

## Daily Treasury Outlook

20 September 2022

### Highlights

**Global:** Rebound in US equity markets saw the S&P 500 up 0.69% overnight despite a choppy session, with Apple and Tesla leading market gains after the worst weekly rout since mid-June. UST bonds remained under pressure with the 2-year bond yield marking a 15-year high of 3.94% while the 10-year yield also briefly crossed the 3.5% handle for the first time since 2011 before ending 4bps higher at 3.49%. US data was actually soft with the NAHB housing market index slipping more than expected from 49 in August to 46 in September, marking the longest decline since 1985. Meanwhile, Japan's consumer prices excluding fresh food accelerated to 2.8% YoY in August, the fastest since 1991 excluding the sales tax hikes, and amid higher electricity prices. Separately, World Bank president Malpass said that China is "less eager to really stimulate this time" compared to previous global down cycles which in turn puts more burden on the US, and tips 2023 growth to slow to 0.5% and contract 0.4% in per capita terms which would meet the technical definition of a recession.

**Market watch:** Asian markets may open with a firmer tone this morning, but the upside is likely limited ahead of China's LPR fixings and as investors are still awaiting Thursday's bonanza of central bank meetings including the FOMC. Today's economic data calendar comprises of Malaysia's August trade, Taiwan's export orders, and US' August housing starts and building permits. ECB's Muller and Lagarde are also speaking today.

**SG:** The STI fell 0.37% to close at 3,256.31 yesterday but may rebound today amid more positive cues from Wall Street overnight and morning gains by KOSPI. SGS bonds traded mixed yesterday and may continue to range trade today ahead of the FOMC decision due Thursday. MAS is also auctioning \$16.1bn of 84-day bills today.

**CN:** Qingdao city deleted some posts about the relaxation of home purchase restriction from its wechat public account. The flipflop of housing policies in some tier 2 cities showed some internal disagreements about the magnitude of easing property market measures. As such, we think that the property market will remain the weakest link for Chinese economy this year.

**MY:** Malaysia is due to report its August trade numbers today, with the market pencilling in a 34.3% YoY gain for exports, a tad softer than July's 38.0%. Imports are expected to grow by 48.0% YoY, compared to 41.9% before, leaving the trade balance broadly unchanged at MYR15.05bn, compared to 15.49bn before.

**ID:** Indonesia's largest banks are reportedly not in a hurry to raise lending rates to match Bank Indonesia's recent policy rate hike. According to Bloomberg, lenders are keen to use up a glut in liquidity to maximize loans growth, and are likely to turn to digital channels to collect cheaper funding. The banks have also reportedly signalled that they are holding off from raising borrowing costs, since some debtors are still in a weak financial state.

### Key Market Movements

Equity	Value	% chg
S&P 500	3899.9	0.7%
DJIA	31020	0.6%
Nikkei 225	27568	0.0%
SH Comp	3115.6	-0.3%
STI	3256.3	-0.4%
Hang Seng	18566	-1.0%
KLCI	1451.5	-1.1%
	Value	% chg
DXY	109.737	0.0%
USDJPY	143.21	0.2%
EURUSD	1.0024	0.1%
GBPUSD	1.1431	0.1%
USDIDR	14978	0.2%
USDSGD	1.4076	0.0%
SGDMYR	3.2255	0.2%
	Value	chg (bp)
2Y UST	3.94	6.87
10Y UST	3.49	4.11
2Y SGS	3.16	-0.50
10Y SGS	3.22	-0.21
3M LIBOR	3.57	3.81
3M SIBOR	2.82	0.00
3M SOR	3.15	0.00
3M SORA	1.88	2.62
3M SOFR	1.97	2.75
	Value	% chg
Brent	92	0.7%
WTI	85.73	0.7%
Gold	1676	0.0%
Silver	19.56	-0.1%
Palladium	2229	4.3%
Copper	7754	-0.1%
BCOM	116.87	0.1%

Source: Bloomberg

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### ESG Updates

**MY:** It is estimated that Malaysia would require RM350-400bn in investments, mainly in the energy sector, every year until 2050 to reach its net-zero goals.

**ID:** Indonesia has issued a regulation to encourage renewable energy, including a plan to retire some coal plants early.

**Rest of the world:** A Russian pipeline to China will replace the Nord Stream 2 gas link to Europe, with construction due to start in 2024.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded mostly lower yesterday with shorter tenors trading 3-4bps lower while belly tenors traded 1-2bps lower and longer tenors traded 1-2bps lower. UST 10Y yields rose by 4bps to 3.5% yesterday amidst sentiment in the housing sector that continued to plunge. The National Association of Home Builders' ("NAHB") monthly confidence index fell for the ninth consecutive month to 46 in September, below Bloomberg median estimates of 47 and reaching its lowest level since May 2014, as builders continue to struggle with higher construction costs and rising mortgage rates which have risen to its highest level since 2008. For the week ahead, investors will most likely be focused on the big question of whether the Federal Reserve ("Fed") will hike by 75bps or 100bps at September's Federal Open Market Committee ("FOMC") meeting as it attempts to contain the tight labour market and tackle elevated core inflation levels. Investors will also be looking ahead to the Fed officials' Summary of Economic Projections ("SEP") and 'dot plot' chart for the possibility of a higher terminal rate in 2023. Separately, Initial Jobless Claims figures for the week ended September 17 as well as S&P's preliminary figures for September for the manufacturing, services, and composite Purchasing Managers Index ("PMI") will be closely watched as well.

