

Daily Treasury Outlook

8 September 2022

Highlights

Global: Some respite as the S&P 500 rebounded 1.83% overnight, marking the biggest jump in a month, aided by the drop in oil prices which may cool inflation as WTI fell to US\$81.84 per barrel on growing recession fears. UST bonds also rallied, pushing the 10-year yield down 9bps to 3.26%. The Fed's Beige Book also noted that economic activity was unchanged on balance since early July, with most districts reporting steady consumer spending, solid leisure travel activity, but also falling home sales and production generally constrained by supply chain bottlenecks for critical components, albeit the future growth outlook remained generally weak with expectations for further softening of demand over the next 6-12 months. Fed's Brainard reiterated "monetary policy will need to be restrictive for some time to provide confidence that inflation is moving down to target" and Mester also opined that "in formulating my monetary policy views, I will be guarding against declaring victory over the inflation beast too soon". Meanwhile, Japan reported 2Q GDP growth of 3.5% annualised, beating the expected 2.9% and the initial 2.2% estimate as capital spending and private consumption were revised up.

Market watch: Asian markets are likely to open with a stable tone this morning, while awaiting the ECB policy decision where a 50-75bps hike is expected notwithstanding the current energy crisis, as well as the BNM policy decision where another 25bps hike to 2.5% are due later today. Today's economic data calendar comprises of US' initial jobless claims and Japan's Eco Watchers survey. ECB's Lagarde's press conference will be key to watch, but Fed chair Powell, Evans, Kashkari and BOC's Rogers are also speaking today. The Indo-Pacific Economic Framework for Prosperity (IPEF) will meet in Los Angeles starting today, with the Nikkei reporting the meeting will discuss creating a system for sharing semiconductors, medical devices and other vital supplies during international emergencies.

SG: COE premiums for category B hit a record S\$113,000, while the open category E rose to just shy of its record to S\$113,299 and buses and goods vehicles also increased to their highest since November 2014 at S\$64,989.

CN: China's international trade slowed in August. Total trade growth decelerated to 4.1% YoY from 11% YoY in July. Nevertheless, trade surplus remained strong at US\$79.4 billion although it came off from the record high of US\$101.3 billion. Exports in dollar term grew by 7.1% YoY while imports in dollar term only grew by 0.3%. Demand from the US weakened significantly with China's exports to the US falling by 3.77% YoY from 10.97% growth in August. The ASEAN-China trade remained the bright spot with China's exports to ASEAN increasing by 25.13% YoY albeit slowing from 33.49% YoY growth in July. China's imports of electronic integrated circuit by value fell for the fourth consecutive month by 12.43% YoY in August due to the slowdown in semiconductor supply chain. Given the weakening global demand, we expect China's stellar trade growth to normalize further in the coming months.

Key Market Movements

Equity	Value	% chg
S&P 500	3979.9	1.8%
DJIA	31581	1.4%
Nikkei 225	27430	-0.7%
SH Comp	3246.3	0.1%
STI	3210.8	-0.4%
Hang Seng	19044	-0.8%
KLCI	1491.4	0.2%
	Value	% chg
DXY	109.840	-0.3%
USDJPY	143.74	0.7%
EURUSD	1.0006	1.0%
GBPUSD	1.1533	0.1%
USDIDR	14918	0.2%
USDSGD	1.4042	-0.2%
SGDMYR	3.1983	-0.1%
	Value	chg (bp)
2Y UST	3.43	-7.20
10Y UST	3.26	-8.57
2Y SGS	2.92	4.70
10Y SGS	3.16	4.86
3M LIBOR	3.17	2.30
3M SIBOR	2.67	0.00
3M SOR	2.93	0.00
3M SORA	1.70	1.84
3M SOFR	1.80	1.71
	Value	% chg
Brent	88	-5.2%
WTI	81.94	-5.7%
Gold	1718	1.0%
Silver	18.46	2.5%
Palladium	2044	1.7%
Copper	7623	-0.8%
BCOM	115.72	-1.5%

Source: Bloomberg

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Major Markets

SG: The STI declined 0.41% to close at 3,210.83 yesterday but is likely to fare better today amid the overnight bounce in Wall Street on the back of lower oil prices. With the UST bond market rallying to push yields down by 7-10bps overnight, SGS bonds are also set to reverse the sell-off yesterday. There is the announcement of the issue size for the 6-month T-bill for auction on 15 September.

