

Daily Treasury Outlook

19 May 2022

Highlights

Global: Sinking – both the US equity market and UST bond yields fell like a rock overnight amid growing growth concerns that US consumption was being impacted by high inflation. The S&P 500 declined 4.04% (the most since June 2020) while Nasdaq plunged 4.73% and VIX rose to 30.96. Notably, weak retail earnings saw Target slumping 25% in the worst drop since Black Monday in 1987, following in the footsteps of Walmart the previous day. Cisco also fell as revenue and forecast missed analyst expectations. With the flight to safety, UST bonds rallied to push the 10Y yield down 10bps to 2.89% while the US\$17b 20-year bond auction fetched a high yield of 3.29% and a bid-cover ratio of 2.5x. The USD also gained, snapping a three-session decline. Fed's Harker opined "if there are no significant changes in the data in the coming weeks, I expect two additional 50bps rate hikes in June and July" and "after that, I anticipate a sequence of increases...at a measured pace". Elsewhere, Eurozone's CPI held at a record high of 7.4% in April (nearly quadruple the ECB's target) which was accompanied by Rehn signalling that there is broad agreement among ECB members to move "relatively quickly out of negative territory and continue our gradual process of monetary-policy normalization", as well as de Cos indicating the ECB will start hiking rates shortly after ending its bond purchase program in early 3Q given core inflation is clearly above 2%. Separately, UK's CPI also surged 9% (the most since March 1982) and Japan's April exports missed expectations at 12.5% YoY.

Market watch: Asian markets are likely off to a rocky start this morning as investors digest the overnight risk-off slump and await the BSP rate decision later today with a likely 25bps hike in the overnight borrowing rate to 2.25% while keeping its standing overnight deposit rate unchanged at 1.5%. Today's economic data calendar comprises of Malaysia's April trade data, S'pore's COE tender results, US' initial jobless claims, April existing home sales and Philadelphia Fed business outlook. ECB minutes are also due, while ECB's Guindos and de Cos, as well as Fed's Kashkari are also speaking today.

US: Housing starts fell 0.2% to 1,724k in April, but building permits plunged more than expected by 3.2% to 1,819k (lowest since October 2021), suggesting that momentum is slowing amid the rising mortgage rates.

SG: The revised 1Q22 GDP growth estimates will be released on 25 May and is likely to be revised up from the initial estimate of 3.4% YoY (0.4% QoQ sa) to 3.7% YoY (0.6% QoQ sa) due to the March industrial production and retail sales data. While there are some near-term downside risks arising from the aggressive monetary policy tightening by major central banks including the FOMC, global supply chain disruptions, China slowdown and prolonged Russia-Ukraine conflict, our 2Q22 GDP growth forecast stands at 4.4% YoY (1.1% QoQ sa), with no change to our full year growth forecast of 3.5-4.0% YoY.

Key Market Movements

Equity	Value	% chg
S&P 500	3923.7	-4.0%
DJIA	31490	-3.6%
Nikkei 225	26911	0.9%
SH Comp	3086.0	-0.2%
STI	3225.4	0.7%
Hang Seng	20644	0.2%
KLCI	1554.9	0.4%
	Value	% chg
DXY	103.810	0.4%
USDJPY	128.23	-0.9%
EURUSD	1.0464	-0.8%
GBPUSD	1.2341	-1.2%
USDIDR	14688	0.3%
USDSGD	1.392	0.5%
SGDMYR	3.1695	0.1%
	Value	chg (bp)
2Y UST	2.67	-3.09
10Y UST	2.88	-10.20
2Y SGS	2.17	1.20
10Y SGS	2.76	1.21
3M LIBOR	1.45	-0.74
3M SIBOR	1.11	0.00
3M SOR	1.43	0.00
3M SORA	0.45	0.70
3M SOFR	0.29	0.83
	Value	% chg
Brent	109.11	-2.5%
WTI	109.59	-2.5%
Gold	1817	0.1%
Silver	21.42	-1.0%
Palladium	2017	-2.0%
Copper	9235	-1.4%
BCOM	129.63	-1.5%

Source: Bloomberg

Daily Treasury Outlook

19 May 2022

Major Markets

SG: The STI gained 0.73% to close at 3,225.35 yesterday, but looks likely to surrender those gains today amid very weak overnight leads from Wall Street. With the bull-steepening in the UST bond market, SGS bonds may also see a flight to quality bid today. MAS sold \$6.9b of 28-day bills at 1.31% with a bid-cover ratio of 2.04x.