**New Issues:** Xi'an Weiyang Urban Construction Group Co Ltd (Guarantor: Bank of Chengdu Co Ltd) priced a USD77mn 3-year senior unsecured bond at 5.3%, tightening from an IPT of 5.5% area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	109.737	-0.02%	USD-SGD	1.4076	0.04%
USD-JPY	143.210	0.20%	EUR-SGD	1.4109	0.16%
EUR-USD	1.002	0.08%	JPY-SGD	0.9828	-0.10%
AUD-USD	0.673	0.16%	GBP-SGD	1.6090	0.17%
GBP-USD	1.143	0.10%	AUD-SGD	0.9470	0.21%
USD-MYR	4.551	0.34%	NZD-SGD	0.8390	-0.42%
USD-CNY	7.005	0.26%	CHF-SGD	1.4594	0.13%
USD-IDR	14978	0.17%	SGD-MYR	3.2255	0.24%
USD-VND	23667	0.06%	SGD-CNY	4.9743	0.17%

## 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	3.193	0.798	3.128
11/02/2022	5.948	1.487	3.816
12/14/2022	7.553	1.888	4.218
02/01/2023	8.265	2.066	4.396
03/22/2023	8.583	2.146	4.475
05/03/2023	8.528	2.132	4.461

## Equity and Commodity

Index	Value	Net change
DJIA	31,019.68	197.26
S&P	3,899.89	26.56
Nasdaq	11,535.02	86.62
Nikkei 225	27,567.65	-308.26
STI	3,256.31	-11.98
KLCI	1,451.52	-15.79
JCI	7,195.49	26.62
Baltic Dry	1,553.00	-59.00
VIX	25.76	-0.54

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.16 (-0.01)	3.94(--)
5Y	3.17 (-0.01)	3.68 (+0.05)
10Y	3.22 (--)	3.48 (+0.04)
15Y	3.22 (--)	--
20Y	3.23 (--)	--
30Y	3.23 (--)	3.51(--)

## Financial Spread (bps)

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

## Secured Overnight Fin. Rate

SOFR	2.27
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.73	0.73%	Corn (per bushel)	6.783	0.1%
Brent (per barrel)	92.00	0.71%	Soybean (per bushel)	14.613	0.9%
Heating Oil (per gallon)	331.08	4.36%	Wheat (per bushel)	8.305	-3.4%
Gasoline (per gallon)	246.41	2.00%	Crude Palm Oil (MYR/MT)	36.060	-2.5%
Natural Gas (per MMBtu)	7.75	-0.15%	Rubber (JPY/KG)	2.144	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7753.50	-0.11%	Gold (per oz)	1675.8	0.0%
Nickel (per mt)	24594.00	1.42%	Silver (per oz)	19.6	-0.1%

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/20/2022 07:30	JN Natl CPI YoY	Aug 2.90%	3.00%	2.60%	--
09/20/2022 07:30	JN Natl CPI Ex Fresh Food YoY	Aug 2.70%	2.80%	2.40%	--
09/20/2022 09:15	CH 1-Year Loan Prime Rate	Sep-20 3.65%	--	3.65%	--
09/20/2022 10:00	TH Car Sales	Aug --	--	64033.00	--
09/20/2022 12:00	MA Exports YoY	Aug 34.30%	--	38.00%	--
09/20/2022 12:00	MA Imports YoY	Aug 48.00%	--	41.90%	--
09/20/2022 12:00	MA Trade Balance MYR	Aug 15.05b	--	15.49b	--
09/20/2022 14:00	GE PPI YoY	Aug 36.80%	--	37.20%	--
09/20/2022 14:00	GE PPI MoM	Aug 2.40%	--	5.30%	--
09/20/2022 16:00	TA Export Orders YoY	Aug 1.10%	--	-1.90%	--
09/20/2022 20:30	US Housing Starts	Aug 1450k	--	1446k	--
09/20/2022 20:30	US Building Permits	Aug 1604k	--	1674k	1685k
09/20/2022 20:30	CA CPI YoY	Aug 7.30%	--	7.60%	--
09/20/2022 20:30	CA CPI NSA MoM	Aug -0.10%	--	0.10%	--
09/20/2022 20:30	CA Consumer Price Index	Aug 152.90	--	153.10	--
09/20/2022 20:30	CA Teranet/National Bank HPI YoY	Aug --	--	14.20%	--

Source: Bloomberg

## Treasury Research & Strategy

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