

Daily Treasury Outlook

16 September 2022

Highlights

Global: Another down day – the S&P 500 declined 1.13% overnight to its lowest level since July, with tech stocks leading the decline, as market players weighed the prospects of another 75bps at next week's FOMC meeting and the possible forward guidance going out into early 2023 through the September dot plot and Fed Chair Powell's press conference. UST bond yields rose another 1-8bps higher overnight while the 52-week T-bill yield touched 4% intraday before finishing at 3.983% (highest since its reintroduction in 2008). On the data front, US' retail sales rebounded 0.3% in August, while the July data was revised lower to -0.4%, but the retail sales excluding auto and gas was unchanged at 0.3%, while initial jobless claims eased 5k to 213k with the four-week moving average at 224k (lowest since June) and the Philadelphia Fed business outlook gauge deteriorated more than expected from +6.2 to -9.9 in September. Meanwhile, pronounced CNH weakness overnight past the 7.0 handle for the first time since 2020 also pointed to low confidence ahead of today's data dump by China and today's daily fixing will be closely watched. Seven Chinese banks had also cut their benchmark deposit rates across the board for the first time since 2015. Oil prices also slipped as the US Department of Energy recanted its expected plans to restock petroleum reserves and China is mulling raising its fuel export quota, whereas natural gas futures fell after US railroads and unions reached a tentative deal to half a strike. Separately, the World Bank warned that global growth is slowing sharply but global core inflation rate could stay ~5% in 2023 and global monetary policy tightening could give rise to significant financial stress and trigger a global recession next year.

Market watch: Asian markets are likely to tread cautiously today as risk appetite remains somewhat nervous ahead of China's data dump and the upcoming FOMC meeting next week. Today's economic data calendar comprises of China's August retail sales, industrial production, fixed asset and property investment and jobless rate, UK's retail sales, Eurozone's CPI and US' University of Michigan Sentiment index. ECB's Lagarde, Rehn and Villeroy are also speaking today. Malaysian market is out for holiday today.

SG: August NODX accelerated from 7.0% YoY (1.4% MoM sa) in July to 11.4% YoY (-3.9% MoM sa), as the surge in pharmaceuticals (+68.8% YoY and -7.9% MoM sa) offset the weakness in electronics exports which shrank 4.5% YoY in August (the worst in 31 months due to the high base in 2021).

CN: China continued to see net inflows of foreign currency despite the RMB depreciation. Our preferred gauge net settlement of foreign currency in spot, forward and derivative by Chinese banks on behalf of clients remained high at US\$17.8bn. In addition, willingness to sell foreign currency remained stable at 71% in August. The August cross border flow data reinforced our view that the recent RMB depreciation was not due to changing demand supply matrix for foreign currency and capital outflows. PBoC kept the interest rate of CNY400bn medium-term lending facility (MLF) loans unchanged at 2.75% and partially rolled over CNY600bn of maturing MLF loans. The partial rollover since August despite China's easing bias was due to flushed short-end liquidity and increasing financial leverage activity.

Key Market Movements

Equity	Value	% chg
S&P 500	3901.4	-1.1%
DJIA	30962	-0.6%
Nikkei 225	27876	0.2%
SH Comp	3199.9	-1.2%
STI	3268.0	0.3%
Hang Seng	18930	0.4%
KLCI	1467.3	-0.1%
	Value	% chg
DXY	109.739	0.1%
USDJPY	143.52	0.3%
EURUSD	1.0001	0.2%
GBPUSD	1.1467	-0.6%
USDIDR	14898	-0.1%
USDSGD	1.4091	0.2%
SGDMYR	3.2269	0.0%
	Value	chg (bp)
2Y UST	3.86	7.65
10Y UST	3.45	4.46
2Y SGS	3.11	0.00
10Y SGS	3.16	0.38
3M LIBOR	3.48	19.09
3M SIBOR	2.76	0.00
3M SOR	3.06	0.00
3M SORA	1.84	1.58
3M SOFR	1.93	0.91
	Value	% chg
Brent	90.84	-3.5%
WTI	85.1	-3.8%
Gold	1665	-1.9%
Silver	19.17	-2.3%
Palladium	2141	-1.2%
Copper	7730	-0.9%
BCOM	117.76	-3.0%

Source: Bloomberg

Daily Treasury Outlook

16 September 2022

Major Markets

SG: The STI gained 0.31% to close at 3,267.98 but may be in consolidation mode today amid softer market sentiments. Longer-dated SGS bonds fared better yesterday, but front-end rates are likely to remain under pressure. The \$4.2bn 6-month T-bill auction fetched a yield of 3.32% and a bid-cover ratio of 2.17x yesterday.

