

Daily Treasury Outlook

27 May 2022

Highlights

Global: US market sentiments continued to improve overnight with the S&P 500 extending gains with a 1.99% rally on the back of retailers like Macy's who raised its profit forecast amid strong demand for high-end goods. UST bonds bull-steepened with the 10-year yield little changed at 2.74%. US' 1Q22 GDP growth contracted 1.5% annualised, albeit consumer spending was higher at 3.1%. Initial jobless claims also fell more than expected to 210k, underscoring a tight labour market, while pending home sales fell for the sixth consecutive month by 3.9%. Meanwhile, the UK will impose a windfall tax on the energy company profits to fund at least GBP5b of support for households with rising energy bills, whereas the Russian central bank cut rates and pointed to room for further easing.

Market watch: Asian markets may open on a firm tone today. The economic data calendar comprises of China's industrial profits, Thailand's April trade data, Macau and Taiwan's 1Q22 GDP growth, and US' personal spending and income, core PCE deflator, wholesale inventory and University of Michigan sentiment index. ECB's Lane is also speaking.

SG: PM Lee warned against isolating China which will lead to further bifurcation of technology and splitting of supply chains or worse unintended consequences.

CN: China's central bank stepped up its support for smaller and micro companies with the latest notice to encourage financial institutions to set up a long-term mechanism to lend to those small companies. Elsewhere, Shenzhen city announced to distribute consumption vouchers to local residents in order to boost domestic consumption.

HK: As the local COVID situation stabilized, the impact of epidemic-induced disruptions on trading activities reduced. Values of merchandise exports and imports in Hong Kong resumed mild year-on-year growth in April, by 1.1% and 2.1% respectively, after recording declines in the previous month. Exports to the US and Europe grew further, while exports to the Mainland China extended decline as lockdown measures dented demand. Looking ahead, the worsening global economic outlook this year is likely to weigh on external demand and Hong Kong's export performance.

ID: Indonesia's palm oil exports are not yet fully operational, according to a Bloomberg report citing industry watchers. Despite the recent lifting of the exports ban by the government, the exports have yet to be restored to normal levels yet, with stockpiles estimated to have surpassed a record 7 million tons. The concern is that, if exports do not resume quickly, domestic storage tanks will be full, impacting producers' ability to harvest the crop.

Key Market Movements

Equity	Value	% chg
S&P 500	4057.8	2.0%
DJIA	32637	1.6%
Nikkei 225	26605	-0.3%
SH Comp	3123.1	0.5%
STI	3209.2	0.9%
Hang Seng	20116	-0.3%
KLCI	1541.2	0.4%
	Value	% chg
DXY	101.829	-0.2%
USDJPY	127.12	-0.2%
EURUSD	1.0725	0.4%
GBPUSD	1.2600	0.2%
USDIDR	14633	0.0%
USDSGD	1.3731	-0.2%
SGDMYR	3.1986	0.2%
	Value	chg (bp)
2Y UST	2.48	-1.61
10Y UST	2.75	0.17
2Y SGS	2.16	-0.60
10Y SGS	2.59	3.66
3M LIBOR	1.55	2.19
3M SIBOR	1.34	0.00
3M SOR	1.57	0.00
3M SORA	0.50	0.39
3M SOFR	0.35	0.81
	Value	% chg
Brent	117.4	3.0%
WTI	114.09	3.4%
Gold	1851	-0.2%
Silver	22.01	0.1%
Palladium	2016	0.3%
Copper	9353	-0.2%
BCOM	133.26	0.9%

Source: Bloomberg

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Major Markets

SG: The STI added 0.93% to close at 3,209.18 yesterday and may gain further today amid positive overnight US clues. SGS bonds may also range trade today. The \$4.5b auction of 182-day bills fetched 1.8% yield yesterday.

US: Secretary of State Blinken called China the “most serious long-term challenge to the international order”.

MY: Malaysia’s Finance Minister, Zafrul Aziz, said that the economic recovery is on track and the central bank still has room to tighten its monetary policy setting further, to tackle inflation if necessary. He noted in a Bloomberg interview that the interest rate remains accommodative at the current level of 2.00%. He added that currency pegs were not being considered and he remained “comfortable” with the exchange rate level.

ESG Updates

SG: The new Global Commission on the Economics of Water was launched at the World Economic Forum, aimed at redefining the way water is valued and managed. Senior Minister and Coordinating Minister for Social Policies Tharman Shanmugaratnam will co-chair the global commission, alongside World Trade Organization director-general Ngozi Okonjo-Iweala, economist Mariana Mazzucato and scientist Johan Rockstrom.

ID: Indonesia and Switzerland discuss sustainable energy cooperation at the World Economic Forum, with the latter’s interest in investing in the sustainable energy and infrastructure sectors in Indonesia.

Rest of the world: Japan plans to issue 20 trillion yen (\$US 157 billion) in new green transition bonds, as part of a major investment push to achieve the nation’s decarbonisation and clean energy transition goals.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 2-6bps higher, belly tenors trading 1-3bps higher, and longer tenors trading 3-7bps higher. UST 10Y yields traded relatively flat for the second consecutive day, remaining mostly unchanged at 2.75%. Favourable earnings reports were released by numerous retailers yesterday, pointing towards possible better than expected consumer sentiment. Retailers Macy's and Williams-Sonoma for example noted particularly strong demand in the high-end goods, with Macy's increasing its profit guidance accordingly. Lower-end segment demand was strong too, with discount stores Dollar Tree and Dollar General also outperforming earnings estimates and increasing their sales guidance. Separately, initial jobless claims for the week ended May 21 came in slightly lower than expected, at 210,000 compared to Bloomberg median estimates of 215,000 and down from the prior week's 218,000.

