

## Daily Treasury Outlook

23 September 2022

### Highlights

**Global: Indigestion post FOMC continues.** The S&P 500 tumbled to June lows with the main drag from tech stocks while the dollar mostly advanced. The UST bond market had another volatile session, driving the 10-year yield up to an 11-year high of 3.71% while the 2-year topped 4.1%. The hawkish message was reinforced by the BOE's second 50bps hike with three gunning for a larger hike, while the SNB exited negative rates with a jumbo 75bps hike and Vietnam also shocked with a 100bps hike. In addition, BI also surprised markets to opt for a 50bps hike (most aggressive move since mid-2018) to frontloading in anticipation of inflation peaking above 6% by end-2022 while core inflation will also hit 4.6%, whereas CBC opted for a modest 12.5bps hike as expected (albeit 5 members voted for 25bps hike) and Turkey shocked with a 100bps cut despite surging inflation. Elsewhere, BOJ kept its policy settings unchanged but opted to intervene in the FX market in what appeared to be a unilateral move.

**Market watch: Asian markets are likely to see volatile trading conditions today** as investors grapple with the unsettling prospects of further global monetary tightening notwithstanding growth slowdown or even recession risks. Today's economic calendar comprises of August inflation readings from Singapore and Malaysia, Taiwan's industrial production, and Eurozone and US PMIs. Fed Chair Powell and ECB's Kazaks and Nagel are also speaking today.

**SG:** August headline and core CPI are likely to print at 7.3% YoY and 4.9% YoY respectively amid broad based price pressures across food, cars and wage growth.

**HK:** A number of major banks announced to raise their best lending rates (main lending rate in Hong Kong) by 12.5bps following the Fed's 75bps hike, the first time since 2018. The pace of prime rate hike was moderate given that Hong Kong dollar liquidity remained ample, and loan demand stayed weak amid the sluggish economy. We expect further prime rate hikes in the coming two quarters.

**ID:** Indonesia's central bank opted to hike its rates by 50bps yesterday from 3.75% to 4.25%, compared to the broader market expectation, including ours, for a more traditional 25bps move. The decision is a tell-tale sign of how the global monetary policy landscape has hardened. Against the spectre of the higher-for-longer Fed rates, it can no longer be assured that a slow and gingerly approach to its own monetary policy normalization can anchor exchange rate stability like before. On top of that, there is also the effect of fuel price hike to consider, with BI essentially saying that we'll have to wait until H2 2023 for any chance of inflation normalizing.

### Key Market Movements

Equity	Value	% chg
S&P 500	3758.0	-0.8%
DJIA	30077	-0.4%
Nikkei 225	27154	-0.6%
SH Comp	3108.9	-0.3%
STI	3263.1	0.0%
Hang Seng	18148	-1.6%
KLCI	1439.2	-0.6%
	Value	% chg
DXY	111.353	0.6%
USDJPY	142.39	-1.2%
EURUSD	0.9836	0.0%
GBPUSD	1.1261	-0.1%
USDIDR	15018	0.1%
USDSGD	1.4186	0.1%
SGDMYR	3.2211	0.0%
	Value	chg (bp)
2Y UST	4.12	7.38
10Y UST	3.71	18.39
2Y SGS	3.26	7.60
10Y SGS	3.19	-1.70
3M LIBOR	3.60	0.21
3M SIBOR	2.81	0.00
3M SOR	3.07	0.00
3M SORA	1.90	0.23
3M SOFR	2.00	0.90
	Value	% chg
Brent	90.46	0.7%
WTI	83.49	0.7%
Gold	1671	-0.2%
Silver	19.64	0.3%
Palladium	2173	0.7%
Copper	7680	-0.1%
BCOM	116.01	-0.8%

Source: Bloomberg

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### Major Markets

**SG:** The STI edged up 0.04% to 3,263.07 yesterday but may slide in tandem with regional bourses today amid weak market sentiments. SGS bond yields are also likely under pressure amid the overnight UST market volatility and hawkish major central bank moves.

**MY:** Malaysia is due to report its August inflation data today. We expect the headline inflation rate to head up to 4.8% YoY, compared to July's 4.4% on account of food and fuel price increases. Core inflation may come into the focus as well, with the possibility that it might go up to 3.8% YoY in August, compared to 3.4% in the prior month.

**CN:** China's non-financial overseas direct investment in the first eight months accelerated to 7.2% YoY from 4.4% YoY in the first seven months. Total overseas direct investment returned to the pre-COVID level. Elsewhere, China Center for Disease Control and Prevention (CDC) said in the latest weekly report that a well-timed second booster shot is necessary for a safe, long-time exit from the pandemic.

### ESG Updates

**SG:** Singapore and India agreed to cooperate in new areas such as food, energy security and green technology.

**Rest of the world:** The U.S. Senate voted 69-27 to ratify an amendment to the Montreal Protocol that would reduce the use of hydrofluorocarbons (HFCs) to combat climate change.

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### Bond Market Updates

**Market Commentary:** The SGD SORA curve traded unevenly yesterday with shorter tenors trading 8-11bps higher, belly tenors trading 3-8bps higher and longer tenors traded 4-10bps lower (with the exception of 10Y which traded flat). UST 10Y yields rose by 18bps to 3.71% as markets continued to assess the impacts of the Federal Reserve's ("Fed") third consecutive 75bps rate hike. Per Freddie Mac's mortgage market survey, US30Y fixed rate mortgages rose to 6.29%, its highest level since 2008 and further reinforced the headwinds faced by the housing market aside from softening house prices and decreasing home sales as well as hawkish comments by Fed Chairman Jerome Powell on the previous day. In a news conference, Powell mentioned that "For the longer term what we need is supply and demand to get better aligned so housing prices go up at a reasonable level, at a reasonable pace and people can afford houses again. We probably in the housing market have to go through a correction to get back to that place". Separately, initial jobless claims for the week ended September 17 came in at 213,000, below Bloomberg median estimates of 217,000.

