

Daily Treasury Outlook

1 February 2023

Highlights

Global: Global risk sentiment rose into the month-end, with the S&P500 adding 1.46% overnight while Nasdaq notched up its best month since July as tech stocks rebounded. Month-end buying interest also pushed the 2- and 10-year UST bond yields down 3bps to 4.2% and 3.51% respectively. US' Conference Board consumer confidence unexpectedly slipped from a revised 109.0 in December to 107.1 in January, as the expectations gauge declined from 83.4 to 77.8, albeit the present situation gauge was still healthy at 150.9 versus 147.4 previously. US' FHFA house prices retreated a smaller than expected 0.1% MoM in November and the 4Q22 employment cost index cooled from 1.2% to 1.0%. On the corporate earnings front, McDonald's Corp. and Caterpillar disappointed while GM and Exxon Mobil beat analyst estimates. Meanwhile, the Eurozone narrowly escaped a contraction in 4Q22 by eking out 0.1% QoQ (1.9% YoY sa) growth, compared to 0.3% QoQ (2.3% YoY sa) in 3Q22, as growth in France, Spain and Ireland offset the contraction in Germany and Italy. However, the outlook ahead remains weak amid elevated energy costs and rising interest rates with the ECB set to hike by 50bps tomorrow after hiking by a total of 250bps since July last year. The ECB's quarterly Bank Lending Survey also revealed that banks have tightened credit standards by the most since the sovereign debt crisis more than a decade ago, especially for mortgages and other household loans in 4Q22, whilst loan demand from firms have also decreased.

Market watch: Asian markets are likely to open with a firm note this morning, while awaiting the FOMC, ECB and BOE policy decisions due tomorrow, with the guidance by the central bank chiefs likely to be closely watched. Today's economic data focus will be on the slate of manufacturing PMIs due from Europe and Asia including China's Caixin, as well as UK' Nationwide house price, Hong Kong's 4Q22 GDP growth, Taiwan's December industrial production, Indonesia's January CPI, Singapore's COE tender results, Europe's January CPI, US' ADP employment change, JOLTs and manufacturing ISM.

Oil: WTI grew 1.2% and Brent fell 0.5% on Tuesday, to close at US\$78.87/bbl and US\$84.49/bbl respectively, as markets reacted positively on a stronger US demand for US crude and petroleum products, and optimism on Fed's policy decision.

Key Market Movements

Equity	Value	% chg
S&P 500	4076.6	1.5%
DJIA	34086	1.1%
Nikkei 225	27327	-0.4%
SH Comp	3255.7	-0.4%
STI	3365.7	-0.4%
Hang Seng	21842	-1.0%
KLCI	1485.5	-0.9%
	Value	% chg
DXY	102.097	-0.2%
USDJPY	130.09	-0.2%
EURUSD	1.0863	0.1%
GBPUSD	1.2320	-0.3%
USDIDR	14990	0.1%
USDSGD	1.3139	0.0%
SGDMYR	3.2411	0.2%
	Value	chg (bp)
2Y UST	4.20	-3.30
10Y UST	3.51	-2.97
2Y SGS	3.12	0.00
10Y SGS	2.97	2.60
3M LIBOR	4.81	-1.17
3M SIBOR	4.25	0.00
3M SOR	4.08	0.00
3M SORA	3.13	1.08
3M SOFR	4.07	1.40
	Value	% chg
Brent	85.46	1.1%
WTI	78.87	1.2%
Gold	1928	0.3%
Silver	23.73	0.6%
Palladium	1653	0.6%
Copper	9223	0.1%
BCOM	111.80	0.9%

