

Daily Treasury Outlook

27 September 2022

Highlights

Global: Where angels fear to tread? The BOE said it will make a “full assessment at its next scheduled meeting” on the impact of the government’s fiscal plan and the GBP drop with the pledge that it will not “hesitate to change interest rates by as much as needed to return inflation to the 2% target sustainably in the medium term”, but financial markets were not impressed with the absence of immediate action. The GBP slid further while the gilt yields surged. Given the market upheaval, the S&P 500 also fell 1.03% overnight while VIX jumped to 32.26. UST bonds saw more volatility with the 10-year yield surging by 25bps to 3.92% (highest since April 2010) as both nominal and real yields hit multi-year highs. The 2-year UST bond yield remained under pressure after the US\$43bn 2-year note auction sold at 4.29%. This sets a weak stage for the upcoming 5- and 7-year note auctions later this week ahead of the approaching month- and quarter-end. Central bank rhetoric remained hawkish with Fed’s Collins advocating “further tightening of monetary policy”, Mester calling for “further increases in our policy rate...to be in a restrictive stance... and remaining there for some time”. ECB’s Lagarde indicated that rate hikes is the most appropriate for fighting inflation and will only consider QT after completing interest rate normalization, whilst Nagel opined that “further decisive action is required to bring the inflation rate down to 2% in the medium term” and de Cos echoed the need to be “extremely vigilant” on inflation expectations. The German IFO business climate index also slid more than expected from 88.6 to 84.3, with both the current assessment and expectations gauges disappointing at 94.5 and 75.2 respectively. Meanwhile the European Commission is planning to discuss caps for the natural gas price, while UK Chancellor Kwarteng will publish a medium-term fiscal plan on 23 November.

Market watch: Asian markets are likely to tread nervously today, awaiting China’s August industrial profits, US’ August durable goods orders, Conference Board consumer confidence, new home sales and house prices. On tap are also Fed’s Evans, Powell and Bullard, ECB’s Centeno, Villeroy and Panetta, and BOE’s Pill.

SG: August industrial production beat market expectations to print at 0.5% YoY (2.0% MoM sa), but marked the slowest growth in 11 months on electronics and chemicals weakness. The risk is for the manufacturing sector to underperform in coming months as global economic headwinds mount and 2022 manufacturing growth could drop to around 2.5% YoY, versus the 4.4% seen in the first eight months of this year.

Key Market Movements

Equity	Value	% chg
S&P 500	3655.0	-1.0%
DJIA	29261	-1.1%
Nikkei 225	26432	-2.7%
SH Comp	3051.2	-1.2%
STI	3182.0	-1.4%
Hang Seng	17855	-0.4%
KLCI	1413.0	-0.8%
	Value	% chg
DXY	114.103	0.8%
USDJPY	144.75	1.0%
EURUSD	0.9609	-0.8%
GBPUSD	1.0689	-1.6%
USDIDR	15128	0.6%
USDSGD	1.4382	0.5%
SGDMYR	3.2092	-0.1%
	Value	chg (bp)
2Y UST	4.34	13.95
10Y UST	3.92	23.98
2Y SGS	3.39	7.20
10Y SGS	3.33	6.61
3M LIBOR	3.63	-1.30
3M SIBOR	3.03	0.00
3M SOR	3.04	0.00
3M SORA	1.92	1.98
3M SOFR	2.07	5.08
	Value	% chg
Brent	84.06	-2.4%
WTI	76.71	-2.6%
Gold	1622	-1.3%
Silver	18.35	-2.8%
Palladium	2044	-1.4%
Copper	7342	-1.2%
BCOM	110.60	-1.6%

Source: Bloomberg

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Major Markets

SG: The STI fell 1.4% to close at 3,181.97 yesterday and may consolidate further today. SGS bonds are likely to remain under pressure today.

CN: China's central bank stepped up more counter cyclical measures again on 26 September to slow down the pace of depreciation by re-imposing the 20% reserve on banks' foreign currency derivative sales to clients. By doing that, it will increase the holding costs of short RMB position in forward and option market. This is the third time since 2015 that China has imposed the 20% reserve. Nevertheless, in contrast to previous two episodes, we think those measures are likely to be less effective this time due to the collapse of RMB forward points as a result of widening US China rate differential, which makes short RMB position easy to hold this time due to the positive carry.

MY: Bank Negara Malaysia said that it has instructed financial institutions to take new measures to fight against financial scams. Governor Shamsiah Mohd Yunus said that the financial institutions must move away from using SMS one-time passwords to more secure forms of authentication for online activities and transactions.

ID: Bank Indonesia said that it has been intervening in the market to ensure FX supply balance and prevent excessive weakening of the rupiah. The executive director for monetary management told the press that BI currently intervenes in the spot interbank and domestic NDF markets, adding that currency depreciation has also occurred in other Asian currencies and that the weakening of rupiah was relatively manageable.

ESG Updates

SG: In efforts to be a sustainable aviation hub, Singapore will consider further reducing the air-conditioning carbon footprint at Changi Airport and install solar panels near the airport runway.

CN: China's Sinopec has launched a specialised unit to engage in carbon capture and storage, as well as equity investment in carbon-related assets.

