

Daily Treasury Outlook

25 May 2022

Highlights

Global: Tech down – the S&P 500 slipped 0.81% overnight due to the drag from tech stocks including Snap which fell a record 43%, while Abercrombie & Fitch also plummeted 29.9% after a surprise quarter loss and a cut to its outlook. The ensuing flight to quality lifted UST bonds and sent the 10-year bond yield down 10bps to 2.75%. Fed's Bostic also opined the need to avoid "recklessness" as headlong hikes could cause "significant economic dislocation". Meanwhile, China's PBOC urged banks to step up loans. Separately, BI kept its policy rate unchanged at 3.50% but raised the RRR hike from the original 6.50% to 9.00% in September as inflation will slightly exceed its 2-4% target. The Philippines has also narrowed its 2022 growth forecast from 7-9% to 7-8% after factoring in external risks.

Market watch: Overall market sentiments remain fragile and Asian markets are likely to consolidate today, while awaiting the RBNZ policy decision where a 50bps rate hike to 2.00% is anticipated. The economic data calendar comprises Malaysia's CPI, Philippines' April budget balance, German final 1Q22 GDP growth and GfK consumer confidence for June, and US' April durable goods order. Besides RBNZ governor Orr, ECB's Lagarde, Rehn, Panetta, Holzmann, de Cos, Lane and Knot, BOJ governor Kuroda, BOE's Tenreyro, and Fed's Brainard also speaking. The May FOMC minutes are also due for release.

SG: 1Q22 GDP growth was revised higher from the initial 3.4% YoY (0.4% QoQ sa) to 3.7% YoY (0.7% QoQ sa) in line with our expectations. MTI tips 2022 growth to come in the lower half of the 3.0-5.0% range, also consistent with our 3.5-4.0% forecast.

US: The New York Fed noted that the Fed's holdings of Treasury bonds and MBS are tipped to fall by roughly US\$2.5tn to around US\$5.9tn by mid-2025.

EU: The composite PMI fell from 55.8 in April to 54.9 in May, with both manufacturing and services also slipping to 54.4 and 56.3 respectively. Meanwhile, the ECB's Financial Stability Review said widespread exposure to crypto by financial institutions could put capital at risk and damage investor confidence.

CN: China's central bank and banking regulator pledged more credit supports to key businesses in its joint meeting. The strengthened financial support will be given to key areas such as micro and small businesses, green development, scientific and technological innovation, energy supply, water conservancy and infrastructure. In addition, China's financial regulators also said efforts should be made to promote the steady growth of real estate credit.

Key Market Movements

Equity	Value	% chg
S&P 500	3941.5	-0.8%
DJIA	31929	0.2%
Nikkei 225	26748	-0.9%
SH Comp	3070.9	-2.4%
STI	3195.0	-0.6%
Hang Seng	20112	-1.7%
KLCI	1531.3	-0.7%
	Value	% chg
DXY	101.857	-0.2%
USDJPY	126.83	-0.8%
EURUSD	1.0736	0.4%
GBPUSD	1.2532	-0.4%
USDIDR	14658	-0.1%
USDSGD	1.3719	-0.1%
SGDMYR	3.1939	0.1%
	Value	chg (bp)
2Y UST	2.48	-14.17
10Y UST	2.75	-10.08
2Y SGS	2.19	0.00
10Y SGS	2.60	-7.66
3M LIBOR	1.52	1.74
3M SIBOR	1.34	0.00
3M SOR	1.53	0.00
3M SORA	0.49	0.82
3M SOFR	0.33	0.81
	Value	% chg
Brent	113.56	0.1%
WTI	109.77	-0.5%
Gold	1866	0.7%
Silver	22.12	1.5%
Palladium	2009	0.5%
Copper	9454	-1.0%
BCOM	131.93	-0.3%

Source: Bloomberg

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Major Markets

SG: The STI fell 0.58% to close below the 3,200 handle at 3,195.04 yesterday and may meander lower today. SGS bonds are likely to be supported by the flight to safety.

