

Daily Treasury Outlook

9 May 2022

Highlights

Global: Relentless march higher for UST bond yields despite a mixed US labour market report? US' nonfarm payrolls came in at a robust 428k in April, beating market expectations for 400k, but the average hourly earnings disappointed at 0.3% mom even though the on-year rise of 5.5% met expectations. The S&P500 sank 0.57% on Friday, while VIX also edged down to 30.19. UST bonds sold off again with the 10-year bond yield up 9bps to 3.12% (highest since November 2018), which steepened the yield curve as the 2-year bond yield was unchanged for the week at 2.70%. The Fed reverse repo facility demand rose for a third straight session to US\$1.86tn on Friday, just shy of the record US\$1.91t seen on 29 April. Meanwhile, Saudi Arabia cut crude oil prices for the first time in four months for Asian buyers. Separately, Chinese Premier Li warned of a "complicated and grave" employment situation amid efforts to contain Covid infections through tightening curbs in Beijing and Shanghai. Fed's Kashkari opined that "unfortunately the news from the war in Ukraine and the Covid lockdowns in China are likely delaying any normalizing of supply chains" and "if they don't unwind quickly.... we will likely have to push long-term real rates to a contractionary stance to bring supply and demand into balance".

Market watch: Asian markets may be off to a choppy start again today, while awaiting China's trade data today with export growth likely to record its slowest pace since June 2020 while imports may have fallen for the second straight month. Also on tap are Indonesia's 1Q22 GDP growth and CPI data, Taiwan's trade data, Eurozone's Sentix investor confidence and US' wholesale inventories. For the week ahead, watch for US consumer price inflation on Wednesday (tipped to ease from 8.5% in March to 8.1% in April), BNM policy decision on Wednesday (likely static amid subdued inflation), Philippines' 1Q22 GDP growth on Thursday, and a host of Fed speakers including Williams, Waller, Barkin and Mester this week. The US Treasury department is selling 3-year notes on 10 May, followed by 10-year bonds on 11 May. On the earnings front, Tyson, Beyond Meat, Coinbase, and Walt Disney are due to report this week. So far, more than ¾ of the S&P500 have reported earnings and is on track to see earnings growth of 8.7% which is higher than the pre-season estimate of 5.2%, according to Bloomberg estimates.

SG: The S&P global S'pore PMI rose further from 52.9 in March to 56.7 in April, but COE premiums closed mixed with Categories A and B higher, but the open Category E lower.

Oil: Saudi Arabia reduced its Arab Light crude oil premium to the Oman/Dubai benchmark by more than half to the Far East, slashing the premium from \$9.35/bbl to \$4.40/bbl for June. The same shipments to Europe was also more than halved, from \$4.60/bbl to \$2.10/bbl.

Key Market Movements

Equity	Value	% chg
S&P 500	4123.3	-0.6%
DJIA	32899	-0.3%
Nikkei 225	27004	0.7%
SH Comp	3001.6	-2.2%
STI	3291.9	-1.5%
Hang Seng	20002	-3.8%
KLCI	1564.3	-1.2%
	Value	% chg
DXY	103.660	-0.1%
USDJPY	130.56	0.3%
EURUSD	1.0551	0.1%
GBPUSD	1.2348	-0.1%
USDIDR	14497	0.0%
USDSGD	1.3852	0.0%
SGDMYR	3.1556	0.0%
	Value	chg (bp)
2Y UST	2.73	2.74
10Y UST	3.13	9.00
2Y SGS	2.16	10.60
10Y SGS	2.79	16.35
3M LIBOR	1.40	-3.54
3M SIBOR	1.11	0.18
3M SOR	1.35	4.34
3M SORA	0.33	0.66
3M SOFR	0.19	0.82
	Value	% chg
Brent	112.39	1.3%
WTI	109.77	1.4%
Gold	1884	0.4%
Silver	22.36	-0.7%
Palladium	2052	-6.3%
Copper	9415	-0.8%
BCOM	130.34	-1.6%

Source: Bloomberg

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Major Markets

SG: The STI fell 1.55% to close at 3,291.89 on Friday and may continue to consolidate below the 3,300 handle amid soft Friday cues from Wall Street. SGS bonds are likely to see some selling pressure in the longer tenors amid the UST bond market sell-off on Friday.

