

Daily Treasury Outlook

7 September 2022

Highlights

Global: The unexpectedly strong US services ISM data, which improved from 56.7 in July to 56.9 in August, bolstered market expectations for a more hawkish Fed rate hike at the upcoming September FOMC. Both the business activity and new orders gauges rose to year-to-date highs, reinforcing the resilience of the US economy. The S&P 500 fell 0.41% while VIX rose to 26.91. The UST bond market tumbled overnight, with the 30-year yield exceeding its June 2022 high to rise 15bps to 3.49% amid a deluge of new corporate bond sales including from Lowe's Cos, Walmart Inc and McDonald's Corp. The 10-year yield also rose 16bps to 3.35%. Meanwhile, the Biden administration's "Chips for America" plan will allocate the first funding phase potentially next spring to expand existing and build new capabilities. Elsewhere, UK PM Truss has named Kwasi Kwarteng as the Chancellor. Separately, Chile's central bank hiked 100bps to 10.75% amid the fastest annual inflation in 28 years.

Market watch: Asian markets may continue to trade with a cautious tone today given weak market sentiments and expectations of a still hawkish Fed. BoC is widely expected to hike 75bps to 3.25% later today, while the Fed's Beige Book is also due. The economic data calendar comprises of Germany's July industrial production, foreign reserves for Malaysia and Indonesia, China and Taiwan's August trade data, S'pore's COE tender results, and US' mortgage applications and July trade balance. BoE governor and MPC are testifying to Parliament, while Fed's Barkin, Mester and Brainard are also speaking today.

SG: The STI rose 0.3% to close at 3,224.18 yesterday despite a quiet regional session. SGS bonds may also see continued selling pressure today after yields rose 3-5bps yesterday.

CN: In the latest meeting of the Central Commission for Comprehensively Deepening Reform chaired by President Xi, President Xi called for the strengthening of the Party and central government leadership over major scientific and technological innovations and giving full play to the role of market mechanism while optimizing the allocation of innovation resources based on the nation's strategic needs.

MY: The Malaysian ringgit reportedly fell to a 24-year-low level yesterday on a stronger dollar environment globally. The intraday level of 4.5015 per dollar was reached, marking the weakest level since January 1998, although the currency retraced and gained some strength thereafter.

ID: Indonesia's government is reportedly marketing a series of dollar bond in the market. The debt is said to be offered across three tenors, from 5 years to 30 years, with the proceeds to be used to repurchase outstanding debt as well as for government expenditure.

Key Market Movements

Equity	Value	% chg
S&P 500	3908.2	-0.4%
DJIA	31145	-0.6%
Nikkei 225	27627	0.0%
SH Comp	3243.4	1.4%
STI	3224.2	0.3%
Hang Seng	19203	-0.1%
KLCI	1488.3	-0.1%
	Value	% chg
DXY	110.214	0.6%
USDJPY	142.8	1.6%
EURUSD	0.9904	-0.3%
GBPUSD	1.1520	0.0%
USDIDR	14887	-0.1%
USDSGD	1.4065	0.2%
SGDMYR	3.2025	0.2%
	Value	chg (bp)
2Y UST	3.50	11.56
10Y UST	3.35	15.98
2Y SGS	2.87	3.60
10Y SGS	3.12	5.20
3M LIBOR	3.14	-1.33
3M SIBOR	2.67	0.00
3M SOR	2.88	0.00
3M SORA	1.68	1.74
3M SOFR	1.79	6.75
	Value	% chg
Brent	92.83	-3.0%
WTI	86.88	0.0%
Gold	1702	-0.5%
Silver	18.02	-0.8%
Palladium	2009	-1.4%
Copper	7683	0.4%
BCOM	117.47	-1.4%

Source: Bloomberg

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ESG Updates

SG: Singapore is considering having emissions reach net-zero by 2050. The National Climate Change Secretariat (NCCS) is also deciding whether to raise its 2030 climate target to support the longer-term goal. NCCS is seeking public views via the government feedback portal Reach by 26 Sep.

CN: China recorded the country's hottest August since records began, following the intense summer heatwave.

Rest of the world: Norway is building a burial ground for unwanted greenhouse gas. Tonnes of liquefied carbon dioxide captured from factory chimneys across Europe will be pumped into cavities below the seabed.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 3-4bps higher, belly tenors trading 4bps higher, longer dated tenors broadly traded 4bps higher (though the 30Y traded 7bps higher). UST 10Y yields rose by 16bps to 3.35% yesterday as US markets resumed trading after Monday's holiday, with markets assessing strong incoming data from the services sector. The ISM services Purchasing Managers' Index for August came in at 56.9, above Bloomberg median estimates of 55.3 and furthered underscored the strong underlying momentum of the US economy despite rampant inflation and rising interest rates. Following on from last week's job growth slowing and yesterday's robust services report, markets will be closely following key inflation reports for August out next week for further insights into September's Federal Open Market Committee ("FOMC") meeting interest rate decision.

