

Daily Treasury Outlook

18 May 2022

Highlights

Global: Keep pushing was the message from Fed chair Powell who indicated that the central bank would continue to hike interest rates until inflation comes off in “a clear and convincing way” even if it requires going past neutral and therefore brings some pain to the US economy. He also reiterated 50bps hikes for the upcoming June and July FOMC meetings, albeit “we don’t know with any confidence where neutral is”. However, Fed dove Kashkari said that it is not clear if the Fed would have to put the economy into recession to get inflation in check. US market sentiments improved overnight with the S&P500 registering a 2.02% rally (with Apple and Tesla higher) after the strong US retail sales data, while VIX dipped to 26.10. UST bonds sold off with the curve bear-flattening and the 10-year bond yield up 11bps to 2.99%. Elsewhere, strong UK average weekly earnings data of 7.0% for the three months through March and the 48-year low in the jobless rate at 3.7% drove BOE rate hike expectations higher and contributed to the 2-year gilt yield climbing up to 20bps to 1.43% despite BOE governor Bailey calling for wage restraint. Meanwhile, Japan shrank 1.0% QoQ sa annualised in 1Q22. Separately, Chinese Vice Premier Liu He said the government will support the development of digital economy companies and their public listings, suggesting a softer tone on regulatory clampdown.

Market watch: Asian markets may get a lift today amid the equity market rally in the US and China. Today’s economic data calendar comprises of China’s new home prices, UK’s April CPI/PPI/RPI, and US’ April housing starts, building permits and mortgage applications. Fed’s Harker and ECB’s Muller are also speaking today.

CN: China’s fiscal revenue fell by 41.34% YoY in April due to VAT tax rebate and Covid restriction. According to Ministry of Finance, VAT tax rebate in April hit CNY800 billion higher than expectations. If adjusted for VAT tax rebate, China’s fiscal revenue would drop by 4.60% YoY, reflecting the impact of the Covid restriction. Given China’s monetary and fiscal policy are working hand in hand to stabilize the market sentiment, this should be positive for overall risk sentiment in China.

US: Retail sales rose 0.9% in April, while the March data was also revised up to 1.4%, suggesting strong domestic demand despite elevated inflation. Meanwhile, industrial production also increased 1.1% MoM in April, the same as March and pushing the capacity utilisation up to 79.0%. The US Treasury Department’s Office of Foreign Assets Control is expected to let a temporary exemption lapse on 25 May which could bring Russia closer to default.

Oil: Brent failed to clear the \$115 resistance level once more and fell 2.0% overnight to \$111.93/bbl.

Key Market Movements

Equity	Value	% chg
S&P 500	4088.9	2.0%
DJIA	32655	1.3%
Nikkei 225	26660	0.4%
SH Comp	3093.7	0.6%
STI	3201.9	0.3%
Hang Seng	20603	3.3%
KLCI	1548.6	0.3%
	Value	% chg
DX	103.360	-0.8%
USDJPY	129.38	0.2%
EURUSD	1.0550	1.1%
GBPUSD	1.2493	1.4%
USDIDR	14650	0.3%
USDSGD	1.385	-0.5%
SGDMYR	3.1662	0.5%
	Value	chg (bp)
2Y UST	2.70	13.05
10Y UST	2.99	10.38
2Y SGS	2.16	0.10
10Y SGS	2.75	-1.84
3M LIBOR	1.46	1.13
3M SIBOR	1.11	0.00
3M SOR	1.42	0.00
3M SORA	0.44	5.26
3M SOFR	0.28	0.83
	Value	% chg
Brent	111.93	-2.0%
WTI	112.4	-1.6%
Gold	1815	-0.5%
Silver	21.63	0.1%
Palladium	2058	1.3%
Copper	9366	1.4%
BCOM	131.63	0.6%

Source: Bloomberg

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Major Markets

SG: Visitor arrivals rose for the third straight month to 294,300 in April, mainly from Indonesia and Australia whereas China only contributed 5,000 visitors. The STI added 0.34% to close at 3,201.89 yesterday and may extend gains today amid the improved risk appetite.

MY: Malaysia's Transport Minister Datuk Seri Wee Ka Siong said that air traffic passenger is forecasted to increase between 197-347% YoY, representing 32.6-49mn passengers. He added that the levels marked a 30-45% recovery from the 2019 pre-pandemic air passenger traffic levels.

ID: Indonesia posted a record-high trade surplus in April, at USD7.56bn versus estimate of 4bn. Exports rose by 47.8% YoY, higher than the 40% estimated. As a testament to the help coming from the commodities sector, exports of mining products rose 182.48% YoY, while oil and gas shipment increased by 48.93% YoY. Meanwhile, imports grew 21.97% YoY, softer than the 35% growth that the market had pencilled in.

ESG Updates

SG: The Green Finance Industry Taskforce convened by the MAS is consulting on the second version of the green and transition taxonomy. It published detailed thresholds and criteria for economic activities in the energy, transport, and real estate sectors for public consultation.

CN: According to the National Forestry and Grassland Administration, China has steadily improved its forest quality and enhanced carbon sink capacity through strengthened management.

Rest of the world: New Zealand launched a new multi-sector climate plan to address climate change and the transition to a low-emissions economy. The plan covers sector-specific policies and initiatives from the transport, energy and industry, building and construction, waste, fluorinated gases, agriculture, and forestry sectors.

