

## Daily Treasury Outlook

9 September 2022

### Highlights

**Global: Hawkishness is in as major central banks embellish their inflation-fighting credentials!** The ECB unanimously hiked 75bps while temporarily removing a 0% cap for remunerating government deposits which would reduce the incentive to shift cash into short-term debt until 30 April 2023. ECB's Lagarde pledged "several" more hikes in the pipeline which could mean "probably more than two, including this one, but it's probably also going to be less than five", driving up market speculation of another potential jumbo hike in October. ECB also cut its 2023 growth forecast from 2.1% to 0.9% (implying no recession, but just stagnant growth) but raised its inflation forecast to 2.3% in 2024. Meanwhile, Fed Chair Powell also reiterated "we need to act now, forthrightly, strongly as we have been doing" until "the job is done" as "demand is very, very strong still in the labor market" even as a "period of growth below trend" is anticipated. Fed's Evans (non-voter) also opined "we could very well do 75bps in September" while Bullard noted bringing inflation back down to the 2% target is "top priority". This reinforced market expectations for another 75bps hike at the upcoming FOMC meeting on 22 September. The S&P 500 rallied 0.66% while front-end UST bond yields leapt higher with the 2-year up 7bps to a session high of 3.51% and the 10-year also up 5bps to 3.32%. Oil prices rebounded - the IEA had upgraded its global oil demand outlook for the next two quarters as electricity suppliers, namely in Europe, could switch from natural gas to oil-based generating fuels. The Biden administration is also weighing a possible release from the Strategic Petroleum Reserve to avoid another price spike when EU sanctions on Russia supplies take effect in December. Elsewhere, BNM also hiked 25bps to 2.5% as expected and India (which supplies 40% of the global rice trade) imposed 20% duties on some rice exports to protect domestic supply amid poor rainfall and as planting shrank.

**Market watch: Asian markets may be off to a muted start today**, as investors digest the ECB's 75bps rate hike and a hawkish FOMC to come. European ministers are meeting for emergency talks on measures to counter the ongoing energy crisis, and may include a price cap on Russian gas, windfall tax on oil and gas profits, an energy savings drive and a cap on low-carbon electricity cost. Today's economic data calendar will focus on China's August CPI/PPI, Malaysia's July industrial production, and US' wholesale inventories. ECB's Lagarde and Fed's Waller and George are also speaking today.

**MY:** Bank Negara Malaysia hiked its Overnight Policy Rate by 25bps to 2.50% yesterday, as widely expected by the market and us. It signalled that future tightening is not a given, however, as it tries to strike a balance between growth and inflation, by saying that the central bank is "not on any pre-set course" and will remain data dependent. It expects the headline inflation to peak in the third quarter and sees downside risks to growth, signalling a potential for a pause in the November meeting.

### Key Market Movements

Equity	Value	% chg
S&P 500	4006.2	0.7%
DJIA	31775	0.6%
Nikkei 225	28065	2.3%
SH Comp	3235.6	-0.3%
STI	3233.6	0.7%
Hang Seng	18855	-1.0%
KLCI	1494.7	0.2%
	Value	% chg
DXY	109.707	-0.1%
USDJPY	144.11	0.3%
EURUSD	0.9997	-0.1%
GBPUSD	1.1504	-0.3%
USDIDR	14898	-0.1%
USDSGD	1.4051	0.1%
SGDMYR	3.2020	0.1%
	Value	chg (bp)
2Y UST	3.50	7.26
10Y UST	3.32	5.35
2Y SGS	2.90	-1.60
10Y SGS	3.09	-7.01
3M LIBOR	3.19	2.61
3M SIBOR	2.67	0.00
3M SOR	2.97	0.00
3M SORA	1.72	1.76
3M SOFR	1.82	1.71
	Value	% chg
Brent	89.15	1.3%
WTI	83.54	2.0%
Gold	1708	-0.6%
Silver	18.54	0.4%
Palladium	2142	4.8%
Copper	7811	2.5%
BCOM	116.17	0.4%

Source: Bloomberg

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### Major Markets

**SG:** The STI rose 0.71% to close at 3,233.61 and may extend gains today. SGS bonds may reverse yesterday's gain given the overnight sell-off in UST bond market due to overwhelmingly hawkish rhetoric from both the Fed and ECB. There is an upcoming \$4.2bn of 6-month T-bill auction on 15 September.

**CN:** China's State Council said in its regular meeting that it will support the platform economy to stabilize the job market and roll out more tax reduction policies to support innovation.

**ID:** Indonesia reported a higher consumer confidence index for August, with the central bank survey printing 124.7 compared to 123.2 in July. The improvement was broadly seen across most spending classes and age groups, on better business and job availability. The average propensity-to-consume ratio was said to have risen to 73.6% in August from 73.4 in the prior month.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly lower yesterday with shorter tenors trading 1-8bps lower, belly tenors trading 8-9bps lower and longer tenors trading 10bps lower. UST 10Y yields rose by 6bps to 3.32% yesterday as markets parsed comments from Federal Reserve (“Fed”) chairman Jerome Powell who reiterated the Fed’s stance towards fighting inflation while remaining hopeful of engineering a ‘soft landing’, commenting that “we can avoid the kind of very high social costs that Paul Volcker and the Fed had to bring into play”. Notably, he mentioned that the possible difference between the current situation and the 1980s Fed induced recession by former Fed Chairman Paul Volcker was that inflation expectations this time remain largely around the central bank's 2% target while Volcker had to uproot years of rising inflation expectations that fed into higher prices and wages. Additionally, Chicago Fed President Charles Evans (non-voting member this year) mentioned that the Fed “could very well” hike by 75 basis points again this month, although he has not made up his mind on what should be the correct move ahead of next week’s consumer print. Separately, Initial Jobless Claims for the week ended August 27 came in at a three-month low of 222,000, declining for the fifth consecutive week and below Bloomberg median estimates of 235,000, further reinforcing the strength of the labour market observed in prior weeks.

