

Daily Treasury Outlook

13 September 2022

Highlights

Global: The US equity rally extended overnight, with the S&P 500 clocking up another 1.06% gain to complete its best four-day surge since June, led by Apple on strong demand for iPhone 14 Pro Max, as well as hopes that US inflation is cooling. Meanwhile UST bonds dipped, pushing the 10-year yield up 5bps to 3.36% as the US\$32bn re-opening auction fetched 3.33% with a 2.37x bid-cover ratio (versus average 2.43x) on market expectations that tonight's US inflation print would show that prices are stabilizing. Oil prices rose while USD was lower against most G10 currencies. A US railroad worker strike by the end of this week, while Goldman Sachs is reportedly cutting hundreds of jobs. Elsewhere, the EU is seeking to curb power consumption, provide liquidity to energy markets, as well as cap excessive revenues of energy companies.

Market watch: Asian markets are likely to catch a tailwind from the global risk rally while awaiting the US' August headline and core inflation data which are tipped to print at 8.0% and 6.1% YoY respectively compared to 8.5% and 5.9% previously. Today's economic data calendar also comprises of Eurozone and Germany's ZEW survey, UK's July unemployment rate and August jobless claims, and US' NFIB small business optimism.

SG: SGX is pushing for full CEO pay disclosure and a nine-year cap on tenure of independent directors. The STI rose 0.36% to close at 3,274.72 yesterday and may extend gains today amid the risk-on tilt. SGS bonds may also come under some pressure today. There is a \$4.2bn of 6-month T-bill auction on 15 September.

CN: China's Evergrande said 668 out of 706 stalled housing projects have resumed construction. The remaining 38 will resume before the end of September. Elsewhere, Premier Li Keqiang reiterated yesterday to roll out more measures to support corporates and revive consumption.

MY: Malaysia's Finance Minister Zafrul Aziz said that the country's economic growth this year will probably surpass the government forecast after GDP grew at the fastest clip in a year in the second quarter. He told Bloomberg yesterday that any new estimates will likely be announced during the annual budget report that is slated to take place next month. The government had previously guided for the GDP growth to be between 5.3-6.3% this year.

ID: Indonesia's Finance Minister Sri Mulyani Indrawati said that the recent fuel price hikes will be adequate for the 2022 budget, suggesting that there will be no more fuel price increases to curtail the government expenditure this year. She noted that the government is sticking to the 2023 budget deficit estimate of 2.85% of GDP. She added in a Bloomberg forum that Indonesia should not use monetary policy excessively, and that monetary policy tightening should not hurt recovery.

Key Market Movements

Equity	Value	% chg
S&P 500	4110.4	1.1%
DJIA	32381	0.7%
Nikkei 225	28542	1.2%
SH Comp	3262.1	0.0%
STI	3274.7	0.4%
Hang Seng	19362	0.0%
KLCI	1498.0	0.1%
	Value	% chg
DXY	108.330	-0.6%
USDJPY	142.84	0.3%
EURUSD	1.0122	0.8%
GBPUSD	1.1683	0.8%
USDIDR	14842	0.1%
USDSGD	1.3959	-0.3%
SGDMYR	3.2276	0.2%
	Value	chg (bp)
2Y UST	3.57	1.49
10Y UST	3.36	4.81
2Y SGS	2.96	3.20
10Y SGS	3.10	0.76
3M LIBOR	3.25	0.97
3M SIBOR	2.67	0.00
3M SOR	3.00	0.00
3M SORA	1.79	5.32
3M SOFR	1.89	5.15
	Value	% chg
Brent	94	1.2%
WTI	87.78	1.1%
Gold	1725	0.4%
Silver	19.80	5.0%
Palladium	2269	4.1%
Copper	7956	1.3%
BCOM	120.78	1.9%

Source: Bloomberg

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ESG Updates

SG: MAS and SGX Group launched ESGenome, a digital disclosure portal for companies to report ESG data in a structured and efficient manner, for investors to access such data in a consistent format.

CN: Mortgage-backed green securities are surging in popularity in China as Beijing prioritises environmentally-friendly buildings to meet its climate targets.

