

Daily Treasury Outlook

5 January 2023

Highlights

Global: Ignoring the hawkish messaging in the FOMC minutes, the S&P500 snapped two days of losses to rally 0.75% while the UST bond market also gained to push the 10-year yield down 5bps to 3.69%. The December FOMC minutes cautioned that “an unwarranted easing in financial conditions, especially if driven by a misperception by the public of the committee’s reaction function, would complicate the committee’s effort to restore price stability” and that a taper from 75bps to 50bps rate hike was “not an indication of any weakening of the committee’s resolve to achieve its price-stability goal or a judgment that inflation was already on a persistent downward path”. More importantly, none of the members expect a rate cut this year as there was agreement that inflation was “unacceptably high”. Fed’s Kashkari also opined that the Fed Funds Target rate may rise another 100bps to 5.4% or “potentially much higher”. The futures market is pricing in a 25bp rate hike at the February FOMC meeting. Meanwhile, US’ manufacturing ISM retreated further from 49.0 to 48.4 with a moderation in new orders (45.2) and prices paid (39.4), albeit the employment gauge recovered from 48.4 to 51.4. US’ job openings also fell from 10.51m to 10.45m in November. Separately, the WSJ reported that Amazon.com is laying off more than 17,000 employees. Elsewhere, the Eurozone services and composite PMIs for December improved to 49.8 and 49.3 respectively

Market watch: Asian markets are likely to track US equity markets and open firmer today. Today’s economic data calendar comprises of China’s Caixin composite and services PMIs, Thailand’s CPI, Singapore’s retail sales, Germany’s November trade data, Singapore’s COE results, and US’ ADP employment change, November trade, initial jobless claims, S&P services and composite PMIs. Fed’s Harker, Bostic and Bullard are also speaking today.

SG: The net employment outlook slipped from a record high of 40% in 3Q22 to 33% in 1Q23, but there will still be salary increments of 3% to less than 5% with about 9 in 10 employers plan to award bonuses of 1 month or more, according to the Manpower survey. The STI slipped 0.1% to close at 3,242.46 yesterday but may stabilize today amid more positive cues from Wall Street and Kospi this morning. SGS bond yields also fell 3-4bps yesterday and may sustain the rally today.

CN: At its annual work conference, China’s central bank reiterated to use various monetary policy tools to maintain reasonably ample liquidity in 2023. China will continue to match the growth in M2 and social financing with the pace of nominal GDP growth. PBoC also mentioned explicitly that it will take more measures to lower financing costs, raising expectations on more interest rate cuts and RRR cuts. Meanwhile, PBoC also said it will support the stable and healthy development of the property market.

Key Market Movements

Equity	Value	% chg
S&P 500	3853.0	0.8%
DJIA	33270	0.4%
Nikkei 225	25717	-1.4%
SH Comp	3123.5	0.2%
STI	3242.5	-0.1%
Hang Seng	20793	3.2%
KLCI	1469.6	-0.3%
	Value	% chg
DX	104.248	-0.3%
USDJPY	132.63	1.2%
EURUSD	1.0604	0.5%
GBPUSD	1.2055	0.7%
USDIDR	15588	-0.1%
USDSGD	1.3405	-0.4%
SGDMYR	3.2843	0.1%
	Value	chg (bp)
2Y UST	4.35	-1.65
10Y UST	3.68	-5.62
2Y SGS	3.10	-3.80
10Y SGS	3.05	-6.69
3M LIBOR	4.78	1.46
3M SIBOR	4.25	0.00
3M SOR	4.24	0.00
3M SORA	3.02	-1.28
3M SOFR	3.69	1.42
	Value	% chg
Brent	77.84	-5.2%
WTI	72.84	-5.3%
Gold	1855	0.8%
Silver	23.76	-1.0%
Palladium	1796	4.9%
Copper	8322	0.0%
BCOM	108.56	-1.6%

Source: Bloomberg

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Major Markets

HK: Retail sales in November softened again as the effect of consumption voucher waned. The value of total retail sales fell by 4.2% YoY in November, surprising market on the downside. On volume term, total retail sales dropped by 5.3% YoY during the month. Domestic demand stayed generally weak amid the challenging macro setting and tight financial conditions, yet we expect retail sales performance to improve in periods ahead given the relaxation of social distancing measures and the phased reopening of border.

