

Daily Treasury Outlook

6 January 2023

Highlights

Global: The latest US job market confirmed Fed officials' observation of labour market remaining tight. The initial jobless claims dropped to 204K sa, better than consensus. In addition, the continuous claims also fell by 24K to 1.694 million, from an 11-month high of 1.718 million. The ADP national employment report showed that private payrolls increased by 235K, beating expectation of 150K, paving the way for potential positive surprise for the upcoming nonfarm payroll data today. A separate report from Challenger on job cuts also showed that US-based employers announced 43,651 job cuts in December. The bulk of the job cuts were in the technology sector. However, for the whole of 2022, the job cut was still the second-lowest recorded annual total since 1993. The outgoing Kansas Fed President Esther George reiterated higher for longer for the US rates. St. Louis Fed President James Bullard, who led the change for interest rate hike last year, said he is increasingly upbeat that the Fed can achieve its goal of lowering inflation without sending the economy into a recession. His optimistic came from the fact that the "labour market has not weakened in the way many had predicted" and he expects the labour market to remain resilient in 2023. On the Fed's balance sheet, Bullard said he sees no reason to change the Fed's balance sheet drawdown. Elsewhere, French central bank Governor said the ECB interest rates should reach a peak by this summer though he said it is still too early to set the level. But the ECB would then be prepared to remain the terminal rate as long necessary. The Bank of Japan was tipped to increase inflation forecast in January after the BOJ meeting on 18 Jan. However, the upward revision alone may not be enough to trigger any imminent change in its monetary policy as officials are still waiting for the annual spring wage negotiation.

Market watch: Today's economic data calendar comprises of US's nonfarm payrolls, unemployment rate and ISM services index, Indonesia and Thailand's foreign reserves, Taiwan's CPI and EU's CPI.

CN: China announced a new credit policy to promote housing sales. Banks are allowed to lower the mortgage rates for first-time home buyers in cities, where home prices dropped for three consecutive months. In other words, the new floating housing loan interest rate will be linked to housing prices and mortgage rate will act as a counter-cyclical factor.

HK: Starting from 8 January, Hong Kong will resume quarantine-free travels with Mainland China, setting a daily traveller quota of 60,000, and reopen seven cross-border checkpoints (currently three in use). Meanwhile, ferry services between Hong Kong and Macau, as well as high-speed rail services between Hong Kong and Mainland will be resumed. Nonetheless, both inbound and outbound travellers are required to present negative PCR test results taken within 48 hours before departure and make online reservation. Separately, the private sector in Hong Kong continued to contract in December 2022, albeit at a slower pace. Hong Kong's PMI in December rose to 49.6, up from 48.7 in November. Surveyed business outlook has improved due to the reopening optimism.

Key Market Movements

Equity	Value	% chg
S&P 500	3808.1	-1.2%
DJIA	32930	-1.0%
Nikkei 225	25821	0.4%
SH Comp	3155.2	1.0%
STI	3292.7	1.5%
Hang Seng	21052	1.2%
KLCI	1480.9	0.8%
	Value	% chg
DX	105.042	0.8%
USDJPY	133.41	0.6%
EURUSD	1.0522	-0.8%
GBPUSD	1.1908	-1.2%
USDIDR	15608	0.1%
USDSGD	1.3455	0.4%
SGDMYR	3.2771	-0.2%
	Value	chg (bp)
2Y UST	4.46	10.42
10Y UST	3.72	3.54
2Y SGS	3.11	0.70
10Y SGS	2.98	-7.39
3M LIBOR	4.79	0.66
3M SIBOR	4.25	0.00
3M SOR	4.23	0.00
3M SORA	3.00	-1.17
3M SOFR	3.71	1.40
	Value	% chg
Brent	78.69	1.1%
WTI	73.67	1.1%
Gold	1833	-1.2%
Silver	23.24	-2.2%
Palladium	1745	-2.8%
Copper	8252	0.0%
BCOM	107.36	-1.1%

Source: Bloomberg

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Major Markets

SG: COE prices fell across board in the first tender exercise of 2023. COE for smaller cars fell by 9.1% to S\$80,000 while COE for bigger cars fell by 5.6% to S\$102,002. The decline of COE prices may be due to poor sales in December as many people travelled out of the country in December School holiday.

ID: A group of Indonesian citizens including activist, students, and lawyers filed an appeal against the revision to the Job Creation Law to the Constitutional Court on Thursday. As Bloomberg noted, the omnibus law was previously ruled as legally defective by the court, which ordered the government to revise it and to ensure public participation in the changes. However, President Joko Widodo instead pursued an emergency regulation, known as Perppu, to push through the revision more quickly.

ESG Updates

MY: Malaysia aims to draw greater investment from Chinese companies to develop its supporting infrastructure for electric vehicles (EV) by anchoring operations in the country.

ID: Indonesia may allocate 5 trillion rupiah to incentivise electric vehicle (EV) purchases in 2023 and is also considering subsidising electric bus sales.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 5-7bps lower, belly tenors trading 6-7bps lower, and 10Y which traded 7bps lower. UST 10Y yields rose by 4bps to 3.72% yesterday amidst incoming data from the resilient labour market. The Job Openings and Labour Turnover Survey ("JOLTS") for November declined to 10.46mn in November from 10.51mn in October, slightly below Bloomberg median estimates of 10.50mn. This also represented a 1.7 job opening for each unemployed worker in November, significantly higher than the 1.2 level prior to the pandemic. Despite so, St Louis Federal Reserve ("Fed") President James Bullard (non-voting member this year), the titular hawk within the rates setting committee expressed his optimism for increasing prospects of a soft landing, believing that "the labour market can remain fairly resilient during 2023" and that "the labour market has not weakened the way many had predicted".