MY: Malaysia's central bank is set to announce its MPC decision today. We expect it to raise the Overnight Policy Rate by 25bps, for the third time running. Much focus will be on any guidance on the path ahead. While inflation is likely to remain a concern, the BNM might start to pay more heed to slower global growth momentum.

ID: Indonesia reported foreign reserves of US\$132.2bn in August, unchanged from the previous month. High receipts from commodities helped to offset FX liquidity needs to stabilize the currency, according to Bank Indonesia's statement.

ESG Updates

SG: PUB has raised S\$800 million through its inaugural green bond issuance. Proceeds from these bonds will finance projects to strengthen Singapore's water security and sustainability.

ID: Pertamina is accelerating efforts to develop its capability for carbon capture, utilisation and storage (CCUS) through collaboration with companies such as ExxonMobil, Air Liquide and Mitsui.

ID: Britain's new prime minister, Liz Truss, aims to take action to tackle energy bills and secure its future energy supply.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded unevenly yesterday with shorter tenors trading flat (with the exception of 2Y trading 1bps lower), belly tenors trading 1bps higher (with the exception of 4Y trading flat), and longer tenors trading 1bps higher (with the exception of 30Y trading 3bps lower). UST 10Y yields fell by 9bps to 3.26% yesterday as markets parsed hawkish comments from several Federal Reserve (“Fed”) officials that set the stage for potentially more aggressive monetary tightening. Cleveland Fed president Loretta Mester commented that “I’m not even convinced that inflation’s peaked yet” and pointed out her focus on the services sector, in particular high costs of rental and warned that “That tends to be much more persistent and rents are still very elevated and it takes a while for rents to show up in underlying inflation. There’s still more that’s going to show up on that side...I haven’t seen much in the way of suggesting that’s starting to come back down.” Similarly, Fed Vice Chairman Lael Brainard and newly appointed Boston Fed president Susan Collins echoed her sentiments, citing the need for more “significant declines in prices” and that the Fed will need “several months of low monthly inflation readings to be confident that inflation is moving back down”. Focus will now likely shift to Fed Chairman Jerome Powell’s comments tonight at a Q&A session with the Cato Institute for his final public comments before this month’s policy meeting. Separately, the US trade deficit narrowed in July and came in at USD70.6bn, marking a 12.6% decline MoM from June’s figures and above Bloomberg median estimates of USD70.2bn.

New Issues: Suqian Economic Development Group Co., Ltd. priced a 3-year USD145mn senior unsecured bond at 6.5%, tightening from an IPT of 6.7% area. Zhaohai Investment (BVI) Limited (Guarantor: Tianjin Binhai New Area Construction & Investment Group Co Ltd) priced a 3-year USD144mn senior unsecured bond at 5.6%, in line with its final guidance of 5.6%, as well as a 3-year USD100mn credit enhanced guaranteed bond at 5.3%, in line with its final guidance of 5.3%. Korean Air Lines Co. has mandated banks to arrange a series of fixed income investor calls commencing 8 September 2022 for a proposed USD senior unsecured bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.840	-0.34%	USD-SGD	1.4042	-0.16%
USD-JPY	143.740	0.66%	EUR-SGD	1.4044	0.82%
EUR-USD	1.001	1.03%	JPY-SGD	0.9768	-0.83%
AUD-USD	0.677	0.50%	GBP-SGD	1.6189	-0.07%
GBP-USD	1.153	0.11%	AUD-SGD	0.9505	0.33%
USD-MYR	4.502	0.09%	NZD-SGD	0.8531	0.45%
USD-CNY	6.966	0.16%	CHF-SGD	1.4379	0.60%
USD-IDR	14918	0.21%	SGD-MYR	3.1983	-0.13%
USD-VND	23586	0.26%	SGD-CNY	4.9497	0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.3680	0.30%	O/N	2.3110	2.31%
2M	-0.3360	-0.34%	1M	2.6849	2.64%
3M	0.8160	0.78%	2M	0.1525	0.15%
6M	1.3370	1.30%	3M	3.1679	3.14%
9M	-0.1940	-0.20%	6M	3.7103	3.69%
12M	1.9210	1.87%	12M	4.1706	4.15%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.764	0.691	3.023
11/02/2022	4.801	1.200	3.532
12/14/2022	5.764	1.441	3.773
02/01/2023	6.165	1.541	3.873
03/22/2023	6.274	1.569	3.900
05/03/2023	6.186	1.546	3.878

