

Daily Treasury Outlook

14 September 2022

Highlights

Global: Will 100bps be next? Fragile market sentiments cracked in the face of a nasty inflation print which disappointed market hopes for easing prices. The US headline CPI slowed from 8.5% to 8.3% YoY (0.1% MoM) but missed consensus forecast of 8.1%, while the core CPI accelerated more than expected from 5.9% to 6.3% YoY (0.6% MoM), driven by rental inflation that saw its biggest monthly surge as well as food, transportation, medical care and recreation services. This data print fuelled market speculation that the Fed would hike at least 75bps for the third straight meeting at the 22 September FOMC meeting, with some even anticipating a possible 100bps. The S&P 500 slumped 4.32% overnight in its worst session since 11 June 2020 and erasing nearly all the gains in the last four-day rally due to the drag by tech stocks, while VIX jumped to 27.27. UST bond yields jumped on hawkish Fed expectations with the 10-year yield up 5bps to 3.41% while the 2-year surged 18bps to 3.76%. The US\$18bn 30-year bond auction fetched 3.511%, the highest since 2014. Meanwhile, the Biden administration is considering replenishing its Strategic Petroleum Reserve when oil prices fall below US\$80 per barrel, following the release of a record 180 million barrels of oil post-Ukraine war.

Market watch: Asian markets are likely to start trading today on a choppy note given the overnight tumble in US markets. Market attention will turn to the UK's August CPI/PPI/RPI data out later, with India's wholesale prices, HK and Eurozone's industrial production, and US' August PPI also on tap. ECB's Villeroy is also speaking today.

SG: S'pore spent S\$72.3bn on COVID-19 in FY2020-21, less than the S\$100bn budgeted. The STI added 0.47% to close at 3,290.08 yesterday but is likely to be mired in a sea of red ink today similar to regional markets amid the weak sentiments. SGS bond yields may also adjust higher today tracking the hawkish momentum prevalent in the UST bond market. The MAS 84-day bill auction fetched 3.25% with a bid-cover ratio of 1.93x.

MY: Malaysia's former PM Najib Razak has reportedly been hospitalized for a blood pressure condition, resulting in the deferral of a corruption trial. Previously, he had been convicted for his role in the 1MDB scandal and started serving a 12-year prison sentence last month.

ID: Indonesia's Finance Ministry said that it has sold IDR19tn worth of bonds and T-bills in the auction on Tuesday. According to the debt management office, the result was in line with the government's indicative target. It received a total of IDR52.06tn of incoming bids. Foreign investors are said to have accounted for 16.04% of incoming bids and 18.74% of awarded bids.

Key Market Movements

Equity	Value	% chg
S&P 500	3932.7	-4.3%
DJIA	31105	-3.9%
Nikkei 225	28615	0.3%
SH Comp	3263.8	0.1%
STI	3290.1	0.5%
Hang Seng	19327	-0.2%
KLCI	1487.8	-0.7%
	Value	% chg
DXY	109.815	1.4%
USDJPY	144.58	1.2%
EURUSD	0.9970	-1.5%
GBPUSD	1.1493	-1.6%
USDIDR	14852	0.1%
USDSGD	1.4069	0.8%
SGDMYR	3.2328	0.2%
	Value	chg (bp)
2Y UST	3.76	18.46
10Y UST	3.41	5.02
2Y SGS	2.98	2.00
10Y SGS	3.09	-0.95
3M LIBOR	3.27	2.47
3M SIBOR	2.67	0.00
3M SOR	3.02	0.00
3M SORA	1.81	1.68
3M SOFR	1.91	1.77
	Value	% chg
Brent	93.17	-0.9%
WTI	87.31	-0.5%
Gold	1702	-1.3%
Silver	19.33	-2.3%
Palladium	2107	-7.1%
Copper	7869	-1.1%
BCOM	120.11	-0.6%

Source: Bloomberg

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Bond Market Updates

Market Commentary: The SGD SORA curve traded unevenly yesterday with shorter tenors trading 1-2bps higher while belly and longer tenors traded 1bps lower (with the exception of longer tenors which traded flat). UST 10Y yields rose by 5bps again to 3.41% as markets assessed key inflation data that came in through Consumer Price Index ("CPI") data for August released by the US Labour Department. Headline CPI came in at 8.3% YoY, above Bloomberg median estimates of 8.1% although it was still below July's 8.5% while core CPI which excludes the volatile food and energy prices came in at 6.3% YoY, above Bloomberg median estimates and July's figure of 6.1% and 5.9% respectively. The firm inflation readings were despite the easing global supply chains and fall in gasoline prices. More concerning was the fact that shelter and services, the stickier components of CPI continued to accelerate and could remain elevated for longer. Markets are now largely expecting the Federal Reserve ("Fed") to hike by 75bps for a third consecutive time at its September meeting next week as it continues to attempt in cooling the economy and rein in inflation.