Source: Bloomberg

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Major Markets

SG: The overall, resident and citizen unemployment rates improved to 2.0%, 2.85 and 3.0% respectively in 4Q22. Business expectations survey for the manufacturing and services sector turned more cautious with only a net 3% for services firms and -25% for manufacturing firms are upbeat about their business prospects for the next 6 months. These are the weakest since September and March 2020 respectively, due to growing global recession worries, persistently high inflationary pressures (with the ongoing Russian-Ukraine war), aggressive monetary policy tightening as well as geopolitical tensions (especially on the US-China front over semiconductors for instance). While China's reopening has come earlier than expected and should benefit regional growth momentum especially in the aviation and hospitality-related segments, this may not fully offset the downside growth risks arising from the growth slowdown in major economies like the US, EU and UK. In fact, the recent job shedding and bearish business guidance by big tech names reinforce the global demand and industry downturn, which is likely to continue to weigh on the electronics and related precision engineering industries. The news headlines about Japan and Netherlands joining US efforts to restrict semiconductor equipment exports to China is also likely to pose additional hurdles. Similarly, the drag on the biomedical cluster from pharmaceuticals is likely to sustain in the near-term as the industry is facing challenges from untamed inflation, volatile raw material prices, and weaker demand and spending cutbacks as more economies transit to an endemic Covid environment. The silver lining is that the Aerospace and Marine & Offshore Engineering are faring much better due to the resumption of revenge travel and higher demand for oil & gas-field equipment, ship repair and offshore conversion projects as crude oil prices remain elevated. The weak business sentiments are likely to sustain at this juncture until there is greater clarity on (a) whether easing inflation will allow the Fed to pause on rate hikes or even start to cut interest rates in the latter part of this year, (b) if China's re-opening will see increased demand for goods and services imports, and (c) if the 2023 Budget on 14 Feb will see any "goodies" to help the corporates especially SMEs to thrive in this challenging environment.

The STI retreated 0.37% to close 3,365.67 yesterday but may fare better today given positive Wall Street leads. SGS bonds which rallied into the month-end may see range trading today.

CN: China's official manufacturing PMI rebounded sharply to 50.1 in January from 47 in December. Non-manufacturing PMI surged to 54.4 in January led by the rapid recovery of service sectors which jumped from 39.4 in December to 54 in January. Construction sector also improved to 56.4 from 54.4. The goods to service rotation following China's reopening are likely to further underpin the recovery of service sector. One of the key takeaways from the manufacturing PMI is that demand recovery in January was faster than the supply recovery. This may fit into the narrative that China's reopening may put pressure on global inflation. Judging by the reopening experience in the world, the spill over from China reopening to global

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inflation may be via two channels including supply shock due to the disruptions from mass infections to factory productions in the initial stage and demand shock due to improving people mobility. Nevertheless, given the production subindex was only slightly below 50, coupled with our ground feedback, we think the impact of production disruption could be muted as compared to other countries. As such, it might still be premature to talk about China's export of inflation in the near term though we will continue to monitor the pace of demand pickup.

MY: Malaysia's PM Datuk Seri Anwar Ibrahim anticipated for the country's economy to grow around 4-5% in 2023, in line with the BNM's forecast. Malaysia is enjoying the benefit of the post-pandemic reopening, which resulted in 3Q22 GDP print accelerating to 14.2% YoY. The GDP growth print is set to be published on 10 Feb.

ID: Indonesia's Finance Minister Sri Mulyani expected the nation's economy to grow at a faster pace in 1Q23, vs the 5.02% in the same period last year when the Covid-19 omicron wave hit the country. While 2022 economic growth likely to be within 5.2-5.3%, slowing global growth will likely result in a slight deceleration to Indonesia's growth this year. Indonesia is due to publish 4Q22 and full-year 2022 GDP on Feb 6.

TH: Thailand's current account recorded a surplus of US\$1.10bn in December 2022, compared to the deficit of US\$445mn recorded in November 2022. December's surplus was driven by rising tourism revenue and positive trade balance. Private investments, on the other hand, fell 3% YoY in December 2022 to 135.4, while private consumption grew 2.7% YoY to 145.5.

ESG Updates

SG: Singapore will import 100 MW of electricity from Malaysia as part of a two-year trial, under a joint agreement between YTL PowerSeraya and TNB Genco.

CN: China PBOC will extend the use of three monetary policy tools designed to encourage financial institutions to support green technologies and the logistics sector.

Rest of world: Research showed that the EU's coal rebound to replace Russian gas was smaller than anticipated as renewable energy contributed to plugging the gap.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 1-6bps higher, belly tenors trading 4-5bps higher, and 10Y which traded 4bps higher. UST 10Y yields fell by 3bps to 3.51% yesterday as the Fed embarked on the two-day meeting to decide interest rate hikes, per Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
31-Jan-23	CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co Ltd)	Private Placement	USD	1,931	8-year	2.50%	N.A.
31-Jan-23	CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co Ltd)	Private Placement	USD	268	8-year	0.00%	N.A.
31-Jan-23	Macquarie Bank Ltd	-	USD	150	1-year	5.30%	N.A.
31-Jan-23	Perpetual Asia Ltd	-	SGD	50	8.1-year	7.50%	N.A.