New Issues: Airport Authority priced a USD3bn senior unsecured bond in four parts: (1) a USD500mn 3-year senior unsecured bond at T+70bps, tightening from an IPT of T+105bps, (2) a USD1bn 5-year senior unsecured green bond at T+90bps, tightening from an IPT of T+135bps area, (3) a USD700mn 7-year senior unsecured bond at T+115bps, tightening from an IPT of T+160bps and (4) a USD800mn 10-year senior unsecured bond at T+125bps, tightening from an IPT of T+185bps.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	105.042	0.76%	USD-SGD	1.3455	0.37%
USD-JPY	133.410	0.59%	EUR-SGD	1.4158	-0.40%
EUR-USD	1.052	-0.77%	JPY-SGD	1.0084	-0.23%
AUD-USD	0.675	-1.27%	GBP-SGD	1.6025	-0.84%
GBP-USD	1.191	-1.22%	AUD-SGD	0.9084	-0.91%
USD-MYR	4.388	-0.24%	NZD-SGD	0.8381	-0.69%
USD-CNY	6.880	-0.25%	CHF-SGD	1.4370	-0.34%
USD-IDR	15608	0.13%	SGD-MYR	3.2771	-0.22%
USD-VND	23508	-0.06%	SGD-CNY	5.1173	-0.43%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.8880	1.85%	O/N	4.3153	4.32%
2M	-0.3360	-0.34%	1M	4.3843	4.40%
3M	2.1700	2.17%	3M	4.7884	4.78%
6M	2.7610	2.74%	6M	5.1331	5.14%
9M	-0.1940	-0.20%	12M	5.4550	5.45%
12M	3.3120	3.32%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.449	0.362	4.694
03/22/2023	2.265	0.566	4.898
05/03/2023	2.708	0.677	5.008
06/14/2023	2.800	0.700	5.031
07/26/2023	2.685	0.671	5.003
09/20/2023	2.415	0.604	4.935

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.67	1.14%	Corn (per bushel)	6.528	-0.2%
Brent (per barrel)	78.69	1.09%	Soybean (per bushel)	14.668	-0.8%
Heating Oil (per gallon)	297.23	0.01%	Wheat (per bushel)	7.468	0.2%
Gasoline (per gallon)	226.71	0.35%	Crude Palm Oil (MYR/MT)	40.800	-3.1%
Natural Gas (per MMBtu)	3.72	-10.83%	Rubber (JPY/KG)	2.100	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8252.00	-0.84%	Gold (per oz)	1832.9	-1.2%
Nickel (per mt)	29768.00	-4.34%	Silver (per oz)	23.2	-2.2%

Equity and Commodity

Index	Value	Net change
DJIA	32,930.08	-339.69
S&P	3,808.10	-44.87
Nasdaq	10,305.24	-153.52
Nikkei 225	25,820.80	103.94
STI	3,292.66	50.20
KLCI	1,480.93	11.38
JCI	6,653.84	-159.40
Baltic Dry	1,176.00	-74.00
VIX	22.46	0.45

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.11 (+0.01)	4.46(-)
5Y	2.77 (-0.02)	3.91 (+0.07)
10Y	2.98 (-0.07)	3.72 (+0.04)
15Y	2.97 (-0.08)	--
20Y	2.6 (-0.02)	--
30Y	2.47 (-0.01)	3.79(-)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	265.80	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.30
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/06/2023 10:00	VN Domestic Vehicle Sales YoY	Dec	--	-14.50%	--
01/06/2023 11:00	ID Foreign Reserves	Dec	--	\$134.00b	--
01/06/2023 15:00	GE Factory Orders MoM	Nov	-0.50%	0.80%	--
01/06/2023 15:30	TH Foreign Reserves	Dec-30	--	\$213.6b	--
01/06/2023 16:00	TA CPI YoY	Dec	2.53%	2.35%	--
01/06/2023 17:30	UK S&P Global/CIPS UK Construction PMI	Dec	--	50.4	--
01/06/2023 18:00	EC CPI MoM	Dec P	-0.10%	-0.10%	--
01/06/2023 18:00	EC CPI Estimate YoY	Dec	9.50%	10.10%	--
01/06/2023 21:30	US Change in Nonfarm Payrolls	Dec	202k	263k	--
01/06/2023 21:30	CA Unemployment Rate	Dec	5.20%	5.10%	--
01/06/2023 21:30	US Unemployment Rate	Dec	3.70%	3.70%	--
01/06/2023 21:30	CA Net Change in Employment	Dec	5.0k	10.1k	--
01/06/2023 23:00	US Durable Goods Orders	Nov F	-2.10%	-2.10%	--
01/06/2023 23:00	US Factory Orders	Nov	-1.00%	1.00%	--
01/06/2023 23:00	US ISM Services Index	Dec	55	56.5	--
01/06/2023 23:00	US Durables Ex Transportation	Nov F	--	0.20%	--

Source: Bloomberg

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
cindyckeung@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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