New Issues: Ganzhou Urban Investment Holding Group Co Ltd priced a 3-year USD250mn senior unsecured sustainability bond at 6%, tightening from an IPT of 6.2% area. Republic of Indonesia priced a USD2.65bn senior unsecured bond in three parts: (1) a 5-year USD750mn senior unsecured bond at 4.4%, tightening from an IPT of 4.7% area, (2) a 10-year USD1.4bn senior unsecured bond at 4.8%, tightening from an IPT of 5.15% area and (3) a 30-year USD500mn senior unsecured bond at 5.55%, tightening from an IPT of 6% area. Export-Import Bank of Korea priced a USD2.5bn senior unsecured bond in three parts: (1) a 2-year USD1bn senior unsecured bond at T+55bps, tightening from an IPT of T+80bps area, (2) a 5-year USD1bn senior unsecured bond at T+90bps, tightening from an IPT of T+115bps area and (3) a 30-year USD500mn senior unsecured bond at T+120bps, tightening from an IPT of T+150bps. 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. Housing & Development Board priced a 7-year SGD1bn senior unsecured bond at 3.437%. Suqian Economic Development Group Co., Ltd. has mandated banks to arrange a series of fixed income investor calls commencing 6 September 2022 for a proposed USD senior unsecured bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	110.214	0.62%	USD-SGD	1.4065	0.21%
USD-JPY	142.800	1.56%	EUR-SGD	1.3930	-0.04%
EUR-USD	0.990	-0.25%	JPY-SGD	0.9850	-1.31%
AUD-USD	0.674	-0.91%	GBP-SGD	1.6201	0.23%
GBP-USD	1.152	0.03%	AUD-SGD	0.9474	-0.69%
USD-MYR	4.498	0.14%	NZD-SGD	0.8493	-0.70%
USD-CNY	6.955	0.30%	CHF-SGD	1.4293	-0.22%
USD-IDR	14887	-0.11%	SGD-MYR	3.2025	0.22%
USD-VND	23526	0.12%	SGD-CNY	4.9444	0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.2980	0.31%	O/N	2.3147	2.32%
2M	-0.3360	-0.34%	1M	2.6429	2.66%
3M	0.7830	0.76%	2M	0.1525	0.15%
6M	1.2980	1.29%	3M	3.1449	3.16%
9M	-0.1940	-0.20%	6M	3.6899	3.74%
12M	1.8740	1.90%	12M	4.1487	4.22%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.707	0.677	3.012
11/02/2022	4.756	1.189	3.525
12/14/2022	5.787	1.447	3.783
02/01/2023	6.299	1.575	3.910
03/22/2023	6.457	1.614	3.950
05/03/2023	6.391	1.598	3.933

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	86.88	0.01%	Corn (per bushel)	6.808	1.8%
Brent (per barrel)	92.83	-3.04%	Soybean (per bushel)	14.900	-1.4%
Heating Oil (per gallon)	357.38	-0.12%	Wheat (per bushel)	8.000	0.9%
Gasoline (per gallon)	241.59	-1.94%	Crude Palm Oil (MYR/MT)	37.050	-3.1%
Natural Gas (per MMBtu)	8.15	-7.30%	Rubber (JPY/KG)	2.225	-0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7683.00	0.39%	Gold (per oz)	1702.1	-0.5%
Nickel (per mt)	21574.00	0.54%	Silver (per oz)	18.0	-0.8%

Equity and Commodity

Index	Value	Net change
DJIA	31,145.30	-173.14
S&P	3,908.19	-16.07
Nasdaq	11,544.91	-85.95
Nikkei 225	27,626.51	6.90
STI	3,224.18	8.70
KLCI	1,488.27	-1.53
JCI	7,233.16	1.27
Baltic Dry	1,133.00	47.00
VIX	26.91	0.92

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.87 (+0.04)	3.5(-)
5Y	3 (+0.03)	3.45 (+0.16)
10Y	3.12 (+0.05)	3.34 (+0.16)
15Y	3.12 (+0.05)	--
20Y	3.13 (+0.05)	--
30Y	3.11 (+0.04)	3.49 (+0.16)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	127.10	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.29
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/07/2022 07:00	SK BoP Current Account Balance	Jul	--	\$1088.7m	\$5609.8m
09/07/2022 09:00	CH Trade Balance	Aug	\$92.70b	--	\$101.26b
09/07/2022 09:00	CH Exports YoY	Aug	13.00%	--	18.00%
09/07/2022 09:00	CH Imports YoY	Aug	1.10%	--	2.30%
09/07/2022 09:00	CH Foreign Reserves	Aug	\$3065.00b	--	\$3104.07b
09/07/2022 09:00	HK Foreign Reserves	Aug	--	--	\$441.7b
09/07/2022 09:30	AU GDP SA QoQ	2Q	0.90%	--	0.80%
09/07/2022 09:30	AU GDP YoY	2Q	3.40%	--	3.30%
09/07/2022 11:00	ID Foreign Reserves	Aug	--	--	\$132.20b
09/07/2022 14:00	GE Industrial Production SA MoM	Jul	-0.60%	--	0.40%
09/07/2022 16:00	TA Exports YoY	Aug	11.60%	--	14.20%
09/07/2022 17:00	EC GDP SA QoQ	2Q F	0.60%	--	0.60%
09/07/2022 17:00	EC GDP SA YoY	2Q F	3.90%	--	3.90%
09/07/2022 19:00	US MBA Mortgage Applications	Sep-02	--	--	-3.70%
09/07/2022 20:30	US Trade Balance	Jul	-\$70.2b	--	-\$79.6b
09/07/2022 22:00	CA Bank of Canada Rate Decision	Sep-07	3.25%	--	2.50%

Source: Bloomberg

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