

Daily Treasury Outlook

8 December 2022

Highlights

Global: Russia's President Putin warned that the threat of nuclear war is rising, blaming the US and its allies, and calling its possession of such weapons a "deterrent factor." His sabre rattling came amid renewed missile attacks against Ukraine. The comments weighed on global market sentiment, with the S&P 500 down by 0.2%. US Treasuries gained, with the 30yr yield down by 12bps to a three-month low level. Over in China, the National Health Commission set out 10 new Covid measures yesterday, less than a month after its 20-measure guidelines aimed at minimizing the social and economic disruptions posed by the pandemic control initiatives. Among these measures is the dropping of the requirement for infected people to be quarantined in centralized camps. It would also stop local officials from designating large areas such as entire housing compounds as high risk.

Market watch: Asian markets may continue to see downside pressure today amid risk-off market sentiment. Today's economic calendar kicked off with Japan's 3Q GDP revised upward from -1.20% annualised QoQ sa to -0.80%. For the day ahead, economic releases are relatively light, with the US' initial jobless claims and continuing claims due to be released today.

SG: The STI fell by 0.83% to close at 3,225.45 and may continue to face selling pressure today.

MY: Malaysia's palm oil association said that the chronic shortage of plantation workers cost the industry about MYR20bn (USD4.6bn) this year. The industry has hired around 14,000 foreign workers this year through November, just a fifth of its total needs and about half of the number approved by the authorities.

ID: Indonesia's government is reportedly considering a number of options on nickel ore exports, after the WTO ruled against its export ban. According to a local newspaper, citing a Finance Ministry official, the potential measures include imposing taxes on exports of nickel ore.

ESG Updates

ID: Indonesia's president has asked the government to implement a rollout mechanism of the B35 biodiesel, a fuel containing a 35% mix of palm oil-based fuel, that will contribute to efforts in reducing dependency on oil imports.

Rest of the world: Countries are gathered in Montreal for a key UN nature conference, aiming for a new global agreement for nature and biodiversity.

Key Market Movements

Equity	Value	% chg
S&P 500	3933.9	-0.2%
DJIA	33598	0.0%
Nikkei 225	27686	-0.7%
SH Comp	3199.6	-0.4%
STI	3225.5	-0.8%
Hang Seng	18815	-3.2%
KLCI	1466.9	-0.3%
	Value	% chg
DXY	105.100	-0.5%
USDJPY	136.62	-0.3%
EURUSD	1.0506	0.4%
GBPUSD	1.2203	0.6%
USDIDR	15638	0.1%
USDSGD	1.3554	-0.3%
SGDMYR	3.2340	-0.1%
	Value	chg (bp)
2Y UST	4.26	-11.03
10Y UST	3.42	-11.45
2Y SGS	3.24	0.60
10Y SGS	2.99	-4.03
3M LIBOR	4.72	1.11
3M SIBOR	4.25	0.00
3M SOR	4.45	0.00
3M SORA	3.04	1.46
3M SOFR	3.21	1.70
	Value	% chg
Brent	77.17	-2.7%
WTI	72.01	-3.0%
Gold	1786	0.9%
Silver	22.72	2.4%
Palladium	1851	-0.1%
Copper	8457	0.4%
BCOM	110.72	0.7%

Source: Bloomberg

Daily Treasury Outlook

8 December 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading mixed 3-5bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower. UST 10Y yields declined by 12bps to 3.42% and touched its lowest level in about three months on Wednesday, as investors worried about the potential for the U.S. economy to slow more than anticipated in 2023. The yield spread between 2-year and 10-year USTs sits at minus 85bps, near the widest since 1981. On the economic front, a U.S. productivity report showed weaker output but accelerating labor costs, the Labor Department said on Wednesday. Unit labor costs, the price of labor per single unit of output, climbed by a smaller 2.4% annual pace in the third quarter, compared with the preliminary 3.5% increase.

New Issues: TFI Overseas Investment Ltd (Guarantors: TF International Securities Group Ltd) priced a 2.5-year USD250mn senior unsecured bond at 6.75%. Industrial & Commercial Bank of China Ltd., Macau Branch priced a 2-year USD250mn senior unsecured floating rate bond at SOFR+80, tightening from its IPT area of SOFR+120 area.

