

Daily Treasury Outlook

21 September 2022

Highlights

Global: Pre-FOMC anxieties prevail. The S&P 500 slipped 1.13% overnight while VIX rose to 27.16. UST bonds slide with the 2- and 10-year yields up to 3.97% (+3bps and nearing the 4% handle) and 3.56% (+7bps) respectively, while the USD gained against most of its G10 counterparts. Meanwhile, Economist Nouriel Roubini tips a further 40% drop in stocks with a long and ugly US recession. Elsewhere, BOC deputy governor Beaudry opined that inflation is “headed in the right direction” but is “still too high”.

Market watch: Asian markets are likely to consolidate today ahead of tomorrow’s bonanza of central bank policy decisions including the FOMC which could hike 75bps again but signal a more hawkish stance with a higher dot plot and the summary of economic projections. Today’s economic data calendar is relatively light with only S’pore’s COE tender results, and US’ mortgage applications and August existing home sales. RBA’s Bullock and ECB’s Guindos are also speaking.

SG: Phase 2 of the Cross Island MRT line will open with 6 MRT stations by 2032 and benefit 40,000 households. The STI gained 0.3% to close at 3,266.94 yesterday on late session bargain hunting. SGS bonds may remain under pressure ahead of the FOMC decision that is tipped to remain hawkish. The \$16.1bn of 84-day MAS bills fetched a yield of 3.32% and 1.87x bid-cover ratio.

CN: PBOC kept both its 1-year loan prime rate (LPR) and 5-year LPR fixing unchanged after it left its 1-year MLF rate intact last week. We think there is still room for China to lower its 5-year LPR in order to support its property market. However, we see no urgency for China to lower its 1-year rate for two reasons. Firstly, the short end liquidity remains flush given that market continued to deviate from the official rate by a big margin. Secondly, the recent RMB weakness may also become a constraint to China’s monetary policy setting.

MY: Compared to July’s 38.0% YoY and expectation for 34.3% increase, Malaysia’s August exports came in at a strong 48.2% YoY. The strength in the exports beat was overshadowed by the uptick in imports, however, which grew at a record-high 67.6% YoY in July, much higher than the 48% expected and 41.9% of the prior month. Despite the record imports surge, trade balance remained well in the surplus territory, at MYR16.92bn, fatter than the 15.05bn expected and 15.49bn of July.

ID: According to a survey by Indikator Politik, the approval rating of Indonesia’s President Jokowi has declined by around 10ppt from 72.3% in August to 62.6% in September. The survey of 1,200 people signalled his lowest rating since May and reflected the public unease over surging living costs after the recent government’s decision to increase fuel prices.

Key Market Movements

Equity	Value	% chg
S&P 500	3855.9	-1.1%
DJIA	30706	-1.0%
Nikkei 225	27688	0.4%
SH Comp	3122.4	0.2%
STI	3266.9	0.3%
Hang Seng	18781	1.2%
KLCI	1461.1	0.7%
	Value	% chg
DXY	110.215	0.4%
USDJPY	143.75	0.4%
EURUSD	0.9971	-0.5%
GBPUSD	1.1381	-0.4%
USDIDR	14983	0.0%
USDSGD	1.41	0.2%
SGDMYR	3.2340	0.3%
	Value	chg (bp)
2Y UST	3.97	3.07
10Y UST	3.56	7.25
2Y SGS	3.18	2.20
10Y SGS	3.22	-0.23
3M LIBOR	3.57	0.00
3M SIBOR	2.81	0.00
3M SOR	3.15	0.00
3M SORA	1.89	0.60
3M SOFR	1.98	0.91
	Value	% chg
Brent	90.62	-1.5%
WTI	83.94	-1.7%
Gold	1665	-0.7%
Silver	19.27	-1.5%
Palladium	2171	-2.6%
Copper	7758	0.1%
BCOM	117.32	0.4%

Source: Bloomberg

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ESG Updates

SG: Approximately a third of China's land is protected under the 'ecological protection red line' in efforts to meet biodiversity targets and protect ecosystems. However, the enforcement of the scheme has not been consistent.

Rest of the world: Europe's central bank will give corporations climate scores before it buys their bonds and intends to prioritise those with greater efforts in reducing greenhouse gas emissions.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday with shorter and belly tenors trading 1-2bps lower (with the exception of 4Y which traded flat) while longer tenors traded 3-7bps lower (with the exception of 30Y which traded 14bps lower). UST 10Y yields rose by 6bps to 3.56% yesterday to reach its highest level since April 2011 ahead of announcements from the Federal Reserve ("Fed"). Fed Chairman Jerome Powell is due to address the media tonight as markets await key interest rate hike decisions and projections from the US central bank. There was also more incoming data from the housing market front released by the US Commerce Department. Housing starts in August came in at 1.575mn, above Bloomberg median estimates of 1.45mn as US homebuilding unexpectedly increased in August, aided by progress that homebuilders made in reducing construction backlog as more materials became available. Residential Building permits for August which measures permits for future homebuilding came in at 1.517mn, its lowest reading since June 2020 and below Bloomberg median estimates of 1.604mn.

