

Daily Treasury Outlook

6 December 2022

Highlights

Global: Good economic data is bad news for markets? The stronger than expected US' services ISM which jumped from 54.4 to 56.5 fuelled hawkish Fed rate hike expectations again. The S&P 500 slumped 1.79% with tech stocks bearing the brunt of the selling. UST bond yields also jumped with the 10-year up 9bps to 3.57%. Meanwhile, China is said to be planning to announce 10 new measures on Covid tomorrow which may add to earlier re-opening hopes. Separately, the US and EU are tentatively weighing new tariffs on Chinese steel and aluminium to fight carbon emissions.

Market watch: Asian markets are likely to give back some of yesterday's gains amid renewed hawkish Fed concerns. Key focus will be the RBA policy decision where a 25bps rate hike to 3.1% is expected. Today's economic data calendar also comprises of Germany's factory orders and Taiwan's November CPI.

SG: October retail sales eased from a revised 11.3% YoY (3.2% MoM sa) in September to 10.4% YoY (0.1% MoM sa). As expected, the tight COE quota remains a drag on motor vehicle sales, but it is encouraging that discretionary spending on items like department stores, food & alcohol, cosmetics, recreation, wearing apparel & footwear remains healthy. This is likely underpinned by healthy private consumption amid a resilient domestic labour market, as well as the influx of overseas visitors (both leisure and MICE). The robust retail sales momentum is likely to extend into the remaining months of the year. While the gradual re-opening of the China economy may also be a silver lining amid the growing economic and geopolitical headwinds, namely the growing global recession fears, the ongoing Russia-Ukraine war and US-China tensions, it would be prudent to expect some tapering in the retail sales growth in 2023. The STI added 0.26% to close at 3,267.54 yesterday but may unwind those gains today. SGS bonds may remain pressured today.

MY: Malaysia's PM Anwar Ibrahim said that he is reviewing the 2023 annual budget that had been presented by his predecessor. He added, however, that most of the proposals would remain untouched. Meanwhile, the new Economy Minister, Rafizi Ramli, said that he expected the revised budget to be presented to the parliament in one or two months, with a "strong focus" on helping the most vulnerable members of the society.

ID: Indonesia Stock Exchange said that it has moved a number of stock listings to its new economy board. The list includes GoTo, Bukalapak and Blibli among its first members. Earlier, the stock exchange had said that the new board would be set up with the idea of encouraging global investors to invest in startup listings, and that it would involve innovative companies with high revenue growth, as well as those which use multiple voting shares in their capital structure.

Key Market Movements

Equity	Value	% chg
S&P 500	3998.8	-1.8%
DJIA	33947	-1.4%
Nikkei 225	27820	0.2%
SH Comp	3211.8	1.8%
STI	3267.5	0.3%
Hang Seng	19518	4.5%
KLCI	1471.6	-0.7%
	Value	% chg
DXY	105.289	0.7%
USDJPY	136.75	1.8%
EURUSD	1.0491	-0.4%
GBPUSD	1.2190	-0.7%
USDIDR	15468	0.3%
USDSGD	1.3576	0.4%
SGDMYR	3.2402	-0.3%
	Value	chg (bp)
2Y UST	4.39	11.57
10Y UST	3.57	8.74
2Y SGS	3.20	3.10
10Y SGS	3.01	1.74
3M LIBOR	4.72	-3.24
3M SIBOR	4.17	0.00
3M SOR	4.38	0.00
3M SORA	3.01	6.53
3M SOFR	3.18	5.11
	Value	% chg
Brent	82.68	-3.4%
WTI	76.93	-3.8%
Gold	1769	-1.6%
Silver	22.25	-3.8%
Palladium	1879	-1.2%
Copper	8391	-0.7%
BCOM	111.13	-2.9%

Source: Bloomberg

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ESG Updates

CN: Electric vehicle manufacturer Nio has reduced its delivery times as supply chain problems have eased, with production returning to normal after COVID-19 disruptions.

Rest of the world: The IEA reported that energy efficiency rates have accelerated this year as a result of high energy prices and fuel supply disruptions.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 4-5bps higher, belly tenors trading 2-3bps higher and 10Y trading 2bps higher. UST 10Y yields rose by 8bps to 3.57% as risk off sentiments strengthened following an unexpected pick up in the US services sector. The Institute for Supply Management's ("ISM") services index rose to 56.5 in November, increasing from 54.4 in the prior month and above Bloomberg median estimates of 53.5, as businesses commented that there was increasing demand in the services sector, which accounts for more than two-thirds of US economic activity. Separately, the S&P Global US Services Purchasing Managers Index ("PMI") final figures for November came in at 46.2, rising just slightly from prior month's 46.1 and showed contraction, although markets will look towards the wider ISM survey as a better indicator of real activity. The surprise uptick in services data coupled with the stronger-than-expected jobs data last Friday showed more evidence of strong underlying momentum in the economy, although that is unlikely to sway the Federal Reserve ("Fed") from downsizing subsequent rate hikes as telegraphed in recent comments.