MY: Malaysia's government said that it is not planning to impose a ban on cooking oil exports, since domestic supplies of palm oil are sufficient. It said that the focus will be on targeting subsidies to ensure it benefits the neediest consumers instead. The statement on palm oil came after the government had imposed a ban on exports of chickens from June to secure its own domestic supply, hitting countries like Singapore, which sources a third of its chicken needs from Malaysia.

ID: Bank Indonesia opted to keep its policy rate unchanged at 3.50% yesterday, despite some expectations including ours for a hike. It did raise its plan for reserve requirement ratio hikes, however. Compared to the previously announced hike to 6.50% in September, the central bank ramped up the hike to 9.00%. The move is said to absorb IDR110tn (~USD7.5bn) from the banking system, in addition to the IDR200tn removal that the previous steps would engender.

ESG Updates

MY: The Selangor government has set five policies regarding the operation of factories and premises processing recycled plastic waste in the state to prevent pollution. The policy states that the import of recycled plastic waste for the purpose of recovery or final disposal for all factories that carry out the plastic recycling processes is not allowed.

Rest of the world: Germany, Denmark, Netherlands and Belgium sign a €135bn offshore wind pact, with the intention of becoming the "Green Power Plant of Europe".

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 4-7bps lower, belly tenors trading 7-8bps lower, and longer tenors trading 8-9bps lower. UST 10Y yields traded 10bps lower to 2.75% yesterday, amidst a continued sell-off in stocks and the release of weaker than expected economic data. The sell-off in stocks was particularly notable on the tech front, led by Snap's profit warning fuelled by economic growth concerns which caused its stock to fall by a record 43%. The S&P 500 index was down by 0.81% while the Nasdaq was down by 2.35%. Separately, the flash S&P Global US Manufacturing, Services and Composite PMI for May all came in lower than expected, at 57.5, 53.5 and 53.8 respectively, falling short of Bloomberg median estimates of 57.7, 55.2 and 55.7. New home sales for April also came in lower than expected at 591,000, compared to Bloomberg median estimates of 748,000 and the prior month's 763,000.

New Issues: Perusahaan Penerbit SBSN Indonesia III priced a USD3.25bn deal in 2 parts: (1) a USD1.75bn 5-year senior unsecured bond at 4.4%, tightening from an IPT of 4.75% area and (2) a USD1.5bn 10-year senior unsecured green bond at 4.7%, tightening from an IPT of 5.1% area. Industrial & Commercial Bank of China Ltd/Singapore priced a USD600mn 3-year senior unsecured green bond at SOFR+75bps, tightening from an IPT of SOFR+115bps area. Industrial & Commercial Bank of China Ltd/Hong Kong priced a USD1.2bn 3-year senior unsecured green bond at T+38bps, tightening from an IPT of T+85bps area. Chongqing Hechuan City Construction Investment Group Co Ltd priced a USD207mn 3-year senior unsecured bond at 6%, tightening from an IPT of 6.3% area. Haitong Bank SA (Guarantor: Haitong Securities Co., Ltd) priced a USD150mn 5-year bond at 4%, tightening from an IPT of T+120bps area. China Merchants Port Holdings Co. has arranged investor calls commencing 24 May for its proposed USD senior unsecured bonds offering. Export Import Bank of Thailand has arranged investor calls commencing 24 May for its proposed USD senior unsecured bonds offering.