New Issues: Jiangsu Zhongguancun Holding Group International Co Ltd (Guarantor: Jiangsu Liyang High-tech Zone Holding Group Co., Ltd.) priced a USD200mn 3-year senior unsecured bond at 6.2%, tightening from an IPT of 6.4% area. Export-Import Bank of Korea priced a USD400mn 5-year senior unsecured bond at SOFR+106bps. Cagamas Global Plc priced a SGD150mn 1-year senior unsecured bond at 4.25%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	110.215	0.44%	USD-SGD	1.4100	0.17%
USD-JPY	143.750	0.38%	EUR-SGD	1.4059	-0.35%
EUR-USD	0.997	-0.53%	JPY-SGD	0.9810	-0.18%
AUD-USD	0.669	-0.56%	GBP-SGD	1.6048	-0.26%
GBP-USD	1.138	-0.44%	AUD-SGD	0.9431	-0.41%
USD-MYR	4.559	0.19%	NZD-SGD	0.8312	-0.93%
USD-CNY	7.018	0.19%	CHF-SGD	1.4623	0.20%
USD-IDR	14983	0.03%	SGD-MYR	3.2340	0.26%
USD-VND	23668	0.00%	SGD-CNY	4.9767	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	30,706.23	-313.45
S&P	3,855.93	-43.96
Nasdaq	11,425.05	-109.97
Nikkei 225	27,688.42	120.77
STI	3,266.94	10.63
KLCI	1,461.10	9.58
JCI	7,196.95	1.46
Baltic Dry	1,553.00	-59.00
VIX	27.16	1.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6920	0.68%	O/N	2.3156	2.32%
2M	-0.3360	-0.34%	1M	3.0139	2.99%
3M	1.0660	1.06%	2M	0.1525	0.15%
6M	1.7370	1.67%	3M	3.5653	3.53%
9M	-0.1940	-0.20%	6M	4.1233	4.06%
12M	2.2950	2.26%	12M	4.6721	4.62%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.18 (+0.02)	3.95(--)
5Y	3.19 (+0.02)	3.75 (+0.06)
10Y	3.22 (--)	3.55 (+0.07)
15Y	3.23 (+0.01)	--
20Y	3.25 (+0.02)	--
30Y	3.25 (+0.01)	3.56 (+0.06)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/21/2022	3.200	0.800	3.128
11/02/2022	5.923	1.481	3.808
12/14/2022	7.540	1.885	4.213
02/01/2023	8.291	2.073	4.400
03/22/2023	8.620	2.155	4.483
05/03/2023	8.587	2.147	4.474

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	155.40	(--)
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)	84.45	-1.49%	Corn (per bushel)	6.920	2.0%
Brent (per barrel)	90.62	-1.50%	Soybean (per bushel)	14.788	1.2%
Heating Oil (per gallon)	337.22	1.85%	Wheat (per bushel)	8.938	7.6%
Gasoline (per gallon)	244.78	-0.66%	Crude Palm Oil (MYR/MT)	36.760	1.9%
Natural Gas (per MMBtu)	7.72	-0.45%	Rubber (JPY/KG)	2.180	1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7758.00	0.06%	Gold (per oz)	1664.9	-0.7%
Nickel (per mt)	24964.00	1.50%	Silver (per oz)	19.3	-1.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/21/2022 08:00	SK Exports 20 Days YoY	Sep	--	-8.70%	3.90%
09/21/2022 08:30	AU Westpac Leading Index MoM	Aug	--	--	-0.15%
09/21/2022 10:00	TH Car Sales	Aug	--	--	64033.00
09/21/2022 11:00	NZ Credit Card Spending YoY	Aug	--	--	4.90%
09/21/2022 12:00	JN Tokyo Condominiums for Sale YoY	Aug	--	--	16.20%
09/21/2022 14:00	UK PSNB ex Banking Groups	Aug	8.0b	--	4.9b
09/21/2022 14:00	UK Public Sector Net Borrowing	Aug	8.1b	--	4.2b
09/21/2022 14:00	UK Public Finances (PSNCR)	Aug	--	--	-4.7b
09/21/2022 16:00	SI Automobile COE Open Bid Cat A	Sep-21	--	--	86000.00
09/21/2022 16:00	SI Automobile COE Open Bid Cat B	Sep-21	--	--	113000.00
09/21/2022 16:00	SI Automobile COE Open Bid Cat E	44440	--	--	113299.00
09/21/2022 18:00	UK CBI Trends Total Orders	Sep	-13.00	--	-7.00
09/21/2022 18:00	UK CBI Trends Selling Prices	Sep	52.00	--	57.00
09/21/2022 19:00	US MBA Mortgage Applications	Sep-16	--	--	-1.20%
09/21/2022 22:00	US Existing Home Sales	Aug	4.70m	--	4.81m
09/21/2022 22:00	US Existing Home Sales MoM	Aug	-2.30%	--	-5.90%

Source: Bloomberg

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