

Daily Treasury Outlook

12 May 2022

Highlights

Global: US CPI beat expectations in April, coming in at 8.3% yoy vs 8.1% yoy expected. US CPI excluding food and energy (core CPI) rose 6.2% yoy, also beating the expectation of 6.0% yoy. Most of the price increases were driven outside of the energy basket – the biggest drivers coming from the food and new vehicle baskets. Conversely, energy prices fell 2.7% on a mom SA basis, mostly due to a decline in motor fuel prices. The 2Y Treasury yield rose 2.5bps while the 10Y Treasury yield declined 7.0bps overnight, resulting in the 2Y10Y spread flattening of 9.5bps. The market, as implied by the Fed fund futures, are still pricing in a 50bps rate hike by the Fed across the next three FOMC meetings (June, July, September), despite the relatively strong US April CPI figure. That might change, however, if the US inflation print continues to stay stubbornly elevated.

Market watch: Asian markets may see red today, following the weak session on Wall Street. Today's economic calendar comprises of US' monthly budget statement which came in at \$308.2b, New Zealand's house sales and food prices which came in at -35.20% and 0.10% respectively and Japan's current account balance which came in at ¥2,549.3b. Due to be released are Philippines' GDP, UK's GDP, industrial and manufacturing production, India's CPI and US's initial jobless claims.

US: CPI rose 8.3% yoy (0.3% MoM SA) while core CPI increased 6.2% yoy (0.6% MoM SA). Food prices rose 9.4% yoy, mainly driven by the likes of meat, cereal and dairy products. New vehicle prices rose 13.2% yoy.

CN: China's CPI reaccelerated to 2.1% yoy in April from 1.5% yoy in March while PPI growth decelerated further to 8% yoy from 8.3% yoy in March. On sequential basis, CPI rose by 0.4% mom, led by higher food prices and oil prices. China's core CPI excluding food and energy prices rose by 0.1% mom. On year-on-year reading, core CPI growth decelerated to 0.9% yoy from 1.1% yoy. Looking ahead, as a result of extended lockdown as well as elevated global oil prices, we expect food prices and transportation costs to continue to drive CPI higher. We think CPI may gradually rise towards 3% in the second half of 2022. Nevertheless, for the whole year, we expect CPI to stay below 2.5%, within government's target. This means China's CPI is unlikely to be the constraint to China's monetary policy.

Oil: The US reported an increase in commercial crude oil inventories by 8.5 million barrels, but gasoline inventories fell 3.6 million barrels. Brent added 4.9% overnight after China's better than expected factory data in early Asian trading yesterday boosted the oil market.

Key Market Movements

Equity	Value	% chg
S&P 500	3935.2	-1.6%
DJIA	31834	-1.0%
Nikkei 225	26214	0.2%
SH Comp	3058.7	0.8%
STI	3226.1	-0.3%
Hang Seng	19825	1.0%
KLCI	1555.9	0.1%
	Value	% chg
DX	103.846	-0.1%
USDJPY	129.97	-0.4%
EURUSD	1.0513	-0.2%
GBPUSD	1.2251	-0.5%
USDIDR	14558	0.0%
USDSGD	1.3896	-0.1%
SGDMYR	3.1588	0.1%
	Value	chg (bp)
2Y UST	2.64	2.47
10Y UST	2.92	-7.01
2Y SGS	2.18	-3.50
10Y SGS	2.81	-6.05
3M LIBOR	1.40	0.13
3M SIBOR	1.11	0.00
3M SOR	1.37	0.00
3M SORA	0.37	0.72
3M SOFR	0.23	0.82
	Value	% chg
Brent	107.51	4.9%
WTI	105.71	6.0%
Gold	1852	0.8%
Silver	21.57	1.4%
Palladium	2037	-1.5%
Copper	9340	1.2%
BCOM	127.41	2.2%

Source: Bloomberg

Daily Treasury Outlook

12 May 2022

Major Markets

SG: The STI fell 0.25% yesterday to clock a sixth consecutive session of losses. More selling pressure may be expected today across Asian markets, following the stronger than expected US CPI figure overnight.

MY: Bank Negara Malaysia raised its Overnight Policy Rate by 25bps to 2.0% yesterday, in a move that surprised the market and us. Although we pencilled in a hike, we had thought that inflation rate that remains relatively tame would allow the central bank to wait until the July meeting to act. Alas, the stickiness of global inflationary pressures – which have “increased sharply” in its view – together with its confidence in the “firmer footing” of the domestic economy, cemented the decision to start withdrawing the monetary accommodation that was put in place because of the pandemic, especially because the Covid-19 crisis carries less existential threat now.

ID: Bank Indonesia said in a statement yesterday that it views Indonesia’s core inflation to be still manageable despite growing domestic demand, as exchange rate stability and monetary policy consistency anchor price expectations. As relayed by Bloomberg, BI added that it will consistently maintain price stability and strengthen policy coordination with the central and regional governments to control inflation within the 2-4% target corridor.

ESG Updates

SG: President Halimah Yacob and South Korea's new president Yoon Suk-yeol agree to strengthen bilateral cooperation such as green economy and digitalisation.

CN: China has established three batches of 153 national green data centres characterised by low resource consumption, high energy utilisation and strong operation and maintenance.

Rest of the world: Renewable energy developers in the UK are facing delays of up to 10 years to connect to the electricity grid because of constraints on the National Grid’s network.

