

Daily Treasury Outlook

9 January 2023

Global: The latest US nonfarm payrolls came in stronger than expected at 223k in December, suggesting that the job market remained healthy. The unemployment rate was unchanged at a 55-year low of 3.5% but average hourly earnings softened to 0.3% MoM (4.6% YoY), slowing from November's readings of 0.4% MoM (5.1% YoY), while the two-month NFP revision was -28K. More importantly, the services ISM contracted at 49.6 in December, marking a sharp correction from 51.5 in November as new orders plunged from 56.0 to 45.2, and indicating that the cumulative Fed rate hikes are starting to brake the US economy. In addition, November factory orders also fell more than expected by 1.8%. The S&P500 gained 2.28% on Friday, snapping a four-week losing streak amid market speculation that the Fed's aggressive rate hikes were starting to slow wage gains and the Fed may further taper the pace of rate hikes. Meanwhile, UST bonds rallied with the 2-year yield down 20bps to a low of 4.24% while the 10-year yield also lower by 15.5bps to 3.57%. Fed's Bostic opined that the central bank has more work to do, but he expected the Fed rate to be "not a lot above 5%", whereas Cook suggested "inflation remains far too high".

Market watch: Asian markets are likely to trade with a firm tone this morning. Today's economic data calendar comprised of Germany's November industrial production, Eurozone's unemployment rate and Sentix investor confidence, and Malaysia's foreign reserves data. BOE chief economist Pill, as well as Fed's Bostic and Daly are also speaking today. For the week ahead, watch for US inflation data with December headline and core CPI tipped to have eased to 6.5% YoY (0.0% MoM) and 5.7% YoY (0.3% MoM) respectively, as well as China's monetary aggregates data including loans growth, and CPI/PPI data on Thursday.

CN: RMB rallied strongly in the first week of 2023 with the USDCNH ended below 6.85. China's reopening together with multiple policy pivots has led to optimism on stronger growth outlook, which is supportive of RMB strength. On flow picture, potential increase in exporter RMB conversion may continue to support RMB heading into the Chinese New Year. Nevertheless, we think RMB appreciation may not be straight forward as China's reopening may widen the service trade deficit as well as narrow the goods trade surplus due to the rising demand for foreign goods.

Major Markets

SG: The STI slipped 0.48% to close at 3,276.72 on Friday, reversing Thursday's gains, but may trade higher today given Friday's sharp US market rally post-NFP. SGS bonds are likely to gain today amid market speculation that the Fed is achieving its goal of cooling the US labour market and growth.

MY&ID: Malaysia's PM Anwar Ibrahim arrived in Indonesia on Sunday for a two-day official visit. It marks his first foreign visit since taking over the leadership mantle late last year.

Key Market Movements

Equity	Value	% chg
S&P 500	3895.1	2.3%
DJIA	33631	2.1%
Nikkei 225	25974	0.6%
SH Comp	3157.6	0.1%
STI	3276.7	-0.5%
Hang Seng	20992	-0.3%
KLCI	1480.6	0.0%
	Value	% chg
DX	103.879	-1.1%
USDJPY	132.08	-1.0%
EURUSD	1.0644	1.2%
GBPUSD	1.2093	1.6%
USDIDR	15633	0.2%
USDSGD	1.3395	-0.4%
SGDMYR	3.2691	-0.2%
	Value	chg (bp)
2Y UST	4.25	-21.02
10Y UST	3.56	-16.01
2Y SGS	3.11	0.60
10Y SGS	2.94	-3.55
3M LIBOR	4.81	2.33
3M SIBOR	4.25	0.00
3M SOR	4.15	-0.91
3M SORA	3.00	-0.41
3M SOFR	3.72	1.41
	Value	% chg
Brent	78.57	-0.2%
WTI	73.77	0.1%
Gold	1866	1.8%
Silver	23.83	2.5%
Palladium	1812	3.8%
Copper	8590	2.6%
BCOM	108.11	0.7%

Source: Bloomberg

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly higher Friday, with shorter tenors trading 9-10bps higher, belly tenors trading 5-7bps higher, and 10Y which traded 4bps higher. UST 10Y yields declined by 16bps to 3.56% Friday amidst data that showed wages rising less than expected in December even though the economy created more jobs than anticipated, affirming the belief that the Federal Reserve could be nearing a pause in its rate-hiking cycle. Data showed that U.S. nonfarm payrolls rose 223,000 last month, beating forecasts from economists polled by Bloomberg, which had forecast nonfarm payrolls increasing by 205,000 jobs.

