

Daily Treasury Outlook

12 September 2022

Highlights

Global: Hawkish rhetoric continues to haunt financial markets, but this did not douse market enthusiasm which led to the S&P 500 gaining 1.53% on Friday while the 10-year UST bond yield was little changed at 3.31%. Fed's Waller said he supports "another significant increase" until he sees a meaningful and persistent moderation in the rise of core prices, while Bullard also said he is leaning "more strongly towards" a jumbo 75bps rate hike for the 20-21 September FOMC meeting. A San Francisco Fed study also suggested that inflation will only return to its 2% target at the beginning of 2025. Meanwhile, Deutsche Bundesbank President Nagel opined that "further clear steps must follow" last week's historic 75bps rate hike if the inflation picture stays the same, reinforcing market expectations that another 75bps rate hike may follow at the October meeting. Elsewhere, BoE has delayed its policy decision a week from 15 September to 22 September, but a 75bps rate hike may potentially be on the table notwithstanding new PM Truss' plan to cap energy prices for households.

Market watch: Asian markets may see a muted start to the week as some markets are closed for Mid-Autumn Festival holidays. Today's economic data calendar comprises of UK's July industrial production, and trade balance, and India's CPI. ECB's Guindos and Schnabel are also speaking today. For the week ahead, watch for US' CPI (tipped to moderate from 8.5% in July to 8% YoY in August, but core CPI may accelerate further from 5.9% to 6.1%) on Tuesday, and China's 1-year medium-term lending facility rate as well as its August data dump including industrial production, retail sales, jobless rate and fixed asset investments on Friday. Chinese President Xi is also making his first foreign trip in more than two years to Kazakhstan for a state visit and will also meet Russia's Putin in Uzbekistan.

SG: The July overall and citizen unemployment rates were steady at 2.1% and 3% respectively, but the resident unemployment rate edged up marginally from 2.8% to 2.9%.

CN: The latest August credit data reinforced concerns about weak sentiment in the household sector. Medium- to long-term loans to household sector only increased by CNY265.8bn, CNY160bn below that in August 2021. Household deposit increased by CNY828.6bn, way above the average CNY330bn increase in August in the past four years. The deteriorating household sentiment remains a key challenge for the Chinese economy. On a positive note, corporate demand for loans rebounded. In addition, fiscal policy remained supportive. Fiscal deposit in August fell by CNY257.2bn, bucking the trend of seasonal increase. This signals that China has stepped up its spending.

Key Market Movements

Equity	Value	% chg
S&P 500	4067.4	1.5%
DJIA	32152	1.2%
Nikkei 225	28215	0.5%
SH Comp	3262.1	0.8%
STI	3263.0	0.9%
Hang Seng	19362	2.7%
KLCI	1496.5	0.1%
	Value	% chg
DXY	109.003	-0.6%
USDJPY	142.47	-1.1%
EURUSD	1.0042	0.5%
GBPUSD	1.1589	0.7%
USDIDR	14830	-0.5%
USDSGD	1.3995	-0.4%
SGDMYR	3.2201	0.6%
	Value	chg (bp)
2Y UST	3.56	5.30
10Y UST	3.31	-0.73
2Y SGS	2.93	2.60
10Y SGS	3.09	-0.24
3M LIBOR	3.25	4.17
3M SIBOR	2.67	0.04
3M SOR	3.00	-1.47
3M SORA	1.74	1.81
3M SOFR	1.84	1.71
	Value	% chg
Brent	92.84	4.1%
WTI	86.79	3.9%
Gold	1717	0.5%
Silver	18.86	1.7%
Palladium	2179	1.7%
Copper	7857	0.6%
BCOM	118.52	2.0%

Source: Bloomberg

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Major Markets

SG: The STI rose 0.91% to close at 3,262.95 on Friday and may trade with a firm tone today given the risk-on tilt. SGS bonds are likely to range trade today.

MY: Bank Negara Malaysia said that the decline in the ringgit to multi-year lows is driven by gains in the US dollar and that it is not targeting any specific level for the currency. It reportedly said that even though the ringgit has weakened against the greenback, it has fared better against other currencies including the Japanese yen and Thai baht.

ID: Bank Indonesia said that it has not done much currency intervention amid the market volatility. The Executive Director for Monetary Management, Edi Susianto, reportedly said that the central bank sees FX supply and demand remaining manageable despite global risk-off sentiment on Friday, and that it "only occasionally" enters the market for smoothing volatility.

ESG Updates

SG: More wildlife species in Singapore could be added to the country's protected list later this year, which confers them greater legal protection from harm.

CN: China and the EU are questioning each other's climate change commitments, following the failure of G20 talks to agree a joint communique in Bali, amid objections over language used on climate targets and the Ukraine war.

Rest of the world: Europe unveiled the first of a €4 billion family of satellites designed to give earlier warning of extreme weather induced by climate change.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower last Friday with shorter and belly tenors trading 1bps lower (with the exception of 1Y which traded flat) and longer tenors trading 1-2bps lower (with the exception of 20Y and 30Y which traded 2 bps higher). UST 10Y yields fell by just 1bps last Friday as markets stayed wary of a slowing economy amidst more hawkish comments from several Federal Reserve (“Fed”) officials regarding their next moves on rate hikes. Fed Governor Christopher Waller commented on Friday that he will “support another significant increase in the policy rate...because of the strong labor market, right now there is no trade-off between the Fed’s employment and inflation objectives, so we will continue to aggressively fight inflation.” While pointing out welcome signs that inflation has been moderating from its 40-year peak, he also pointed out “The consequences of being fooled by a temporary softening in inflation could be even greater now if another misjudgment damages the Fed’s credibility.” Kansas City Fed president Esther George, the only member to vote against June’s 75bps rate hike, echoed his sentiments as well although she advocated a more deliberate approach and pointed out that “Given the likely lags in the passthrough of tighter monetary policy to real economic conditions, this argues for steadiness and purposefulness over speed.” Their comments come as the last of Fedspeak leading up to this week’s blackout period. Separately, US wholesale inventories increased by 0.6% MoM, below Bloomberg median estimates of 0.8% as businesses slowed down the replenishment of their stocks while US household net worth fell by a record USD6.1tn in 2Q2022, beating the previous record decline of USD6.08tn in 1Q2020 when financial markets tumbled following the onset of the COVID-19 pandemic.