CN: The latest PBoC data showed the improving credit support to property developers in China. New loans to Chinese developers increased by CNY290 billion, reversing the decrease in the previous quarters in 2021. The rise of outstanding property development loan to a record high of CNY12.56 trillion showed easing restriction of property loans to developers.

HK: John Lee was formally confirmed as Hong Kong's next Chief Executive, after receiving 1,416 votes from the election committee. His term would start on 1 July 2022. Separately, the Financial Secretary announced to cut economic growth forecast for Hong Kong this year, citing unfavourable factors such as the Fed's aggressive tightening, geopolitical tensions and elevated global inflation. The previous economic growth forecast was set at 2%-3.5%, and revised figure will be announced this week.

MY: Malaysia's Foreign Minister Datuk Seri Saifuddin Abdullah said that the government has never held any discussions with Russia regarding direct flights between the two countries by Aeroflot, the Russian airline. He also denied any discussion about the export of semiconductors and electronics to the country. He added that he wanted to refute such issues as reported by Sputnik news agency recently, to prevent a misunderstanding that might cause Malaysia's interests to be affected.

ID: Indonesia's markets are reopening today after a long Hari Raya break. It will be reporting its Q1 2022 GDP growth, as well. We expect growth to come in at 6.0% yoy, higher than the market expectation of 5.0% and Q4's 5.02%, on the back of commodities strength and robust private consumption recovery over the period.

ESG Updates

SG: In response to a tender that sought 1.2 GW of lower-carbon electricity imports starting in 2027, the Energy Market Authority received bids for supply from Indonesia, Malaysia, Thailand and Laos. The types of power include solar, wind, geothermal and hydro.

Rest of the world: The U.S. Justice Department will be forming a new office to help low-income areas and communities of colour battle the disproportionate impact of pollution and reversing a Trump-era environmental enforcement policy.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded higher on Friday, with shorter tenors trading 12-15bps higher, belly tenors trading 15-17bps higher, and longer tenors trading 17-18bps higher. UST 10Y yields traded 9bps higher on Friday to 3.13%, and broke above 3.14% at one point intraday, for the first time since 2018. This came amidst the release of an overall robust set of employment data by the US Bureau of Labour Statistics for April, indicating a tighter labour market and supporting market expectations for further Fed tightening. Notably, nonfarm payrolls increased more than expected by 428,000 in April, above Bloomberg median consensus estimates of a 380,000 increase. Inflation-wise, average hourly earnings increased less than expected on a m/m basis by 0.3% m/m, below Bloomberg median estimates of a 0.4% m/m increase. The unemployment rate remained unchanged m/m at 3.6%, though the labour force participation rate fell by 0.2% m/m to 62.2%, below Bloomberg median estimates of 62.5%.

New Issues: There were no new issuances on Friday.

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	Day Close	% Change		Day Close	% Change
DXY	103.660	-0.09%	USD-SGD	1.3852	0.04%
USD-JPY	130.560	0.28%	EUR-SGD	1.4580	-0.09%
EUR-USD	1.055	0.09%	JPY-SGD	1.0613	-0.18%
AUD-USD	0.708	-0.51%	GBP-SGD	1.7106	-0.08%
GBP-USD	1.235	-0.11%	AUD-SGD	0.9804	-0.37%
USD-MYR	4.367	0.41%	NZD-SGD	0.8875	-0.20%
USD-CNY	6.667	0.17%	CHF-SGD	1.4015	-0.26%
USD-IDR	0	0.00%	SGD-MYR	3.1556	-0.04%
USD-VND	22959	0.01%	SGD-CNY	4.8194	0.41%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.55%	O/N	0.8186	0.82%
2M	-0.3360	-0.34%	1M	0.8421	0.84%
3M	-0.4260	-0.42%	2M	0.1525	0.15%
6M	-0.2060	-0.21%	3M	1.4019	1.37%
9M	-0.1940	-0.20%	6M	1.9646	1.97%
12M	0.2460	0.25%	12M	2.6947	2.67%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.168	0.542	1.384
07/27/2022	4.074	1.019	1.86
09/21/2022	5.681	1.42	2.262
11/02/2022	6.942	1.735	2.577
12/14/2022	7.974	1.994	2.835
02/01/2023	8.69	2.172	3.014