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	Day Close	% Change		Day Close	% Change
DX	101.857	-0.21%	USD-SGD	1.3719	-0.11%
USD-JPY	126.830	-0.84%	EUR-SGD	1.4730	0.31%
EUR-USD	1.074	0.42%	JPY-SGD	1.0811	0.69%
AUD-USD	0.711	-0.04%	GBP-SGD	1.7192	-0.56%
GBP-USD	1.253	-0.44%	AUD-SGD	0.9748	-0.14%
USD-MYR	4.397	0.15%	NZD-SGD	0.8860	-0.28%
USD-CNY	6.654	0.06%	CHF-SGD	1.4274	0.37%
USD-IDR	14658	-0.11%	SGD-MYR	3.1939	0.09%
USD-VND	23190	0.10%	SGD-CNY	4.8485	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5430	-0.54%	O/N	0.8231	0.82%
2M	-0.3360	-0.34%	1M	1.0057	0.97%
3M	-0.3630	-0.35%	2M	0.1525	0.15%
6M	-0.0850	-0.08%	3M	1.5239	1.51%
9M	-0.1940	-0.20%	6M	2.0619	2.07%
12M	0.3480	0.35%	12M	2.7180	2.73%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.108	0.527	1.356
07/27/2022	4.014	1.004	1.833
09/21/2022	5.379	1.345	2.174
11/02/2022	6.409	1.602	2.431
12/14/2022	7.354	1.839	2.668
02/01/2023	7.862	1.966	2.795

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	109.77	-0.47%	Corn (per bushel)	7.718	-1.8%
Brent (per barrel)	113.56	0.12%	Soybean (per bushel)	16.930	0.4%
Heating Oil (per gallon)	378.18	0.34%	Wheat (per bushel)	11.548	-3.0%
Gasoline (per gallon)	381.10	0.35%	Crude Palm Oil (MYR/MT)	70.540	3.2%
Natural Gas (per MMBtu)	8.80	0.59%	Rubber (JPY/KG)	2.425	-1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9453.50	-0.99%	Gold (per oz)	1866.5	0.7%
Nickel (per mt)	26550.00	-4.26%	Silver (per oz)	22.1	1.5%

Equity and Commodity

Index	Value	Net change
DJIA	31,928.62	48.38
S&P	3,941.48	-32.27
Nasdaq	11,264.45	-270.82
Nikkei 225	26,748.14	-253.38
STI	3,195.04	-18.61
KLCI	1,531.30	-11.23
JCI	6,914.14	73.37
Baltic Dry	3,369.00	25.00
VIX	29.45	0.97

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.19 (--)	2.51 (--)
5Y	2.48 (-0.04)	2.74 (-0.13)
10Y	2.6 (-0.08)	2.75 (-0.1)
15Y	2.72 (-0.09)	--
20Y	2.77 (-0.07)	--
30Y	2.61 (-0.06)	2.97 (-0.09)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	12.50 (--)
TED	35.36 --

Secured Overnight Fin. Rate

SOFR	0.78
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/25/2022 05:00	SK Business Survey Manufacturing	Jun	--	87.00	88.00
05/25/2022 05:00	SK Business Survey Non-Manufacturing	Jun	--	86.00	85.00
05/25/2022 08:00	SI GDP YoY	1Q F	3.70%	3.70%	3.40%
05/25/2022 10:00	NZ RBNZ Official Cash Rate	May-25	2.00%	--	1.50%
05/25/2022 10:00	VN CPI YoY	May	--	--	2.64%
05/25/2022 12:00	MA CPI YoY	Apr	2.30%	--	2.20%
05/25/2022 13:00	JN Leading Index CI	Mar F	--	--	101.00
05/25/2022 14:00	GE GDP SA QoQ	1Q F	0.20%	--	0.20%
05/25/2022 14:00	GE GfK Consumer Confidence	Jun	-25.50	--	-26.50
05/25/2022 14:00	GE GDP NSA YoY	1Q F	4.00%	--	4.00%
05/25/2022 14:00	GE GDP WDA YoY	1Q F	3.70%	--	3.70%
05/25/2022 19:00	US MBA Mortgage Applications	May-20	--	--	-11.00%
05/25/2022 20:30	US Durable Goods Orders	Apr P	0.60%	--	1.10%
05/25/2022 20:30	US Durables Ex Transportation	Apr P	0.50%	--	1.40%
05/25/2022 20:30	US Cap Goods Orders Nondef Ex Air	Apr P	0.50%	--	1.30%
05/25/2022 20:30	US Cap Goods Ship Nondef Ex Air	Apr P	0.50%	--	0.40%

Source: Bloomberg

Treasury Research & Strategy

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