

Daily Treasury Outlook

13 May 2022

Highlights

Global: Less than inspiring words from Fed Chair Powell sent markets on a wild ride overnight. On the same day that the US Senate confirmed him for a second term as Fed Chair, Powell said the Federal Reserve cannot guarantee a soft landing for the economy. He said taming inflation was still the Fed's priority at this point and reiterated the June and July FOMC meetings are likely to see 50bps hikes, although he has not ruled out the possibility of 75bps hikes down the road. The S&P500 index fell as much as 2% during early trading, but managed to pare losses late in the day and closed the session with a 0.1% loss. The Treasury yield curve moved lower with the 2Y, 5Y and 10Y tenors all losing about 7-8bps each. The 10Y yield is now at 2.85% after touching as high as 3.20% on Monday.

Market watch: Asian markets may continue to see downside pressures today, following the market digestion of US CPI data release on Wednesday evening (Singapore time). Today's economic calendar kicks off with South Korea's export price index coming in at 21.40%, New Zealand's BusinessNZ manufacturing PMI coming in at 51.20 and Japan's money stock M2 and M3 coming in at 3.60% and 3.20% respectively. Due to be released today are India's imports and exports, Malaysia and Hong Kong's GDP, European Union's industrial production and US import price index.

US: The US Senate confirmed Jerome Powell's second term as Fed Chair, which means Powell will continue to hold the top seat in the Federal Reserve until early 2026. The vote ended overwhelmingly in Powell's favour at 80-19, with 6 Democrats and 13 Republicans voting against the nomination.

CN: China's deputy head of National Bureau of Statistics said that China's amount of infrastructure per capita is only 20%-30% of that of developed countries, showing great potential for infrastructure investments. Expanding infrastructure investment is the most effective way to counter short-term economic hardship. Elsewhere, China's utilized foreign direct investment rose by 26.1% yoy in dollar terms to US\$74.47 billion. FDI in high-tech manufacturing sector rose by 36.7% yoy while FDI in high-tech services sector rose by 48.3% yoy.

ID: Indonesia is expected to report its April foreign reserves print number today. Given how regional peers have reported softer reserves numbers over the period, there may be some expectation of a decline in the reserves, from the USD139.1bn level of the previous month, due in part to potential forex intervention activities and also some valuation effects on the holdings.

Oil: Brent was virtually unchanged yesterday, falling less than 0.1% on the day. The market likely is waiting for more clarity on the EU-Russia oil ban and Covid lockdown situation in China before it's next directional move.

Key Market Movements

Equity	Value	% chg
S&P 500	3930.1	-0.1%
DJIA	31730	-0.3%
Nikkei 225	25749	-1.8%
SH Comp	3055.0	-0.1%
STI	3165.2	-1.9%
Hang Seng	19380	-2.2%
KLCI	1538.8	-1.1%
	Value	% chg
DX	104.851	1.0%
USDJPY	128.34	-1.3%
EURUSD	1.0380	-1.3%
GBPUSD	1.2202	-0.4%
USDIDR	14597	0.3%
USDSGD	1.3963	0.5%
SGDMYR	3.1470	-0.4%
	Value	chg (bp)
2Y UST	2.56	-7.79
10Y UST	2.85	-7.28
2Y SGS	2.15	-2.90
10Y SGS	2.73	-7.73
3M LIBOR	1.42	2.20
3M SIBOR	1.11	0.00
3M SOR	1.38	0.00
3M SORA	0.38	0.75
3M SOFR	0.24	0.81
	Value	% chg
Brent	107.45	-0.1%
WTI	106.13	0.4%
Gold	1822	-1.7%
Silver	20.68	-4.1%
Palladium	1907	-6.4%
Copper	9090	-2.7%
BCOM	127.15	-0.2%

Source: Bloomberg

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Major Markets

SG: The STI is likely to face selling pressure today once more as markets continue to assess the impact of rising inflationary pressures on risk assets.

MY: Malaysia is due to report its Q1 GDP data today, with the market pencilling in a growth rate of 4.0% yoy, a slight uptick from 3.6% yoy before. Our baseline forecast is for a more conservative 3.0% yoy growth, although we might see some upside risks, as signalled by the confidence in BNM's decision to hike its policy rate this week as it saw the economy on firmer footing.

ESG Updates

SG: Singapore's first solar farm with an integrated rainwater harvesting system was opened by Sembcorp in Tuas on 6 May. The 17.6 MWp facility will reduce about 9,000 tonnes of CO2 emissions per year from non-renewable sources.

CN: China's climate-focused funds surpassed the US market with USD\$47 billion in assets last year, attributed to outperformance by the domestic clean energy sector. Climate funds rose to US\$31 billion in the US and US\$325 billion in Europe.

Rest of the world: EU lawmakers backed a plan to effectively ban new petrol and diesel car sales from 2035.