CN: Chinese Premier Li called for more supports to stabilize growth and employment in his latest meeting with government officials from 12 provinces. Given most policy supports from previous meetings will be implemented in the first half of 2022, Premier Li called for local governments to bring forward more measures in May in order to bring the economy back to track quickly. Elsewhere, foreign investors reduced their holdings of interbank Chinese bonds for the third consecutive month in April due to inverted China-US yield differential. Foreign ownership of CGB fell to 10.52% from the peak of 11.14% in January 2022 while foreign ownership of PBBs fell to 4.86% from the peak of 5.51% in December 2021.

MY: Malaysia's PM Ismail Sabri said that the government will allow all parties to import food to ensure adequate supplies in the country. It has agreed not to impose the Approved Permit requirements which were used to regulate food import activities for now to ensure food supply. The new allowance is said to take place with immediate effect.

ID: Bank Indonesia said that its survey shows that the prices of residential property in the primary market grew by 1.87% YoY in Q1, at a higher clip compared to the 1.47% YoY growth in Q4 last year. The central bank estimates the growth rate to be at 1.16% for Q2 this year.

Daily Treasury Outlook

19 May 2022

ESG Updates

SG: Higher temperatures in Singapore can be attributed to climate change and the urban heat island effect from Singapore's built-up areas, which stores heat during the day and releases it at night.

MY: All state governments have agreed to implement a pollution charge on plastic bags used with a minimum value of 20 sen for each plastic bag through the 'No Plastic Bag' campaign that has already been carried out in Penang, Selangor and Johor.

Rest of the world: The EU is not planning to relax its ambitious goal of moving away from fossil fuels to renewable energy because of the Russian invasion, and will stick to its green transition targets.

Daily Treasury Outlook

19 May 2022

Bond Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with shorter tenors trading 4-6bps higher, belly tenors trading 2-3bps higher, and longer tenors trading 1-3bps higher. UST 10Y yields traded 11bps lower to 2.88% yesterday, reversing much of the gain in the prior trading day. Risk-off sentiments drove demand for the safe-haven asset, amidst a sell-off in the equities market. The US equity markets incurred significant losses overnight, with the Dow Jones Industrial Average and S&P 500 incurring the largest declines since June 2020, down by 3.57% and 4.04% respectively, while the Nasdaq was down by 4.73% overnight. Separately, the housing market showed signs of slowing, with housing starts for April lower than expected at 1,724,000, below Bloomberg median estimates of 1,756,000, and building permits for April at 1,819,000, above Bloomberg median estimates of 1,814,000 but down from the prior month's 1,873,000.

New Issues: SDG Finance Ltd (Guarantor: Shandong Gold Group Co Ltd) priced a USD100mn perpNC3 bond at 4.95%, tightening from an IPT of 5.5% area. Sihai International Investment Ltd (Guarantor: Wuxi Hengting Industrial Co Ltd) priced a USD130mn 3-year bond at 3.8%, tightening from an IPT of 4% area. NTUC FairPrice Co-operative Ltd priced a SGD300mn 7-year unsecured bond at 3.46%, tightening from an IPT of 3.75% area. Wing Tai Holdings Ltd priced a SGD100mn 5-year senior unsecured bond at 4.1%, tightening from an IPT of 4.45% area. Avic International Leasing Co. has arranged investor calls commencing 18 May for its proposed USD senior unsecured bonds offering.

