

Daily Treasury Outlook

15 September 2022

Highlights

Global: Stabilization after US inflation shock - the S&P 500 recovered 0.34% while longer-dated UST bonds also saw some relief with the 10- and 30-year yields back down 1-3bps to 3.40% and 3.47% respectively, albeit the 2-year yield ploughed 3bps higher to 3.79% amid hawkish Fed rate hike expectations. This caused the 2-30 year yield curve to briefly invert by up to 34bps, beating the record seen back in 2000, while the 119-day bills fetched 3.55%. US producer prices had fallen for a second month by 0.1% MoM (8.7% YoY) in August, although the core PPI rose more than expected by 0.4% MoM (7.3% YoY). Meanwhile, natural gas futures surged 10% yesterday, partly due to fears that a looming US rail strike may disrupt coal deliveries and increase the vulnerability on tight gas supplies, with a similar story for other commodities like corn. Separately, the New Zealand economy avoided a technical recession as 2Q growth rose 1.7% QoQ (0.4% YoY) after a 1Q22 contraction of 0.2% QoQ (1.0% YoY) amid its tourism revival and notwithstanding aggressive RBNZ rate hikes to combat a 32-year high inflation of 7.3%. Elsewhere, ECB's Holzmann warned that inflation is "likely to accelerate even more" and "we'll continue to react in future" while France will cap electricity and gas price hikes at 15% for households and small companies next year.

Market watch: Asian markets may also see some stabilization today. Today's economic data calendar comprises of Indonesia's August trade data and US' August retail sales, initial jobless claims, industrial production and import prices. ECB's Guindos and Centeno are also speaking since Fed officials are in the blackout period ahead of the FOMC meeting on 22 September. Chinese President Xi and Russian President Putin are also meeting in Uzbekistan today.

SG: Total employment recovered to 99.5% of pre-Covid levels with 1H22 employment of 108.5k, of which the bulk (95.4k) were by non-residents namely in the construction and manufacturing sectors. Retrenchments fell to a record low of 990 while the ratio of job vacancies to unemployed persons rose to 2.53x. The labour market may remain generally tight for the next 3-6 months with attendant wage pressures, as growth firms may be reluctant to unwind their recent hiring for fear of difficulty of talent attraction/retention if this bout of market caution is temporary, but the external risks from a global growth downturn amid aggressive monetary policy tightening and geopolitical tensions are growing.

CN: China's State Council unveiled additional fiscal supports to the manufacturing sector and reiterated that opening-up is China's basic national policy. More than CNY200bn relending quota will be launched to support commercial banks to grant medium to long term loans to companies in the manufacturing, service and social services industries as well as smaller companies in other industries to upgrade equipment in the fourth quarter at an interest rate of no more than 3.2%. 2.5% interest rate cost will also be subsidized by the central budget, which will reduce the effective borrowing cost for equipment upgrade to no higher than 0.7%.

Key Market Movements

Equity	Value	% chg
S&P 500	3946.0	0.3%
DJIA	31135	0.1%
Nikkei 225	27819	-2.8%
SH Comp	3237.5	-0.8%
STI	3258.0	-1.0%
Hang Seng	18847	-2.5%
KLCI	1468.4	-1.3%
	Value	% chg
DXY	109.658	-0.1%
USDJPY	143.08	-1.0%
EURUSD	0.9981	0.1%
GBPUSD	1.1539	0.4%
USDIDR	14908	0.4%
USDSGD	1.4062	0.0%
SGDMYR	3.2257	-0.2%
	Value	chg (bp)
2Y UST	3.79	3.21
10Y UST	3.40	-0.37
2Y SGS	3.11	12.70
10Y SGS	3.16	6.68
3M LIBOR	3.29	2.24
3M SIBOR	2.67	0.00
3M SOR	3.04	0.00
3M SORA	1.82	1.77
3M SOFR	1.93	1.76
	Value	% chg
Brent	94.1	1.0%
WTI	88.48	1.3%
Gold	1697	-0.3%
Silver	19.63	1.5%
Palladium	2167	2.9%
Copper	7803	-0.8%
BCOM	121.39	1.1%

Source: Bloomberg

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Major Markets

SG: The STI declined 0.97% to 3,258.02 yesterday, but may stabilise today amid more positive market cues. Shorter-dated SGS bonds which bore the brunt of the sell-off yesterday may remain under pressure today, tracking the UST bond market performance.

MY: Malaysia's Finance Minister Zafrul Aziz said that the country is not experiencing an economic crisis just because the ringgit is trading at a low level against the US dollar. In a video posted on his social media page, he said that the ringgit's performance should be viewed holistically, not just in comparison with the dollar. He noted that the ringgit has strengthened against other currencies.

ID: News reports suggest that the PDI-P party may be looking into nominating President Jokowi as a vice presidential candidate for the 2024 election. As relayed by Bloomberg, a Kompas article quoted a senior party official as saying that there is no constitutional rule preventing Jokowi from running as VP, adding that his nomination will depend on the wishes of the party's chairwoman Megawati Soekarnoputri.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 19-22bps higher while belly tenors traded 11-17bps higher and longer tenors traded 7-9bps higher (with the exception of 30Y which traded 3bps higher). UST 10Y yields fell by 1bps to 3.40% yesterday as markets assessed more inflation prints for August with Producer Price Index ("PPI") data released by the Labour Department showing that US producer prices fell for the second consecutive month in August. Headline PPI came in at 8.7% YoY, the lowest reading since exactly a year ago and below Bloomberg median estimates of 8.8% while core PPI which excludes the volatile food and energy prices came in at 7.3%, above Bloomberg median estimates of 7%. Underlying producer inflation appeared to have been helped by falling gasoline prices and loosening supply chains, although the figures come on the backdrop of a surprise increase in both headline and core Consumer Price Index ("CPI") figures released the previous day which is likely to have cemented a 75bps rate hike, at least, ahead of the Federal Reserve's ("Fed") meeting next week.

