

Daily Treasury Outlook

2 February 2023

Highlights

Global: Upbeat – risk appetite was stoked after the Fed delivered a smaller 25bps rate hike as expected even though Fed chair Powell continued to emphasize that “ongoing increases” will be appropriate to attain sufficiently restrictive stance to return inflation back to 2%. He also noted that “we will continue to make our decision meeting by meeting” and cautioned strongly against premature loosening policy as inflation has “eased somewhat but remains elevated”. He also warned that “no one should assume that the Fed can protect the economy from the consequences of failing to act in a timely manner” on the debt ceiling issue. The S&P500 rallied 1.05% while the 2- and 10-year UST bond yields both pushed 9bps lower to 4.11% and 3.42% respectively. On the data front, the US’ ADP employment added a smaller than forecast 106k in January from a revised 253k in December, while the manufacturing ISM softened further from 48.4 to 47.4, with the new orders gauge sinking further to 42.5 and the employment and prices paid gauges at 50.6 and 44.5. The Eurozone and Germany’s manufacturing PMIs came in at 48.8 and 47.3 respectively. The Asian manufacturing PMIs saw an improvement in January for Thailand (54.5), Philippines (53.5), Indonesia (51.3), China’s Caixin (49.2), South Korea (48.5) and Vietnam (47.4), possibly due to China’s reopening hopes, whereas Malaysia (46.5) and Taiwan (44.3) deteriorated further. Elsewhere, Adani Enterprises Ltd has pulled its stock offering.

Market watch: Asian markets are likely to open and trade with a firm tone today amidst market hopes that the Fed is nearing the end of its rate tightening cycle and may even begin to cut rates later this year. Focus will shift to the ECB and BOE policy decisions due later today where both are tipped to hike 50bps but the Lagarde and Bailey’s signalling will be important for future direction. Today’s economic data calendar comprises of Germany’s December trade, US’ Challenger job cuts, Singapore’s manufacturing and electronics PMIs, and US’ initial jobless claims, factory orders, and durable goods orders. Alphabet, Apple, Amazon, Qualcomm, Deutsche Bank and Santander are also reporting results today.

TH: Thailand’s energy ministry revealed that fuel consumption in 2022 rose 13.5% and is expected to further grow in 2023, as concerns over the Covid pandemic is diminishing, and a rapid recovery of its tourism industry. Elsewhere, Thailand’s January Business Sentiment Index rose 2.6% YoY, to 49.8. The 3-month business sentiment outlook is at 56.5, highlighting expectations of stronger economic activities in 2023.

Oil: WTI and Brent fell 3.1% and 2.0% on Wednesday, to close at US\$76.41/bbl and US\$82.24/bbl respectively, as EIA reported a strong growth in US crude oil and fuel inventories build.

Key Market Movements

Equity	Value	% chg
S&P 500	4119.2	1.0%
DJIA	34093	0.0%
Nikkei 225	27347	0.1%
SH Comp	3284.9	0.9%
STI	3377.7	0.4%
Hang Seng	22072	1.1%
KLCI	1485.5	0.0%
	Value	% chg
DXY	101.217	-0.9%
USDJPY	128.98	-0.9%
EURUSD	1.0990	1.2%
GBPUSD	1.2376	0.5%
USDIDR	14975	-0.1%
USDSGD	1.3064	-0.6%
SGDMYR	3.2509	0.3%
	Value	chg (bp)
2Y UST	4.11	-9.48
10Y UST	3.42	-9.03
2Y SGS	3.10	-2.60
10Y SGS	2.94	-3.07
3M LIBOR	4.81	0.00
3M SIBOR	4.25	0.00
3M SOR	4.05	0.00
3M SORA	3.14	1.12
3M SOFR	4.09	1.41
	Value	% chg
Brent	82.84	-3.1%
WTI	76.41	-3.1%
Gold	1951	1.1%
Silver	23.98	1.1%
Palladium	1673	1.2%
Copper	9087	-1.5%
BCOM	109.53	-2.0%

Source: Bloomberg

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Major Markets

SG: The EMA is proposing regulatory changes for electricity retailers including hedging requirements to enhance consumer protection against premature contract termination. The STI gained 0.36% yesterday to close at 3,377.65 and may extend gains today amid hopes that the Fed is nearing terminal rate. SGS bond yields are set to push lower today again after closing down 2-4bps yesterday. There is a S\$4.9b 6-month T-bill auction today.