**New Issues:** Qinglun International BVI Co. (Guarantor: Ningbo Beilun Modern Service Industry Development Co.) priced a 3-year USD400mn senior unsecured bond at 5.45%, tightening from its IPT of 5.6%. Frasers Property Treasury Pte Ltd (Guarantor: Frasers Property Ltd) priced a 5-year SGD420mn senior unsecured unsubordinated unconditional green bond at 4.49%, tightening from its IPT of 4.75%. Korea Housing Finance Corporation has mandated banks to arrange a series of fixed income investor calls commencing 19 September 2022 for a proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.707	-0.12%	USD-SGD	1.4051	0.06%
USD-JPY	144.110	0.26%	EUR-SGD	1.4047	0.02%
EUR-USD	1.000	-0.09%	JPY-SGD	0.9750	-0.18%
AUD-USD	0.675	-0.27%	GBP-SGD	1.6163	-0.16%
GBP-USD	1.150	-0.25%	AUD-SGD	0.9486	-0.20%
USD-MYR	4.502	-0.01%	NZD-SGD	0.8508	-0.27%
USD-CNY	6.958	-0.11%	CHF-SGD	1.4480	0.70%
USD-IDR	14898	-0.13%	SGD-MYR	3.2020	0.12%
USD-VND	23545	-0.17%	SGD-CNY	4.9485	-0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.3940	0.37%	O/N	2.3124	2.31%
2M	-0.3360	-0.34%	1M	2.7046	2.68%
3M	0.8220	0.82%	2M	0.1525	0.15%
6M	1.3630	1.34%	3M	3.1940	3.17%
9M	-0.1940	-0.20%	6M	3.7521	3.71%
12M	1.9130	1.92%	12M	4.1889	4.17%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.864	0.716	3.047
11/02/2022	4.935	1.234	3.565
12/14/2022	5.944	1.486	3.818
02/01/2023	6.327	1.582	3.913
03/22/2023	6.424	1.606	3.938
05/03/2023	6.347	1.587	3.918

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.54	1.95%	Corn (per bushel)	6.745	-0.3%
Brent (per barrel)	89.15	1.31%	Soybean (per bushel)	14.705	0.3%
Heating Oil (per gallon)	354.01	-1.28%	Wheat (per bushel)	8.105	-1.9%
Gasoline (per gallon)	234.61	1.66%	Crude Palm Oil (MYR/MT)	34.380	-4.5%
Natural Gas (per MMBtu)	7.92	0.93%	Rubber (JPY/KG)	2.221	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7810.50	2.47%	Gold (per oz)	1708.5	-0.6%
Nickel (per mt)	21753.00	0.80%	Silver (per oz)	18.5	0.4%

### Equity and Commodity

Index	Value	Net change
DJIA	31,774.52	193.24
S&P	4,006.18	26.31
Nasdaq	11,862.13	70.23
Nikkei 225	28,065.28	634.98
STI	3,233.61	22.78
KLCI	1,494.73	3.38
JCI	7,232.02	45.26
Baltic Dry	1,133.00	19.00
VIX	23.61	-1.03

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.9 (-0.02)	3.51(--)
5Y	2.99 (-0.05)	3.42 (+0.06)
10Y	3.09 (-0.07)	3.31 (+0.05)
15Y	3.12 (-0.06)	--
20Y	3.14 (-0.04)	--
30Y	3.11 (-0.02)	3.47 (+0.06)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	131.00	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	2.28
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/09/2022 07:50	JN Money Stock M2 YoY	Aug	3.40%	3.40%	3.40%
09/09/2022 07:50	JN Money Stock M3 YoY	Aug	3.00%	3.00%	3.00%
09/09/2022 09:00	CH Money Supply M2 YoY	Aug	12.20%	--	12.00%
09/09/2022 09:00	PH Exports YoY	Jul	2.10%	--	1.00%
09/09/2022 09:00	CH New Yuan Loans CNY	Aug	1500.0b	--	679.0b
09/09/2022 09:00	PH Trade Balance	Jul	-\$5942m	--	-\$5843m
09/09/2022 09:00	CH Money Supply M1 YoY	Aug	6.90%	--	6.70%
09/09/2022 09:00	CH Money Supply M0 YoY	Aug	--	--	13.90%
09/09/2022 09:30	CH CPI YoY	Aug	2.80%	--	2.70%
09/09/2022 09:30	CH PPI YoY	Aug	3.20%	--	4.20%
09/09/2022 12:00	MA Industrial Production YoY	Jul	15.20%	--	12.10%
09/09/2022 15:30	TH Foreign Reserves	Sep-02	--	--	\$216.0b
09/09/2022 20:30	CA Unemployment Rate	Aug	5.00%	--	4.90%
09/09/2022 20:30	CA Net Change in Employment	Aug	15.0k	--	-30.6k
09/09/2022 20:30	CA Capacity Utilization Rate	2Q	--	--	82.00%
09/09/2022 22:00	US Wholesale Inventories MoM	Jul F	0.80%	--	0.80%

Source: Bloomberg

## Treasury Research & Strategy

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