

## Daily Treasury Outlook

11 May 2022

### Highlights

**Global:** Fed officials reiterated their preference for continued 50bps hikes over 75bps hikes overnight. These officials include Raphael Bostic, Loretta Mester and John Williams. Mester did opine, however, that a 75bps hike may be necessary if inflation remains persistently high even with the prescribed rate hike trajectory. The S&P 500 index gained 0.3% while the 10Y Treasury yield fell 5bps to close below the 3% handle. All eyes will be on tonight's US CPI print.

**Market watch:** Asian markets may trade mixed today, following the turbulent intraday trading on Wall Street. Today's economic calendar includes South Korea's unemployment rate which came in at 2.70%. Due to be released are the CPI for China, Germany and the US. BNM is due to announce its overnight policy rate today which we expect will be held at 1.75%.

**CN:** China's economic planning agency NDRC and Ministry of Commerce issued a notice to expand the lists of industry welcoming foreign investment. The new notice encouraged investment in manufacturing, services sector and those in the central and western parts of China.

**ID:** Indonesia's Finance Ministry said that the result of its bond auction recently was below its target. Incoming bids came in at IDR19.74tn, below the 20tn target. Foreign investors accounted for 6.72% of the incoming bids and 7.92% of awarded bids. It added that four series of bonds in the greenshoe option will be sold today.

**Oil:** Brent fell 3.3% to \$105.94/bbl, cleanly breaking below the 50D MA support.

### Key Market Movements

Equity	Value	% chg
S&P 500	4001.1	0.2%
DJIA	32161	-0.3%
Nikkei 225	26167	-0.6%
SH Comp	3035.8	1.1%
STI	3234.2	-1.2%
Hang Seng	19634	-1.8%
KLCI	1554.6	0.3%
	Value	% chg
DX	103.920	0.3%
USDJPY	130.45	0.1%
EURUSD	1.0529	-0.3%
GBPUSD	1.2316	-0.1%
USDIDR	14557	0.0%
USDSGD	1.3908	0.0%
SGDMYR	3.1551	0.3%
	Value	chg (bp)
2Y UST	2.61	1.86
10Y UST	2.99	-4.30
2Y SGS	2.22	-1.80
10Y SGS	2.87	-4.75
3M LIBOR	1.40	-0.33
3M SIBOR	1.11	0.00
3M SOR	1.36	0.00
3M SORA	0.37	0.79
3M SOFR	0.22	0.81
	Value	% chg
Brent	102.46	-3.3%
WTI	99.76	-3.2%
Gold	1838	-0.9%
Silver	21.26	-2.4%
Palladium	2068	-1.4%
Copper	9229	-0.1%
BCOM	124.62	-0.1%

Source: Bloomberg

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### Major Markets

**SG:** The STI fell 1.3% and may trade mixed today as investors digest the slight uptick on Wall Street overnight against the impending US CPI print later tonight.

**MY:** Bank Negara is due to announce its MPC decision today. We expect the central bank to keep its OPR unchanged at 1.75% at this meeting, but start to offer signposts regarding tightening in the coming months to counter the incipient price pressures. We expect the OPR to go up by 25bps starting the next MPC meeting in July.

### ESG Updates

**CN:** China's sea levels reached their highest on record last year, attributed to rising water temperatures and the melting of glaciers and polar icecaps. Its east coast cities have begun making contingency plans against rising sea levels, with Shanghai looking into building new drainage tunnels and tidal gates.

**MY:** Malaysia pledged to actively participate in the International Civil Aviation Organisation's (ICAO) mission of enabling a global air transport network to better prepare for a post-COVID-19 recovery of the aviation industry. He also mentioned the importance of using Sustainable Aviation Fuel (SAF) in reducing carbon emissions from its operations.

**Rest of the world:** Hyundai Motor plans to announce a new EV manufacturing plant in the United States and has been in discussions to build a facility in Georgia, near existing plants for the Hyundai and Kia brands.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded lower yesterday, with shorter tenors trading 8-14bps lower, belly tenors trading 11-12bps lower, and longer tenors trading 9-12bps lower. UST 10Y yields traded 4bps lower to 2.99% yesterday, extending its downwards move from the prior day. This came amidst investors' reassessment of the inflationary outlook and concerns surrounding the impact of policy tightening and a possible economic growth slowdown, ahead of the consumer price index ("CPI") data for April to be released tonight (Singapore time). Notably, numerous Federal Reserve officials expressed comments on monetary policy and inflation yesterday. While the Cleveland Fed's President Loretta Mester expressed her support for 50bps rate hikes in June and July, she did not rule out 75bps hikes should inflation prove stubborn and not move down. Fed Governor Christopher Waller, Richmond Fed President Thomas Barkin and New York Fed President John Williams, all expressed their commitment to raising rates to keep inflation under control. US Treasury Secretary Janet Yellen gave a testimony for a US Senate Banking Committee hearing where she stated that despite the current equity market sell-off, the US financial system was functioning in an orderly manner and that the Financial Stability Oversight Council will continue to monitor developments on the Russia-Ukraine conflict and COVID-19 situation. Additionally, Secretary Yellen is calling for regulations on stablecoin.