Daily Treasury Outlook

19 May 2022

	Day Close	% Change		Day Close	% Change
DX	103.810	0.44%	USD-SGD	1.3920	0.51%
USD-JPY	128.230	-0.89%	EUR-SGD	1.4571	-0.27%
EUR-USD	1.046	-0.82%	JPY-SGD	1.0852	1.41%
AUD-USD	0.696	-1.05%	GBP-SGD	1.7176	-0.72%
GBP-USD	1.234	-1.22%	AUD-SGD	0.9679	-0.52%
USD-MYR	4.397	0.15%	NZD-SGD	0.8764	-0.41%
USD-CNY	6.754	0.24%	CHF-SGD	1.4076	1.04%
USD-IDR	14688	0.26%	SGD-MYR	3.1695	0.10%
USD-VND	23134	0.09%	SGD-CNY	4.8677	0.10%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5440	-0.56%	O/N	0.8201	0.82%
2M	-0.3360	-0.34%	1M	0.9284	0.94%
3M	-0.3800	-0.40%	2M	0.1525	0.15%
6M	-0.1660	-0.19%	3M	1.4476	1.46%
9M	-0.1940	-0.20%	6M	2.0051	2.02%
12M	0.2400	0.21%	12M	2.6777	2.66%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.073	0.518	1.357
07/27/2022	4.116	1.029	1.868
09/21/2022	5.718	1.429	2.268
11/02/2022	6.88	1.72	2.558
12/14/2022	7.836	1.959	2.797
02/01/2023	8.407	2.102	2.94

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	109.59	-2.50%	Corn (per bushel)	7.815	-2.4%
Brent (per barrel)	109.11	-2.52%	Soybean (per bushel)	16.628	-0.9%
Heating Oil (per gallon)	366.81	-3.45%	Wheat (per bushel)	12.308	-3.7%
Gasoline (per gallon)	372.06	-5.61%	Crude Palm Oil (MYR/MT)	66.940	0.5%
Natural Gas (per MMBtu)	8.37	0.77%	Rubber (JPY/KG)	2.424	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9235.00	-1.40%	Gold (per oz)	1816.6	0.1%
Nickel (per mt)	26159.00	-0.94%	Silver (per oz)	21.4	-1.0%

Equity and Commodity

Index	Value	Net change
DJIA	31,490.07	-1164.52
S&P	3,923.68	-165.17
Nasdaq	11,418.15	-566.37
Nikkei 225	26,911.20	251.45
STI	3,225.35	23.46
KLCI	1,554.91	6.31
JCI	6,793.41	148.95
Baltic Dry	3,095.00	10.00
VIX	30.96	4.86

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.17 (+0.01)	2.65(--)
5Y	2.59 (+0.02)	2.89 (-0.07)
10Y	2.76 (+0.01)	2.87 (-0.1)
15Y	2.92 (+0.01)	--
20Y	2.95 (+0.01)	--
30Y	2.75 (+0.01)	3.05 (-0.11)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	10.80	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.80
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/19/2022 07:50	JN Core Machine Orders MoM	Mar 3.90%	7.10%	-9.80%	--
05/19/2022 07:50	JN Trade Balance	Apr -¥1150.0b	-¥839.2b	-¥412.4b	-¥414.1b
05/19/2022 07:50	JN Core Machine Orders YoY	Mar 3.30%	--	4.30%	--
05/19/2022 09:30	AU Unemployment Rate	Apr 3.90%	--	4.00%	--
05/19/2022 09:30	AU Employment Change	Apr 30.0k	--	17.9k	--
05/19/2022 09:30	AU Participation Rate	Apr 66.40%	--	66.40%	--
05/19/2022 15:00	PH BSP Overnight Borrowing Rate	May-19 2.25%	--	2.00%	--
05/19/2022 16:00	SI Automobile COE Open Bid Cat A	May-19 --	--	70901	--
05/19/2022 16:00	SI Automobile COE Open Bid Cat B	May-19 --	--	92090	--
05/19/2022 16:30	HK Unemployment Rate SA	Apr 5.00%	--	5.00%	--
05/19/2022 20:30	US Initial Jobless Claims	May-14 200k	--	203k	--
05/19/2022 20:30	US Philadelphia Fed Business Outlook	May 15.00	--	17.60	--
05/19/2022 20:30	US Continuing Claims	May-07 1320k	--	1343k	--
05/19/2022 20:30	CA Industrial Product Price MoM	Apr --	--	4.00%	--
05/19/2022 22:00	US Existing Home Sales	Apr 5.65m	--	5.77m	--
05/19/2022 22:00	US Leading Index	Apr 0.00%	--	0.30%	--

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

herberthtwong@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

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