CN: China's DR007, a market determined 7-day reverse repo rate between major financial institutions remained low at around 1.5%, way below the official reverse repo rate of 2%. Since April, the market rate has deviated from the official rate by a notable margin due to China's easing monetary policy. However, the persistent gap for more than five months also fuelled financial leverage. Daily overnight repo transaction volume has risen sharply from about CNY4.5tn in the beginning of April to more than CNY6tn in the past two months. This may lead to concerns about financial leverage. The partial rollover of MLF sends a warning signal to her market that PBoC will continue to keep an eye on financial leverage. Given that there will be an additional CNY2tn 1-year MLF maturing in the next four months, we expect China to continue to guide the market rate to converge back to the official rate via partial rollover of maturing loans.

ID: Indonesia continued to post supportive trade numbers, with the August print showing that exports grew by 30.15% YoY, considerably higher than 19.9% that was expected by the market. Within that, commodities continued to be the major drivers, with exports of mining up by 63.17% YoY, of oil & gas by 64.46%, and agriculture products by 31.17%. Imports rose by a relatively hefty 32.81% YoY, beating expectation but not by a whole lot. As a result, trade surplus proved to be substantial at USD5.76bn, versus estimated 4bn.

ESG Updates

CN: China's largest desert solar photovoltaic base located at Tengger Desert in Zhongwei, Northwest China's Ningxia Hui Autonomous Region, has started construction. This marks an important step in the development of new infrastructure amidst the country's push for carbon neutrality.

ID: Indonesia and Norway signed a deal to reward deforestation reduction. However, environmental activists say the deal will not change the situation in Indonesia with rampant deforestation to make way for palm and timber plantations that threaten endangered species and displace indigenous people.

Rest of the world: Ethereum underwent a major software upgrade that slashes the amount of energy needed to create new coins and carry out transactions.

Daily Treasury Outlook

16 September 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 9-10bps higher while belly tenors traded 8-9bps higher and longer tenors traded 6-7bps higher. UST 10Y yields rose by 5bps to 3.45% yesterday as markets assessed a mixed batch of incoming data from the consumer spending and manufacturing front as well as weekly jobless claims figures. Advanced retail sales MoM rose to 0.3%, above Bloomberg median estimates of 0.1% and prior's month flat reading, as retail sales got aided by lower gasoline prices and shifted spending to more motor vehicles and dining out. Manufacturing, which accounts for 11.9% of the US economy, was seen slowing through the Federal Reserve's ("Fed") monthly US Industrial Production survey which came in at 0.1%, a seven-month low although above Bloomberg median estimates of -0.1%. Separately, initial jobless claims for the week ended September 10 came in at 213k, declining again for a sixth consecutive week and below Bloomberg median estimates of 227k. The reading also marked a new three-month low and further reinforced the strength of the labour market, which coupled with the surprise uptick in inflation figures observed earlier in the week should provide ammunition for more aggressive monetary tightening ahead by the Fed as they seek to cool the economy.

New Issues: Korean Air Lines Co Ltd (Guarantor: Korea Development Bank) priced a USD300mn 3-year senior unsecured bond at T+90bps, tightening from an IPT of T+130bps area. Jinko Power Technology Co Ltd (Guarantor: China Merchants Bank, Shanghai branch) priced a USD100mn 3-year senior unsecured credit enhanced green bond at 4.8%, in line with its final guidance area. Xiamen Xiangyu Group Corp. has mandated banks to arrange a series of fixed income investor calls commencing 15 September 2022 for a proposed USD senior unsecured bond offering. Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd. has mandated banks for its proposed USD bonds offering.