Mandates: Korea Housing Finance Corporation has mandated banks for a potential offering of senior unsecured social bonds.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.097	-0.18%	USD-SGD	1.3139	-0.04%
USD-JPY	130.090	-0.23%	EUR-SGD	1.4273	0.07%
EUR-USD	1.086	0.11%	JPY-SGD	1.0099	0.22%
AUD-USD	0.706	-0.07%	GBP-SGD	1.6187	-0.30%
GBP-USD	1.232	-0.26%	AUD-SGD	0.9269	-0.12%
USD-MYR	4.274	0.73%	NZD-SGD	0.8460	-0.51%
USD-CNY	6.755	0.04%	CHF-SGD	1.4341	0.94%
USD-IDR	14990	0.13%	SGD-MYR	3.2411	0.24%
USD-VND	23450	-0.02%	SGD-CNY	5.1423	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	2.1440	2.13%	O/N	4.3053	4.30%
2M	-0.3360	-0.34%	1M	4.5656	4.57%
3M	2.4820	2.49%	3M	4.8136	4.83%
6M	2.9590	2.94%	6M	5.0916	5.10%
9M	-0.1940	-0.20%	12M	5.3260	5.32%
12M	3.3680	3.36%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.022	0.256	4.588
03/22/2023	1.840	0.460	4.793
05/03/2023	2.261	0.565	4.898
06/14/2023	2.334	0.583	4.916
07/26/2023	2.130	0.533	4.865
09/20/2023	1.775	0.444	4.776

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.87	1.25%	Corn (per bushel)	6.798	-0.6%
Brent (per barrel)	84.49	-0.48%	Soybean (per bushel)	15.380	0.2%
Heating Oil (per gallon)	318.23	2.30%	Wheat (per bushel)	7.613	1.2%
Gasoline (per gallon)	254.35	1.78%	Crude Palm Oil (MYR/MT)	37.200	-3.4%
Natural Gas (per MMBtu)	2.68	0.26%	Rubber (JPY/KG)	2.179	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9222.50	0.14%	Gold (per oz)	1928.4	0.3%
Nickel (per mt)	30344.00	3.85%	Silver (per oz)	23.7	0.6%

Equity and Commodity

Index	Value	Net change
DJIA	34,086.04	368.95
S&P	4,076.60	58.83
Nasdaq	11,584.55	190.74
Nikkei 225	27,327.11	-106.29
STI	3,365.67	-12.62
KLCI	1,485.50	-13.89
JCI	6,839.34	-33.14
Baltic Dry	680.00	4.00
VIX	19.40	-0.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.12 (-)	4.21 (-)
5Y	2.85 (+0.01)	3.62 (-0.04)
10Y	2.97 (+0.03)	3.51 (-0.03)
15Y	3 (+0.04)	--
20Y	2.85 (+0.03)	--
30Y	2.63 (+0.01)	3.64 (-0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	297.00	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.30
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Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised
02/01/2023 05:45	NZ	Unemployment Rate	4Q	3.30%	3.40%	3.30%
02/01/2023 08:30	VN	S&P Global Vietnam PMI Mfg	Jan	--	--	46.40
02/01/2023 08:30	ID	S&P Global Indonesia PMI Mfg	Jan	--	--	50.90
02/01/2023 08:30	JN	Jibun Bank Japan PMI Mfg	Jan F	--	--	48.90
02/01/2023 08:30	TA	S&P Global Taiwan PMI Mfg	Jan	--	--	44.60
02/01/2023 08:30	SK	S&P Global South Korea PMI Mfg	Jan	--	--	48.20
02/01/2023 09:45	CH	Caixin China PMI Mfg	Jan	49.80	--	49.00
02/01/2023 13:00	IN	S&P Global India PMI Mfg	Jan	--	--	57.80
02/01/2023 16:30	HK	GDP YoY	4Q A	-2.90%	--	-4.50%
02/01/2023 16:55	GE	S&P Global/BME Germany Manufacturing PMI	Jan F	47.00	--	47.00
02/01/2023 17:00	EC	S&P Global Eurozone Manufacturing PMI	Jan F	48.80	--	48.80
02/01/2023 17:30	UK	S&P Global/CIPS UK Manufacturing PMI	Jan F	46.70	--	46.70
02/01/2023 20:00	US	MBA Mortgage Applications	Jan-27	--	--	7.00%
02/01/2023 22:30	CA	S&P Global Canada Manufacturing PMI	Jan	--	--	49.20
02/01/2023 22:45	US	S&P Global US Manufacturing PMI	Jan F	46.80	--	46.80
02/01/2023 23:00	US	ISM Manufacturing	Jan	48.00	--	48.40

Source: Bloomberg

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