

Daily Treasury Outlook

16 January 2023

Highlights

Global: Market optimism that US inflation has peaked and the FOMC will further taper its rate hike pace to 25bps at the upcoming February meeting, continued to extend on Friday. The S&P500 rose 0.49% on Friday, as JPMorgan, Wells Fargo, Bank of America and Citi beat earnings expectations despite warning of recession headwinds. Meanwhile, the UST bond market saw the 10-year bond yield increasing 6bps to 3.50%, whilst the 2-year note yield bounced off a 3-month low to close. Separately, T-bill yields also rose across the board amid Treasury Secretary Yellen's warning of extraordinary measures to avoid breaching the US debt ceiling which may be reached as early as 19 January. Elsewhere, news that China's Covid related deaths nearly hit 60K in a month has fuelled calls for greater data transparency.

Market watch: Asian markets are likely to open on a firm tone today. The US markets are closed for Martin Luther King Jr. Day holiday today. Today's economic calendar comprises of China's new homes sales, Indonesia's and India's December trade data. BoE's Bailey and Woods are also testifying on financial stability. For the week ahead, the theme of discussions for the WEF in Davos is "cooperation in a fragmented world", while taking centre stage will be the BOJ meeting on 18 January with rising JGB yields reflecting market speculation of potential policy tweaks ahead following its surprise YCC tweak to cap the 10-year JGB yield at 0.5% in December. Other central bank meetings of note include BI on 18 January (after hiking by a smaller 25bps to 5.5% on 22 December), BNM on 19 January, while PBoC is tipped to pare the 1-year MLF by 10bps to 2.65% (following two earlier 10bps cut each in January and August 2022) today and also the LPR on 20 January (after remaining status quo on 20 December). China reports its 4Q GDP growth on Tuesday. US corporate earnings also continue with Goldman Sachs, Morgan Stanley, Netflix, American Airlines, Delta, and Silvergate (which suffered withdrawals after the collapse of FTX).

CN: China's health authority confirmed that close to 60K people died of Covid-19 related problems between 8 Dec 2022 and 12 Jan 2023. On positive note, the number of visits to China's fever clinics peaked on 23 Dec 2022 at 2.87 million and has subsequently fallen to less than half million on 12 January. In addition, the percentage of fever clinic visitors testing positive for Covid-19 also fell from the peak of 33.9% on 20 Dec to 10.8% on 12 Jan. The number of severe cases peaked on 5 Jan at 128K and fell to 105K as of 12 Jan. 75.3% of beds for severe cases are being used. Overall, the latest data confirmed that the worst of China's exit wave has been behind us. Meanwhile, China also confirmed that there are no new variants detected in the recent outbreak.

Oil: WTI and Brent rose 1.9% and 1.5% on Friday, to close at US\$79.86/bbl and US\$85.28/bbl respectively. Crude Oil prices extended its run of gains, rallying more than 7% for the entire week, with optimism on China's reopening that will boost energy demand, and at the same time cautious by the prospects of an economic slowdown globally.

Key Market Movements

Equity	Value	% chg
S&P 500	3999.1	0.4%
DJIA	34303	0.3%
Nikkei 225	26120	-1.2%
SH Comp	3195.3	1.0%
STI	3293.8	0.8%
Hang Seng	21739	1.0%
KLCI	1495.0	0.4%
	Value	% chg
DX	102.204	0.0%
USDJPY	127.87	-1.1%
EURUSD	1.0830	-0.2%
GBPUSD	1.2227	0.1%
USDIDR	15150	-1.2%
USDSGD	1.3188	-0.5%
SGDMYR	3.2801	0.0%
	Value	chg (bp)
2Y UST	4.23	8.74
10Y UST	3.50	6.35
2Y SGS	3.10	-0.60
10Y SGS	2.80	-3.87
3M LIBOR	4.79	1.47
3M SIBOR	4.25	0.00
3M SOR	4.13	-6.12
3M SORA	3.01	0.58
3M SOFR	3.82	1.41
	Value	% chg
Brent	85.28	1.5%
WTI	79.86	1.9%
Gold	1920	1.2%
Silver	24.26	2.0%
Palladium	1793	-0.4%
Copper	9186	0.0%
BCOM	111.58	0.6%

Source: Bloomberg

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Major Markets

MY&ID: Indonesia is reported to restrict shipments of palm oil in an effort to boost domestic biodiesel consumption as part of the country's B35 mandate. The 35% biodiesel fuel blend program is set to come into effect on 1 February. The program will add another uncertainty to the global vegetable oil outlook going forward, following Malaysia's plan to stop exporting palm oil to the EU last week in response to the bloc's new deforestation regulation.

SG: The STI added 0.79% to close at 3,293.75 on Friday, led by SIA, and may trade with a firm tone today. SGS bonds may continue to trade in line with UST market cues.

ESG Updates

SG: The Australia-Asia PowerLink solar power export project that aimed to deliver solar power from Australia to Singapore is now faced with uncertainty, after Sun Cable announced that it will enter voluntary administration due to a lack of agreement on funding plans by the company backers.