New Issues: Jiantou International Hong Kong Co Ltd (Keepwell Provider: Jiande State-owned Assets Management Co., Ltd) priced a 3-year USD74mn senior unsecured bond at 6.4%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.815	1.37%	USD-SGD	1.4069	0.79%
USD-JPY	144.580	1.22%	EUR-SGD	1.4028	-0.72%
EUR-USD	0.997	-1.50%	JPY-SGD	0.9731	-0.43%
AUD-USD	0.673	-2.29%	GBP-SGD	1.6167	-0.88%
GBP-USD	1.149	-1.63%	AUD-SGD	0.9470	-1.53%
USD-MYR	4.507	0.08%	NZD-SGD	0.8439	-1.49%
USD-CNY	6.931	0.06%	CHF-SGD	1.4630	-0.03%
USD-IDR	14852	0.07%	SGD-MYR	3.2328	0.16%
USD-VND	23557	0.18%	SGD-CNY	4.9299	-0.69%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.5860	0.48%	O/N	2.3177	2.31%
2M	-0.3360	-0.34%	1M	2.7834	2.77%
3M	0.9880	0.93%	2M	0.1525	0.15%
6M	1.4940	1.44%	3M	3.2701	3.25%
9M	-0.1940	-0.20%	6M	3.8064	3.81%
12M	2.0750	2.02%	12M	4.2456	4.19%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	3.379	0.845	3.172
11/02/2022	5.996	1.499	3.827
12/14/2022	7.439	1.860	4.188
02/01/2023	7.897	1.974	4.302
03/22/2023	8.069	2.017	4.345
05/03/2023	7.914	1.978	4.306

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	87.31	-0.54%	Corn (per bushel)	7.090	-0.5%
Brent (per barrel)	93.17	-0.88%	Soybean (per bushel)	15.343	-1.0%
Heating Oil (per gallon)	354.13	-1.72%	Wheat (per bushel)	8.428	0.2%
Gasoline (per gallon)	248.04	1.46%	Crude Palm Oil (MYR/MT)	37.590	5.9%
Natural Gas (per MMBtu)	8.28	0.42%	Rubber (JPY/KG)	2.200	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7868.50	-1.09%	Gold (per oz)	1702.2	-1.3%
Nickel (per mt)	24281.00	-1.20%	Silver (per oz)	19.3	-2.3%

Equity and Commodity

Index	Value	Net change
DJIA	31,104.97	-1276.37
S&P	3,932.69	-177.72
Nasdaq	11,633.57	-632.84
Nikkei 225	28,614.63	72.52
STI	3,290.08	15.36
KLCI	1,487.84	-10.12
JCI	7,318.02	63.55
Baltic Dry	1,256.00	43.00
VIX	27.27	3.40

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.98 (+0.02)	3.79(--)
5Y	2.98 (-0.01)	3.58 (+0.13)
10Y	3.09 (-0.01)	3.44 (+0.05)
15Y	3.11 (-0.02)	--
20Y	3.16 (-0.02)	--
30Y	3.15 (--)	3.51 (-0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	147.60	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.28
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/14/2022 02:00	US Monthly Budget Statement	Aug	-\$217.0b	-\$219.6b	-\$170.6b
09/14/2022 07:50	JN Core Machine Orders MoM	Jul	-0.60%	5.30%	0.90%
09/14/2022 09:00	PH Overseas Cash Remittances YoY	Jul	2.90%	--	4.40%
09/14/2022 11:30	IN Exports YoY	Aug	--	--	2.10%
09/14/2022 12:30	JN Industrial Production MoM	Jul F	--	--	1.00%
09/14/2022 12:30	JN Industrial Production YoY	Jul F	--	--	-1.80%
09/14/2022 12:30	JN Capacity Utilization MoM	Jul	--	--	9.60%
09/14/2022 14:00	UK CPI YoY	Aug	10.00%	--	10.10%
09/14/2022 14:00	UK CPI MoM	Aug	0.60%	--	0.60%
09/14/2022 14:00	UK CPI Core YoY	Aug	6.20%	--	6.20%
09/14/2022 14:00	UK RPI MoM	Aug	0.60%	--	0.90%
09/14/2022 14:00	UK RPI YoY	Aug	12.30%	--	12.30%
09/14/2022 14:30	IN Wholesale Prices YoY	Aug	13.00%	--	13.93%
09/14/2022 19:00	US MBA Mortgage Applications	Sep-09	--	--	-0.80%
09/14/2022 20:30	US PPI Final Demand MoM	Aug	-0.10%	--	-0.50%
09/14/2022 20:30	CA Manufacturing Sales MoM	Jul	-0.90%	--	-0.80%

Source: Bloomberg

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