

Daily Treasury Outlook

5 January 2023

Highlights

Global: Weak start to the first trading day of 2023 as S&P500 closed down 0.4%, dragged down by tech stocks including Tesla and Apple Inc on waning demand concerns, albeit the Stoxx Europe 600, FTSE 100 and HSI fared better yesterday. UST bonds rallied strongly with the 10-year bond yield lower by 13bps to 3.74%, notwithstanding a record annual loss of 12.5% in 2022 for the Bloomberg US Treasury Index. The usage of the Fed's overnight reverse repo facility also plunged by a record US\$365b as year-end funding constraints eased. Meanwhile, the US Republican leader Kevin McCarthy failed to win a majority to be House Speaker after three voting rounds in the House of Representatives. Separately, former Fed chairman Greenspan opined that a US recession is the most likely outcome. As Covid cases mounted in China with the re-opening, EU is moving towards requiring pre-departure testing for flights from China even as China has said such measures targeting only China are unacceptable.

Market watch: Asian markets are likely to tread water today amid mixed sentiments for the major markets while awaiting the FOMC minutes due later this week. Global manufacturing PMIs out yesterday were mostly a mixed bag which continues to weigh on market confidence. Today's economic data calendar comprises of services and composite PMIs from Eurozone and Asia, HK's retail sales, Singapore's COE results and US' manufacturing ISM and mortgage applications.

CN: China's Finance Minister Liu Kun laid out the priorities for China's fiscal policy in 2023. China will step up its proactive fiscal policy this year via the expansion of fiscal expenditure, promotion of special bond investment and more transfer payments from the central to local governments. Meanwhile, the ministry will also focus on holding the bottom line of preventing systemic risk this year. China will continue to standardize the management of local government financing platform which includes prohibiting the establishment of new financing platform companies, standardizing financing information disclosure etc. Overall, China will redefine the boundaries between the government and enterprises.

SG: The manufacturing and electronics PMIs retreated further in December to 49.7 and 48.9 respectively, marking the 4th and 5th straight contraction. The December manufacturing PMI matched the 2022 year-to-date low in October 2022 while the electronics PMI is the weakest since June 2020. This suggests the manufacturing momentum should remain lacklustre in 1Q23. Meanwhile, every Singaporean household will get S\$300 of CDC vouchers. Budget 2023, which will be released on 14 February, is likely to see additional measures to target cost-of-living issues, especially for the more vulnerable and lower-income groups. The STI slipped 0.17% to close at 3,245.80 yesterday and may consolidate today. SGS bond yields edged up 1-5bps yesterday but may reverse course if risk appetite remains soft. There is a S\$4.7b of 6-month T-bill auction tomorrow.

Key Market Movements

Equity	Value	% chg
S&P 500	3824.1	-0.4%
DJIA	33136	0.0%
Nikkei 225	26095	0.0%
SH Comp	3116.5	0.9%
STI	3245.8	-0.2%
Hang Seng	20145	1.8%
KLCI	1474.0	-1.4%
	Value	% chg
DX	104.518	1.0%
USDJPY	131.02	0.2%
EURUSD	1.0548	-1.1%
GBPUSD	1.1968	-0.6%
USDIDR	15598	0.2%
USDSGD	1.3453	0.3%
SGDMYR	3.2804	-0.1%
	Value	chg (bp)
2Y UST	4.37	-5.59
10Y UST	3.74	-13.59
2Y SGS	3.14	2.00
10Y SGS	3.12	3.28
3M LIBOR	4.77	0.00
3M SIBOR	4.25	0.00
3M SOR	4.21	0.00
3M SORA	3.03	-6.72
3M SOFR	3.68	5.83
	Value	% chg
Brent	82.1	-4.4%
WTI	76.93	-4.1%
Gold	1839	0.8%
Silver	24.01	0.2%
Palladium	1712	-4.5%
Copper	8322	-0.6%
BCOM	110.32	-2.2%

Source: Bloomberg

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ESG Updates

SG: Singapore appointed the first government chief sustainability officer, Lim Tuang Liang, to drive the nation's sustainability efforts such as the Singapore Green Plan 2030.

CN: China and Malaysia intended to jointly explore the development trend of virtual power plants, which are cloud-based distribution power plants capable of optimising the power output from various distributed energy resources.

Rest of the world: Taiwan's central bank will begin incorporating climate change risks into its modelling and forecasts for inflation and economic growth and adapt monetary policy to promote sustainable development.

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 2-5bps lower, belly tenors trading 4-5bps lower, and 10Y which traded 4bps lower. UST 10Y yields fell by 14bps to 3.74% yesterday as markets await the Federal Reserve's ("Fed") December policy meeting minutes out tonight as well as a slew of important labour market data releases for the week ahead. The ADP employment change figures for December and Initial Jobless Claims for the week ended December 31 will be out on Thursday while on Friday there will be the change in nonfarm payroll figures for as well as unemployment rate for December.

