

Daily Treasury Outlook

10 May 2022

Highlights

Global: A sea of red engulfed most major risk assets overnight, with both equities and Treasuries losing ground. The S&P500 index lost 3.2% while the 10Y Treasury yield dipped 9.3bps. Brent lost more than 5% while gold fell 1.6%. Weak April trade numbers from China during Asian trading hours appear to be the main catalyst for yesterday's selloff, as concerns over supply chain disruptions and stalled economic growth increasingly grew. Separately, Atlanta Fed President Raphael Bostic said he is in favour of keeping to 50bps rate hikes in the coming FOMC meetings over 75bps hikes, while BoE's Michael Saunders believes hiking rates aggressively may be the better option on easing the squeeze on living standards. All eyes will be on tomorrow's US CPI print.

Market watch: Asian markets may start off on a cautious note today, following the battering on Wall Street last night. Today's economic calendar includes New Zealand total card spending which came in at 7.00% mom, South Korea's BoP (Balance of Payments) current account and goods balance which came in at \$6729.4m and \$5309.5m respectively. Japan's household spending came in at -2.30%. Due to be released are Australia's NAB business confidence, business conditions and retail sales, Malaysia's industrial production and European Union's ZEW survey expectations.

CN: China's export growth in dollar term slowed down to 3.9% yoy in April from 14.7% yoy in March while import growth in dollar term remained flat. The slowdown in export growth was mainly driven by both base effect and Covid lockdown in Shanghai. As a result of Ukraine war, China's exports to Russia tumbled by more than 25% in April. Nevertheless, China energy imports surged. China's imports of crude oil by value surged by more than 80% due to higher oil prices while imports of crude oil by volume also rebounded after falling for two consecutive months. This was probably due to concerns about energy security. The slowdown in chip supply in the past two months may imply the slowdown in electronics supply chain globally in the coming months.

Oil: Brent fell more than 5% yesterday after the EU proposed to soften some sanctions on Russian energy exports. The proposed ban on EU-owned vessels transporting Russian oil will likely be scrapped. A sixth package of sanctions on Russia by the EU is still being discussed.

Key Market Movements

Equity	Value	% chg
S&P 500	3991.2	-3.2%
DJIA	32246	-2.0%
Nikkei 225	26319	-2.5%
SH Comp	3004.1	0.1%
STI	3275.1	-0.5%
Hang Seng	20002	0.0%
KLCI	1549.2	-1.0%
	Value	% chg
DXY	103.651	0.0%
USDJPY	130.29	-0.2%
EURUSD	1.0561	0.1%
GBPUSD	1.2332	-0.1%
USDIDR	14558	0.4%
USDSGD	1.3907	0.4%
SGDMYR	3.1463	-0.3%
	Value	chg (bp)
2Y UST	2.59	-13.70
10Y UST	3.03	-9.27
2Y SGS	2.24	7.20
10Y SGS	2.92	12.29
3M LIBOR	1.40	3.12
3M SIBOR	1.11	0.00
3M SOR	1.35	0.00
3M SORA	0.36	2.70
3M SOFR	0.21	2.44
	Value	% chg
Brent	105.94	-5.7%
WTI	103.09	-6.1%
Gold	1854	-1.6%
Silver	21.80	-2.5%
Palladium	2098	2.2%
Copper	9238	-1.9%
BCOM	124.76	-4.3%

Source: Bloomberg

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Major Markets

SG: The STI fell 0.5% overnight after Friday's gap-down and may be in for more selling pressure today, following overnight Wall Street weakness.

MY: Malaysia is due to report its industrial production figure for the month of March, which is expected to come in at 4.8% yoy, marking an uptick from 3.9% before. While the data comes with a sizable time lag, a strong figure would signal strengths in the manufacturing sector, in line with the recent recovery of the PMI reading to 51.6 from 49.6.

ID: Indonesia reported April's headline inflation at 3.47% yoy, higher than 3.32% that market had expected and an uptick from 2.64% before. It marks the highest inflation since Dec 2017. Core inflation has also gone up, to 2.6% from 2.37% before. Separately, Q1 GDP was released, showing growth of 5.01%, slightly better than consensus expectation and broadly unchanged from 5.02% of Q4.

ESG Updates

MY: ESG and supply chain resilience top Malaysia's agenda in the Ministry of International Trade and Industry's trade mission to the US.

ID: PT Adaro Energy, one of Indonesia's biggest coal miners, wants to use its profits from surging commodity prices to fund its 10-year pivot to clean energy. It aims to cease dependence on coal and create an entity called Adaro Green Energy.

Rest of the world: Germany has begun building its first terminal for importing liquefied natural gas (LNG) from the US and the Middle East as the government continues to cut its dependence on fossil fuels from Russia.