ESG Updates

SG: Flood response capabilities were boosted in 2022 with the installation of 400 more water-level sensors in locations such as Kallang River and Bukit Batok Canal. Other major drainage infrastructure projects are also on track for completion.

CN: China has approved a hydro power plant worth 17 billion yuan in Qinghai province that will start full production in 2028.

Rest of the world: Britain's renewable energy sources generated 40% of Britain's electricity in 2022, up from 35% in 2021. The share of fossil fuel in the energy mix also rose in response to supply disruption from the Russia-Ukraine conflict.

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Bond Market Updates

Market Commentary: The SGD SORA curve continued to trade lower yesterday, with shorter tenors trading 10-12bps lower, belly tenors trading 10bps lower, and 10Y which traded 11bps lower. UST 10Y yields fell by 6bps to 3.68% yesterday after a slew of data from Europe showed slowing inflation that had a similar impact on European rates with easing pressure to raise rates further. Both French CPI and Germany's inflation for December were below expectation. Meanwhile, the Federal Reserve's ("Fed") December policy meeting minutes showed a continued conviction to use monetary tightening to achieve its "price stability goal" commenting that the 50bps hike was not a deviation from this strategy. Elsewhere, the December ISM manufacturing data showed contraction for a second consecutive month at 48.4 (49.0 in November) and printed slightly below estimates with weaker demand and higher borrowing costs driving a measure of prices paid by factories for inputs to the lowest level in more than 2.5 years. The Job Openings and Labour Turnover Survey ("JOLTS") though showed that the employment market remains tight, coming in above expectations.

New Issues: Nomura Holdings Inc priced USD1.9bn in three parts: (1) a USD600mn 3-year senior unsecured bond at T+160bps, tightening from an IPT of T+175bps (2) a USD550mn 5-year senior unsecured bond at T+200bps, tightening from an IPT of T+215bps and (3) a USD750mn 10-year senior unsecured bond at T+250bps, tightening from an IPT of T+265bps. Republic of Indonesia priced USD3.0bn in three parts: (1) a USD1bn 3-year senior unsecured bond to yield 4.8%, tightening from an IPT of 5.15% area (2) a USD1.25bn 10-year senior unsecured bond to yield 5.1%, tightening from an IPT of 5.5% area and (3) a USD750mn 30-year senior unsecured bond to yield 5.75%, tightening from an IPT of 6.15% area. National Australia Bank Ltd/New York priced USD2.25bn in two parts: (1) a USD1.15bn 3-year senior unsecured bond at T+85bps, tightening from an IPT of T+100bps and (2) a USD1.1bn 5-year senior unsecured bond at T+110bps, tightening from an IPT of T+130bps. National Australia Bank Ltd priced a USD1.25bn 10-year Tier 2 subordinated note at T+275bps, tightening from an IPT of T+300bps. The Government of the Hong Kong Special Administrative Region of the People's Republic of China priced USD3.0bn in four parts: (1) a USD500mn 3-year senior unsecured bond at T+35bps, tightening from an IPT of T+70bps (2) a USD1bn 5-year senior unsecured bond at T+70bps, tightening from an IPT of T+105bps (3) a USD1bn 10-year senior unsecured bond at T+95bps, tightening from an IPT of T+130bps and (4) a USD500mn 30-year senior unsecured bond at T+145bps, tightening from an IPT of T+190bps. Export-Import Bank of Korea priced USD3.5bn in three parts: (1) a USD1bn 3-year senior unsecured bond at T+85bps, tightening from an IPT of T+120bps (2) a USD1.5bn 5-year senior unsecured bond at T+120bps, tightening from an IPT of T+155bps and (3) a USD1bn 10-year senior unsecured bond at T+145bps, tightening from an IPT of T+180bps.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	104.248	-0.26%	USD-SGD	1.3405	-0.36%
USD-JPY	132.630	1.23%	EUR-SGD	1.4215	0.18%
EUR-USD	1.060	0.53%	JPY-SGD	1.0107	-1.57%
AUD-USD	0.684	1.66%	GBP-SGD	1.6161	0.38%
GBP-USD	1.206	0.73%	AUD-SGD	0.9167	1.30%
USD-MYR	4.399	-0.24%	NZD-SGD	0.8439	0.38%
USD-CNY	6.897	-0.26%	CHF-SGD	1.4419	0.32%
USD-IDR	15588	-0.06%	SGD-MYR	3.2843	0.12%
USD-VND	23523	-0.08%	SGD-CNY	5.1392	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.8540	1.88%	O/N	4.3189	4.32%
2M	-0.3360	-0.34%	1M	4.4013	4.39%
3M	2.1720	2.16%	3M	4.7819	4.77%
6M	2.7390	2.73%	6M	5.1361	5.14%
9M	-0.1940	-0.20%	12M	5.4469	5.48%
12M	3.3210	3.32%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.316	0.329	4.660
03/22/2023	2.095	0.524	4.855
05/03/2023	2.494	0.623	4.955
06/14/2023	2.561	0.640	4.972
07/26/2023	2.355	0.589	4.920
09/20/2023	1.995	0.499	4.830