Daily Treasury Outlook

16 September 2022

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	109.739	0.07%	USD-SGD	1.4091	0.21%
USD-JPY	143.520	0.31%	EUR-SGD	1.4092	0.39%
EUR-USD	1.000	0.20%	JPY-SGD	0.9820	-0.02%
AUD-USD	0.670	-0.68%	GBP-SGD	1.6159	-0.41%
GBP-USD	1.147	-0.62%	AUD-SGD	0.9444	-0.47%
USD-MYR	4.535	0.16%	NZD-SGD	0.8407	-0.41%
USD-CNY	6.995	0.47%	CHF-SGD	1.4653	0.27%
USD-IDR	14898	-0.07%	SGD-MYR	3.2269	0.04%
USD-VND	23618	0.11%	SGD-CNY	4.9645	0.19%

Equity and Commodity

Index	Value	Net change
DJIA	30,961.82	-173.27
S&P	3,901.35	-44.66
Nasdaq	11,552.36	-167.32
Nikkei 225	27,875.91	57.29
STI	3,267.98	9.96
KLCI	1,467.31	-1.13
JCI	7,305.60	27.52
Baltic Dry	1,595.00	187.00
VIX	26.27	0.11

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6690	0.62%	O/N	2.3221	2.31%
2M	-0.3360	-0.34%	1M	2.9391	2.82%
3M	1.0130	1.00%	2M	0.1525	0.15%
6M	1.5480	1.54%	3M	3.4834	3.29%
9M	-0.1940	-0.20%	6M	4.0101	3.84%
12M	2.1560	2.10%	12M	4.5321	4.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.11 (--)	3.86 (--)
5Y	3.11 (+0.02)	3.67 (+0.06)
10Y	3.16 (--)	3.44 (+0.04)
15Y	3.16 (-0.01)	--
20Y	3.18 (-0.02)	--
30Y	3.18 (-0.01)	3.46 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	3.250	0.813	3.137
11/02/2022	5.962	1.490	3.815
12/14/2022	7.590	1.898	4.222
02/01/2023	8.253	2.063	4.388
03/22/2023	8.530	2.132	4.458
05/03/2023	8.419	2.105	4.430

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	150.10	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.27
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.10	-3.82%	Corn (per bushel)	6.775	-4.4%
Brent (per barrel)	90.84	-3.46%	Soybean (per bushel)	14.515	-3.5%
Heating Oil (per gallon)	320.52	-5.14%	Wheat (per bushel)	8.450	-1.0%
Gasoline (per gallon)	242.87	-3.79%	Crude Palm Oil (MYR/MT)	37.000	0.0%
Natural Gas (per MMBtu)	8.32	-8.67%	Rubber (JPY/KG)	2.158	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7729.50	-0.94%	Gold (per oz)	1665.1	-1.9%
Nickel (per mt)	23127.00	-4.50%	Silver (per oz)	19.2	-2.3%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/16/2022 06:30	NZ BusinessNZ Manufacturing PMI	Aug	--	54.90	53.50
09/16/2022 07:00	SK Unemployment rate SA	Aug	3.00%	2.50%	--
09/16/2022 08:30	SI Non-oil Domestic Exports YoY	Aug	8.30%	--	--
09/16/2022 10:00	CH Industrial Production YoY	Aug	3.80%	--	--
09/16/2022 10:00	CH Retail Sales YoY	Aug	3.20%	--	--
09/16/2022 10:00	CH Industrial Production YTD YoY	Aug	3.60%	--	--
09/16/2022 14:00	UK Retail Sales Inc Auto Fuel MoM	Aug	-0.50%	--	--
09/16/2022 14:00	UK Retail Sales Ex Auto Fuel MoM	Aug	-0.70%	--	--
09/16/2022 14:00	UK Retail Sales Inc Auto Fuel YoY	Aug	-3.70%	--	--
09/16/2022 14:00	UK Retail Sales Ex Auto Fuel YoY	Aug	-3.50%	--	--
09/16/2022 15:30	TH Foreign Reserves	Sep-09	--	--	\$213.5b
09/16/2022 17:00	EC CPI YoY	Aug F	9.10%	--	9.10%
09/16/2022 17:00	EC CPI MoM	Aug F	0.50%	--	0.50%
09/16/2022 17:00	EC CPI Core YoY	Aug F	4.30%	--	4.30%
09/16/2022 20:15	CA Housing Starts	Aug	266.5k	--	275.3k
09/16/2022 22:00	US U. of Mich. Sentiment	Sep P	60.00	--	58.20

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Strategy & Research*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Keung Ching (Cindy)***Hong Kong & Macau*cindyckeung@ocbcwh.com**Herbert Wong***Hong Kong & Macau*herberthwong@ocbcwh.com**Ong Shu Yi***Environmental, Social & Governance (ESG)*ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@ocbc.com**Christopher Wong***FX Strategist*christopherwong@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W