

Daily Treasury Outlook

13 January 2023

Highlights

Global: Easing US inflation prints gave risk sentiments a boost overnight.

The December headline and core inflation rose 6.5% YoY (-0.1% MoM) and 5.7% YoY (0.3% MoM) in line with market expectations and down from the 7.1% YoY (0.1% MoM) and 6.0% YoY (0.2% MoM) respectively in November. Cheaper energy costs contributed to the first on-month CPI decline in 2.5 years. Meanwhile, real initial jobless claims also softened 1k to 205k, below market expectations for 215k, and real average hourly earnings fell 1.7% YoY. These were seen as sufficient justification for the Fed to taper to a smaller 25bps rate hike pace at the upcoming FOMC meeting on 2 February. Fed's Harker opined that "hikes of 25bps will be appropriate going forward", whereas Bullard favoured getting rates above 5% "as soon as possible". The S&P500 rose 0.34% and UST bonds also rallied whilst the USD fell. The 2- and 10-year UST bond yields fell 7 and 10bps to 4.15% and 3.44% respectively, and the US\$18b 03-year re-opening fetched 3.585% with a bid-cover ratio of 2.45x. Elsewhere, the 10-year JGB yield tested the BOJ's Yield Curve Control limit by rising 3bps to 0.53% as market speculation of further policy tweaks build.

Market watch: Asian markets are likely to trade with a more risk-on tone today, while BOK hiked 25bps to 3.5% as anticipated. Today's economic data calendar comprises of China's December trade data, UK' November industrial production, index of services and trade data, Eurozone's industrial production and trade data, Germany's 2022 GDP, and US' January preliminary University of Michigan sentiments and December import prices. Fed's Kashkari and Harker are speaking today. US bank earnings from Citigroup, JPMorgan and Wells Fargo are also due today.

MY: Malaysia said that the government is considering halting palm oil exports to the European Union in retaliation for the bloc's new deforestation regulation. According to the DPM Fadillah Yusof, who is also the plantations minister, the EU's regulation is an act to block market access for palm oil.

ID: Indonesia is planning to form a new special economic zone in Bali. Named the Kura-Kura Bali SEZ, the zone is expected to attract IDR104t worth of tourism investments over 30 years, according to the Economic Ministry. It is expected to create 35,000 direct jobs and bring in US\$31.8b worth of foreign exchange.

TH: Thailand's December Consumer Confidence rose to 49.7, from 47.9 in November. The gradual rise in the consumer index was boosted by an improving economy from a recovering tourism industry, and the easing of oil prices.

Oil: WTI and Brent rose 1.3% and 1.6% yesterday, to close at US\$78.39/bbl and US\$84.03/bbl respectively. Crude Oil prices extended its run of gains on an improving China's demand outlook.

Key Market Movements

Equity	Value	% chg
S&P 500	3983.2	0.3%
DJIA	34190	0.6%
Nikkei 225	26450	0.0%
SH Comp	3163.5	0.1%
STI	3267.8	-0.1%
Hang Seng	21514	0.4%
KLCI	1488.7	0.1%
	Value	% chg
DXY	102.246	-0.9%
USDJPY	129.25	-2.4%
EURUSD	1.0853	0.9%
GBPUSD	1.2210	0.5%
USDIDR	15338	-0.9%
USDSGD	1.3252	-0.5%
SGDMYR	3.2792	-0.1%
	Value	chg (bp)
2Y UST	4.14	-7.32
10Y UST	3.44	-9.92
2Y SGS	3.11	0.00
10Y SGS	2.84	-2.31
3M LIBOR	4.82	0.91
3M SIBOR	4.25	0.00
3M SOR	4.24	0.00
3M SORA	3.01	-0.17
3M SOFR	3.80	1.41
	Value	% chg
Brent	84.03	1.6%
WTI	78.39	1.3%
Gold	1897	1.1%
Silver	23.78	1.5%
Palladium	1799	1.1%
Copper	9187	0.7%
BCOM	110.94	1.2%

Source: Bloomberg

Daily Treasury Outlook

13 January 2023

Major Markets

SG: The STI slipped 0.11% to close at 3,267.78 yesterday but may fare better today amid improved risk sentiments. SGS bonds mostly rallied yesterday with the 10 and 15-year tenors seeing yields fall by 2-5bps and may extend gains today.

PH: BSP Governor revealed in an interview that the Philippine central bank is probably approaching the end of its tightening cycle, which is in line with market expectations. Elsewhere, the country's National Treasurer indicated in an interview that the government has plans to sell bonds, targeting overseas nationals and other retail investors, to refinance debt and fund priority projects.

ESG Updates

MY: Solarvest Borneo will be setting up a green energy lab in Sarawak to develop local talents in supporting Borneo's growth in the clean energy industry, through learning programmes on solar, green mobility, battery storage systems and green hydrogen.

Rest of world: Germany failed to achieve its CO2-reduction goal as the Russia-Ukraine conflict led to a return to coal. Germany still aims to phase out coal-fired power plants by 2030 and would need to further ramp up on renewables to achieve this.

Daily Treasury Outlook

13 January 2023

Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with shorter tenors trading 2-4bps lower, belly tenors trading 3-4bps lower, and 10Y which traded 4bps lower. UST 10Y yields dipped by 10bps to 3.44% yesterday as US consumer prices fell for the first time since May 2020, affirming expectations that the Federal Reserve will continue to slow the pace of rate increases. US rate futures see 25bps hikes in the next two meetings. According to Jamie Cox, managing partner of Harris Financial Group in Richmond, Virginia, 2% inflation by mid-year is attainable if this data continues to decline at existing rates.

