depreciation. China has a strong incentive to slow down the pace of RMB depreciation as part of sentiment management amid the rising uncertainty from the property mess and COVID situation.

Key Market Movements

Equity	Value	% chg
S&P 500	3924.3	0.0%
DJIA	31318	0.0%
Nikkei 225	27620	-0.1%
SH Comp	3199.9	0.4%
STI	3215.5	0.3%
Hang Seng	19226	-1.2%
KLCI	1489.8	-0.1%
	Value	% chg
DXY	109.534	0.0%
USDJPY	140.6	0.3%
EURUSD	0.9929	-0.3%
GBPUSD	1.1517	0.1%
USDIDR	14903	0.0%
USDSGD	1.4035	0.1%
SGDMYR	3.1955	-0.1%
	Value	chg (bp)
2Y UST	3.39	0.00
10Y UST	3.19	0.00
2Y SGS	2.83	-1.70
10Y SGS	3.06	-1.17
3M LIBOR	3.16	1.40
3M SIBOR	2.67	0.00
3M SOR	2.88	0.00
3M SORA	1.67	4.90
3M SOFR	1.72	0.00
	Value	% chg
Brent	95.74	2.9%
WTI	86.87	0.0%
Gold	1710	-0.1%
Silver	18.16	0.6%
Palladium	2038	0.7%
Copper	7654	0.3%
BCOM	119.10	0.0%

Source: Bloomberg

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Major Markets

SG: The STI added 0.31% to close at 3,215.48 and may still meander today amid the generally weak market sentiments. SGS bond yields, which traded lower by up to 2bps, may remain supported today.

MY: Malaysia's former PM Najib Razak has reportedly applied for a royal pardon, about one week after he was thrown to jail on a 12-year sentence for his role in 1MDB scandal. According to the parliamentary speaker, Najib would retain his status as a lawmaker and would only lose his MP status if his petition is rejected, in accordance with the constitution.

ID: Indonesia's deputy finance minister Suahasil Nazara said that the government predicts that the headline inflation will pick up in the next two months due to the recent fuel price hike. However, he noted that price pressure should normalize in November and that the measure would have minimal impact on economic growth.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday with shorter tenors trading 6bps lower, belly tenors trading 3-5bps lower, 10Y-15Y tenors trading 2bps lower while 20Y and 30Y tenors traded 6bps lower. UST 10Y yields remained at 3.19% yesterday as US markets were closed for US Labour Day holiday. For the week ahead, key economic data releases include the ISM Services index for August out on Tuesday, US international trade balance for July as well as the Federal Reserve's ("Fed") beige book out on Wednesday and initial jobless claims for the week ended September 3 out on Thursday. Fedspeak will resume through several Fed officials' comments this week as well before the Feds enter into their blackout period starting next week, with Fed vice chairman Lael Brainard and Cleveland Fed president Loretta Mester due to speak on Wednesday, Fed chairman Jerome Powell due to speak on Thursday and Chicago Fed president Charles Evans, Kansas city Fed president Esther George as well as Fed governor Chris Waller due to speak on Friday.

New Issues: Cagamas Bhd priced a SGD150mn 1-year senior unsecured bond at 3.85%. Zhengzhou Real Estate Group Co Ltd priced a 3-year USD350mn senior unsecured bond at 5.1%, tightening from an IPT of 5.6% area. Ganzhou Urban Investment Holding Group Co has mandated banks for its proposed USD senior unsecured sustainable bonds offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.534	0.00%	USD-SGD	1.4035	0.09%
USD-JPY	140.600	0.29%	EUR-SGD	1.3935	-0.17%
EUR-USD	0.993	-0.25%	JPY-SGD	0.9981	-0.21%
AUD-USD	0.680	-0.22%	GBP-SGD	1.6164	0.14%
GBP-USD	1.152	0.07%	AUD-SGD	0.9540	-0.13%
USD-MYR	4.491	0.11%	NZD-SGD	0.8553	-0.20%
USD-CNY	6.934	0.49%	CHF-SGD	1.4324	0.22%
USD-IDR	14903	0.04%	SGD-MYR	3.1955	-0.05%
USD-VND	23498	0.23%	SGD-CNY	4.9380	0.14%

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	2.614	0.654	2.988
11/02/2022	4.480	1.120	3.454
12/14/2022	5.454	1.364	3.698
02/01/2023	5.960	1.490	3.824
03/22/2023	6.164	1.541	3.875
05/03/2023	6.120	1.530	3.864

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)	95.74	2.92%	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)	38.220	-0.2%
Natural Gas (per MMBtu)	8.79	-5.14%	Rubber (JPY/KG)	2.236	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7653.50	0.27%	Gold (per oz)	1710.4	-0.1%
Nickel (per mt)	21458.00	4.53%	Silver (per oz)	18.2	0.6%

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	27,619.61	-31.23
STI	3,215.48	9.79
KLCI	1,489.80	-1.38
JCI	7,231.88	54.70
Baltic Dry	1,086.00	84.00
VIX	25.99	0.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.83 (-0.02)	3.43(-)
5Y	2.96 (-0.02)	3.29(-)
10Y	3.06 (-0.01)	3.22(-)
15Y	3.07 (-0.01)	--
20Y	3.08 (-)	--
30Y	3.07 (-)	3.36(-)

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
09/06/2022 07:01	UK BRC Sales Like-For-Like YoY	Aug	--	0.50%	1.60%
09/06/2022 07:30	JN Labor Cash Earnings YoY	Jul	1.90%	1.80%	2.20%
09/06/2022 07:30	JN Household Spending YoY	Jul	4.60%	3.40%	3.50%
09/06/2022 09:00	PH CPI YoY 2018=100	Aug	6.40%	--	6.40%
09/06/2022 09:30	AU BoP Current Account Balance	2Q	A\$22.0b	--	A\$7.5b
09/06/2022 09:30	AU Net Exports of GDP	2Q	0.90	--	-1.70
09/06/2022 10:00	VN Domestic Vehicle Sales YoY	Aug	--	--	69.20%
09/06/2022 12:30	AU RBA Cash Rate Target	Sep-06	2.35%	--	1.85%
09/06/2022 14:00	GE Factory Orders MoM	Jul	-0.70%	--	-0.40%
09/06/2022 14:00	GE Factory Orders WDA YoY	Jul	-13.40%	--	-9.00%
09/06/2022 15:30	GE S&P Global Germany Construction PMI	Aug	--	--	43.70
09/06/2022 16:00	TA CPI YoY	Aug	3.17%	--	3.36%
09/06/2022 16:30	UK S&P Global/CIPS UK Construction PMI	Aug	48.10	--	48.90
09/06/2022 21:45	US S&P Global US Composite PMI	Aug F	45.00	--	45.00
09/06/2022 21:45	US S&P Global US Services PMI	Aug F	44.20	--	44.10
09/06/2022 22:00	US ISM Services Index	Aug	55.40	--	56.70

Source: Bloomberg

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