

## Daily Treasury Outlook

17 May 2022

### Highlights

**Global:** China's economic slowdown was more apparent in April - industrial output unexpectedly contracted 2.9% yoy while retail sales slumped 11.1% and the unemployment rate rose to 6.1%, suggesting that its zero-Covid strategy is exacting an increasing toll on the economy. Still, Shanghai is gradually allowing shops to reopen from yesterday and PBOC cut the lower bound range of mortgage rates from 4.6% to 4.4% yesterday to boost the ailing housing market, although the 1-year policy lending rate was kept unchanged. Global risk appetite was also fragile after weak US factory data, India's announcement to ban wheat exports and the EU's warning that growth would stall at 0.2% this year under a severe scenario if Russian natural gas supplies are seriously disrupted, with the base case forecasts also trimmed to 2.7% and 2.3% for 2022-2023 versus 4% and 2.7% previously. On the geopolitical front, Finland and Sweden's efforts to join NATO is also being closely watched. The S&P declined 0.39% while UST bonds gained overnight amid the rising growth concerns and the yield curve bull-flattened with the 10-year bond yield closed down 4bps at 2.89%.

**Market watch:** Asian markets are likely to trade with a soft tone today, awaiting Fed chair Powell's speech. Today's economic data calendar comprises of Thailand's and Eurozone's 1Q22 GDP growth, Indonesia's April trade, UK's jobless claims and unemployment rate, India's wholesale prices, and US' retail sales. BOE's Cunliffe and Fed's Bullard are also speaking. For the rest of the week, watch for the G7 finance ministers and central bankers meeting as well as the Eurozone and UK's CPI tomorrow, BSP rate decision on Thursday (likely to hike its overnight borrowing rate by 25bps to 2.25%), and China's 1- and 5- year LPR fixings on Friday.

**CN:** The Chinese economy weakened significantly in April due to Covid lockdowns in some parts of China. Both industrial production and retail sales were weaker than expectation. Investment was the only data registering growth. Given Chinese economy is heading towards a sequential contraction in the second quarter amid free fall of property related data, China has stepped up its policy supports in the past week. PBOC announced on 15 May to allow commercial banks to lower its floor of mortgage rate for first-time home buyers. This is the first easing policy to support property market on the national level. The quasi-targeted interest rate cut showed that China has reckoned that the property market is the weakest link in Chinese economy. We expect China to lower its LPR fixing this week.

**US:** The New York manufacturing activity index unexpectedly fell for the second month in three months to -11.6 in May as orders and shipments plunged. China's UST bond holdings fell for the fourth straight month by US\$15.2b in March to US\$1.04tn (lowest since June 2010), whilst Japan's holdings also declined US\$73.9b to US\$1.23tn.

### Key Market Movements

Equity	Value	% chg
S&P 500	4008.0	-0.4%
DJIA	32223	0.1%
Nikkei 225	26547	0.5%
SH Comp	3073.7	-0.3%
STI	3191.2	0.0%
Hang Seng	19950	0.3%
KLCI	1544.4	0.0%
	Value	% chg
DXY	104.187	-0.4%
USDJPY	129.16	0.0%
EURUSD	1.0434	0.2%
GBPUSD	1.2319	0.5%
USDIDR	14613	0.0%
USDSGD	1.3918	-0.1%
SGDMYR	3.1497	0.0%
	Value	chg (bp)
2Y UST	2.57	-0.82
10Y UST	2.88	-3.63
2Y SGS	2.16	0.00
10Y SGS	2.77	0.00
3M LIBOR	1.44	3.24
3M SIBOR	1.11	0.00
3M SOR	1.42	0.00
3M SORA	0.39	0.00
3M SOFR	0.27	2.47
	Value	% chg
Brent	114.24	2.4%
WTI	114.2	3.4%
Gold	1824	0.7%
Silver	21.62	2.4%
Palladium	2031	4.3%
Copper	9239	0.9%
BCOM	130.84	2.0%

Source: Bloomberg

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### Major Markets

**SG:** NODX growth slowed from 7.7% yoy in March to 6.4% yoy in April, but shrank sequentially for the third straight month by 3.3% mom. Electronics exports accelerated to 12.8% yoy, while non-electronics exports grew 4.6% as pharmaceuticals fell 6.0% yoy. The STI closed 0.82% higher on Friday and may range trade with a cautious tone today amid the global growth concerns, especially in the US and China. SGS bonds are likely to be supported on the tilt towards risk off.