New Issues: There were no new issues priced yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	105.289	0.71%	USD-SGD	1.3576	0.44%
USD-JPY	136.750	1.82%	EUR-SGD	1.4242	0.00%
EUR-USD	1.049	-0.42%	JPY-SGD	0.9920	-1.50%
AUD-USD	0.670	-1.35%	GBP-SGD	1.6542	-0.48%
GBP-USD	1.219	-0.73%	AUD-SGD	0.9091	-1.02%
USD-MYR	4.369	-0.45%	NZD-SGD	0.8574	-1.11%
USD-CNY	6.963	-1.29%	CHF-SGD	1.4399	-0.16%
USD-IDR	15468	0.26%	SGD-MYR	3.2402	-0.32%
USD-VND	24001	-1.94%	SGD-CNY	5.1437	-1.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.5140	1.53%	O/N	3.8167	3.82%
2M	-0.3360	-0.34%	1M	4.2173	4.18%
3M	1.9750	1.97%	3M	4.7234	4.73%
6M	2.4060	2.41%	6M	5.1869	5.15%
9M	-0.1940	-0.20%	12M	5.5124	5.43%
12M	2.8110	2.84%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/14/2022	2.070	0.518	4.352
02/01/2023	3.616	0.904	4.739
03/22/2023	4.360	1.090	4.925
05/03/2023	4.693	1.173	5.008
06/14/2023	4.682	1.170	5.005
07/26/2023	4.520	1.130	4.965

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.93	-3.81%	Corn (per bushel)	6.288	-1.0%
Brent (per barrel)	82.68	-3.38%	Soybean (per bushel)	14.378	-0.1%
Heating Oil (per gallon)	299.98	-5.32%	Wheat (per bushel)	7.155	-3.0%
Gasoline (per gallon)	220.19	-3.44%	Crude Palm Oil (MYR/MT)	39.030	-0.1%
Natural Gas (per MMBtu)	5.58	-11.21%	Rubber (JPY/KG)	2.160	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8391.00	-0.70%	Gold (per oz)	1768.7	-1.6%
Nickel (per mt)	28680.00	-0.63%	Silver (per oz)	22.3	-3.8%

Equity and Commodity

Index	Value	Net change
DJIA	33,947.10	-482.78
S&P	3,998.84	-72.86
Nasdaq	11,239.94	-221.56
Nikkei 225	27,820.40	42.50
STI	3,267.54	8.40
KLCI	1,471.56	-10.24
JCI	6,987.33	-32.31
Baltic Dry	1,324.00	-14.00
VIX	20.75	1.69

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.2 (+0.03)	4.38(--)
5Y	2.9 (+0.02)	3.78 (+0.13)
10Y	3.01 (+0.02)	3.58 (+0.09)
15Y	3.01 (+0.01)	--
20Y	2.88 (+0.02)	--
30Y	2.74 (+0.01)	3.59 (+0.04)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	3.81
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/06/2022 07:30	JN Labor Cash Earnings YoY	Oct	2.00%	1.80%	2.10%
12/06/2022 07:30	JN Household Spending YoY	Oct	0.90%	1.20%	2.30%
12/06/2022 08:01	UK BRC Sales Like-For-Like YoY	Nov	--	4.10%	1.20%
12/06/2022 08:30	AU BoP Current Account Balance	3Q	A\$6.0b	--	A\$18.3b
12/06/2022 08:30	AU Net Exports of GDP	3Q	-0.50	--	1.00
12/06/2022 09:00	PH CPI YoY 2018=100	Nov	7.80%	--	7.70%
12/06/2022 10:00	VN Domestic Vehicle Sales YoY	Nov	--	--	16.50%
12/06/2022 11:30	AU RBA Cash Rate Target	39052	3.10%	--	2.85%
12/06/2022 15:00	GE Factory Orders MoM	Oct	0.10%	--	-4.00%
12/06/2022 15:00	GE Factory Orders WDA YoY	Oct	-4.80%	--	-10.80%
12/06/2022 16:00	TA CPI YoY	Nov	2.50%	--	2.72%
12/06/2022 16:30	GE S&P Global Germany Construction PMI	Nov	--	--	43.80
12/06/2022 17:30	UK S&P Global/CIPS UK Construction PMI	Nov	52.00	--	53.20
12/06/2022 21:30	US Trade Balance	Oct	-\$80.0b	--	-\$73.3b
12/06/2022 21:30	CA Int'l Merchandise Trade	Oct	0.90b	--	1.14b
12/06/2022 23:00	CA Ivey Purchasing Managers Index SA	Nov	--	--	50.10

Source: Bloomberg

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