

## Daily Treasury Outlook

23 May 2022

### Highlights

**Global: Escaping by the skin of the teeth?** The S&P 500 pared losses to close up 0.01% on Friday after exploring bear market territory during most of the session amid US growth slowdown and inflation concerns. The UST bond market benefited from the flight to quality, with the 10-year bond yield down another 6bps to 2.78% (lowest this month) as US equity markets flirt with bear market territory. Meanwhile, White House economic advisor Deese opined that “we need to give the Fed the space and the independence to do its job, which is to get inflation under control”. Meanwhile China cut its 5-year LPR by 15bps to 4.45% on Friday, contributing to the rally in Asian equity markets. Elsewhere, UK Chancellor Sunak vowed to cut taxes to spur investments, but is said to favour a variable windfall tax on energy companies depending on how much they are prepared to invest in new energy capacity. Separately, Australia’s weekend elections saw PM Morrison’s conservative coalition voted out in favour of Labor Party under Albanese who pledged to tackle wage growth and rising inflation.

### Market watch: Asian markets are likely off to a mixed start for the week.

Today’s economic data calendar comprises of S’pore’s April CPI, Germany’s IFO business climate, Taiwan’s April unemployment rate and industrial production, Hong Kong’s CPI, and US’ Chicago Fed national activity index. BOE governor Bailey, Bundesbank’s Nagel, ECB’s Holzmann, and de Cos, as well as Fed’s Bostic and George are also speaking today. For the week ahead, of interest will be the global/regional PMIs, US’ core PCE reading and Fed minutes from the May meeting due on Wednesday, likely rate hikes due for BI (+25bps to 3.75% tomorrow), RBNZ (+50bps to 2% for OCR on Wednesday), BOK (+25bps to 1.75% on Thursday), ECB’s Financial Stability report, and 2-, 5- and 7-year UST bond auctions, as well as earnings from US retailers such as Macy’s, Nordstrom and Costco which could indicate the health of US consumers.

**SG:** The April headline and core CPI may print at 5.1% YoY (-0.5% MoM) and 3.4% YoY respectively. The flash estimate for the 1Q22 GDP growth due on Wednesday may be revised up from 3.4% YoY (0.4% QoQ sa) to 3.7% YoY (0.6% QoQ sa) due to the better-than-expected March industrial production and retail sales data. However, it may be premature to downgrade the official 2022 GDP growth forecast of 3-5% even though there are downside risks to 2Q22 due to the downgrade in global growth prospects and headwinds including China’s Covid-related lockdowns, supply chain disruptions and aggressive monetary policy tightening by major central banks like the FOMC. Our 2Q22 growth forecast is 4.4% YoY (1.1% QoQ sa) with no change to our full year forecast of 3.5-4.0% YoY.

### Key Market Movements

Equity	Value	% chg
S&P 500	3901.4	0.0%
DJIA	31262	0.0%
Nikkei 225	26739	1.3%
SH Comp	3146.6	1.6%
STI	3240.6	1.6%
Hang Seng	20717	3.0%
KLCI	1549.1	0.0%
	Value	% chg
DXY	103.150	0.4%
USDJPY	127.88	0.1%
EURUSD	1.0564	-0.2%
GBPUSD	1.2480	0.1%
USDIDR	14652	-0.5%
USDSGD	1.3804	-0.1%
SGDMYR	3.1870	0.4%
	Value	chg (bp)
2Y UST	2.58	-2.66
10Y UST	2.78	-5.59
2Y SGS	2.21	1.30
10Y SGS	2.73	-0.50
3M LIBOR	1.51	2.69
3M SIBOR	1.23	0.00
3M SOR	1.52	0.42
3M SORA	0.46	0.42
3M SOFR	0.30	0.82
	Value	% chg
Brent	112.55	0.5%
WTI	110.28	0.4%
Gold	1847	0.3%
Silver	21.78	-0.7%
Palladium	1965	-2.0%
Copper	9422	0.1%
BCOM	130.55	-0.4%

Source: Bloomberg

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### Major Markets

**SG:** The STI rallied 1.56% to close at 3,240.58 on Friday, but may start the week on a choppy note. SGS bonds may stay supported amid the tilt towards risk off.

