

Daily Treasury Outlook

26 September 2022

Highlights

Global: Market uncertainties mount - UK Chancellor Kwarteng scrapped the top 45% income tax bracket and cut the basic rate by 1ppt to 19% and pledged more to come, spooking markets about how they would pay for the largest tax cuts since 1972 which would cost GBP161bn over the next five years. Meanwhile, Italy may see its first female and far-right PM Giorgia Meloni, whilst Russian president may close borders to prevent draft-age men from leaving, and North Korea also fired its first ballistic missile since June. The S&P 500 slumped 1.72% while VIX rose briefly to top the 30 handle before settling at 29.92 on Friday. The UST bond market was also in turmoil with the 2-year yield up to 4.25% (highest since 2007) while the 10- and 30-year yields fell 3bps to 3.68% and 3.60% respectively. This sell-off also paled in comparison with the 2-year gilt which jumped as much as 57bps. The USD surged with the Euro back to 2002 lows while the GBP hit a 37-year low as market players priced in a full 100bps rate hike by the BOE in November (which would be the biggest hike since 1989). Oil prices also pulled back with WTI below the US\$79 per barrel for the first time since January as recession fears increased.

Market watch: With the risk-off tilt, Asian markets may trade on tenterhooks today. Today's economic data calendar comprises of Thailand and Hong Kong's August trade, Singapore's industrial production, Germany's IFO business climate, and US' Chicago and Dallas activity indices, as well as the OECD's Interim Economic Outlook forecasts. There is also a full slate of speakers including ECB's Lagarde, Guindos, Nagel, Simkus, Panetta, Centeno and de Cos, Fed's Collins, Bostic, and Logan, and BOE's Tenreyro. For the week ahead, watch for BOT policy decision (likely 25bps rate hike to 1%) on Wednesday and RBI cash reserve ratio (likely unchanged at 4.5%) on Friday.

SG: August industrial production likely contracted 1.9% YoY (-0.9% MoM), compared to the July print of 0.6% YoY (-2.3% MoM sa) as global demand eases, especially for electronics and pharmaceuticals, amid aggressive frontloading of global monetary policy settings.

HK: Hong Kong scrapped the mandatory hotel quarantine requirement for overseas arrival starting from 26 September, a long-awaited move attempting to boost inbound tourism and revive the local economy. Despite the eased border measures, Hong Kong still imposed movement restrictions for arriving visitors during the three-day health surveillance period. Many suspect that the new arrangement would only help outbound tourism and do little to help inbound tourism.

CN: The USDCNY's fall closer to the 2% daily trading limit last Friday will inject fresh enthusiasm for market to watch out for the daily fixing this week. It is unlikely to be any surprise for the USDCNY to be fixed above 7 this week, which will allow the USDCNY to track the weakness of global major currencies.

Key Market Movements

Equity	Value	% chg
S&P 500	3693.2	-1.7%
DJIA	29590	-1.6%
Nikkei 225	27154	0.0%
SH Comp	3088.4	-0.7%
STI	3227.1	-1.1%
Hang Seng	17933	-1.2%
KLCI	1425.0	-1.0%
	Value	% chg
DXY	113.192	1.7%
USDJPY	143.31	0.6%
EURUSD	0.9687	-1.5%
GBPUSD	1.0859	-3.6%
USDIDR	15038	0.1%
USDSGD	1.4309	0.9%
SGDMYR	3.2138	-0.2%
	Value	chg (bp)
2Y UST	4.20	7.89
10Y UST	3.68	-2.92
2Y SGS	3.32	5.40
10Y SGS	3.27	8.00
3M LIBOR	3.63	3.76
3M SIBOR	3.03	-0.04
3M SOR	3.04	5.71
3M SORA	1.90	0.41
3M SOFR	2.02	1.71
	Value	% chg
Brent	86.15	-4.8%
WTI	78.74	-5.7%
Gold	1644	-1.6%
Silver	18.87	-3.9%
Palladium	2073	-4.6%
Copper	7433	-3.2%
BCOM	112.40	-3.1%

Source: Bloomberg

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Major Markets

SG: The STI gained 0.04% to close at 3,263.07 on Friday but may consolidate again today amid weak market sentiments. SGS bonds may also see choppy trading conditions today. There is a \$1.9bn 30-year SGS (Infra) bond re-opening on 28 September (which is the last SGS bond supply for this year), followed by \$4bn of 6-month T-bill auction on Thursday.

MY: Bank Negara Malaysia's Governor Nor Shamsiah Mohd Yunus said that the movements in the ringgit would continue to be market determined and that it will ensure orderly financial conditions amid global market turbulence. Meanwhile, the country reported headline inflation of 4.7% YoY for August, in line with market expectations, and the core inflation was at 3.8%, compared to 3.4% before.

ID: Bank Indonesia predicts that inflation for September will reach 1.1% on a month-on-month basis due to the uptick in fuel prices after the subsidy cut. As much as 0.91ppt MoM of inflation is seen coming from gasoline price increase and 0.05ppt from the increase in inner city transport costs.

ESG Updates

CN: Chinese electric car start-up Nio intends to roll out a battery leasing and swapping network outside China by 2025 (mostly in Europe), to reduce costs for consumers.