**MY:** Malaysia reported a good set of GDP prints on Friday ahead of the long weekend. At 5.0% yoy, it came well above market expectations and ours. While exports helped, the key factor in the outperformance was the recovery in the domestic consumption, bolstered by labour market normalization. Current account balance, however, dipped to 0.7% of GDP from 3.6% in Q4 last year, partly due to a rise in imports and also dividend repatriation.

**ID:** Indonesia is expected to report its trade numbers for the month of April today. Exports are forecasted to perform well still for the period, at 40.09% yoy growth, although milder than 44.36% of the previous month. Imports are seen growing by around 35.00% vs 30.85% before. Overall, the trade figures should still see some support coming from the commodities front, although the effects of the palm oil export ban will start to cloud the pictures soon.

**Oil:** Brent rose 2.4% to \$114.24/bbl overnight and is now close to testing its ceiling of \$115/bbl for the fourth time in two months. If Brent manages to break through this resistance, we expect a possible rally to a new record high to potentially materialise.

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### ESG Updates

**CN:** Ant Group Co., a fintech company spun off from Alibaba Group Holding Ltd., has completed the first sustainability-linked loan arrangement in China's tech sector. The company arranged a sustainability-linked revolving credit line with BNP Paribas SA. Its adherence to targets around using renewable energy and donating a percentage of revenue to environmental protection projects will be checked annually.

**ID:** Indonesia is aiming to be a global player in the EV industry as it is the world's largest nickel producer, which is a key component of batteries used in EVs. However, some locals are concerned of the impact to the environment and their livelihoods if companies mine the area.

**Rest of the world:** The Netherlands announced plans for a new green Dutch State Loan (DSL) bond issuance to be fully compliant with the EU taxonomy, aiming to raise €4-€5 billion to finance climate change mitigation and adaptation projects and initiatives.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded higher on Friday, with shorter tenors trading 2-4bps higher, belly tenors trading 5-6bps higher, and longer tenors trading 7-8bps higher. UST 10Y yields traded 4bps lower to 2.88% yesterday, as inflation concerns continued to weigh on investors. Former Federal Reserve Chair Ben Bernanke expressed his views that in retrospect the Federal Reserve had made a “mistake” in its slow response to surging inflation, resulting in the stagflation risks now. Separately, the Empire State Manufacturing Survey released by the Federal Reserve Bank of New York came in lower-than-expected at -11.6 for May, compared to Bloomberg median estimates of 15.0 and the prior month’s 24.6.

**New Issues:** There were no new issuances yesterday.

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	Day Close	% Change		Day Close	% Change
DXY	104.187	-0.36%	USD-SGD	1.3918	-0.08%
USD-JPY	129.160	-0.05%	EUR-SGD	1.4523	0.12%
EUR-USD	1.043	0.21%	JPY-SGD	1.0777	-0.03%
AUD-USD	0.697	0.45%	GBP-SGD	1.7144	0.36%
GBP-USD	1.232	0.46%	AUD-SGD	0.9702	0.35%
USD-MYR	4.399	0.11%	NZD-SGD	0.8783	0.32%
USD-CNY	6.786	-0.05%	CHF-SGD	1.3895	-0.10%
USD-IDR	14613	0.11%	SGD-MYR	3.1497	0.09%
USD-VND	23085	-0.04%	SGD-CNY	4.8640	-0.17%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5460	-0.54%	O/N	0.8257	0.83%
2M	-0.3360	-0.34%	1M	0.8867	0.87%
3M	-0.4030	-0.41%	2M	0.1525	0.15%
6M	-0.2090	-0.21%	3M	1.4437	1.41%
9M	-0.1940	-0.20%	6M	1.9950	1.96%
12M	0.1820	0.23%	12M	2.6521	2.63%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.102	0.526	1.365
07/27/2022	4.031	1.008	1.847
09/21/2022	5.569	1.392	2.232
11/02/2022	6.66	1.665	2.505
12/14/2022	7.551	1.888	2.727
02/01/2023	8.049	2.012	2.852