CN: China's securities regulator announced on 1 Feb that it is seeking public opinion on drafting rules and regulation regarding the expansion of the registration-based IPO system to all the exchanges. China began its reform of registration-based IPO system by the introduction of the STAR board in Shanghai in 2019. All three major exchanges including Shanghai, Shenzhen and Beijing have conducted trials of the registration-based IPO system and the full adoption will allow direct financing and capital market to play a bigger role to support the real economy. Meanwhile, the nature of registration-based IPO gives the market more say and a rebalance of relationship between the government and market. Overall, the new system will have a significant impact on the efficiency, transparency, and credibility of the IPO process in China.

MY: The S&P Global's latest survey suggests a deteriorating condition within Malaysia's manufacturing sector heading into the year, with PMI reading slipping from 47.8 in December 2022 to 46.5 in January – the lowest in 17 months. Though, while output was scaled back due to a reduction in new orders, the survey reading suggests that manufacturers took the opportunity to increase capacity in advance as they expect an improving demand story ahead, with employment rising for the first time in four months.

ID: In an exclusive Reuters report, Indonesia's President Joko Widodo said he was "confident" that Tesla will finalise a deal to invest in a production facility in the country, having offered various incentives ranging from tax breaks to a concession to mine nickel. The president added that Indonesia had the edge over other countries, including having the largest nickel reserves and a large domestic market. Indeed, the government has provided incentives, including tax breaks and a subsidy scheme on electric vehicle (EV) purchases to boost EV adoption.

ESG Updates

ID: Indonesia's chief economic minister assured that there would be no disruption in domestic cooking oil availability with the launch of B35 – a higher blend of palm oil-based fuel in biodiesel.

Rest of world: The EU and Ukraine intend to increase cooperation in renewable energy and hydrogen to foster development in the energy system that has been affected by Russian attacks.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 3-4bps lower, belly tenors trading 4bps lower, and 10Y which traded 4bps lower. UST 10Y yields fell by 9bps to 3.42% yesterday after the Fed raised interest rates by 25bps to a range of 4.5% to 4.75%. This rate hike was smaller compared to a 50bps increase in December and four 75bps hikes prior to that. Federal Reserve Chair Jerome Powell said policymakers expect to deliver a couple more interest rate hike before putting their aggressive tightening campaign on hold. Investors anticipate the central bank would end its aggressive tightening drive as the Fed also indicated that it would take into account the fact that already-higher rates tend to hurt the economy with a delay and that more falls in inflation may be forthcoming.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
01-Feb-23	Hong Kong Mortgage Corp Ltd/The	Private Placement	USD	80	1-year	5.15%	N.A.
01-Feb-23	Hong Kong Mortgage Corp Ltd/The	Private Placement	USD	100	1-year	5.21%	N.A.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.217	-0.86%	USD-SGD	1.3064	-0.57%
USD-JPY	128.980	-0.85%	EUR-SGD	1.4357	0.59%
EUR-USD	1.099	1.17%	JPY-SGD	1.0131	0.32%
AUD-USD	0.714	1.16%	GBP-SGD	1.6166	-0.13%
GBP-USD	1.238	0.45%	AUD-SGD	0.9323	0.58%
USD-MYR	4.274	0.73%	NZD-SGD	0.8499	0.46%
USD-CNY	6.742	-0.19%	CHF-SGD	1.4380	0.27%
USD-IDR	14975	-0.10%	SGD-MYR	3.2509	0.30%
USD-VND	23450	0.00%	SGD-CNY	5.1363	-0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	2.1770	2.14%	O/N	4.2984	4.31%
2M	-0.3360	-0.34%	1M	4.5743	4.57%
3M	2.5120	2.48%	3M	4.8136	4.81%
6M	2.9880	2.96%	6M	5.1004	5.09%
9M	-0.1940	-0.20%	12M	5.3376	5.33%
12M	3.4130	3.37%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
03/22/2023	0.817	0.204	4.787
05/03/2023	1.194	0.298	4.882
06/14/2023	1.204	0.301	4.884
07/26/2023	0.957	0.239	4.823
09/20/2023	0.562	0.141	4.724
11/01/2023	0.009	0.002	4.585