Daily Treasury Outlook

12 May 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 4-8bps lower, belly tenors trading 7-9bps lower, and longer tenors trading 6-9bps lower. UST 10Y yields traded 7bps lower to 2.92% yesterday, extending the downwards move since the start of the trading week as the prospect of stubbornly high inflation drives concerns for a slowdown in the economy. This came following the release of the faster-than-expected increase in inflation by the US Bureau of Labour Statistics last night (Singapore time). Consumer price index ("CPI") for April increased by 8.3% y/y, which was above Bloomberg median estimates of a 8.1% y/y increase and only slightly below the prior month's close to 40-year record high 8.5% y/y increase. On a m/m basis, CPI for April also rose more than expected by 0.3% m/m, above Bloomberg median estimates of a 0.2% m/m increase. The increase in inflation for April was primarily driven by the cost of shelter, food, airline fares and new vehicles, while energy and gasoline prices notably fell. Still, excluding food and energy prices, core CPI increased more than expected on both a y/y and m/m basis.

New Issues: ENN Energy Holdings Ltd priced a USD550mn 5-year senior unsecured green bond at T+180bps, tightening from an IPT of T+210bps area. Korea Expressway Corp priced a USD500mn 3-year senior unsecured bond at T+85bps, tightening from an IPT of T+120bps area. DFZQ priced a USD300mn 3-year senior unsecured bond at T+76bps, tightening from an IPT of T+120bps area. Industrial Bank Co Ltd/Hong Kong priced a USD650mn 3-year green bond at T+52bps, tightening from an IPT of T+95bps area.

Daily Treasury Outlook

12 May 2022

	Day Close	% Change		Day Close	% Change
DX	103.846	-0.07%	USD-SGD	1.3896	-0.09%
USD-JPY	129.970	-0.37%	EUR-SGD	1.4609	-0.23%
EUR-USD	1.051	-0.15%	JPY-SGD	1.0696	0.32%
AUD-USD	0.694	0.00%	GBP-SGD	1.7032	-0.61%
GBP-USD	1.225	-0.53%	AUD-SGD	0.9644	-0.06%
USD-MYR	4.378	-0.12%	NZD-SGD	0.8759	0.10%
USD-CNY	6.722	-0.19%	CHF-SGD	1.3983	0.09%
USD-IDR	14558	0.01%	SGD-MYR	3.1588	0.12%
USD-VND	22993	0.20%	SGD-CNY	4.8478	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.53%	O/N	0.8237	0.83%
2M	-0.3360	-0.34%	1M	0.8431	0.84%
3M	-0.4170	-0.40%	2M	0.1525	0.15%
6M	-0.2020	-0.18%	3M	1.3999	1.40%
9M	-0.1940	-0.20%	6M	1.9320	1.98%
12M	0.2360	0.26%	12M	2.5883	2.67%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.133	0.533	1.369
07/27/2022	4.097	1.024	1.86
09/21/2022	5.66	1.415	2.251
11/02/2022	6.758	1.69	2.525
12/14/2022	7.687	1.922	2.757
02/01/2023	8.216	2.054	2.89

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	105.71	5.96%	Corn (per bushel)	8.023	2.0%
Brent (per barrel)	107.51	4.93%	Soybean (per bushel)	16.503	1.2%
Heating Oil (per gallon)	395.12	0.48%	Wheat (per bushel)	11.088	2.4%
Gasoline (per gallon)	368.55	4.07%	Crude Palm Oil (MYR/MT)	71.530	2.9%
Natural Gas (per MMBtu)	7.64	3.45%	Rubber (JPY/KG)	2.480	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9340.00	1.21%	Gold (per oz)	1852.4	0.8%
Nickel (per mt)	27806.00	-2.14%	Silver (per oz)	21.6	1.4%

Equity and Commodity

Index	Value	Net change
DJIA	31,834.11	-326.63
S&P	3,935.18	-65.87
Nasdaq	11,364.24	-373.43
Nikkei 225	26,213.64	46.54
STI	3,226.07	-8.12
KLCI	1,555.93	1.35
JCI	6,816.20	-3.59
Baltic Dry	2,939.00	108.00
VIX	32.56	-0.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.18 (-0.04)	2.63(-)
5Y	2.61 (-0.06)	2.9 (-0.02)
10Y	2.81 (-0.06)	2.89 (-0.07)
15Y	2.93 (-0.05)	--
20Y	2.96 (-0.04)	--
30Y	2.79 (-0.04)	3.03 (-0.08)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	7.10	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.78
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/12/2022 02:00	US Monthly Budget Statement	Apr	\$260.0b	\$308.2b	-\$225.6b
05/12/2022 05:00	NZ REINZ House Sales YoY	Apr	--	-35.20%	-33.50%
05/12/2022 06:45	NZ Food Prices MoM	Apr	--	0.10%	0.70%
05/12/2022 07:50	JN BoP Current Account Balance	Mar	¥1737.5b	¥2549.3b	¥1648.3b
05/12/2022 10:00	PH GDP YoY	1Q	6.80%	--	7.70%
05/12/2022 14:00	UK GDP QoQ	1Q P	1.00%	--	1.30%
05/12/2022 14:00	UK GDP YoY	1Q P	8.90%	--	6.60%
05/12/2022 14:00	UK Industrial Production MoM	Mar	0.00%	--	-0.60%
05/12/2022 14:00	UK Manufacturing Production MoM	Mar	0.00%	--	-0.40%
05/12/2022 14:00	UK Trade Balance GBP/Mn	Mar	-£7800m	--	-£9261m
05/12/2022 14:00	UK Industrial Production YoY	Mar	0.60%	--	1.60%
05/12/2022 20:00	IN Industrial Production YoY	Mar	1.30%	--	1.70%
05/12/2022 20:00	IN CPI YoY	Apr	7.42%	--	6.95%
05/12/2022 20:30	US Initial Jobless Claims	May-07	192k	--	200k
05/12/2022 20:30	US PPI Final Demand MoM	Apr	0.50%	--	1.40%
05/12/2022 20:30	US Continuing Claims	Apr-30	1368k	--	1384k

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

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