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.94	-5.69%	Corn (per bushel)	6.768	-0.6%
Brent (per barrel)	88.00	-5.20%	Soybean (per bushel)	14.668	-1.6%
Heating Oil (per gallon)	358.60	0.34%	Wheat (per bushel)	8.265	3.3%
Gasoline (per gallon)	230.77	-4.48%	Crude Palm Oil (MYR/MT)	36.000	-2.8%
Natural Gas (per MMBtu)	7.84	-3.72%	Rubber (JPY/KG)	2.196	-1.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7622.50	-0.79%	Gold (per oz)	1718.4	1.0%
Nickel (per mt)	21580.00	0.03%	Silver (per oz)	18.5	2.5%

Equity and Commodity

Index	Value	Net change
DJIA	31,581.28	435.98
S&P	3,979.87	71.68
Nasdaq	11,791.90	246.99
Nikkei 225	27,430.30	-196.21
STI	3,210.83	-13.35
KLCI	1,491.35	3.08
JCI	7,186.76	-46.40
Baltic Dry	1,114.00	-19.00
VIX	24.64	-2.27

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.92 (+0.05)	3.43 (-)
5Y	3.05 (+0.05)	3.36 (-0.09)
10Y	3.16 (+0.05)	3.27 (-0.09)
15Y	3.17 (+0.05)	--
20Y	3.18 (+0.05)	--
30Y	3.14 (+0.03)	3.41 (-0.09)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	130.40
TED	35.36

Secured Overnight Fin. Rate

SOFR	2.29
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/08/2022 07:01	UK RICS House Price Balance	Aug	60.00%	53.00%	62.00%
09/08/2022 07:50	JN GDP Annualized SA QoQ	2Q F	2.90%	3.50%	--
09/08/2022 07:50	JN GDP SA QoQ	2Q F	0.70%	0.90%	--
09/08/2022 07:50	JN GDP Deflator YoY	2Q F	-0.40%	-0.30%	--
09/08/2022 07:50	JN Trade Balance BoP Basis	Jul	-¥1150.0b	-¥1212.2b	-¥1114.0b
09/08/2022 07:50	JN GDP Nominal SA QoQ	2Q F	0.50%	0.60%	0.30%
09/08/2022 07:50	JN BoP Current Account Balance	Jul	¥759.0b	¥229.0b	-¥132.4b
09/08/2022 07:50	JN Japan Buying Foreign Bonds	Sep-02	--	¥149.1b	-¥303.7b
09/08/2022 07:50	JN Foreign Buying Japan Stocks	Sep-02	--	-¥704.2b	-¥536.0b
09/08/2022 09:30	AU Trade Balance	Jul	A\$14650m	--	A\$17670m
09/08/2022 15:00	MA BNM Overnight Policy Rate	Sep-08	2.50%	--	2.25%
09/08/2022 20:15	EC ECB Main Refinancing Rate	Sep-08	1.25%	--	0.50%
09/08/2022 20:15	EC ECB Deposit Facility Rate	Sep-08	0.75%	--	0.00%
09/08/2022 20:15	EC ECB Marginal Lending Facility	Sep-08	1.50%	--	0.75%
09/08/2022 20:30	US Initial Jobless Claims	Sep-03	235k	--	232k
09/08/2022 20:30	US Continuing Claims	Aug-27	1438k	--	1438k

Source: Bloomberg

Treasury Research & Strategy

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