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.41	-3.12%	Corn (per bushel)	6.810	0.2%
Brent (per barrel)	82.84	-1.95%	Soybean (per bushel)	15.203	-1.2%
Heating Oil (per gallon)	295.11	-7.27%	Wheat (per bushel)	7.598	-0.2%
Gasoline (per gallon)	245.38	-3.53%	Crude Palm Oil (MYR/MT)	37.200	-3.4%
Natural Gas (per MMBtu)	2.47	-8.05%	Rubber (JPY/KG)	2.174	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9087.00	-1.47%	Gold (per oz)	1950.5	1.1%
Nickel (per mt)	29296.00	-3.45%	Silver (per oz)	24.0	1.1%

Equity and Commodity

Index	Value	Net change
DJIA	34,092.96	6.92
S&P	4,119.21	42.61
Nasdaq	11,816.32	231.77
Nikkei 225	27,346.88	19.77
STI	3,377.65	11.98
KLCI	1,485.50	-13.89
JCI	6,862.26	22.92
Baltic Dry	681.00	1.00
VIX	17.87	-1.53

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.1 (-0.03)	4.09(-)
5Y	2.82 (-0.03)	3.52 (-0.1)
10Y	2.94 (-0.03)	3.41 (-0.09)
15Y	2.97 (-0.03)	—
20Y	2.81 (-0.04)	—
30Y	2.61 (-0.02)	3.56 (-0.07)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	300.00	(-)
TED	35.36	-

Secured Overnight Fin. Rate

SOFR	4.31
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
02/02/2023 03:00	US FOMC Rate Decision (Upper Bound)	Feb-01	4.75%	4.50%	--
02/02/2023 05:45	NZ Building Permits MoM	Dec	--	-7.20%	6.70%
02/02/2023 07:00	SK CPI YoY	Jan	5.00%	5.20%	--
02/02/2023 07:00	SK CPI MoM	Jan	0.70%	0.80%	--
02/02/2023 07:50	JN Monetary Base YoY	Jan	--	-3.80%	--
02/02/2023 08:30	AU Building Approvals MoM	Dec	1.00%	18.50%	-8.80%
02/02/2023 20:00	UK Bank of England Bank Rate	Feb-02	4.00%	--	3.50%
02/02/2023 21:00	SI Purchasing Managers Index	Jan	49.60	--	49.70
02/02/2023 21:15	EC ECB Main Refinancing Rate	Feb-02	3.00%	--	2.50%
02/02/2023 21:15	EC ECB Deposit Facility Rate	Feb-02	2.50%	--	2.00%
02/02/2023 21:15	EC ECB Marginal Lending Facility	Feb-02	3.25%	--	2.75%
02/02/2023 21:30	US Initial Jobless Claims	Jan-28	195k	--	186k
02/02/2023 21:30	CA Building Permits MoM	Dec	-3.90%	--	14.10%
02/02/2023 23:00	US Durable Goods Orders	Dec F	5.60%	--	5.60%
02/02/2023 23:00	US Factory Orders	Dec	2.30%	--	-1.80%
02/02/2023 23:00	US Durables Ex Transportation	Dec F	-0.10%	--	-0.10%

Source: Bloomberg

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