

Daily Treasury Outlook

19 September 2022

Highlights

Global: FOMC anxiety abound ahead of the anticipated 75bps hike, with a tail risk of even a 100bps hike. The S&P500 fell 0.72% on Friday, marking its worst week since its June lows after FedEx withdrew its earnings guidance on weakness in Asia and Europe. Other companies that have issued warnings recently include General Electric, US Steel Corp, Alcoa Corp and McDonald's Corp. The 10-year UST bond yield was little changed at 3.45% whilst the 2-year yield notched up its biggest one-week gain in a month. Foreign holdings of UST bonds rose US\$70.4b to US\$7.5t, as China increased its share by US\$2.2b to US\$870b in July after seven straight months of declines. The University of Michigan consumer sentiment index also rose to a 5-month high in September, but the 5-10 year inflation expectations gauge eased slightly from 2.9% to 2.8%.

Market watch: Asian markets are likely to tread cautiously ahead of the key policy decisions due this week and the expectation that the Fed's revised Summary of Economic Projections (SEP) could show a higher terminal rate than initially anticipated. Today's economic data calendar comprises of HK August unemployment rate and US' NAHB housing market index. RBNZ governor Orr, ECB's Guindos, De Cos and Villeroy are also speaking today. For the week ahead, keep an eye on China's 1- and 5-year LPR fixings (likely unchanged at 3.65% and 4.3% respectively) on Tuesday, but the blockbuster meetings are on Thursday with FOMC, BOJ (likely still dovish with no change to the policy balance rate of -0.1%, with a minute probability of a tweak to its 10-year yield target of 0.0%), CBC (likely 12.5bps hike to 1.625%), BSP (likely 50bp hike to 3.75% for the standing overnight deposit facility rate and also 50bp to 4.25% for its overnight borrowing rate), BI (25bp hikes to 4.0%), and BOE (likely 50bp hike to 2.25%).

SG: The STI was nearly flat (0.01%) on Friday and closed at 3,268.29 and may consolidate further today. Shorter dated SGS bonds are also likely to be trading water ahead of the major central bank policy decisions due later this week.

CN: RMB extended its losses with both onshore CNY and offshore CNH broke 7 against the USD. The key catalyst last Friday was the move of the daily fixing to 6.93 after China kept its fixing around 6.91 for more than a week. This showed that there is no anchor from policy makers at the current junction. China's counter cyclical measures such as the outsized strong RMB fixing will only slow down the depreciation pace but not change the course without the help from the Dollar. Different from the past few rounds of RMB depreciation, the collapse of RMB forward points makes RMB short easy to hold due to positive carry. This will make China's counter cyclical measures less effective to stop RMB depreciation as what they did before.

Key Market Movements

Equity	Value	% chg
S&P 500	3873.3	-0.7%
DJIA	30822	-0.5%
Nikkei 225	27568	-1.1%
SH Comp	3126.4	-2.3%
STI	3268.3	0.0%
Hang Seng	18762	-0.9%
KLCI	1467.3	0.0%
	Value	% chg
DXY	109.764	0.0%
USDJPY	142.92	-0.4%
EURUSD	1.0016	0.1%
GBPUSD	1.1420	-0.4%
USDIDR	14953	0.4%
USDSGD	1.407	-0.1%
SGDMYR	3.2177	-0.3%
	Value	chg (bp)
2Y UST	3.87	0.25
10Y UST	3.45	0.05
2Y SGS	3.16	5.90
10Y SGS	3.22	6.37
3M LIBOR	3.57	4.37
3M SIBOR	2.82	0.57
3M SOR	3.15	6.82
3M SORA	1.85	1.45
3M SOFR	1.94	0.93
	Value	% chg
Brent	91.35	0.6%
WTI	85.11	0.0%
Gold	1675	0.6%
Silver	19.59	2.2%
Palladium	2138	-0.1%
Copper	7762	0.4%
BCOM	116.74	-0.9%

Source: Bloomberg

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Major Markets

CN: China's August data beat market expectation showing modest recovery of the economy. Please refer to our special report last Friday for more details about China's data. The rebound of fiscal revenue from value added tax and consumption tax also reinforced the view of the economic recovery. Nevertheless, the upbeat data are not enough to alleviate the concerns related to the resurgence of virus and fragile property market.

ID: Bank Indonesia said that its survey of banking services demand signals that demand for funding for companies is expected to increase in the next three months, compared to before. Its index for company funding demand grew by 23.6% in August compared to 22.9% before.

MY: Malaysia's PM Ismail Sabri said that he would soon announce the date for the dissolution of parliament to pave the way for elections. He said that the date will be decided by him and the UMNO president, Ahmad Zahid Hamidi. Malaysia is not due for a general election until September next year, but there has been a push by some UMNO officials for a faster election.

ESG Updates

SG: Singapore announced plans to overhaul its financial services industry by 2025 to cement its position to fight climate change, and mobilising capital to support sustainable financing and green fintech.