New Issues: Shanghai Hong Kong International Investments Ltd (Guarantor: Lianyungang Port Group Co Ltd) priced a USD60mn retap of its 3-year USD250mn senior unsecured green bond at 6%, tightening from an IPT of 6.1% area. Frasers Property Treasury Pte Ltd (Guarantor: Frasers Property Ltd) is looking to issue a 5-year SGD420mn senior unsecured green retail bond at 4.49%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.003	-0.64%	USD-SGD	1.3995	-0.40%
USD-JPY	142.470	-1.14%	EUR-SGD	1.4055	0.06%
EUR-USD	1.004	0.45%	JPY-SGD	0.9818	0.70%
AUD-USD	0.684	1.33%	GBP-SGD	1.6217	0.33%
GBP-USD	1.159	0.74%	AUD-SGD	0.9573	0.92%
USD-MYR	4.498	-0.09%	NZD-SGD	0.8543	0.41%
USD-CNY	6.927	-0.45%	CHF-SGD	1.4575	0.66%
USD-IDR	14830	-0.46%	SGD-MYR	3.2201	0.57%
USD-VND	23517	-0.12%	SGD-CNY	4.9497	0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.4800	0.38%	O/N	2.3146	2.31%
2M	-0.3360	-0.34%	1M	2.7731	2.76%
3M	0.9340	0.84%	2M	0.1525	0.15%
6M	1.4420	1.35%	3M	3.2454	3.24%
9M	-0.1940	-0.20%	6M	3.8111	3.78%
12M	2.0150	1.90%	12M	4.1890	4.20%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	2.907	0.727	3.057
11/02/2022	5.072	1.268	3.599
12/14/2022	6.167	1.542	3.873
02/01/2023	6.596	1.649	3.980
03/22/2023	6.727	1.682	4.012
05/03/2023	6.639	1.660	3.990

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	86.79	3.89%	Corn (per bushel)	6.985	3.6%
Brent (per barrel)	92.84	4.14%	Soybean (per bushel)	14.893	1.3%
Heating Oil (per gallon)	357.87	1.09%	Wheat (per bushel)	8.533	5.3%
Gasoline (per gallon)	243.31	3.71%	Crude Palm Oil (MYR/MT)	35.000	1.8%
Natural Gas (per MMBtu)	8.00	1.02%	Rubber (JPY/KG)	2.229	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7856.50	0.59%	Gold (per oz)	1716.8	0.5%
Nickel (per mt)	22994.00	5.70%	Silver (per oz)	18.9	1.7%

Equity and Commodity

Index	Value	Net change
DJIA	32,151.71	377.19
S&P	4,067.36	61.18
Nasdaq	12,112.31	250.18
Nikkei 225	28,214.75	149.47
STI	3,262.95	29.34
KLCI	1,496.53	1.80
JCI	7,242.66	10.64
Baltic Dry	1,213.00	35.00
VIX	22.79	-0.82

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.93 (+0.03)	3.55(-)
5Y	2.98 (-0.01)	3.44 (+0.01)
10Y	3.09 (-)	3.31 (-0.01)
15Y	3.12 (-)	--
20Y	3.15 (+0.01)	--
30Y	3.13 (+0.02)	3.45 (-0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	142.20	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.28
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/12/2022 06:45	NZ Net Migration SA	Jul	--	-376.00	-896.00
09/12/2022 14:00	JN Machine Tool Orders YoY	Aug P	--	--	5.50%
09/12/2022 14:00	UK Industrial Production YoY	Jul	1.90%	--	2.40%
09/12/2022 14:00	UK Industrial Production MoM	Jul	0.30%	--	-0.90%
09/12/2022 14:00	UK Manufacturing Production YoY	Jul	1.50%	--	1.30%
09/12/2022 14:00	UK Manufacturing Production MoM	Jul	0.30%	--	-1.60%
09/12/2022 14:00	UK Trade Balance GBP/Mn	Jul	-£11300m	--	-£11387m
09/12/2022 14:00	UK Visible Trade Balance GBP/Mn	Jul	-£22350m	--	-£22847m
09/12/2022 14:00	UK Index of Services 3M/3M	Jul	-0.20%	--	-0.40%
09/12/2022 14:00	UK Index of Services MoM	Jul	0.40%	--	-0.50%
09/12/2022 14:00	UK Construction Output MoM	Jul	0.50%	--	-1.40%
09/12/2022 15:00	GE Current Account Balance	Jul	--	--	16.2b
09/12/2022 16:00	UK BoE/Ipsos Inflation Next 12 Mths	Aug	--	--	4.60%
09/12/2022 20:00	IN Industrial Production YoY	Jul	4.20%	--	12.30%
09/12/2022 20:00	IN CPI YoY	Aug	6.90%	--	6.71%
09/12/2022 20:00	CA Bloomberg Nanos Confidence	Sep-09	--	--	47.70

Source: Bloomberg

Treasury Research & Strategy

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