

Daily Treasury Outlook

20 May 2022

Highlights

Global: Another choppy US session amid growth concerns triggered by soft economic data and as investors weighed the impact of elevated inflation on corporate earnings. US existing home sales fell 2.4% to 2-year lows of 5.61m units while the May Philadelphia Fed index also plunged, and the initial jobless claims rose 21k to 218k (highest since January). The S&P 500 slipped 0.58% while VIX also eased to 29.35. UST bonds started strong but the rally faltered as stocks pared declines and the 10-year bond yield closed down 4.7bps to 2.85% after testing 2.77% (lowest since 27 April). Fed's George opined that a "rough week in the equity markets does not alter the 50bps rate hike trajectory". Gold was higher while the USD weakened against G10 counterparts. Meanwhile, the BSP hiked interest rates for the first time since 2018 whilst Indonesia will lift its palm oil export ban from 23 May.

Market watch: Asian markets may open on a soft tone this morning, while awaiting China's LPR decision. Today's economic data calendar comprises of Indonesia's 1Q current account balance, Thai foreign reserves, Taiwan's April export orders and 1Q current account balance and UK's retail sales. ECB's Muller, Kazaks and Simkus and BOE's Pill are also speaking today. Australia's election is also due tomorrow with polls suggesting that PM Morrison's Liberal National Coalition government making up ground against Albanese's opposition Labor Party.

CN: Life in some parts of Shanghai is gradually returning to normal, but more cities joined the campaign to test their residents on a regular basis. The PCR pass will be a new normal in the near term for most cities in China, which require additional fiscal expenditure. This may raise the case for additional issuance of special government bonds.

HK: The labour market situation in Hong Kong remained dire, with unemployment and underemployment rate rising further by 0.4 and 0.7 percentage point, to 5.4% and 3.8% respectively in February 2022 – April 2022. All the major economic sectors saw higher unemployment and underemployment rate, third month in a row. In particular, the jobless rate of consumption- and tourism-related sectors soared to 10.0%, the highest since March 2021. Going forward, the stabilized epidemic situation, phase two reopening measures, increased spending due to consumption voucher scheme, and the job support measures should cap the upside of unemployment rate in Hong Kong.

Oil: Brent rose 2.7% to \$112.04/bbl overnight and is set to clock narrow gains for the fourth consecutive week. Brent has found it challenging to breach above the \$115.00 resistance level and will require a strong catalyst to trade above the said level. In the absence of which, we expect oil markets to continue trading within a broad sideways range of \$100-\$115/bbl in the near term.

Key Market Movements

Equity	Value	% chg
S&P 500	3900.8	-0.6%
DJIA	31253	-0.8%
Nikkei 225	26403	-1.9%
SH Comp	3097.0	0.4%
STI	3190.7	-1.1%
Hang Seng	20121	-2.5%
KLCI	1549.4	-0.4%
	Value	% chg
DXY	102.724	-1.0%
USDJPY	127.79	-0.3%
EURUSD	1.0588	1.2%
GBPUSD	1.2467	1.0%
USDIDR	14733	0.3%
USDSGD	1.3811	-0.8%
SGDMYR	3.1739	0.1%
	Value	chg (bp)
2Y UST	2.61	-6.21
10Y UST	2.84	-4.70
2Y SGS	2.20	2.40
10Y SGS	2.74	-2.72
3M LIBOR	1.48	3.04
3M SIBOR	1.23	0.00
3M SOR	1.48	0.00
3M SORA	0.45	0.58
3M SOFR	0.29	0.82
	Value	% chg
Brent	112.04	2.7%
WTI	112.21	2.4%
Gold	1842	1.4%
Silver	21.93	2.4%
Palladium	2004	-0.6%
Copper	9416	2.0%
BCOM	131.11	1.1%

Source: Bloomberg

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Major Markets

SG: COE premiums fell for Category A to \$68,001 while Category B and E rose to \$95,889 and \$95,901 respectively. The STI lost 1.07% to close at 3,190.71 yesterday and may extend declines today. SGS bonds are likely to remain supported on the flight to quality.

HK: The Chief executive elect, John Lee, is reportedly mulling a “closed loop” quarantine-free travel plan to mainland China.

MY: Malaysia reported its exports data for the month of April. At 20.7% YoY, it came broadly in line with the market expectation of 19.9% YoY. The mainstay of electrical and electronics shipments continued to support the bulk of the exports strength. Imports did come in softer, at 22% YoY growth compared to over 23% expected. Trade surplus clocked MYR23.55bn, a tad higher than expected.

ID: Indonesia’s Finance Minister, Sri Mulyani, said in a parliamentary hearing that the government is increasing state spending by IDR392tn (USD27bn) to fund subsidies to keep energy inflation contained. This is partly to pay for a 56% jump in energy subsidies. Overall, the uptick in spending is seen pushing the expected budget deficit to 4.5% of GDP, compared to the roughly 4.0% that was estimated earlier this year, even if it is still a tad lower than the 4.65% deficit that was pencilled in when the 2022 budget was first tabled in late 2021.

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ESG Updates

SG: SBF Foundation, the social impact arm of Singapore Business Federation (SBF), signed a Memorandum of Understanding with the Singapore Human Resources Institute, e2i and Tote Board to provide employability support for four vulnerable groups – rough sleepers, long-term unemployed parents and caregivers of at-risk children, people with mental health conditions and women facing challenges.

ID: Erratic rainfall and rising temperatures from climate change are impacting apple farmers' profits due to shrinking harvests. Many apple farmers are switching to planting oranges that are said to be easier to maintain.

Rest of the world: The International Energy Agency predicts that the world will set a new record for renewable power capacity this year led by solar energy in China and Europe, but the global renewable power capacity is expected to plateau in 2023 in the absence of stronger policies.