Rest of world: The International Energy Agency (IEA) said that the global market for key mass-manufactured clean energy technologies including solar panels, wind turbines, electric vehicle batteries, heat pumps and electrolyzers for hydrogen will be worth around US\$650 billion a year by 2030. This value is thrice of current levels and contingent on countries' delivery of their climate pledges.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded mostly lower Friday, with shorter tenors trading 4-7bps lower, belly tenors trading 5-7bps lower, and 10Y which traded 4bps lower. UST 10Y yields rose by 6bps to 3.50% yesterday as news of a downward inflation trend broke out. Americans are feeling increasingly upbeat about the economy and their finances as inflation slows and unemployment retreated to a five-decade low. Recession risks remain, not allowing consumer sentiment from rebounding to pre-COVID levels. According to Bloomberg, the economic outlook for the year ahead deteriorates but is likely to improve over the next five years.

New issues:

Date	Issuer	Type	Currency	Size (Mn)	Tenor (Yr)	Final Pricing	Initial Pricing
13-Jan-23	Golden Dragon Mountain Trading BVI Co Ltd (Guarantor: Jinan Zhangqiu Holding Group Co Ltd)	-	USD	115	1-year	8.50%	N.A.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.204	-0.04%	USD-SGD	1.3188	-0.48%
USD-JPY	127.870	-1.07%	EUR-SGD	1.4281	-0.71%
EUR-USD	1.083	-0.21%	JPY-SGD	1.0319	0.91%
AUD-USD	0.697	-0.01%	GBP-SGD	1.6134	-0.29%
GBP-USD	1.223	0.14%	AUD-SGD	0.9202	-0.35%
USD-MYR	4.335	-0.56%	NZD-SGD	0.8418	-0.56%
USD-CNY	6.701	-0.42%	CHF-SGD	1.4235	-0.39%
USD-IDR	15150	-1.23%	SGD-MYR	3.2801	0.03%
USD-VND	23441	-0.01%	SGD-CNY	5.0807	-0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	1.9080	1.92%	O/N	4.3137	4.31%
2M	-0.3360	-0.34%	1M	4.4544	4.46%
3M	2.3280	2.29%	3M	4.7924	4.83%
6M	2.8760	2.82%	6M	5.1011	5.13%
9M	-0.1940	-0.20%	12M	5.3570	5.41%
12M	3.3150	3.33%			

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
02/01/2023	1.095	0.274	4.604
03/22/2023	1.890	0.473	4.802
05/03/2023	2.311	0.578	4.908
06/14/2023	2.373	0.593	4.923
07/26/2023	2.190	0.548	4.878
09/20/2023	1.830	0.458	4.788

Equity and Commodity

Index	Value	Net change
DJIA	34,302.61	112.64
S&P	3,999.09	15.92
Nasdaq	11,079.16	78.06
Nikkei 225	26,119.52	-330.30
STI	3,293.75	25.97
KLCI	1,495.03	6.37
JCI	6,641.83	11.90
Baltic Dry	946.00	-30.00
VIX	18.35	-0.48

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.1 (-0.01)	4.23 (-)
5Y	2.73 (-0.01)	3.61 (+0.08)
10Y	2.8 (-0.04)	3.5 (+0.06)
15Y	2.78 (-0.05)	--
20Y	2.61 (-)	--
30Y	2.51 (+0.01)	3.61 (+0.03)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	#N/A N/A	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.30
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	79.86	1.88%	Corn (per bushel)	6.750	0.6%
Brent (per barrel)	85.28	1.49%	Soybean (per bushel)	15.383	0.6%
Heating Oil (per gallon)	325.59	1.15%	Wheat (per bushel)	7.438	0.1%
Gasoline (per gallon)	253.28	2.32%	Crude Palm Oil (MYR/MT)	38.200	-0.1%
Natural Gas (per MMBtu)	3.42	-7.47%	Rubber (JPY/KG)	2.050	-2.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9185.50	-0.02%	Gold (per oz)	1920.2	1.2%
Nickel (per mt)	26795.00	-0.81%	Silver (per oz)	24.3	2.0%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/16/2023 07:50	JN PPI YoY	Dec 9.50%	10.20%	9.30%	9.70%
01/16/2023 07:50	JN PPI MoM	Dec 0.30%	0.50%	0.60%	0.80%
01/16/2023 08:00	AU Melbourne Institute Inflation MoM	Dec --	--	1.00%	--
01/16/2023 08:00	AU Melbourne Institute Inflation YoY	Dec --	--	5.90%	--
01/16/2023 09:00	PH Overseas Cash Remittances YoY	Nov 4.20%	--	3.50%	--
01/16/2023 09:20	CH 1-Yr Medium-Term Lending Facility Rate	Jan-15 2.75%	--	2.75%	--
01/16/2023 09:30	CH New Home Prices MoM	Dec --	--	-0.25%	--
01/16/2023 10:00	ID Exports YoY	Dec 7.39%	--	5.58%	--
01/16/2023 10:00	ID Trade Balance	Dec \$4010m	--	\$5160m	--
01/16/2023 10:00	ID Imports YoY	Dec -7.77%	--	-1.89%	--
01/16/2023 14:00	JN Machine Tool Orders YoY	Dec P --	--	-7.70%	--
01/16/2023 14:30	IN Wholesale Prices YoY	Dec 5.48%	--	5.85%	--
01/16/2023 19:30	IN Exports YoY	Dec --	--	0.60%	--
01/16/2023 19:30	IN Imports YoY	Dec --	--	5.40%	--
01/16/2023 19:30	IN Trade Balance	Dec -\$23350.0m	--	-\$23892.8m	--
01/16/2023 21:00	CA Bloomberg Nanos Confidence	Jan-13 --	--	45.90	--

Source: Bloomberg

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