New Issues: Zhangzhou Transportation Development Group Co Ltd priced a USD500mn 3-year senior unsecured green bond at 4.98%, tightening from an IPT of 5.4% area. Export Import Bank of Thailand priced a USD350mn 5-year senior unsecured bond at T+120bps, tightening from an IPT of T+160bps area. Mudanjiang City Investment Group Co Ltd priced a USD100mn 3-year senior unsecured bond at 8%.

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	Day Close	% Change		Day Close	% Change
DX	101.829	-0.22%	USD-SGD	1.3731	-0.20%
USD-JPY	127.120	-0.16%	EUR-SGD	1.4725	0.18%
EUR-USD	1.073	0.41%	JPY-SGD	1.0803	-0.01%
AUD-USD	0.710	0.10%	GBP-SGD	1.7297	-0.01%
GBP-USD	1.260	0.21%	AUD-SGD	0.9747	-0.07%
USD-MYR	4.394	-0.01%	NZD-SGD	0.8895	-0.18%
USD-CNY	6.739	0.68%	CHF-SGD	1.4318	0.10%
USD-IDR	14633	-0.17%	SGD-MYR	3.1986	0.15%
USD-VND	23205	0.03%	SGD-CNY	4.9056	0.84%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5470	-0.54%	O/N	0.8194	0.82%
2M	-0.3360	-0.34%	1M	1.0230	1.02%
3M	-0.3510	-0.36%	2M	0.1525	0.15%
6M	-0.0620	-0.07%	3M	1.5529	1.53%
9M	-0.1940	-0.20%	6M	2.0543	2.07%
12M	0.3590	0.36%	12M	2.6840	2.69%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.068	0.517	1.346
07/27/2022	3.974	0.994	1.823
09/21/2022	5.359	1.34	2.169
11/02/2022	6.349	1.587	2.416
12/14/2022	7.254	1.814	2.642
02/01/2023	7.783	1.946	2.775

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	114.09	3.41%	Corn (per bushel)	7.650	-0.9%
Brent (per barrel)	117.40	2.96%	Soybean (per bushel)	17.265	2.7%
Heating Oil (per gallon)	396.80	2.63%	Wheat (per bushel)	11.433	-0.4%
Gasoline (per gallon)	387.74	1.19%	Crude Palm Oil (MYR/MT)	70.870	1.8%
Natural Gas (per MMBtu)	8.91	-0.70%	Rubber (JPY/KG)	2.456	-2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9353.00	-0.21%	Gold (per oz)	1850.6	-0.2%
Nickel (per mt)	27198.00	1.53%	Silver (per oz)	22.0	0.1%

Equity and Commodity

Index	Value	Net change
DJIA	32,637.19	516.91
S&P	4,057.84	79.11
Nasdaq	11,740.65	305.91
Nikkei 225	26,604.84	-72.96
STI	3,209.18	29.60
KLCI	1,541.15	5.59
JCI	6,883.50	-30.64
Baltic Dry	3,127.00	-126.00
VIX	27.50	-0.87

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.16 (-0.01)	2.48(--)
5Y	2.46 (+0.02)	2.71 (-0.01)
10Y	2.59 (+0.04)	2.75(--)
15Y	2.71 (+0.03)	--
20Y	2.77 (+0.03)	--
30Y	2.57 (+0.01)	2.99 (+0.01)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	13.70	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.78
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/27/2022 07:30	JN Tokyo CPI Ex-Fresh Food YoY	May	2.00%	1.90%	1.90%
05/27/2022 07:30	JN Tokyo CPI YoY	May	2.50%	2.40%	2.40%
05/27/2022 09:30	AU Retail Sales MoM	Apr	1.00%	--	1.60%
05/27/2022 09:30	CH Industrial Profits YoY	Apr	--	--	--
05/27/2022 11:30	TH Customs Exports YoY	Apr	14.60%	--	19.50%
05/27/2022 11:30	TH Customs Imports YoY	Apr	19.45%	--	18.00%
05/27/2022 11:30	TH Customs Trade Balance	Apr	-\$940m	--	\$1460m
05/27/2022 15:30	TH Foreign Reserves	May-20	--	--	\$225.5b
05/27/2022 16:00	EC M3 Money Supply YoY	Apr	6.30%	--	6.30%
05/27/2022 16:00	TA GDP YoY	1Q P	3.10%	--	3.06%
05/27/2022 20:30	US Personal Income	Apr	0.50%	--	0.50%
05/27/2022 20:30	US Personal Spending	Apr	0.80%	--	1.10%
05/27/2022 20:30	US Wholesale Inventories MoM	Apr P	2.00%	--	2.30%
05/27/2022 20:30	US PCE Core Deflator MoM	Apr	0.30%	--	0.30%
05/27/2022 20:30	US PCE Core Deflator YoY	Apr	4.90%	--	5.20%
05/27/2022 22:00	US U. of Mich. Sentiment	May F	59.1	--	59.1

Source: Bloomberg

Treasury Research & Strategy

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