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Bond Market Updates

Market Commentary: Shorter tenors traded 2-8bps higher, while belly tenors traded 0-6bps lower and longer tenors traded 7-8bps lower across the SGD SORA curve yesterday. UST 10Y yields traded 4bps lower to 2.84% yesterday, amidst persistent risk-off sentiments which drove investor demand in the safe-haven asset, as they sought shelter amidst a sell-off in the equities market. Separately, initial jobless claims for the week ended 14 May came in higher than expected at 218,000, above Bloomberg median estimates of 200,000 and the prior month's 203,000. Additionally, Kansas City Federal Reserve president Esther George remarked yesterday that the "rough week in the equity markets" is unsurprising, given the Federal Reserve's tightening, but this does not change her support for 50bps rate hikes to fight inflation, in line with comments by other Federal Reserve officials over the past week.

New Issues: Soar Wise Ltd (Guarantor: AVIC International Leasing Co Ltd) priced a USD450mn 3-year senior unsecured bond at T+130bps, tightening from an IPT of T+175bps area. Bank of China Ltd Qatar Financial Centre Branch priced a USD200mn 2-year senior unsecured bond at 3%.

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	Day Close	% Change		Day Close	% Change
DX-Y	102.724	-1.05%	USD-SGD	1.3811	-0.78%
USD-JPY	127.790	-0.34%	EUR-SGD	1.4624	0.36%
EUR-USD	1.059	1.19%	JPY-SGD	1.0805	-0.43%
AUD-USD	0.705	1.35%	GBP-SGD	1.7217	0.24%
GBP-USD	1.247	1.02%	AUD-SGD	0.9735	0.58%
USD-MYR	4.405	0.16%	NZD-SGD	0.8814	0.57%
USD-CNY	6.713	-0.62%	CHF-SGD	1.4196	0.85%
USD-IDR	14733	0.31%	SGD-MYR	3.1739	0.14%
USD-VND	23154	0.09%	SGD-CNY	4.8680	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5520	-0.54%	O/N	0.8203	0.82%
2M	-0.3360	-0.34%	1M	0.9273	0.93%
3M	-0.3680	-0.38%	2M	0.1525	0.15%
6M	-0.1260	-0.17%	3M	1.4780	1.45%
9M	-0.1940	-0.20%	6M	2.0331	2.01%
12M	0.3130	0.24%	12M	2.7410	2.68%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.067	0.517	1.356
07/27/2022	4.054	1.013	1.852
09/21/2022	5.612	1.403	2.242
11/02/2022	6.782	1.695	2.535
12/14/2022	7.734	1.933	2.773
02/01/2023	8.283	2.071	2.91

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	112.21	2.39%	Corn (per bushel)	7.833	0.2%
Brent (per barrel)	112.04	2.69%	Soybean (per bushel)	16.905	1.7%
Heating Oil (per gallon)	379.20	3.38%	Wheat (per bushel)	12.005	-2.5%
Gasoline (per gallon)	383.17	2.99%	Crude Palm Oil (MYR/MT)	66.470	-0.7%
Natural Gas (per MMBtu)	8.31	-0.72%	Rubber (JPY/KG)	2.434	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9415.50	1.95%	Gold (per oz)	1841.9	1.4%
Nickel (per mt)	28231.00	7.92%	Silver (per oz)	21.9	2.4%

Equity and Commodity

Index	Value	Net change
DJIA	31,253.13	-236.94
S&P	3,900.79	-22.89
Nasdaq	11,388.50	-29.65
Nikkei 225	26,402.84	-508.36
STI	3,190.71	-34.64
KLCI	1,549.41	-5.50
JCI	6,823.34	29.92
Baltic Dry	3,189.00	94.00
VIX	29.35	-1.61

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.2 (+0.02)	2.61(--)
5Y	2.57 (-0.02)	2.84 (-0.05)
10Y	2.74 (-0.03)	2.84 (-0.05)
15Y	2.88 (-0.04)	--
20Y	2.91 (-0.04)	--
30Y	2.72 (-0.03)	3.05 (-0.02)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	12.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.79
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/20/2022 06:45	NZ Trade Balance NZD	Apr	--	584m	-392m
05/20/2022 06:45	NZ Exports NZD	Apr	--	6.31b	6.67b
05/20/2022 06:45	NZ Imports NZD	Apr	--	5.73b	7.06b
05/20/2022 07:01	UK GfK Consumer Confidence	May	-39.00	-40.00	-38.00
05/20/2022 07:30	JN Natl CPI YoY	Apr	2.50%	2.50%	1.20%
05/20/2022 07:30	JN Natl CPI Ex Fresh Food YoY	Apr	2.00%	2.10%	0.80%
05/20/2022 11:00	NZ Credit Card Spending YoY	Apr	--	--	3.40%
05/20/2022 14:00	UK Retail Sales Inc Auto Fuel MoM	Apr	-0.30%	--	-1.40%
05/20/2022 14:00	UK Retail Sales Ex Auto Fuel MoM	Apr	-0.20%	--	-1.10%
05/20/2022 14:00	UK Retail Sales Inc Auto Fuel YoY	Apr	-7.00%	--	0.90%
05/20/2022 14:00	UK Retail Sales Ex Auto Fuel YoY	Apr	-8.30%	--	-0.60%
05/20/2022 14:00	GE PPI MoM	Apr	1.20%	--	4.90%
05/20/2022 14:00	GE PPI YoY	Apr	31.30%	--	30.90%
05/20/2022 15:30	TH Foreign Reserves	May-13	--	--	\$227.1b
05/20/2022 16:00	TA Export Orders YoY	Apr	11.50%	--	16.80%
05/20/2022 22:00	EC Consumer Confidence	May A	-21.50	--	-22.00

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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