New Issues: Sumitomo Mitsui Financial Group Inc priced a USD5.8bn senior unsecured bond in five parts: (1) a USD1.5bn 3-year senior unsecured bond at T+130bps, tightening from an IPT of T+150bps (2) a USD300mn 3-year senior unsecured bond at SOFR+143bps, (3) a USD1.5bn 5-year senior unsecured bond at T+160bps, tightening from an IPT of T+180bps, (4) a USD1bn 7-year senior unsecured bond at T+185bps, tightening from an IPT of T+205bps and (5) a USD1.5bn 10-year senior unsecured bond at T+200bps, tightening from an IPT of T+220bps. Commonwealth Bank of Australia priced a USD1.5bn senior unsecured bond in two parts: (1) a USD1.2bn 2-year senior unsecured bond at T+68bps, tightening from an IPT of T+90bps (2) a USD300mn 2-year senior unsecured bond at SOFR+63bps

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.518	0.96%	USD-SGD	1.3453	0.27%
USD-JPY	131.020	0.17%	EUR-SGD	1.4189	-0.89%
EUR-USD	1.055	-1.12%	JPY-SGD	1.0268	0.01%
AUD-USD	0.673	-1.10%	GBP-SGD	1.6100	-0.41%
GBP-USD	1.197	-0.65%	AUD-SGD	0.9049	-0.85%
USD-MYR	4.409	0.12%	NZD-SGD	0.8407	-0.85%
USD-CNY	6.915	0.24%	CHF-SGD	1.4373	-0.88%
USD-IDR	15598	0.16%	SGD-MYR	3.2804	-0.06%
USD-VND	23543	-0.38%	SGD-CNY	5.1430	0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.8830	1.88%	O/N	4.3180	4.31%
2M	-0.3360	-0.34%	1M	4.3916	4.37%
3M	2.1620	2.13%	3M	4.7673	4.75%
6M	2.7320	2.69%	6M	5.1389	5.14%
9M	-0.1940	-0.20%	12M	5.4821	5.44%
12M	3.3160	3.29%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.340	0.335	4.666
03/22/2023	2.095	0.524	4.855
05/03/2023	2.527	0.632	4.963
06/14/2023	2.573	0.643	4.975
07/26/2023	2.335	0.584	4.915
09/20/2023	1.975	0.494	4.825

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.93	-4.15%	Corn (per bushel)	6.705	-1.2%
Brent (per barrel)	82.10	-4.43%	Soybean (per bushel)	14.873	-2.1%
Heating Oil (per gallon)	308.65	-8.20%	Wheat (per bushel)	7.755	-2.1%
Gasoline (per gallon)	236.12	-4.00%	Crude Palm Oil (MYR/MT)	42.650	2.3%
Natural Gas (per MMBtu)	3.99	-10.88%	Rubber (JPY/KG)	2.038	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8321.50	-0.60%	Gold (per oz)	1839.5	0.8%
Nickel (per mt)	31118.00	3.56%	Silver (per oz)	24.0	0.2%

Equity and Commodity

Index	Value	Net change
DJIA	33,136.37	-10.88
S&P	3,824.14	-15.36
Nasdaq	10,386.98	-79.50
Nikkei 225	26,094.50	0.83
STI	3,245.80	-5.52
KLCI	1,473.99	-21.50
JCI	6,888.76	37.77
Baltic Dry	1,515.00	-135.00
VIX	22.90	1.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.14 (+0.02)	4.38(-)
5Y	2.84 (+0.01)	3.89 (-0.11)
10Y	3.12 (+0.03)	3.76 (-0.14)
15Y	3.11 (+0.03)	-
20Y	2.65 (+0.05)	-
30Y	2.5 (+0.04)	3.87 (-0.12)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	265.00	(-)
TED	35.36	-

Secured Overnight Fin. Rate

SOFR	4.30
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/04/2023 05:00	SK Foreign Reserves	Dec	--	\$416.10b	--
01/04/2023 08:30	JN Jibun Bank Japan PMI Mfg	Dec F	--	48.80	--
01/04/2023 13:00	IN S&P Global India PMI Composite	Dec	--	56.70	--
01/04/2023 13:00	IN S&P Global India PMI Services	Dec	--	56.40	--
01/04/2023 13:00	JN Vehicle Sales YoY	Dec	--	1.00%	--
01/04/2023 16:00	SI Automobile COE Open Bid Cat A	Jan-04	--	88007	--
01/04/2023 16:30	HK Retail Sales Value YoY	Nov	5.00%	3.90%	--
01/04/2023 16:55	GE S&P Global Germany Composite PMI	Dec F	48.90	48.90	--
01/04/2023 16:55	GE S&P Global Germany Services PMI	Dec F	49.00	49.00	--
01/04/2023 17:00	EC S&P Global Eurozone Composite PMI	Dec F	48.80	48.80	--
01/04/2023 17:00	EC S&P Global Eurozone Services PMI	Dec F	49.10	49.10	--
01/04/2023 17:30	UK M4 Money Supply YoY	Nov	--	4.80%	--
01/04/2023 17:30	UK Mortgage Approvals	Nov	53.0k	59.0k	--
01/04/2023 20:00	US MBA Mortgage Applications	Dec-30	--	0.90%	--
01/04/2023 23:00	US ISM Manufacturing	Dec	48.50	49.00	--
01/04/2023 23:00	US ISM Prices Paid	Dec	42.90	43.00	--

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

cindyckung@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

Chin Meng Tee

Credit Research Analyst

MengTeeChin@ocbc.com

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