**MY:** Malaysia's government said that it is bringing forward its weekly cabinet meeting from Wednesday to Monday, in order to discuss the rising costs of living and food supply issues. The ministries of trade and consumer affairs, and agriculture are said to be planning to brief the cabinet on the issues. Earlier last week, the government announced a scrapping of approved permits for food imports, to ease food supply shortages.

**ID:** Indonesia reported a current account surplus of USD200mn in Q1, equivalent to 0.1% of GDP. This marked a thinner surplus compared to USD1.4bn or 0.5% of GDP in Q4 last year. Bank Indonesia noted that the thinner surplus was due to a deficit in the services sector, as overseas travel activities picked up pace over the period alongside the reopening of borders.

**CN:** China lowered its 5-year LPR fixing by 15bps although it kept both 1-year MLF rate and 1-year LPR fixing unchanged. This was the second time that China lowered its LPR without cutting its MLF rate and the first time that the structural targeted interest rate focused on 5-year rate. The reduction of long-term benchmark interest rate showed that China has stepped up its pro-growth policy supports. The 5-year LPR cut is more like a tail risk management in our view. To further stabilize market confidence, China has switched from bottom-up approach such as allowing local governments to refine their own property measures to top-down approach. This is likely to be more efficient.

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### ESG Updates

**SG:** Stacs, a Singapore-based ESG registry, is now in place to make it easier for financial institutions to access companies' sustainability data from multiple certification bodies and verified sources.

**Rest of the world:** The US Energy Department launched a US\$3.5 billion programme to fund four large-scale carbon removal projects, believing the investment in the nascent technology is necessary to achieve net-zero goals.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded higher on Friday, with shorter tenors trading 2-4bps higher, belly tenors trading 1-3bps higher, and longer tenors trading 0-3bps higher. UST 10Y yields traded 6bps lower to 2.78% on Friday, extending the consecutive downward move since Wednesday last week as inflation and economic slowdown concerns continued to plague investors' worries. The S&P500 index was down by as much as 2.3% intraday on Friday, falling for a seventh straight week and marking the longest weekly losing streak in over 21 years. The Federal Open Market Committee ("FOMC") meeting minutes for May 4, initial jobless claims and personal consumption expenditures ("PCE") are amongst the key data releases scheduled for this week.

**New Issues:** There were no new issuances on Friday.

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	Day Close	% Change		Day Close	% Change
DXY	103.150	0.41%	USD-SGD	1.3804	-0.05%
USD-JPY	127.880	0.07%	EUR-SGD	1.4610	-0.10%
EUR-USD	1.056	-0.23%	JPY-SGD	1.0790	-0.14%
AUD-USD	0.704	-0.13%	GBP-SGD	1.7240	0.13%
GBP-USD	1.248	0.10%	AUD-SGD	0.9711	-0.25%
USD-MYR	4.389	-0.35%	NZD-SGD	0.8837	0.26%
USD-CNY	6.693	-0.29%	CHF-SGD	1.4159	-0.26%
USD-IDR	14652	-0.55%	SGD-MYR	3.1870	0.41%
USD-VND	23170	0.07%	SGD-CNY	4.8456	-0.46%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5350	-0.54%	O/N	0.8247	0.82%
2M	-0.3360	-0.34%	1M	0.9736	0.96%
3M	-0.3480	-0.35%	2M	0.1525	0.15%
6M	-0.0780	-0.10%	3M	1.5064	1.50%
9M	-0.1940	-0.20%	6M	2.0656	2.03%
12M	0.3530	0.34%	12M	2.7300	2.71%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.082	0.521	1.355
07/27/2022	4.011	1.003	1.837
09/21/2022	5.576	1.394	2.229
11/02/2022	6.748	1.687	2.522
12/14/2022	7.751	1.938	2.773
02/01/2023	8.321	2.08	2.915