New issues:

Date	Issuer	Description	Currency	Size (Mn)	Maturity / Call Date (Yr)	Final Pricing	Initial Pricing
12-Jan-23	Hongkong Xiangyu Investment Co Ltd	-	USD	190	2.7	XIANGYU 5.7% '25s	7.10%
12-Jan-23	Taishan City Investment Co Ltd (Guarantor: Taian City Development and Investment Co Ltd)	-	USD	120	364 days	7.95%	8.00%
12-Jan-23	Wanda Properties Global Co Ltd	-	USD	400	2.0	11.00%	12.63%
12-Jan-23	United Overseas Bank Ltd	Additional Tier 1	SGD	850	5.0	5.25%	N.A.

Daily Treasury Outlook

13 January 2023

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.246	-0.91%	USD-SGD	1.3252	-0.45%
USD-JPY	129.250	-2.42%	EUR-SGD	1.4383	0.44%
EUR-USD	1.085	0.89%	JPY-SGD	1.0226	1.77%
AUD-USD	0.697	0.94%	GBP-SGD	1.6181	0.07%
GBP-USD	1.221	0.53%	AUD-SGD	0.9234	0.46%
USD-MYR	4.359	-0.26%	NZD-SGD	0.8465	-0.08%
USD-CNY	6.730	-0.52%	CHF-SGD	1.4291	-0.01%
USD-IDR	15338	-0.94%	SGD-MYR	3.2792	-0.12%
USD-VND	23443	-0.02%	SGD-CNY	5.0886	0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.9220	1.94%	O/N	4.3133	4.31%
2M	-0.3360	-0.34%	1M	4.4234	4.43%
3M	2.2980	2.28%	3M	4.8150	4.81%
6M	2.8580	2.82%	6M	5.1280	5.14%
9M	-0.1940	-0.20%	12M	5.4176	5.43%
12M	3.3700	3.34%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.084	0.271	4.602
03/22/2023	1.845	0.461	4.793
05/03/2023	2.244	0.561	4.892
06/14/2023	2.294	0.573	4.905
07/26/2023	2.065	0.516	4.847
09/20/2023	1.615	0.404	4.735

Equity and Commodity

Index	Value	Net change
DJIA	34,189.97	216.96
S&P	3,983.17	13.56
Nasdaq	11,001.10	69.43
Nikkei 225	26,449.82	3.82
STI	3,267.78	-3.73
KLCI	1,488.66	0.79
JCI	6,629.93	45.48
Baltic Dry	1,043.00	-53.00
VIX	18.83	-2.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.11 (-)	4.14 (-)
5Y	2.74 (-0.01)	3.54 (-0.12)
10Y	2.84 (-0.02)	3.45 (-0.1)
15Y	2.83 (-0.05)	--
20Y	2.61 (+0.03)	--
30Y	2.5 (+0.02)	3.58 (-0.09)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	278.60	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.30
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.39	1.27%	Corn (per bushel)	6.710	2.3%
Brent (per barrel)	84.03	1.65%	Soybean (per bushel)	15.295	1.0%
Heating Oil (per gallon)	321.90	0.03%	Wheat (per bushel)	7.428	0.4%
Gasoline (per gallon)	247.53	1.68%	Crude Palm Oil (MYR/MT)	38.230	0.0%
Natural Gas (per MMBtu)	3.70	0.65%	Rubber (JPY/KG)	2.094	-1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9187.00	0.68%	Gold (per oz)	1897.1	1.1%
Nickel (per mt)	27013.00	-0.10%	Silver (per oz)	23.8	1.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/13/2023 03:00	US Monthly Budget Statement	Dec	-\$65.0b	-\$85.0b	-\$21.3b
01/13/2023 07:50	JN Money Stock M2 YoY	Dec	--	2.90%	3.10%
01/13/2023 07:50	JN Money Stock M3 YoY	Dec	--	2.50%	2.70%
01/13/2023 08:00	SK BoK 7-Day Repo Rate	Jan-13	3.50%	--	3.25%
01/13/2023 09:00	CH Trade Balance	Dec	\$76.90b	--	\$69.84b
01/13/2023 09:00	CH Exports YoY	Dec	-11.10%	--	-8.70%
01/13/2023 09:00	CH Imports YoY	Dec	-10.00%	--	-10.60%
01/13/2023 15:00	UK Industrial Production MoM	Nov	-0.20%	--	0.00%
01/13/2023 15:00	UK Manufacturing Production MoM	Nov	-0.20%	--	0.70%
01/13/2023 15:00	UK Industrial Production YoY	Nov	-2.80%	--	-2.40%
01/13/2023 15:00	UK Trade Balance GBP/Mn	Nov	£2500m	--	£1785m
01/13/2023 15:00	UK Visible Trade Balance GBP/Mn	Nov	£14900m	--	£14476m
01/13/2023 15:00	UK Manufacturing Production YoY	Nov	-4.80%	--	-4.60%
01/13/2023 15:30	TH Foreign Reserves	Jan-06	--	--	\$216.6b
01/13/2023 21:30	US Import Price Index MoM	Dec	-0.90%	--	-0.60%
01/13/2023 23:00	US U. of Mich. Sentiment	Jan P	60.70	--	59.70

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W