New Issues: Jinko Power Technology Co. has mandated banks to arrange a series of fixed income investor calls commencing 14 September 2022 for a proposed USD credit enhanced green bond offering. Export Finance Australia has mandated banks for its proposed USD senior unsecured fixed rate bonds offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.658	-0.14%	USD-SGD	1.4062	-0.05%
USD-JPY	143.080	-1.04%	EUR-SGD	1.4037	0.06%
EUR-USD	0.998	0.11%	JPY-SGD	0.9822	0.94%
AUD-USD	0.675	0.27%	GBP-SGD	1.6225	0.36%
GBP-USD	1.154	0.40%	AUD-SGD	0.9489	0.20%
USD-MYR	4.528	0.46%	NZD-SGD	0.8442	0.04%
USD-CNY	6.962	0.45%	CHF-SGD	1.4614	-0.11%
USD-IDR	14908	0.38%	SGD-MYR	3.2257	-0.22%
USD-VND	23591	0.14%	SGD-CNY	4.9549	0.51%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6190	0.59%	O/N	2.3114	2.32%
2M	-0.3360	-0.34%	1M	2.8177	2.78%
3M	1.0000	0.99%	2M	0.1525	0.15%
6M	1.5380	1.49%	3M	3.2926	3.27%
9M	-0.1940	-0.20%	6M	3.8369	3.81%
12M	2.1020	2.08%	12M	4.2390	4.25%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	3.250	0.813	3.142
11/02/2022	5.957	1.489	3.819
12/14/2022	7.480	1.870	4.200
02/01/2023	8.024	2.006	4.336
03/22/2023	8.240	2.060	4.390
05/03/2023	8.107	2.027	4.357

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	88.48	1.34%	Corn (per bushel)	7.090	0.0%
Brent (per barrel)	94.10	1.00%	Soybean (per bushel)	15.038	-2.0%
Heating Oil (per gallon)	337.89	-4.59%	Wheat (per bushel)	8.538	1.3%
Gasoline (per gallon)	252.45	1.78%	Crude Palm Oil (MYR/MT)	37.000	-1.6%
Natural Gas (per MMBtu)	9.11	10.02%	Rubber (JPY/KG)	2.164	-1.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7803.00	-0.83%	Gold (per oz)	1697.3	-0.3%
Nickel (per mt)	24217.00	-0.26%	Silver (per oz)	19.6	1.5%

Equity and Commodity

Index	Value	Net change
DJIA	31,135.09	30.12
S&P	3,946.01	13.32
Nasdaq	11,719.68	86.11
Nikkei 225	27,818.62	-796.01
STI	3,258.02	-32.06
KLCI	1,468.44	-19.40
JCI	7,278.08	-39.94
Baltic Dry	1,408.00	152.00
VIX	26.16	-1.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.11 (+0.13)	3.79(--)
5Y	3.09 (+0.11)	3.6 (+0.02)
10Y	3.16 (+0.07)	3.4 (0)
15Y	3.17 (+0.06)	--
20Y	3.2 (+0.04)	--
30Y	3.19 (+0.05)	3.46 (-0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	148.80	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.28
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/15/2022 06:45	NZ GDP YoY	2Q	0.00%	0.40%	1.20%
09/15/2022 06:45	NZ GDP SA QoQ	2Q	1.00%	1.70%	-0.20%
09/15/2022 07:50	JN Trade Balance	Aug	-¥2385.7b	-¥2817.3b	-¥1436.8b
09/14/2022 09:00	PH Overseas Cash Remittances YoY	Jul	2.90%	--	4.40%
09/15/2022 09:30	AU Unemployment Rate	Aug	3.40%	--	3.40%
09/15/2022 09:30	AU Employment Change	Aug	35.0k	--	-40.9k
09/15/2022 09:30	AU Participation Rate	Aug	66.60%	--	66.40%
09/15/2022 12:30	JN Tertiary Industry Index MoM	Jul	-0.10%	--	-0.20%
09/15/2022 20:30	US Initial Jobless Claims	Sep-10	227k	--	222k
09/15/2022 20:30	US Continuing Claims	Sep-03	1478k	--	1473k
09/15/2022 20:30	US Retail Sales Advance MoM	Aug	-0.10%	--	0.00%
09/15/2022 20:30	US Retail Sales Ex Auto MoM	Aug	0.00%	--	0.40%
09/15/2022 20:30	US Empire Manufacturing	Sep	-12.90	--	-31.30
09/15/2022 20:30	US Philadelphia Fed Business Outlook	Sep	2.30	--	6.20
09/15/2022 20:30	US Import Price Index MoM	Aug	-1.30%	--	-1.40%
09/15/2022 21:15	US Industrial Production MoM	Aug	0.00%	--	0.60%

Source: Bloomberg

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