CN: The Chinese government has approved construction of the world's largest pulsed-power plant with plans to generate nuclear fusion energy by 2028.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher last Friday (with the exception of 20Y and 30Y) with shorter tenors trading 3-5bps higher while belly tenors traded 3-5bps higher and longer tenors traded 1-3bps higher (with the exception of 20Y and 30Y which traded 5bps lower and 2bps lower respectively). UST 10Y yields traded flat at 3.45% last Friday amidst the release of consumer sentiment data for September which was seen rising to a 5-month high through the University of Michigan's Consumer Sentiment Index. The index rose to 59.5 in September, up from prior month's 58.2 although below Bloomberg median estimates of 60. Interestingly, near-term inflation expectations seen through the University of Michigan's one-year inflation expectations fell to 4.6% and marked the lowest reading since exactly a year ago in September 2021 while five-year expectations fell to 2.8%, matching readings last seen in July 2021. The fall in US consumers' inflation expectations come on the backdrop of a surprise increase in consumer prices in August, notably with many 'stickier' components of inflation seen rising and becoming more entrenched. Separately, UST 2Y yields ended Friday's session at 3.87%, its highest level since 2007 and widened the inversion between UST 2Y yields and UST 10Y yields, a closely watched indicator for recessionary concern, to 42bps. The inversion had occurred earlier in July for a third time this year and have remained so as recessionary concerns continue to escalate ahead of the prospects of larger interest rate hikes.

New Issues: Shaoxing Shangyu State-owned Capital Investment & Operation Co Ltd priced a USD300mn 3-year senior unsecured bond at 5.2%, tightening from an IPT of 5.6% area. Xiamen Xiangyu Group Corp. priced a USD300mn 3-year senior unsecured bond at 5.7%, tightening from an IPT of 6.1% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	109.764	0.02%	USD-SGD	1.4070	-0.15%
USD-JPY	142.920	-0.42%	EUR-SGD	1.4087	-0.04%
EUR-USD	1.002	0.15%	JPY-SGD	0.9838	0.18%
AUD-USD	0.672	0.21%	GBP-SGD	1.6062	-0.60%
GBP-USD	1.142	-0.41%	AUD-SGD	0.9450	0.06%
USD-MYR	4.535	0.16%	NZD-SGD	0.8425	0.21%
USD-CNY	6.987	-0.11%	CHF-SGD	1.4575	-0.53%
USD-IDR	14953	0.37%	SGD-MYR	3.2177	-0.29%
USD-VND	23652	0.14%	SGD-CNY	4.9657	0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6780	0.68%	O/N	2.3156	2.32%
2M	-0.3360	-0.34%	1M	3.0139	2.99%
3M	1.0630	1.03%	2M	0.1525	0.15%
6M	1.6720	1.61%	3M	3.5653	3.53%
9M	-0.1940	-0.20%	6M	4.1233	4.06%
12M	2.2630	2.22%	12M	4.6721	4.62%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	3.207	0.802	3.132
11/02/2022	5.914	1.478	3.808
12/14/2022	7.463	1.866	4.195
02/01/2023	8.053	2.014	4.344
03/22/2023	8.343	2.086	4.415
05/03/2023	8.254	2.063	4.403

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.11	0.01%	Corn (per bushel)	6.773	0.0%
Brent (per barrel)	91.35	0.56%	Soybean (per bushel)	14.485	-0.2%
Heating Oil (per gallon)	317.25	-1.02%	Wheat (per bushel)	8.598	1.7%
Gasoline (per gallon)	241.57	-0.54%	Crude Palm Oil (MYR/MT)	37.000	0.0%
Natural Gas (per MMBtu)	7.76	-6.73%	Rubber (JPY/KG)	2.144	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7762.00	0.42%	Gold (per oz)	1675.1	0.6%
Nickel (per mt)	24249.00	4.85%	Silver (per oz)	19.6	2.2%

Equity and Commodity

Index	Value	Net change
DJIA	30,822.42	-139.40
S&P	3,873.33	-28.02
Nasdaq	11,448.40	-103.96
Nikkei 225	27,567.65	-308.26
STI	3,268.29	0.31
KLCI	1,467.31	-1.13
JCI	7,168.87	-136.73
Baltic Dry	1,553.00	-59.00
VIX	26.30	0.03

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.16 (+0.06)	3.87(--)
5Y	3.18 (+0.07)	3.63 (-0.03)
10Y	3.22 (+0.06)	3.45(--)
15Y	3.22 (+0.06)	--
20Y	3.23 (+0.05)	--
30Y	3.23 (+0.05)	3.51 (+0.05)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	155.10 (--)
TED	35.36 --

Secured Overnight Fin. Rate

SOFR	2.28
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/19/2022 16:30	HK Unemployment Rate SA	Aug	4.20%	--	4.30%
09/15/2022 09:30	IN BoP Current Account Balance	2Q	-\$30.50b	--	-\$13.40b
09/19/2022 09:23	PH BoP Overall	Aug	--	--	-\$1819m
09/19/2022 09:23	ID Danareksa Consumer Confidence	Aug	--	--	--
09/19/2022 09:26	TH Car Sales	Aug	--	--	64033
09/19/2022 14:30	EC Bloomberg Sept. Eurozone Economic Survey				
09/19/2022 14:35	GE Bloomberg Sept. Germany Economic Survey				
09/19/2022 17:00	EC Construction Output MoM	Jul	--	--	-1.30%
09/19/2022 17:00	EC Construction Output YoY	Jul	--	--	0.10%
09/19/2022 20:00	CA Bloomberg Nanos Confidence	Sep-16	--	--	47.6
09/19/2022 20:30	CA Industrial Product Price MoM	Aug	-1.00%	--	-2.10%
09/19/2022 20:30	CA Raw Materials Price Index MoM	Aug	--	--	-7.40%
09/19/2022 22:00	US NAHB Housing Market Index	Sep	47	--	49

Source: Bloomberg

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