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Bond Market Updates

Market Commentary: Between Friday and yesterday, the SGD SORA curve remained relatively unchanged, with shorter tenors trading 0-1bps higher while belly and longer tenors traded largely flat. UST 10Y yields traded significantly higher by 11bps to 2.99% yesterday, amidst the release of an overall robust retail sales report by the US Census Bureau. Retail sales for the month of April came in at a 0.9% MoM increase, up from the 0.5% MoM increase in the prior month and mostly in line with Bloomberg median estimates of a 1.0% MoM increase. This increase marks the fourth consecutive month of an increase in retail spending, and points towards overall resilient demand for merchandise. Excluding automobiles, the increase was similarly robust at 0.6% MoM increase, above Bloomberg median estimates of a 0.4% MoM increase.

New Issues: Shandong Gold Group Co. has arranged investor calls commencing 17 May for its proposed USD perpetuals offering. Korea Credit Guarantee Fund has arranged investor calls commencing 18 May for its proposed USD senior unsecured social bonds offering.

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	Day Close	% Change		Day Close	% Change
DX	103.360	-0.79%	USD-SGD	1.3850	-0.49%
USD-JPY	129.380	0.17%	EUR-SGD	1.4611	0.61%
EUR-USD	1.055	1.11%	JPY-SGD	1.0701	-0.71%
AUD-USD	0.703	0.83%	GBP-SGD	1.7301	0.92%
GBP-USD	1.249	1.41%	AUD-SGD	0.9730	0.29%
USD-MYR	4.391	-0.18%	NZD-SGD	0.8800	0.19%
USD-CNY	6.738	-0.71%	CHF-SGD	1.3931	0.26%
USD-IDR	14650	0.25%	SGD-MYR	3.1662	0.52%
USD-VND	23114	0.13%	SGD-CNY	4.8629	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.55%	O/N	0.8223	0.83%
2M	-0.3360	-0.34%	1M	0.9356	0.89%
3M	-0.4030	-0.40%	2M	0.1525	0.15%
6M	-0.1920	-0.21%	3M	1.4550	1.44%
9M	-0.1940	-0.20%	6M	2.0170	2.00%
12M	0.2060	0.18%	12M	2.6569	2.65%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.107	0.527	1.366
07/27/2022	4.173	1.043	1.882
09/21/2022	5.828	1.457	2.296
11/02/2022	6.975	1.744	2.583
12/14/2022	7.963	1.991	2.83
02/01/2023	8.554	2.139	2.978

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	112.40	-1.58%	Corn (per bushel)	8.008	-1.1%
Brent (per barrel)	111.93	-2.02%	Soybean (per bushel)	16.780	1.3%
Heating Oil (per gallon)	379.93	-2.77%	Wheat (per bushel)	12.775	2.4%
Gasoline (per gallon)	394.17	-2.02%	Crude Palm Oil (MYR/MT)	66.640	-4.1%
Natural Gas (per MMBtu)	8.30	4.37%	Rubber (JPY/KG)	2.425	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9366.00	1.38%	Gold (per oz)	1815.2	-0.5%
Nickel (per mt)	26406.00	-0.54%	Silver (per oz)	21.6	0.1%

Equity and Commodity

Index	Value	Net change
DJIA	32,654.59	431.17
S&P	4,088.85	80.84
Nasdaq	11,984.52	321.73
Nikkei 225	26,659.75	112.70
STI	3,201.89	10.73
KLCI	1,548.60	4.19
JCI	6,644.47	46.47
Baltic Dry	3,085.00	-19.00
VIX	26.10	-1.37

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.16 (-)	2.68 (-)
5Y	2.56 (-)	2.96 (+0.14)
10Y	2.75 (-0.02)	2.98 (+0.1)
15Y	2.91 (-)	--
20Y	2.94 (-)	--
30Y	2.74 (-)	3.18 (+0.08)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	0.80
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/18/2022 07:50	JN GDP SA QoQ	1Q P	-0.40%	-0.20%	1.10%
05/18/2022 07:50	JN GDP Annualized SA QoQ	1Q P	-1.80%	-1.00%	4.60%
05/18/2022 07:50	JN GDP Deflator YoY	1Q P	-1.00%	-0.40%	-1.30%
05/18/2022 08:30	AU Westpac Leading Index MoM	Apr	--	--	0.35%
05/18/2022 09:00	PH BoP Overall	Apr	--	--	\$754m
05/18/2022 12:30	JN Industrial Production MoM	Mar F	--	--	0.30%
05/18/2022 12:30	JN Industrial Production YoY	Mar F	--	--	-1.70%
05/18/2022 14:00	UK CPI YoY	Apr	9.10%	--	7.00%
05/18/2022 14:00	UK CPI MoM	Apr	2.60%	--	1.10%
05/18/2022 14:00	UK CPI Core YoY	Apr	6.20%	--	5.70%
05/18/2022 17:00	EC CPI YoY	Apr F	7.50%	--	7.40%
05/18/2022 17:00	EC CPI MoM	Apr F	0.60%	--	0.60%
05/18/2022 19:00	US MBA Mortgage Applications	May-13	--	--	2.00%
05/18/2022 20:30	CA CPI YoY	Apr	6.70%	--	6.70%
05/18/2022 20:30	US Housing Starts	Apr	1756k	--	1793k
05/18/2022 20:30	CA CPI NSA MoM	Apr	0.50%	--	1.40%

Source: Bloomberg

Treasury Research & Strategy

Macro Research

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

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@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**Toh Su N***Credit Research Analyst*TohSN@ocbc.com

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