MY: Exicom has emerged as the largest EV charging brand in Malaysia with 40% share in the country.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday with shorter tenors trading 9-11bps higher, belly tenors trading 4-8bps higher and longer tenors traded 2-3bps higher (with the exception of 30Y which traded 9bps higher). UST 10Y yields traded 24bps higher to 3.92% yesterday, its highest level since April 2010 amidst more hawkish comments from several Federal Reserve ("Fed") officials. Cleveland Fed President Loretta Mester, Atlanta Fed President Raphael Bostic and Boston Fed president Susan Collins echoed similar sentiments that more tightening is required to see several months-to-months of inflation decline and restoring price stability was their priority. In the UK, gilts continued to sell-off post the announcement of UK government fiscal plans. For the week ahead, markets will likely pay close attention to incoming data largely from the housing sector, labour market and consumer spending as well as expectations. Separately, this week investors will also be watching Initial Jobless Claims figures for the week ended September 24, as well as Personal Consumption Expenditures ("PCE") figures for August, the Fed's preferred inflation barometer which is expected to increase m/m for both headline and core figures.

New Issues: Jiangning Jingkai Overseas Investment Co Ltd (Guarantor: Bank of Jiangsu Co., Ltd. Nanjing Branch) priced a USD120mn 364-day senior unsecured bond at 5.35%, tightening from its IPT of 5.45% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	114.103	0.80%	USD-SGD	1.4382	0.51%
USD-JPY	144.750	1.00%	EUR-SGD	1.3820	-0.25%
EUR-USD	0.961	-0.81%	JPY-SGD	0.9937	-0.40%
AUD-USD	0.646	-1.10%	GBP-SGD	1.5369	-1.02%
GBP-USD	1.069	-1.57%	AUD-SGD	0.9284	-0.57%
USD-MYR	4.604	0.57%	NZD-SGD	0.8106	-1.37%
USD-CNY	7.137	0.12%	CHF-SGD	1.4481	-0.65%
USD-IDR	15128	0.60%	SGD-MYR	3.2092	-0.14%
USD-VND	23717	0.06%	SGD-CNY	4.9756	-0.34%

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	2.793	0.698	3.796
12/14/2022	4.680	1.170	4.267
02/01/2023	5.717	1.431	4.528
03/22/2023	6.130	1.535	4.630
05/03/2023	6.285	1.571	4.669
06/14/2023	6.249	1.566	4.663

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.71	-2.58%	Corn (per bushel)	6.663	-1.6%
Brent (per barrel)	84.06	-2.43%	Soybean (per bushel)	14.113	-1.0%
Heating Oil (per gallon)	312.91	-3.34%	Wheat (per bushel)	8.580	-2.6%
Gasoline (per gallon)	238.42	0.05%	Crude Palm Oil (MYR/MT)	34.810	-5.2%
Natural Gas (per MMBtu)	6.90	1.10%	Rubber (JPY/KG)	2.193	-0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7341.50	-1.23%	Gold (per oz)	1622.4	-1.3%
Nickel (per mt)	22206.00	-5.15%	Silver (per oz)	18.4	-2.8%

Equity and Commodity

Index	Value	Net change
DJIA	29,260.81	-329.60
S&P	3,655.04	-38.19
Nasdaq	10,802.92	-65.01
Nikkei 225	26,431.55	-722.28
STI	3,181.97	-45.13
KLCI	1,413.04	-11.94
JCI	7,127.50	-51.08
Baltic Dry	1,816.00	96.00
VIX	32.26	2.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.39 (+0.07)	4.31(--)
5Y	3.36 (+0.08)	4.19 (+0.21)
10Y	3.33 (+0.07)	3.88 (+0.24)
15Y	3.32 (+0.06)	--
20Y	3.32 (+0.06)	--
30Y	3.34 (+0.05)	3.7 (+0.13)

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
09/27/2022 05:00	SK Consumer Confidence	Sep	--	91.40	88.80
09/27/2022 07:50	JN PPI Services YoY	Aug	2.40%	1.90%	2.10%
09/27/2022 09:30	CH Industrial Profits YoY	Aug	--	--	--
09/27/2022 09:30	CH Industrial Profits YTD YoY	Aug	--	--	--
09/27/2022 14:00	JN Machine Tool Orders YoY	Aug F	--	10.70%	--
09/27/2022 16:00	EC M3 Money Supply YoY	Aug	5.40%	--	5.50%
09/27/2022 20:30	US Durable Goods Orders	Aug P	-0.30%	--	-0.10%
09/27/2022 20:30	US Durables Ex Transportation	Aug P	0.20%	--	0.20%
09/27/2022 20:30	US Cap Goods Orders Nondef Ex Air	Aug P	0.20%	--	0.30%
09/27/2022 20:30	US Cap Goods Ship Nondef Ex Air	Aug P	0.30%	--	0.50%
09/27/2022 21:00	US FHFA House Price Index MoM	Jul	0.00%	--	0.10%
09/27/2022 21:00	US S&P CoreLogic CS 20-City YoY NSA	Jul	17.10%	--	18.65%
09/27/2022 22:00	US Conf. Board Consumer Confidence	Sep	104.50	--	103.20
09/27/2022 22:00	US Richmond Fed Manufact. Index	Sep	-10.00	--	-8.00
09/27/2022 22:00	US New Home Sales	Aug	500k	--	511k
09/27/2022 22:00	US New Home Sales MoM	Aug	-2.20%	--	-12.60%

Source: Bloomberg

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