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.84	-5.32%	Corn (per bushel)	6.538	-2.5%
Brent (per barrel)	77.84	-5.19%	Soybean (per bushel)	14.783	-0.6%
Heating Oil (per gallon)	297.19	-3.71%	Wheat (per bushel)	7.455	-3.9%
Gasoline (per gallon)	225.92	-4.32%	Crude Palm Oil (MYR/MT)	42.100	-1.3%
Natural Gas (per MMBtu)	4.17	4.61%	Rubber (JPY/KG)	2.094	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8321.50	-0.60%	Gold (per oz)	1854.6	0.8%
Nickel (per mt)	31118.00	3.56%	Silver (per oz)	23.8	-1.0%

Equity and Commodity

Index	Value	Net change
DJIA	33,269.77	133.40
S&P	3,852.97	28.83
Nasdaq	10,458.76	71.78
Nikkei 225	25,716.86	-377.64
STI	3,242.46	-3.34
KLCI	1,469.55	-4.44
JCI	6,813.24	-75.52
Baltic Dry	1,250.00	-265.00
VIX	22.01	-0.89

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.1 (-0.04)	4.35(-)
5Y	2.79 (-0.05)	3.84 (-0.05)
10Y	3.05 (-0.07)	3.68 (-0.06)
15Y	3.04 (-0.06)	--
20Y	2.61 (-0.03)	--
30Y	2.48 (-0.03)	3.8 (-0.04)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	266.00 (-)
TED	35.36 --

Secured Overnight Fin. Rate

SOFR	4.31
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/05/2023 07:50	JN Monetary Base YoY	Dec -6.00%	--	-6.40%	--
01/05/2023 08:30	HK S&P Global Hong Kong PMI	Dec --	--	48.70	--
01/05/2023 09:00	PH CPI YoY 2018=100	Dec 8.20%	--	8.00%	--
01/05/2023 09:45	CH Caixin China PMI Services	Dec 46.80	--	46.70	--
01/05/2023 09:45	CH Caixin China PMI Composite	Dec --	--	47.00	--
01/05/2023 11:30	TH CPI YoY	Dec 5.90%	--	5.55%	--
01/05/2023 11:30	TH CPI Core YoY	Dec 3.28%	--	3.22%	--
01/05/2023 13:00	SI Retail Sales YoY	Nov 7.80%	--	10.40%	--
01/05/2023 17:30	UK S&P Global/CIPS UK Services PMI	Dec F 50.00	--	50.00	--
01/05/2023 17:30	UK S&P Global/CIPS UK Composite PMI	Dec F 49.00	--	49.00	--
01/05/2023 21:15	US ADP Employment Change	Dec 150k	--	127k	--
01/05/2023 21:30	US Initial Jobless Claims	Dec-31 225k	--	225k	--
01/05/2023 21:30	US Trade Balance	Nov -\$63.0b	--	-\$78.2b	--
01/05/2023 21:30	US Continuing Claims	Dec-24 1728k	--	1710k	--
01/05/2023 22:45	US S&P Global US Composite PMI	Dec F --	--	44.60	--
01/05/2023 22:45	US S&P Global US Services PMI	Dec F 44.40	--	44.40	--

Source: Bloomberg

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