

Daily Treasury Outlook

22 September 2022

Highlights

Global: Another 75bps hike more to go at the November FOMC meeting, right before the US midterm elections? The Fed has signalled a total of 125bps by end of the year to around 4.4% and to reach 4.6% in 2023 before moderating to 3.9% in 2024. Global risk appetite did not react well to the Fed's third 75bps rate hike to 3.25% with an even more hawkish bias, with the S&P 500 falling 1.71% to bring its plunge from the January to exceed 20%. The 2-year UST bond yield leapt past the 4% handle to an intra-day high of 4.1% before settling back slightly, while the 10-year yield fell to 3.53% on growing expectations of a recession and the 10-30 year yield curve also inverted for the first time since June. Fed Chair Powell reiterated that "we have to get inflation behind us. I wish there were a painless way to do that. There isn't" and "no one knows whether this process will lead to a recession or if so, how significant that recession would be". Meanwhile, the Fed forecasts tip unemployment rising from the current 3.7% to 4.4% by end-2023 and remaining there until end-2024, up from 3.9% and 4.1% previously.

Market watch: With the wild gyrations in the US markets post-FOMC, Asian markets may also take time to digest the implications of a more hawkish than expected Fed and trade with a more cautious tone today while awaiting more central bank decisions which include BOE (where 50bps has been priced in, but a 75bps hike cannot be totally ruled out), BSP (likely 50bps hike), BI (likely 25bps hike), CBC (likely 12.5bps hike) and BOJ (where staying at dovish settings continue to put pressure on the JPY through yield differentials). Today's economic data calendar comprises of HK's August CPI, Taiwan's August unemployment, US' initial jobless claims and leading index, Eurozone's consumer confidence.

SG: COEs fell for categories A (\$84,000 versus \$86,000 previously), B (\$108,051 versus \$113,000) and E (\$107,201 versus \$113,299) respectively.

CN: China's central bank said that the average loan rate to corporates fell to 4.05% in August, lowest on record.

ID: Bank Indonesia is due to announce its monetary policy decision today. We expect it to raise its policy rate by 25bps, to help counter the uptick in price pressures arising from the recent fuel price adjustment.

Key Market Movements

Equity	Value	% chg
S&P 500	3789.9	-1.7%
DJIA	30184	-1.7%
Nikkei 225	27313	-1.4%
SH Comp	3117.2	-0.2%
STI	3261.8	-0.2%
Hang Seng	18445	-1.8%
KLCI	1447.2	-1.0%
	Value	% chg
DXY	110.642	0.4%
USDJPY	144.06	0.2%
EURUSD	0.9837	-1.3%
GBPUSD	1.1270	-1.0%
USDIDR	14998	0.1%
USDSGD	1.4173	0.5%
SGDMYR	3.2220	-0.4%
	Value	chg (bp)
2Y UST	4.05	8.19
10Y UST	3.53	-3.31
2Y SGS	3.19	0.50
10Y SGS	3.20	-1.58
3M LIBOR	3.60	3.64
3M SIBOR	2.81	0.00
3M SOR	3.14	0.00
3M SORA	1.89	0.74
3M SOFR	1.99	0.91
	Value	% chg
Brent	89.83	-0.9%
WTI	82.94	-1.2%
Gold	1674	0.5%
Silver	19.57	1.5%
Palladium	2159	-0.6%
Copper	7690	-0.9%
BCOM	117.00	-0.3%

Source: Bloomberg

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Major Markets

SG: The STI closed just 0.01% higher at 3,267.43 yesterday and may trade with a soft tone today. SGS bonds may also face choppy trading conditions today. The MAS will re-open \$1.9bn of 30-year SGS (infrastructure) bond for auction on 28 September for issue on 3 October.

MY: Malaysia's Finance Minister, Zafrul Aziz, said that a flexible exchange rate is an important policy in balancing the need to absorb external shocks to support domestic economy, despite the financial market conditions and the uncertain global economic growth rate. He added that "Compared to 1997 and 1998, the country is not in a state of financial or economic crisis," noting that the government, through BNM, has no intention to peg the ringgit against the US dollar at the moment as the move has a huge risk and trade-off.

ESG Updates

SG: To encourage recycling, Singapore will charge 10 to 20 cents more for packaged drinks by mid-2024. The extra cost can be redeemed if consumers return the empty bottles or cans to designated return points.

ID: Asia's top coal industry event, Coaltrans, took place in Bali and saw a huge turnout. Indonesia has seen export demand from buyers from Germany, Italy and Poland in recent months amid the energy crisis.

Rest of the world: The IEA reported that a lack of collaboration between countries in sharing and developing new technology is a barrier to advancing global emissions reduction efforts.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded unevenly yesterday with shorter tenors trading 4-5bps lower, belly tenors trading 1-3bps lower and longer tenors traded 1-4bps higher (with the exception of 20Y and 30Y which traded 2bps and 1bps lower respectively). UST 10Y yields fell by 3bps to 3.53% yesterday amidst a third consecutive 75bps rate hike by the Federal Reserve ("Fed"), marking its most aggressive monetary tightening policy since it began using overnight fund rates as its principal policy tool in 1990. Fed Chairman Jerome Powell reiterated the Fed's stance to "keep at" their battle against inflation and commented that ""We have got to get inflation behind us...I wish there were a painless way to do that. There isn't." Notably, the latest round of projections from Fed officials' Summary of Economic Projections ("SEP") showed officials foreseeing policy rates rising at a faster pace and reaching a peak of 4.25%-4.75% in year end 2023, quashing expectations of any rate cuts next year and echoing the 'higher for longer' sentiment that had been increasingly communicated in the past few weeks. The inversion between UST2Y yields and UST10Y yields continued to worsen, widening to 53bps and reaching levels last seen in September 1981.