Daily Treasury Outlook

8 December 2022

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	105.100	-0.45%	USD-SGD	1.3554	-0.26%
USD-JPY	136.620	-0.28%	EUR-SGD	1.4244	0.13%
EUR-USD	1.051	0.37%	JPY-SGD	0.9922	0.06%
AUD-USD	0.673	0.55%	GBP-SGD	1.6541	0.31%
GBP-USD	1.220	0.58%	AUD-SGD	0.9115	0.29%
USD-MYR	4.397	0.05%	NZD-SGD	0.8613	0.31%
USD-CNY	6.970	-0.36%	CHF-SGD	1.4408	-0.13%
USD-IDR	15638	0.13%	SGD-MYR	3.2340	-0.15%
USD-VND	23962	-0.30%	SGD-CNY	5.1423	-0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.5190	1.52%	O/N	3.8201	3.82%
2M	-0.3360	-0.34%	1M	4.2361	4.22%
3M	1.9930	1.98%	3M	4.7234	4.73%
6M	2.4430	2.44%	6M	5.1724	5.20%
9M	-0.1940	-0.20%	12M	5.5246	5.56%
12M	2.8700	2.84%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/14/2022	2.092	0.523	4.352
02/01/2023	3.526	0.882	4.711
03/22/2023	4.163	1.041	4.870
05/03/2023	4.417	1.104	4.934
06/14/2023	4.339	1.085	4.914
07/26/2023	4.142	1.036	4.865

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.01	-3.02%	Corn (per bushel)	6.278	0.4%
Brent (per barrel)	77.17	-2.75%	Soybean (per bushel)	14.720	1.2%
Heating Oil (per gallon)	278.05	-4.63%	Wheat (per bushel)	7.270	3.0%
Gasoline (per gallon)	207.72	-3.35%	Crude Palm Oil (MYR/MT)	39.110	-3.2%
Natural Gas (per MMBtu)	5.72	4.64%	Rubber (JPY/KG)	2.205	1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8456.50	0.42%	Gold (per oz)	1786.3	0.9%
Nickel (per mt)	31441.00	7.41%	Silver (per oz)	22.7	2.4%

Equity and Commodity

Index	Value	Net change
DJIA	33,597.92	1.58
S&P	3,933.92	-7.34
Nasdaq	10,958.55	-56.34
Nikkei 225	27,686.40	-199.47
STI	3,225.45	-26.92
KLCI	1,466.88	-4.67
JCI	6,818.75	-73.82
Baltic Dry	1,340.00	17.00
VIX	22.68	0.51

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.24 (+0.01)	4.27(--)
5Y	2.9 (-0.02)	3.62 (-0.13)
10Y	2.99 (-0.04)	3.44 (-0.11)
15Y	3.02 (-0.02)	--
20Y	2.88 (-0.03)	--
30Y	2.71 (-0.04)	3.44 (-0.11)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	248.10	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.80
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/08/2022 07:50	JN GDP SA QoQ	3Q F	-0.30%	-0.20%	-0.30%
12/08/2022 07:50	JN GDP Annualized SA QoQ	3Q F	-1.00%	-0.80%	-1.20%
12/08/2022 07:50	JN GDP Nominal SA QoQ	3Q F	-0.40%	-0.70%	-0.50%
12/08/2022 07:50	JN GDP Deflator YoY	3Q F	-0.50%	-0.30%	-0.50%
12/08/2022 07:50	JN BoP Current Account Balance	Oct	¥621.7b	¥64.1b	¥909.3b
12/08/2022 07:50	JN BoP Current Account Adjusted	Oct	¥352.7b	¥609.4b	¥670.7b
12/08/2022 07:50	JN Trade Balance BoP Basis	Oct	¥1825.7b	¥1875.4b	¥1759.7b
12/08/2022 07:50	JN Japan Buying Foreign Bonds	Dec-02	--	¥522.2b	¥51.2b
12/08/2022 07:50	JN Foreign Buying Japan Bonds	Dec-02	--	¥1100.6b	¥45.8b
12/08/2022 07:50	JN Foreign Buying Japan Stocks	37591	--	¥349.3b	¥442.9b
12/08/2022 07:50	JN Japan Buying Foreign Stocks	Dec-02	--	¥618.2b	¥239.1b
12/08/2022 08:01	UK RICS House Price Balance	Nov	-10.00%	-25.00%	-2.00%
12/08/2022 08:30	AU Trade Balance	Oct	A\$12000m	--	A\$12444m
12/08/2022 11:00	TH Consumer Confidence Economic	Nov	--	--	40.00
12/08/2022 21:30	US Initial Jobless Claims	37956	230k	--	225k
12/08/2022 21:30	US Continuing Claims	46327	1618k	--	1608k

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau

cindyckeung@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberthtwong@ocbcwh.com

Ong Shu Yi

Environmental, Social & Governance (ESG)

ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Christopher Wong

FX Strategist

christopherwong@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W