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	113.23	0.91%	Corn (per bushel)	7.788	-0.6%
Brent (per barrel)	112.55	0.46%	Soybean (per bushel)	17.053	0.9%
Heating Oil (per gallon)	373.91	-1.40%	Wheat (per bushel)	11.688	-2.6%
Gasoline (per gallon)	383.70	0.14%	Crude Palm Oil (MYR/MT)	66.890	0.6%
Natural Gas (per MMBtu)	8.08	-2.71%	Rubber (JPY/KG)	2.445	0.5%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	9422.00	0.07%	Gold (per oz)	1846.5	0.3%
Nickel (per mt)	27973.00	-0.91%	Silver (per oz)	21.8	-0.7%

## Equity and Commodity

Index	Value	Net change
DJIA	31,261.90	8.77
S&P	3,901.36	0.57
Nasdaq	11,354.62	-33.88
Nikkei 225	26,739.03	336.19
STI	3,240.58	49.87
KLCI	1,549.12	-0.29
JCI	6,918.14	94.81
Baltic Dry	3,344.00	55.00
VIX	29.43	0.08

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.21 (+0.01)	2.6(--)
5Y	2.57 (+0.01)	2.8 (-0.04)
10Y	2.73 (--)	2.8 (-0.06)
15Y	2.87 (-0.01)	--
20Y	2.9 (-0.01)	--
30Y	2.71 (-0.01)	3 (-0.06)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	14.00	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.79
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/23/2022 07:01	UK Rightmove House Prices MoM	May	--	2.10%	1.60%
05/23/2022 07:01	UK Rightmove House Prices YoY	May	--	10.20%	9.90%
05/23/2022 10:00	TH Customs Exports YoY	Apr	14.60%	--	19.50%
05/23/2022 10:00	TH Customs Imports YoY	Apr	19.45%	--	18.00%
05/23/2022 10:00	TH Customs Trade Balance	Apr	-\$940m	--	\$1460m
05/23/2022 13:00	SI CPI YoY	Apr	5.60%	--	5.40%
05/23/2022 13:00	SI CPI NSA MoM	Apr	0.20%	--	1.20%
05/23/2022 13:00	JN Tokyo Condominiums for Sale YoY	Apr	--	--	-19.70%
05/23/2022 15:00	MA Foreign Reserves	May-13	--	--	\$112.5b
05/23/2022 16:00	GE IFO Business Climate	May	91.40	--	91.80
05/23/2022 16:00	GE IFO Expectations	May	86.50	--	86.70
05/23/2022 16:00	GE IFO Current Assessment	May	96.80	--	97.20
05/23/2022 16:00	TA Industrial Production YoY	Apr	3.70%	--	2.15%
05/23/2022 16:00	TA Unemployment Rate	Apr	3.85%	--	3.70%
05/23/2022 16:30	HK CPI Composite YoY	Apr	2.00%	--	1.70%
05/23/2022 20:30	US Chicago Fed Nat Activity Index	Apr	0.50	--	0.44

Source: Bloomberg

# Treasury Research & Strategy

## Macro Research

**Selena Ling**

*Head of Research & Strategy*

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

*Head of Greater China Research*

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

*Malaysia & Indonesia*

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Howie Lee**

*Commodities*

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Ong Shu Yi**

*Environmental, Social & Governance (ESG)*

[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

**Herbert Wong**

*Hong Kong & Macau*

[herberthtwong@ocbcwh.com](mailto:herberthtwong@ocbcwh.com)

## FX/Rates Strategy

**Frances Cheung**

*Rates Strategist*

[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

## Credit Research

**Andrew Wong**

*Credit Research Analyst*

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

*Credit Research Analyst*

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

*Credit Research Analyst*

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Toh Su N**

*Credit Research Analyst*

[TohSN@ocbc.com](mailto:TohSN@ocbc.com)

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