Rest of the world: California regulator views 2035 to end gasoline-only new car sales as a deadline that is both realistic for the industry and effective for emissions reduction.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher last Friday with shorter tenors trading 5-10bps higher, belly tenors trading 12-16bps higher and longer tenors traded 13-17bps higher. UST 10Y yields traded 3bps down last Friday as risk off sentiments continued to escalate with major global central banks hiking interest rates last week alongside the Federal Reserve's ("Feds") aggressive monetary policy as they attempt to curb high inflation. Other global headwinds include UK government's announcement of a growth plan through tax cuts and investments funded by government debt which sparked off concerns on the sustainability of the country's increasing public debt levels. Separately, the S&P Global US Composite Purchasing Managers' Index came in at 49.3, below Bloomberg median estimates of 46.1.

New Issues: Oriental Capital Co Ltd (Guarantor: Yancheng Oriental Investment & Development Group Co Ltd) priced a USD230mn 3-year senior unsecured bond at 7%, in line with its final guidance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	113.192	1.65%	USD-SGD	1.4309	0.87%
USD-JPY	143.310	0.65%	EUR-SGD	1.3855	-0.71%
EUR-USD	0.969	-1.51%	JPY-SGD	0.9977	0.13%
AUD-USD	0.653	-1.76%	GBP-SGD	1.5528	-2.80%
GBP-USD	1.086	-3.57%	AUD-SGD	0.9337	-0.94%
USD-MYR	4.578	0.23%	NZD-SGD	0.8219	-0.94%
USD-CNY	7.128	0.71%	CHF-SGD	1.4576	0.38%
USD-IDR	15038	0.13%	SGD-MYR	3.2138	-0.23%
USD-VND	23702	0.03%	SGD-CNY	4.9928	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	0.6980	0.68%	O/N	3.0694	3.07%
2M	-0.3360	-0.34%	1M	3.0803	3.08%
3M	1.1530	1.12%	2M	0.1525	0.15%
6M	1.8030	1.76%	3M	3.6284	3.64%
9M	-0.1940	-0.20%	6M	4.2013	4.18%
12M	2.5000	2.44%	12M	4.8349	4.80%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/02/2022	2.836	0.709	3.802
12/14/2022	4.770	1.193	4.285
02/01/2023	5.955	1.489	4.581
03/22/2023	6.480	1.620	4.713
05/03/2023	6.624	1.656	4.748
06/14/2023	6.542	1.635	4.728

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.74	-5.69%	Corn (per bushel)	6.768	-1.7%
Brent (per barrel)	86.15	-4.76%	Soybean (per bushel)	14.258	-2.1%
Heating Oil (per gallon)	323.71	-5.11%	Wheat (per bushel)	8.805	-3.3%
Gasoline (per gallon)	238.30	-5.27%	Crude Palm Oil (MYR/MT)	36.730	-2.3%
Natural Gas (per MMBtu)	6.83	-3.68%	Rubber (JPY/KG)	2.205	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7433.00	-3.22%	Gold (per oz)	1643.9	-1.6%
Nickel (per mt)	23411.00	-4.69%	Silver (per oz)	18.9	-3.9%

Equity and Commodity

Index	Value	Net change
DJIA	29,590.41	-486.27
S&P	3,693.23	-64.76
Nasdaq	10,867.93	-198.87
Nikkei 225	27,153.83	-159.30
STI	3,227.10	-35.97
KLCI	1,424.98	-14.18
JCI	7,178.58	-40.32
Baltic Dry	1,816.00	96.00
VIX	29.92	2.57

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.32 (+0.05)	4.25(-)
5Y	3.28 (+0.06)	3.98 (+0.04)
10Y	3.27 (+0.08)	3.73 (-0.03)
15Y	3.26 (+0.06)	--
20Y	3.26 (+0.05)	--
30Y	3.29 (+0.05)	3.64 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	164.10	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.99
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/26/2022 07:01	UK Rightmove House Prices YoY	Sep	--	8.70%	8.20%
09/26/2022 07:01	UK Rightmove House Prices MoM	Sep	--	0.70%	-1.30%
09/26/2022 08:30	JN Jibun Bank Japan PMI Mfg	Sep P	--	--	51.50
09/26/2022 08:30	JN Jibun Bank Japan PMI Composite	Sep P	--	--	49.40
09/26/2022 08:30	JN Jibun Bank Japan PMI Services	Sep P	--	--	49.50
09/26/2022 10:00	VN CPI YoY	Sep	3.50%	--	2.89%
09/26/2022 10:00	VN Retail Sales YTD YoY	Sep	--	--	--
09/26/2022 12:00	TH Customs Exports YoY	Aug	7.70%	--	4.30%
09/26/2022 12:00	TH Customs Imports YoY	Aug	18.00%	--	23.90%
09/26/2022 13:00	SI Industrial Production YoY	Aug	-0.70%	--	0.60%
09/26/2022 13:00	SI Industrial Production SA MoM	Aug	1.50%	--	-2.30%
09/26/2022 16:00	GE IFO Expectations	Sep	79.00	--	80.30
09/26/2022 16:00	GE IFO Business Climate	Sep	87.00	--	88.50
09/26/2022 16:00	GE IFO Current Assessment	Sep	96.00	--	97.50
09/26/2022 20:30	US Chicago Fed Nat Activity Index	Aug	0.23	--	0.27
09/26/2022 22:30	US Dallas Fed Manf. Activity	Sep	-10.00	--	-12.90

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau

cindyckeung@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

Ong Shu Yi

Environmental, Social & Governance (ESG)

ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Christopher Wong

FX Strategist

christopherwong@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

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