**New Issues:** China Construction Bank Corp/London priced a USD1bn 3-year senior unsecured green bond at T+47bps, tightening from an IPT of T+90bps area. Changsha Jinxia New City City Development Co Ltd (SBLC Provider: Bank of Changsha Co.) has priced a USD145mn 3-year senior unsecured bond at 4.1%. DFZQ has arranged investor calls commencing on 10 May for its proposed USD senior unsecured bonds offering.

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	Day Close	% Change		Day Close	% Change
DXY	103.920	0.26%	USD-SGD	1.3908	0.01%
USD-JPY	130.450	0.12%	EUR-SGD	1.4642	-0.33%
EUR-USD	1.053	-0.30%	JPY-SGD	1.0662	-0.12%
AUD-USD	0.694	-0.20%	GBP-SGD	1.7136	-0.09%
GBP-USD	1.232	-0.13%	AUD-SGD	0.9650	-0.18%
USD-MYR	4.383	-0.04%	NZD-SGD	0.8750	-0.49%
USD-CNY	6.735	0.06%	CHF-SGD	1.3970	-0.17%
USD-IDR	14557	-0.01%	SGD-MYR	3.1551	0.28%
USD-VND	22947	-0.02%	SGD-CNY	4.8418	0.10%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5330	-0.55%	O/N	0.8250	0.82%
2M	-0.3360	-0.34%	1M	0.8444	0.84%
3M	-0.4020	-0.43%	2M	0.1525	0.15%
6M	-0.1830	-0.21%	3M	1.3986	1.40%
9M	-0.1940	-0.20%	6M	1.9801	1.96%
12M	0.2630	0.25%	12M	2.6749	2.69%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.088	0.522	1.369
07/27/2022	3.994	0.999	1.845
09/21/2022	5.496	1.374	2.22
11/02/2022	6.542	1.636	2.482
12/14/2022	7.424	1.856	2.703
02/01/2023	7.974	1.993	2.84

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	99.76	-3.23%	Corn (per bushel)	7.865	0.3%
Brent (per barrel)	102.46	-3.28%	Soybean (per bushel)	16.300	0.6%
Heating Oil (per gallon)	393.22	2.54%	Wheat (per bushel)	10.833	0.0%
Gasoline (per gallon)	354.15	-2.76%	Crude Palm Oil (MYR/MT)	69.530	-1.2%
Natural Gas (per MMBtu)	7.39	5.11%	Rubber (JPY/KG)	2.467	-0.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	9228.50	-0.10%	Gold (per oz)	1838.3	-0.9%
Nickel (per mt)	28414.00	0.81%	Silver (per oz)	21.3	-2.4%

## Equity and Commodity

Index	Value	Net change
DJIA	32,160.74	-84.96
S&P	4,001.05	9.81
Nasdaq	11,737.67	114.42
Nikkei 225	26,167.10	-152.24
STI	3,234.19	-40.88
KLCI	1,554.58	5.40
JCI	6,819.79	-89.96
Baltic Dry	2,831.00	113.00
VIX	32.99	-1.76

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.22 (-0.02)	2.61(-)
5Y	2.67 (-0.04)	2.91 (-0.03)
10Y	2.87 (-0.05)	2.99 (-0.04)
15Y	2.98 (-0.05)	--
20Y	3 (-0.05)	--
30Y	2.82 (-0.05)	3.12 (-0.03)

## Financial Spread (bps)

Value	Change	
EURIBOR-OIS	8.60	(-)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.78
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/11/2022 07:00	SK Unemployment rate SA	Apr 2.80%	2.70%	2.70%	--
05/11/2022 08:30	AU Westpac Consumer Conf SA MoM	May --	--	-0.90%	--
05/11/2022 09:30	CH CPI YoY	Apr 1.80%	--	1.50%	--
05/11/2022 09:30	CH PPI YoY	Apr 7.80%	--	8.30%	--
05/11/2022 13:00	JN Leading Index Cl	Mar P 100.90	--	100.00	--
05/11/2022 14:00	GE CPI YoY	Apr F 7.40%	--	7.40%	--
05/11/2022 14:00	GE CPI MoM	Apr F 0.80%	--	0.80%	--
05/11/2022 14:00	GE CPI EU Harmonized YoY	Apr F 7.80%	--	7.80%	--
05/11/2022 14:00	GE CPI EU Harmonized MoM	Apr F 0.70%	--	0.70%	--
05/11/2022 15:00	MA BNM Overnight Policy Rate	May-11 1.75%	--	1.75%	--
05/11/2022 15:00	MA Foreign Reserves	Apr-29 --	--	\$114.4b	--
05/11/2022 19:00	US MBA Mortgage Applications	May-06 --	--	2.50%	--
05/11/2022 20:30	US CPI MoM	Apr 0.20%	--	1.20%	--
05/11/2022 20:30	US CPI YoY	Apr 8.10%	--	8.50%	--
05/11/2022 20:30	US CPI Ex Food and Energy MoM	Apr 0.40%	--	0.30%	--
05/11/2022 20:30	US CPI Ex Food and Energy YoY	Apr 6.00%	--	6.50%	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Howie Lee***Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Ong Shu Yi***Environmental, Social & Governance (ESG)*[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)**Herbert Wong***Hong Kong & Macau*[herberthwong@ocbcwh.com](mailto:herberthwong@ocbcwh.com)

### FX/Rates Strategy

**Frances Cheung***Rates Strategist*[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Toh Su N***Credit Research Analyst*[TohSN@ocbc.com](mailto:TohSN@ocbc.com)

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