Rest of the world: African ministers called for a sharp expansion of climate financing for their continent ahead of the COP27 climate summit, and pushed back against an abrupt move away from fossil fuels.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 8-9bps higher, belly tenors trading 6-7bps higher and longer tenors trading 5-6bps higher. UST 10Y yields rose by 5bps to 3.36% as markets await crucial inflation data that could provide further insights into the strength and duration of the Federal Reserve's ("Fed") monetary tightening policy moving forward. For the week ahead, investors are likely to focus on key economic data releases in the absence of Fedspeak due to their blackout period, with key inflation reports coming in through August's Consumer Price Index ("CPI") figures later tonight and August's Producer Price Index figures on Wednesday. Core CPI is likely to strengthen due to lags in rent increasing, which is expected to drive shelter up through to the end of the year, while overall CPI figures are expected to weaken on the backdrop of a fall in gasoline prices. Markets will also be looking ahead to Initial Jobless Claims for the week ended September 10 out on Thursday and preliminary Consumer Confidence Index data for September released by the University of Michigan on Friday as investors continue to assess the tight labour market and improving consumer sentiment observed in the prior readings.

New Issues: There were no new issuers yesterday

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	108.330	-0.62%	USD-SGD	1.3959	-0.26%
USD-JPY	142.840	0.26%	EUR-SGD	1.4130	0.53%
EUR-USD	1.012	0.80%	JPY-SGD	0.9773	-0.46%
AUD-USD	0.689	0.69%	GBP-SGD	1.6311	0.58%
GBP-USD	1.168	0.81%	AUD-SGD	0.9617	0.46%
USD-MYR	4.504	0.13%	NZD-SGD	0.8567	0.28%
USD-CNY	6.927	-0.45%	CHF-SGD	1.4634	0.40%
USD-IDR	14842	0.08%	SGD-MYR	3.2276	0.23%
USD-VND	23514	-0.01%	SGD-CNY	4.9640	0.29%

Equity and Commodity

Index	Value	Net change
DJIA	32,381.34	229.63
S&P	4,110.41	43.05
Nasdaq	12,266.41	154.10
Nikkei 225	28,542.11	327.36
STI	3,274.72	11.77
KLCI	1,497.96	1.43
JCI	7,254.46	11.81
Baltic Dry	1,213.00	35.00
VIX	23.87	1.08

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%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.96 (+0.03)	3.55(-)
5Y	2.98 (-)	3.45 (+0.01)
10Y	3.1 (+0.01)	3.34 (+0.05)
15Y	3.14 (+0.01)	--
20Y	3.17 (+0.02)	--
30Y	3.15 (+0.02)	3.5 (+0.06)

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	5.129	1.282	3.613
12/14/2022	6.227	1.557	3.887
02/01/2023	6.605	1.651	3.982
03/22/2023	6.737	1.684	4.015
05/03/2023	6.626	1.657	3.987

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	2.28
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	87.78	1.14%	Corn (per bushel)	7.123	2.0%
Brent (per barrel)	94.00	1.25%	Soybean (per bushel)	15.498	4.1%
Heating Oil (per gallon)	360.31	0.68%	Wheat (per bushel)	8.413	-1.4%
Gasoline (per gallon)	244.48	0.48%	Crude Palm Oil (MYR/MT)	35.500	1.4%
Natural Gas (per MMBtu)	8.25	3.16%	Rubber (JPY/KG)	2.220	-0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7955.50	1.26%	Gold (per oz)	1724.5	0.4%
Nickel (per mt)	24577.00	6.88%	Silver (per oz)	19.8	5.0%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/13/2022 05:00	NZ REINZ House Sales YoY	Aug	--	-18.30%	-36.70%
09/13/2022 06:45	NZ Food Prices MoM	Aug	--	1.10%	2.10%
09/13/2022 07:50	JN PPI YoY	Aug	8.90%	9.00%	8.60%
09/13/2022 08:30	AU Westpac Consumer Conf SA MoM	Sep	--	--	-3.00%
09/13/2022 09:30	AU NAB Business Confidence	Aug	--	--	7.00
09/13/2022 14:00	UK Jobless Claims Change	Aug	--	--	-10.6k
09/13/2022 14:00	GE CPI YoY	Aug F	7.90%	--	7.90%
09/13/2022 14:00	UK ILO Unemployment Rate 3Mths	Jul	3.80%	--	3.80%
09/13/2022 14:00	GE CPI MoM	Aug F	0.30%	--	0.30%
09/13/2022 14:00	UK Claimant Count Rate	Aug	--	--	3.90%
09/13/2022 14:00	GE CPI EU Harmonized YoY	Aug F	8.80%	--	8.80%
09/13/2022 17:00	GE ZEW Survey Expectations	Sep	-59.50	--	-55.30
09/13/2022 17:00	GE ZEW Survey Current Situation	Sep	-52.10	--	-47.60
09/13/2022 20:30	US CPI MoM	Aug	-0.10%	--	0.00%
09/13/2022 20:30	US CPI YoY	Aug	8.10%	--	8.50%
09/13/2022 20:30	US CPI Ex Food and Energy MoM	Aug	0.30%	--	0.30%

Source: Bloomberg

Treasury Research & Strategy

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