New Issues: Clifford Capital Pte Ltd priced a USD200mn 5-year senior unsecured bond at 4.137%. Tianjin Rail Transit Urban Development Co Ltd (Guarantor: Tianjin Rail Transit Group Co Ltd) priced a USD107.8mn 364-day senior unsecured bond at 6.2%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	110.642	0.39%	USD-SGD	1.4173	0.52%
USD-JPY	144.060	0.22%	EUR-SGD	1.3943	-0.83%
EUR-USD	0.984	-1.34%	JPY-SGD	0.9836	0.27%
AUD-USD	0.663	-0.88%	GBP-SGD	1.5972	-0.47%
GBP-USD	1.127	-0.98%	AUD-SGD	0.9396	-0.37%
USD-MYR	4.554	-0.12%	NZD-SGD	0.8295	-0.20%
USD-CNY	7.050	0.45%	CHF-SGD	1.4666	0.29%
USD-IDR	14998	0.10%	SGD-MYR	3.2220	-0.37%
USD-VND	23688	0.08%	SGD-CNY	4.9806	0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.7000	0.69%	O/N	2.3154	2.32%
2M	-0.3360	-0.34%	1M	3.0519	3.01%
3M	1.1000	1.07%	2M	0.1525	0.15%
6M	1.7400	1.74%	3M	3.6017	3.57%
9M	-0.1940	-0.20%	6M	4.1751	4.12%
12M	2.3380	2.30%	12M	4.6994	4.67%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/02/2022	2.784	0.696	3.783
12/14/2022	4.740	1.185	4.273
02/01/2023	5.678	1.420	4.507
03/22/2023	6.050	1.512	4.600
05/03/2023	6.116	1.529	4.617
06/14/2023	5.996	1.499	4.587

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.94	-1.79%	Corn (per bushel)	6.855	-0.9%
Brent (per barrel)	89.83	-0.87%	Soybean (per bushel)	14.613	-1.2%
Heating Oil (per gallon)	333.38	-1.14%	Wheat (per bushel)	9.038	1.1%
Gasoline (per gallon)	248.65	1.58%	Crude Palm Oil (MYR/MT)	38.070	3.6%
Natural Gas (per MMBtu)	7.78	0.80%	Rubber (JPY/KG)	2.180	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7690.00	-0.88%	Gold (per oz)	1673.9	0.5%
Nickel (per mt)	24949.00	-0.06%	Silver (per oz)	19.6	1.5%

Equity and Commodity

Index	Value	Net change
DJIA	30,183.78	-522.45
S&P	3,789.93	-66.00
Nasdaq	11,220.19	-204.86
Nikkei 225	27,313.13	-375.29
STI	3,261.79	-5.15
KLCI	1,447.18	-13.92
JCI	7,188.31	-8.64
Baltic Dry	1,729.00	176.00
VIX	27.99	0.83

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.19 (-)	4.08(-)
5Y	3.18 (-0.01)	3.77 (+0.02)
10Y	3.2 (-0.02)	3.55 (-0.03)
15Y	3.24 (+0.01)	--
20Y	3.26 (+0.02)	--
30Y	3.26 (+0.01)	3.51 (-0.07)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	158.80
TED	35.36

Secured Overnight Fin. Rate

SOFR	2.26
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/22/2022 02:00	US FOMC Rate Decision (Upper Bound)	Sep-21	3.25%	3.25%	2.50%
09/22/2022 06:45	NZ Trade Balance NZD	Aug	--	-2447m	-1092m
09/22/2022 06:45	NZ Exports NZD	Aug	--	5.48b	6.68b
09/22/2022 06:45	NZ Imports NZD	Aug	--	7.93b	7.77b
09/22/2022 08:00	JN BOJ Policy Balance Rate	Sep-22	-0.10%	--	-0.10%
09/22/2022 09:00	TA CBC Benchmark Interest Rate	Sep-22	1.625%	--	1.50%
09/22/2022 09:00	PH Budget Balance PHP	Aug	--	-86.8b	--
09/22/2022 15:00	PH BSP Overnight Borrowing Rate	Sep-22	4.25%	--	3.75%
09/22/2022 15:20	ID Bank Indonesia 7D Reverse Repo	Sep-22	4.00%	--	3.75%
09/22/2022 16:00	TA Unemployment Rate	Aug	3.70%	--	3.68%
09/22/2022 19:00	UK Bank of England Bank Rate	Sep-22	2.25%	--	1.75%
09/22/2022 20:30	US Initial Jobless Claims	Sep-17	217k	--	213k
09/22/2022 20:30	US Current Account Balance	2Q	-\$260.0b	--	-\$291.4b
09/22/2022 20:30	US Continuing Claims	Sep-10	1418k	--	1403k
09/22/2022 22:00	US Leading Index	Aug	-0.10%	--	-0.40%
09/22/2022 22:00	EC Consumer Confidence	Sep P	-25.50	--	-24.90

Source: Bloomberg

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