

Daily Treasury Outlook

6 October 2022

Highlights

Global: US stocks ended the strong two-day rally on Wednesday as stronger than expected US data reduced hopes of a Fed pivot. US Treasury yields jumped while the US dollar rebounded. The US ISM service index slowed modestly in September, dipping from 56.9 to 56.7, above market consensus of 56.0. The new orders subindex slipped to 60.6 from 61.8, likely due to adjustment for inventory, but still well above 50. Employment subindex jumped to 53 from 50.2 in August, indicating a still solid job growth in the service sectors. This was also supported by stronger than expected private sector payroll data. The ADP private payrolls increased by 208,000 jobs in September, beating market expectation of 200,000. Data for August was also revised up to 185,000 from 132,000. Markets will be watching out for Friday's September non-farm payroll data. Separately, San Francisco Fed President Mary Daly said yesterday that policymakers don't rely only on models but gather information from business and community leaders to shape their policies. Right now, both the economy and markets are working well. She also emphasized that "we are going to raise the rate until we get into restrictive territory, and then we are going to hold it there" until inflation comes down closer to 2%. Elsewhere, Atlanta Fed President Bostic said that while there is "considerable speculation already that the Fed could begin lowering rates in 2023 if economic activity slows and the rate of inflation starts to fall", he reckons that the unwinding of the Fed policy rates will not be so fast as he believes that the inflation battle is far from over. RBNZ hiked its benchmark interest rate by 50bps yesterday as expected. Relative to the dovish RBA meeting, the RBNZ appears to be more concerned about global inflation than risks from weaker growth. OPEC+ agreed yesterday to cut oil output by 2 million barrels per day in response to rising interest rates and a weaker global economy. The Saudi Arabian minister of energy Prince Abdulaziz said the real cuts would be 1-1.1 million barrels per day due to underproduction. The World Trade Organization revised its forecast of global merchandise trade growth upwards to 3.5% from its April estimate of 3%. However, it revised downward the 2023 trade growth forecast to 1% from 3.4%. Rating agency Fitch announced its plan to lower its credit rating outlook for British government debt from stable to negative, citing the risk of significant increase in fiscal deficits over the medium term due to the UK's large unfunded fiscal package. The rating agency expects UK's general government deficit to reach 7.8% of GDP in 2022 and 8.8% in 2023.

Market watch: Asian markets are likely to see downside pressures today, tracking the losses on Wall Street overnight. Today's economic data calendar is rather light with India's PMI figures, Taiwan's CPI, EU's retail sales and US' initial jobless claims on the table.

Key Market Movements

Equity	Value	% chg
S&P 500	3783.3	-0.2%
DJIA	30274	-0.1%
Nikkei 225	27121	0.5%
SH Comp	3024.4	0.0%
STI	3153.2	0.5%
Hang Seng	18088	5.9%
KLCI	1420.6	0.8%
	Value	% chg
DXY	111.208	1.0%
USDJPY	144.64	0.4%
EURUSD	0.9884	-1.0%
GBPUSD	1.1326	-1.3%
USDIDR	15193	-0.3%
USDSGD	1.4262	0.2%
SGDMYR	3.2550	0.2%
	Value	chg (bp)
2Y UST	4.15	5.55
10Y UST	3.75	11.99
2Y SGS	3.32	1.10
10Y SGS	3.32	3.86
3M LIBOR	3.74	-0.76
3M SIBOR	3.17	0.00
3M SOR	3.31	0.00
3M SORA	2.10	1.84
3M SOFR	2.21	1.68
	Value	% chg
Brent	93.37	1.7%
WTI	87.76	1.4%
Gold	1716	-0.6%
Silver	20.65	-2.0%
Palladium	2261	-2.6%
Copper	7680	-0.5%
BCOM	116.48	0.7%

Source: Bloomberg

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Major Markets

SG: The STI rallied 0.46% to close at 3,153.23 yesterday but may reverse its gains today amid softer market sentiments overnight due to the strong labour data prints yesterday. SGS bonds may remain under pressure today, tracking the UST bond market performance.

MY: Malaysia's cabinet has reportedly ratified the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) trade agreement yesterday. The successor to the TPP program was ratified after what the government called "years of careful deliberation and consultation", noting that the benefits from the agreement far outweigh any potential costs that may arise from the implementation. It also noted that the agreement will broaden Malaysia's access to new markets such as Canada, Mexico and Peru which are not covered by any existing FTAs.

ID: Bank Indonesia's Governor Perry Warjiyo said that the cross-border payment program between 5 ASEAN countries will be fully connected next year, referring to Indonesia, Thailand, Singapore, Malaysia and the Philippines. He said at a conference yesterday that Indonesia has already connected its payments system with Thailand, and will do so soon with Malaysia and Singapore. He did not give details on the agreement with the Philippines, however.

ESG Updates

CN: China is on track to meet its 33% electricity consumption target from renewables by 2025, and may exceed this with ongoing renewable efforts.

Rest of the world: Some Japanese companies will be studying the feasibility of producing ammonia in the state's Cook Inlet region for greener energy.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 8-9bps higher, belly tenors trading 7-8bps higher and longer tenors traded 7bps higher (with the exception of 30Y which traded 13bps higher). UST 10Y yields traded 12bps higher to 3.75% as markets continued to digest more incoming data from the labour market, this time from the private employment front as well as the US services sector data for September amidst more hawkish Fed speak. The ADP National Employment report for September came in at 208,000, above Bloomberg median estimates of 200,000 as private employers increased hiring last month while the Institute for Supply Management's ("ISM") services index fell slightly to 56.7 for September from a prior reading of 56.9 in August, although still above Bloomberg median estimates of 56 as the services sector continued to expand supported by a shift in spending from goods. Separately, Federal Reserve ("Fed") officials Raphael Bostic and Mary Daly both warned against expectations that rates will be reduced in response to any weakening of the economy as the Fed stays focused on battling inflation, with Bostic commenting that the "inflation battle is still likely in early days" and Daly stating that there's a high bar for slowing the current pace of interest rate increases.