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	109.77	1.39%	Corn (per bushel)	7.923	-1.4%
Brent (per barrel)	112.39	1.34%	Soybean (per bushel)	16.555	-1.4%
Heating Oil (per gallon)	395.43	-2.15%	Wheat (per bushel)	10.970	0.1%
Gasoline (per gallon)	375.90	2.74%	Crude Palm Oil (MYR/MT)	70.580	-4.4%
Natural Gas (per MMBtu)	8.04	-8.43%	Rubber (JPY/KG)	2.478	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9414.50	-0.79%	Gold (per oz)	1883.8	0.4%
Nickel (per mt)	30076.00	-0.13%	Silver (per oz)	22.4	-0.7%

Equity and Commodity

Index	Value	Net change
DJIA	32,899.37	-98.60
S&P	4,123.34	-23.53
Nasdaq	12,144.66	-173.03
Nikkei 225	27,003.56	27003.56
STI	3,291.89	-51.68
KLCI	1,564.34	-18.64
JCI	0.00	0.00
Baltic Dry	2,718.00	74.00
VIX	30.19	-1.01

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.16 (+0.11)	2.75(--)
5Y	2.61 (+0.14)	3.08 (+0.07)
10Y	2.79 (+0.16)	3.15 (+0.09)
15Y	2.9 (+0.14)	--
20Y	2.95 (+0.12)	--
30Y	2.79 (+0.1)	3.25 (+0.11)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	6.20	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.79
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/09/2022 07:30	JN Labor Cash Earnings YoY	Mar	0.90%	1.20%	1.20%
05/09/2022 08:30	JN Jibun Bank Japan PMI Composite	Apr F	--	--	50.90
05/09/2022 08:30	JN Jibun Bank Japan PMI Services	Apr F	--	--	50.50
05/09/2022 09:00	CH Money Supply M2 YoY	Apr	9.90%	--	9.70%
05/09/2022 09:00	CH Trade Balance	Apr	\$51.90b	--	\$47.38b
05/09/2022 09:00	CH Exports YoY	Apr	2.70%	--	14.70%
05/09/2022 09:00	CH Imports YoY	Apr	-3.00%	--	-0.10%
05/09/2022 09:00	CH New Yuan Loans CNY	Apr	1530.0b	--	3130.0b
05/09/2022 09:00	CH Money Supply M1 YoY	Apr	5.00%	--	4.70%
05/09/2022 10:00	ID GDP YoY	1Q	4.95%	--	5.02%
05/09/2022 10:00	ID CPI YoY	Apr	3.32%	--	2.64%
05/09/2022 10:00	VN Domestic Vehicle Sales YoY	Apr	--	--	19.40%
05/09/2022 16:00	TA Exports YoY	Apr	12.10%	--	21.30%
05/09/2022 17:00	SI Foreign Reserves	Apr	--	--	\$380.96b
05/09/2022 20:30	CA Building Permits MoM	Mar	--	--	21.00%
05/09/2022 22:00	US Wholesale Inventories MoM	Mar F	2.30%	--	2.30%

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Commodities

HowieLee@ocbc.com

Ong Shu Yi

Environmental, Social & Governance (ESG)

ShuyiOng1@ocbc.com

Herbert Wong

Hong Kong & Macau

herberthtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@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

Toh Su N

Credit Research Analyst

TohSN@ocbc.com

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