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Bond Market Updates

Market Commentary: The SGD SORA curve broadly bear steepened yesterday, with shorter tenors trading 3-5bps higher, belly tenors trading 6-8bps higher, and longer tenors trading 10-11bps higher. UST 10Y yields traded 10bps lower to 3.03% yesterday, reversing much of the 9bps upward move in the prior day. There was significant intraday movement however, with the yields reaching 3.20% at one point in the day ahead of the upcoming consumer price index ("CPI") inflation data and USD103bn US treasury auction this week (among which USD36bn of 10Y notes will be sold), before moving down to eventually close the trading day at 3.03%. In line with Federal Reserve chairman Jerome Powell's comments at the May Federal Reserve Open Committee ("FOMC") last week, the Federal Reserve Bank of Atlanta President Raphael Bostic expressed his preference for 50bps rate hikes rather than 75bps ones which he saw low odds of in the next few months, commenting that the 50bps hike "is already a pretty aggressive move" and that they could "stay at this pace" for the next "two, maybe three times".

New Issues: There were no new issuances yesterday.

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	Day Close	% Change		Day Close	% Change
DXY	103.651	-0.01%	USD-SGD	1.3907	0.40%
USD-JPY	130.290	-0.21%	EUR-SGD	1.4690	0.75%
EUR-USD	1.056	0.09%	JPY-SGD	1.0675	0.58%
AUD-USD	0.695	-1.75%	GBP-SGD	1.7152	0.27%
GBP-USD	1.233	-0.13%	AUD-SGD	0.9667	-1.40%
USD-MYR	4.385	0.41%	NZD-SGD	0.8793	-0.92%
USD-CNY	6.731	0.96%	CHF-SGD	1.3994	-0.15%
USD-IDR	14558	0.00%	SGD-MYR	3.1463	-0.29%
USD-VND	22952	-0.03%	SGD-CNY	4.8368	0.36%

Equity and Commodity

Index	Value	Net change
DJIA	32,245.70	-653.67
S&P	3,991.24	-132.10
Nasdaq	11,623.25	-521.41
Nikkei 225	26,319.34	-684.22
STI	3,275.07	-16.82
KLCI	1,549.18	-15.16
JCI	6,909.75	6909.75
Baltic Dry	2,718.00	74.00
VIX	34.75	4.56

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%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.24 (+0.07)	2.6(--)
5Y	2.71 (+0.1)	2.95 (-0.13)
10Y	2.92 (+0.12)	3.02 (-0.09)
15Y	3.03 (+0.12)	--
20Y	3.04 (+0.1)	--
30Y	2.87 (+0.08)	3.13 (-0.08)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.075	0.519	1.362
07/27/2022	3.877	0.969	1.813
09/21/2022	5.352	1.338	2.181
11/02/2022	6.424	1.606	2.449
12/14/2022	7.347	1.837	2.68
02/01/2023	7.949	1.987	2.83

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	0.78
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	103.09	-6.09%	Corn (per bushel)	7.845	-1.0%
Brent (per barrel)	105.94	-5.74%	Soybean (per bushel)	16.210	-2.1%
Heating Oil (per gallon)	383.49	-3.02%	Wheat (per bushel)	10.833	-1.3%
Gasoline (per gallon)	364.19	-3.12%	Crude Palm Oil (MYR/MT)	70.350	-0.3%
Natural Gas (per MMBtu)	7.03	-12.64%	Rubber (JPY/KG)	2.471	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9237.50	-1.88%	Gold (per oz)	1854.2	-1.6%
Nickel (per mt)	28185.00	-6.29%	Silver (per oz)	21.8	-2.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/10/2022 06:45	NZ Card Spending Total MoM	Apr	--	7.00%	1.70%
05/10/2022 07:00	SK BoP Current Account Balance	Mar	--	\$6729.4m	--
05/10/2022 07:00	SK BoP Goods Balance	Mar	--	\$5309.5m	--
05/10/2022 07:01	UK BRC Sales Like-For-Like YoY	Apr	--	-1.70%	-0.40%
05/10/2022 07:30	JN Household Spending YoY	Mar	-3.30%	-2.30%	1.10%
05/10/2022 07:30	AU ANZ Roy Morgan Weekly Consumer Confidence Index	May-08	--	90.50	90.70
05/10/2022 09:30	AU NAB Business Confidence	Apr	--	--	16.00
05/10/2022 09:30	AU NAB Business Conditions	Apr	--	--	18.00
05/10/2022 09:30	AU Retail Sales Ex Inflation QoQ	1Q	1.00%	--	8.20%
05/10/2022 11:00	ID Foreign Reserves	Apr	--	--	\$139.10b
05/10/2022 11:00	TH Consumer Confidence Economic	Apr	--	--	35.90
05/10/2022 12:00	MA Industrial Production YoY	Mar	4.80%	--	3.90%
05/10/2022 17:00	GE ZEW Survey Expectations	May	-43.50	--	-41.00
05/10/2022 17:00	GE ZEW Survey Current Situation	May	-35.00	--	-30.80
05/10/2022 17:00	EC ZEW Survey Expectations	May	--	--	-43.00
05/10/2022 18:00	US NFIB Small Business Optimism	Apr	92.90	--	93.20

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

herberthwong@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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