**New Issues:** Boxinyuan International Co (Guarantor: Bank of Beijing Co., Ltd., Nanjing Branch Ltd) priced a USD100mn 3-year senior unsecured bond at 5.5%. Hyundai Capital Services priced a SGD100mn 3-year senior unsecured bond at 4.5%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	111.353	0.64%	USD-SGD	1.4186	0.09%
USD-JPY	142.390	-1.16%	EUR-SGD	1.3954	0.08%
EUR-USD	0.984	-0.01%	JPY-SGD	0.9964	1.30%
AUD-USD	0.665	0.23%	GBP-SGD	1.5975	0.02%
GBP-USD	1.126	-0.08%	AUD-SGD	0.9426	0.32%
USD-MYR	4.567	0.30%	NZD-SGD	0.8297	0.02%
USD-CNY	7.078	0.40%	CHF-SGD	1.4521	-0.99%
USD-IDR	15018	0.13%	SGD-MYR	3.2211	-0.03%
USD-VND	23696	0.03%	SGD-CNY	4.9856	0.10%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.7080	0.70%	O/N	2.3197	2.32%
2M	-0.3360	-0.34%	1M	3.0590	3.05%
3M	1.1180	1.10%	2M	0.1525	0.15%
6M	1.7660	1.74%	3M	3.6039	3.60%
9M	-0.1940	-0.20%	6M	4.1240	4.18%
12M	2.4160	2.34%	12M	4.6824	4.70%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/02/2022	2.828	0.707	3.795
12/14/2022	4.720	1.180	4.267
02/01/2023	5.776	1.444	4.532
03/22/2023	6.250	1.563	4.650
05/03/2023	6.328	1.582	4.669
06/14/2023	6.199	1.550	4.637

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.49	0.66%	Corn (per bushel)	6.883	0.4%
Brent (per barrel)	90.46	0.70%	Soybean (per bushel)	14.570	-0.3%
Heating Oil (per gallon)	341.15	2.33%	Wheat (per bushel)	9.108	0.8%
Gasoline (per gallon)	251.57	1.17%	Crude Palm Oil (MYR/MT)	37.610	-1.2%
Natural Gas (per MMBtu)	7.09	-8.87%	Rubber (JPY/KG)	2.205	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7680.00	-0.13%	Gold (per oz)	1671.2	-0.2%
Nickel (per mt)	24562.00	-1.55%	Silver (per oz)	19.6	0.3%

### Equity and Commodity

Index	Value	Net change
DJIA	30,076.68	-107.10
S&P	3,757.99	-31.94
Nasdaq	11,066.80	-153.39
Nikkei 225	27,153.83	-159.30
STI	3,263.07	1.28
KLCI	1,439.16	-8.02
JCI	7,218.91	30.59
Baltic Dry	1,746.00	17.00
VIX	27.35	-0.64

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.26 (+0.08)	4.12(--)
5Y	3.22 (+0.03)	3.94 (+0.17)
10Y	3.19 (-0.02)	3.71 (+0.18)
15Y	3.2 (-0.04)	--
20Y	3.22 (-0.05)	--
30Y	3.23 (-0.03)	3.64 (+0.14)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	160.60	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	2.25
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/23/2022 12:00	MA	CPI YoY	Aug	4.70%	--	4.40%	--
09/23/2022 13:00	SI	CPI YoY	Aug	7.20%	--	7.00%	--
09/23/2022 15:30	TH	Foreign Reserves	Sep-16	--	--	\$213.8b	--
09/23/2022 15:30	GE	S&P Global/BME Germany Manufacturing PMI	Sep P	48.30	--	49.10	--
09/23/2022 15:30	GE	S&P Global Germany Services PMI	Sep P	47.20	--	47.70	--
09/23/2022 15:30	GE	S&P Global Germany Composite PMI	Sep P	46.10	--	46.90	--
09/23/2022 16:00	EC	S&P Global Eurozone Manufacturing PMI	Sep P	48.80	--	49.60	--
09/23/2022 16:00	EC	S&P Global Eurozone Composite PMI	Sep P	48.20	--	48.90	--
09/23/2022 16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Sep P	47.50	--	47.30	--
09/23/2022 16:30	UK	S&P Global/CIPS UK Services PMI	Sep P	50.00	--	50.90	--
09/23/2022 16:30	UK	S&P Global/CIPS UK Composite PMI	Sep P	49.00	--	49.60	--
09/23/2022 20:30	CA	Retail Sales MoM	Jul	-2.00%	--	1.10%	--
09/23/2022 20:30	CA	Retail Sales Ex Auto MoM	Jul	-1.00%	--	0.80%	--
09/23/2022 21:45	US	S&P Global US Manufacturing PMI	Sep P	51.00	--	51.50	--
09/23/2022 21:45	US	S&P Global US Services PMI	Sep P	45.50	--	43.70	--
09/23/2022 21:45	US	S&P Global US Composite PMI	Sep P	46.10	--	44.60	--

Source: Bloomberg

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