New Issues:

Date	Issuer	Size	Tenor	Final Pricing	Initial Pricing
06-Jan-23	Chengdu Sino French Ecological Park Investment Development	USD100mn	3-year	6.50%	6.50%

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.879	-1.11%	USD-SGD	1.3395	-0.45%
USD-JPY	132.080	-1.00%	EUR-SGD	1.4248	0.64%
EUR-USD	1.064	1.16%	JPY-SGD	1.0138	0.54%
AUD-USD	0.688	1.85%	GBP-SGD	1.6180	0.97%
GBP-USD	1.209	1.55%	AUD-SGD	0.9203	1.31%
USD-MYR	4.403	0.35%	NZD-SGD	0.8501	1.43%
USD-CNY	6.828	-0.76%	CHF-SGD	1.4422	0.36%
USD-IDR	15633	0.16%	SGD-MYR	3.2691	-0.24%
USD-VND	23472	-0.15%	SGD-CNY	5.1139	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.9040	1.89%	O/N	4.3134	4.31%
2M	-0.3360	-0.34%	1M	4.4016	4.40%
3M	2.2540	2.18%	3M	4.8099	4.81%
6M	2.8050	2.77%	6M	5.1970	5.17%
9M	-0.1940	-0.20%	12M	5.5589	5.49%
12M	3.3280	3.30%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.276	0.319	4.650
03/22/2023	2.085	0.521	4.852
05/03/2023	2.461	0.615	4.947
06/14/2023	2.520	0.630	4.961
07/26/2023	2.325	0.581	4.913
09/20/2023	1.965	0.491	4.823

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.77	0.14%	Corn (per bushel)	6.540	0.2%
Brent (per barrel)	78.57	-0.15%	Soybean (per bushel)	15.015	2.4%
Heating Oil (per gallon)	300.45	1.08%	Wheat (per bushel)	7.435	-0.4%
Gasoline (per gallon)	224.46	-0.99%	Crude Palm Oil (MYR/MT)	39.810	-2.4%
Natural Gas (per MMBtu)	3.71	-0.27%	Rubber (JPY/KG)	2.100	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8589.50	2.57%	Gold (per oz)	1865.7	1.8%
Nickel (per mt)	28079.00	1.19%	Silver (per oz)	23.8	2.5%

Equity and Commodity

Index	Value	Net change
DJIA	33,630.61	700.53
S&P	3,895.08	86.98
Nasdaq	10,569.29	264.05
Nikkei 225	25,973.85	153.05
STI	3,276.72	-15.94
KLCI	1,480.55	-0.38
JCI	6,684.56	30.72
Baltic Dry	1,130.00	-16.00
VIX	21.13	-1.33

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.11 (+0.01)	4.25(-)
5Y	2.78 (+0.01)	3.7 (-0.22)
10Y	2.94 (-0.04)	3.56 (-0.16)
15Y	2.94 (-0.03)	--
20Y	2.59 (-0.01)	--
30Y	2.47 (-)	3.69 (-0.11)

Financial Spread (bps)

Value	Change
EURIBOR-OIS	274.20
TED	35.36

Secured Overnight Fin. Rate

SOFR	4.31
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/09/2023 08:30	AU Building Approvals MoM	Nov	0.00%	--	-6.00%
01/09/2023 09:00	CH Money Supply M2 YoY	Dec	12.30%	--	12.40%
01/09/2023 09:00	CH New Yuan Loans CNY	Dec	1200.0b	--	1210.0b
01/09/2023 09:00	CH Money Supply M1 YoY	Dec	4.60%	--	4.60%
01/09/2023 09:00	CH Money Supply M0 YoY	Dec	--	--	14.10%
01/09/2023 09:00	CH Aggregate Financing CNY	Dec	1850.0b	--	1990.0b
01/09/2023 10:00	TH Consumer Confidence Economic	Dec	--	--	42.00
01/09/2023 13:30	AU Foreign Reserves	Dec	--	--	A\$86.8b
01/09/2023 15:00	GE Industrial Production SA MoM	Nov	0.30%	--	-0.10%
01/09/2023 15:00	MA Foreign Reserves	Dec-30	--	--	\$110.3b
01/09/2023 15:00	GE Industrial Production WDA YoY	Nov	0.20%	--	0.00%
01/09/2023 17:00	SI Foreign Reserves	Dec	--	--	\$291.27b
01/09/2023 17:30	EC Sentix Investor Confidence	Jan	-18.00	--	-21.00
01/09/2023 18:00	EC Unemployment Rate	Nov	6.50%	--	6.50%
01/09/2023 21:30	CA Building Permits MoM	Nov	--	--	-1.40%
01/09/2023 21:00	CA Bloomberg Nanos Confidence	Jan-06	--	--	45.60

Source: Bloomberg

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