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Bond Market Updates

Market Commentary: Shorter tenors traded 0-4bps lower (with the exception of the 1Y which traded 2bps higher), belly tenors traded 6-9bps lower and longer tenors traded 9bps lower across the SGD SORA curve yesterday. UST 10Y yields traded 7bps lower to 2.85% yesterday, amid growing stagflation concerns and significant intraday equity market volatility which drove risk-off sentiments and demand for the safe-haven asset. Separately, the April producer price index (“PPI”) for final demand and initial jobless claims both came in higher-than-expected last evening (Singapore time). PPI for final demand in April came in higher-than-expected at a 11.0% yoy increase, above Bloomberg median estimates of a 10.7% yoy increase and only slightly below the prior month’s 11.2% yoy increase. This comes following the release of the higher-than-expected consumer price index (“CPI”) figures for April on Wednesday evening (Singapore time), pointing to persistently growing price pressures. Initial jobless claims for the week ended 7 May also came in higher-than-expected at 203,000 claims, above Bloomberg median estimates of 193,000.

New Issues: BOC Aviation Ltd priced a USD300mn 5-year senior unsecured bond at 4.334%.

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	Day Close	% Change		Day Close	% Change
DX	104.851	0.97%	USD-SGD	1.3963	0.48%
USD-JPY	128.340	-1.25%	EUR-SGD	1.4503	-0.73%
EUR-USD	1.038	-1.27%	JPY-SGD	1.0892	1.83%
AUD-USD	0.686	-1.18%	GBP-SGD	1.7045	0.08%
GBP-USD	1.220	-0.40%	AUD-SGD	0.9577	-0.69%
USD-MYR	4.394	0.38%	NZD-SGD	0.8707	-0.59%
USD-CNY	6.786	0.96%	CHF-SGD	1.3937	-0.33%
USD-IDR	14597	0.27%	SGD-MYR	3.1470	-0.37%
USD-VND	23087	0.41%	SGD-CNY	4.8658	0.37%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5660	-0.55%	O/N	0.8260	0.82%
2M	-0.3360	-0.34%	1M	0.8541	0.84%
3M	-0.4140	-0.42%	2M	0.1525	0.15%
6M	-0.2080	-0.20%	3M	1.4219	1.40%
9M	-0.1940	-0.20%	6M	1.9627	1.93%
12M	0.2270	0.24%	12M	2.6167	2.59%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.136	0.534	1.37
07/27/2022	4.088	1.022	1.858
09/21/2022	5.6	1.4	2.235
11/02/2022	6.671	1.668	2.503
12/14/2022	7.578	1.895	2.73
02/01/2023	8.045	2.011	2.847

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	106.13	0.40%	Corn (per bushel)	8.135	1.4%
Brent (per barrel)	107.45	-0.06%	Soybean (per bushel)	16.603	0.6%
Heating Oil (per gallon)	391.61	-0.89%	Wheat (per bushel)	11.745	5.9%
Gasoline (per gallon)	379.17	2.88%	Crude Palm Oil (MYR/MT)	69.900	-2.3%
Natural Gas (per MMBtu)	7.74	1.30%	Rubber (JPY/KG)	2.479	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9090.00	-2.68%	Gold (per oz)	1821.8	-1.7%
Nickel (per mt)	27810.00	0.01%	Silver (per oz)	20.7	-4.1%

Equity and Commodity

Index	Value	Net change
DJIA	31,730.30	-103.81
S&P	3,930.08	-5.10
Nasdaq	11,370.96	6.72
Nikkei 225	25,748.72	-464.92
STI	3,165.18	-60.89
KLCI	1,538.80	-17.13
JCI	6,599.84	-216.36
Baltic Dry	3,052.00	113.00
VIX	31.77	-0.79

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.15 (-0.03)	2.59(-)
5Y	2.53 (-0.09)	2.82 (-0.07)
10Y	2.73 (-0.08)	2.88 (-0.07)
15Y	2.86 (-0.07)	-
20Y	2.89 (-0.07)	-
30Y	2.7 (-0.08)	3.02 (-0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	7.40	(-)
TED	35.36	-

Secured Overnight Fin. Rate

SOFR	0.78
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/13/2022 05:00	SK Export Price Index YoY	Apr	--	21.40%	23.40%
05/13/2022 06:30	NZ BusinessNZ Manufacturing PMI	Apr	--	51.20	53.70
05/13/2022 07:50	JN Money Stock M2 YoY	Apr	3.40%	3.60%	3.50%
05/13/2022 07:50	JN Money Stock M3 YoY	Apr	3.00%	3.20%	3.10%
05/13/2022 09:00	CH Money Supply M0 YoY	Apr	9.80%	--	9.90%
05/13/2022 11:00	ID Foreign Reserves	Apr	--	--	\$139.10b
05/13/2022 11:30	IN Exports YoY	Apr	--	--	19.80%
05/13/2022 11:30	IN Imports YoY	Apr	--	--	24.20%
05/13/2022 12:00	MA GDP YoY	1Q	4.00%	--	3.60%
05/13/2022 15:30	TH Foreign Reserves	May-06	--	--	\$228.6b
05/13/2022 16:30	HK GDP YoY	1Q F	-4.00%	--	-4.00%
05/13/2022 16:30	HK GDP SA QoQ	1Q F	-2.90%	--	-2.90%
05/13/2022 17:00	EC Industrial Production SA MoM	Mar	-2.00%	--	0.70%
05/13/2022 17:00	EC Industrial Production WDA YoY	Mar	-1.00%	--	2.00%
05/13/2022 20:30	US Import Price Index MoM	Apr	0.60%	--	2.60%
05/13/2022 22:00	US U. of Mich. Sentiment	May P	64.00	--	65.20

Source: Bloomberg

Treasury Research & Strategy

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