New Issues: The Republic of the Philippines priced a USD2bn senior unsecured bond in three parts: (1) a USD500mn 5-year senior unsecured bond at T+120bps, tightening from an IPT of T+155bps area, (2) a USD750mn 10.5-year senior unsecured bond at T+185bps, tightening from an IPT of T+220bps area and (3) a USD750mn 25-year senior unsecured sustainability bond at 6.1%, tightening from an IPT of 6.55% area. Gaci First Investment Co (Guarantor: Public Investment Fund) priced a USD3bn senior unsecured green bond in three parts: (1) a USD1.25bn 5-year senior unsecured green bond at T+125bps, tightening from an IPT of T+150bps area, (2) a USD1.25bn 10-year senior unsecured green bond at T+165bps, tightening from an IPT of T+190bps area and (3) a USD500mn 100-year senior unsecured green bond at 6.7%, tightening from an IPT of 7-7.25% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	111.208	1.04%	USD-SGD	1.4262	0.22%
USD-JPY	144.640	0.35%	EUR-SGD	1.4081	-0.91%
EUR-USD	0.988	-1.02%	JPY-SGD	0.9856	-0.16%
AUD-USD	0.649	-0.20%	GBP-SGD	1.6150	-1.09%
GBP-USD	1.133	-1.31%	AUD-SGD	0.9252	-0.02%
USD-MYR	4.631	-0.28%	NZD-SGD	0.8183	0.36%
USD-CNY	7.116	#DIV/0!	CHF-SGD	1.4497	-0.21%
USD-IDR	15193	-0.34%	SGD-MYR	3.2550	0.22%
USD-VND	23872	-0.03%	SGD-CNY	4.9812	-0.29%

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	2.796	0.699	3.780
12/14/2022	4.705	1.176	4.258
02/01/2023	5.488	1.372	4.453
03/22/2023	5.635	1.409	4.490
05/03/2023	5.524	1.381	4.462
06/14/2023	5.428	1.357	4.438

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	87.76	1.43%	Corn (per bushel)	6.840	0.1%
Brent (per barrel)	93.37	1.71%	Soybean (per bushel)	13.698	-1.0%
Heating Oil (per gallon)	368.69	4.27%	Wheat (per bushel)	9.020	-0.1%
Gasoline (per gallon)	266.85	-0.54%	Crude Palm Oil (MYR/MT)	35.320	0.9%
Natural Gas (per MMBtu)	6.93	1.36%	Rubber (JPY/KG)	2.259	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7679.50	-0.50%	Gold (per oz)	1716.3	-0.6%
Nickel (per mt)	22588.00	2.42%	Silver (per oz)	20.6	-2.0%

Equity and Commodity

Index	Value	Net change
DJIA	30,273.87	-42.45
S&P	3,783.28	-7.65
Nasdaq	11,148.64	-27.77
Nikkei 225	27,120.53	128.32
STI	3,153.23	14.33
KLCI	1,420.55	11.19
JCI	7,075.39	3.13
Baltic Dry	1,788.00	28.00
VIX	28.55	-0.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (+0.01)	4.08(--)
5Y	3.38 (+0.04)	3.97 (+0.11)
10Y	3.32 (+0.04)	3.62 (+0.12)
15Y	3.26 (+0.04)	--
20Y	3.2 (+0.04)	--
30Y	3.05 (+0.04)	3.69 (+0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	3.00
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/06/2022 05:00	SK Foreign Reserves	Sep	--	\$416.77b	\$436.43b
10/06/2022 07:50	JN Japan Buying Foreign Bonds	Sep-30	--	-¥886.3b	-¥1102.5b
10/06/2022 07:50	JN Foreign Buying Japan Stocks	Sep-30	--	-¥501.8b	-¥1178.9b
10/06/2022 08:00	NZ ANZ Commodity Price MoM	Sep	--	-0.50%	-3.30%
10/06/2022 08:30	AU Trade Balance	Aug	A\$10000m	--	A\$8733m
10/06/2022 10:00	VN Domestic Vehicle Sales YoY	Sep	--	--	240.50%
10/06/2022 13:00	IN S&P Global India PMI Composite	Sep	--	--	58.20
10/06/2022 13:00	IN S&P Global India PMI Services	Sep	--	--	57.20
10/06/2022 14:00	GE Factory Orders WDA YoY	Aug	-5.50%	--	-13.60%
10/06/2022 14:00	GE Factory Orders MoM	Aug	-0.70%	--	-1.10%
10/06/2022 15:30	GE S&P Global Germany Construction PMI	Sep	--	--	42.60
10/06/2022 16:00	TA CPI YoY	Sep	2.80%	--	2.66%
10/06/2022 16:30	UK S&P Global/CIPS UK Construction PMI	Sep	48.00	--	49.20
10/06/2022 17:00	EC Retail Sales MoM	Aug	-0.30%	--	0.30%
10/06/2022 20:30	US Initial Jobless Claims	Oct-01	204k	--	193k
10/06/2022 20:30	US Continuing Claims	Sep-24	1350k	--	1347k

Source: Bloomberg

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