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	114.20	3.36%	Corn (per bushel)	8.095	1.9%
Brent (per barrel)	114.24	2.41%	Soybean (per bushel)	16.565	-3.9%
Heating Oil (per gallon)	390.75	-0.35%	Wheat (per bushel)	12.475	6.9%
Gasoline (per gallon)	402.29	1.64%	Crude Palm Oil (MYR/MT)	69.500	-0.6%
Natural Gas (per MMBtu)	7.96	3.82%	Rubber (JPY/KG)	2.415	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9238.50	0.87%	Gold (per oz)	1824.1	0.7%
Nickel (per mt)	26549.00	-2.62%	Silver (per oz)	21.6	2.4%

## Equity and Commodity

Index	Value	Net change
DJIA	32,223.42	26.76
S&P	4,008.01	-15.88
Nasdaq	11,662.79	-142.21
Nikkei 225	26,547.05	119.40
STI	3,191.16	25.98
KLCI	1,544.41	5.61
JCI	6,597.99	-1.85
Baltic Dry	3,104.00	-13.00
VIX	27.47	-1.40

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.16 (+0.01)	2.58(-)
5Y	2.57 (+0.04)	2.83 (-0.04)
10Y	2.77 (+0.04)	2.89 (-0.04)
15Y	2.91 (+0.04)	-
20Y	2.94 (+0.04)	-
30Y	2.74 (+0.04)	3.11 (+0.02)

## Financial Spread (bps)

Value	Change	
EURIBOR-OIS	8.50	(-)
TED	35.36	-

## Secured Overnight Fin. Rate

SOFR	0.79
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/17/2022 04:00	US Net Long-term TIC Flows	Mar	--	\$23.1b	\$141.7b
05/17/2022 04:00	US Total Net TIC Flows	Mar	--	\$149.2b	\$162.6b
05/17/2022 08:30	SI Non-oil Domestic Exports YoY	Apr	6.50%	--	7.70%
05/17/2022 09:30	TH GDP YoY	1Q	1.70%	--	1.90%
05/17/2022 12:00	ID Exports YoY	Apr	40.09%	--	44.36%
05/17/2022 12:30	JN Tertiary Industry Index MoM	Mar	1.10%	--	-1.30%
05/17/2022 14:00	UK Jobless Claims Change	Apr	--	--	-46.9k
05/17/2022 14:00	UK ILO Unemployment Rate 3Mths	Mar	3.80%	--	3.80%
05/17/2022 14:00	UK Claimant Count Rate	Apr	--	--	4.30%
05/17/2022 14:30	IN Wholesale Prices YoY	Apr	14.92%	--	14.55%
05/17/2022 17:00	EC GDP SA QoQ	1Q P	0.20%	--	0.20%
05/17/2022 17:00	EC GDP SA YoY	1Q P	5.00%	--	5.00%
05/17/2022 20:30	US Retail Sales Advance MoM	Apr	1.00%	--	0.50%
05/17/2022 20:30	US Retail Sales Ex Auto MoM	Apr	0.40%	--	1.10%
05/17/2022 21:15	US Industrial Production MoM	Apr	0.50%	--	0.90%
05/17/2022 21:15	US Capacity Utilization	Apr	78.60%	--	78.30%

Source: Bloomberg

## Treasury Research & Strategy

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