

## Daily Treasury Outlook

31 May 2023

### Highlights

**Global:** Market is still waiting for the debt ceiling vote which may start as early as Wednesday afternoon US time. Republican Patrick McHenry, one of the bill's key negotiators, said he expects more than half of the 222 house Republicans to vote for it, which is not a very high expectation in our view. There is also rising talk regarding some conservative Republican's questions about House Speaker McCarthy's leadership as they have complained that the deal falls far short of GOP cost cutting goals. If House Speaker McCarthy were to have to rely on Democratic voters to pass the bill, it could potentially damage his standing within his own party. However, bad news for McCarthy may not be bad news for the economy. It seems most US economists agreed that the implied spending reduction does not look like a game changer for the macro-outlook.

Meanwhile, US data remained resilient. Consumer confidence in May at 102.3 beat market expectation of 99 though it moderated from an upward revised April reading of 103.7 from 101.3. Nevertheless, the view on labour market softened further with the share of people viewing jobs as "plentiful" falling to the lowest level since April 2021 and the proportion of those saying jobs were "hard to get" rising to a six-month high. The survey's so-called labour market differential, derived from data on respondents' views on whether jobs are plentiful or hard to get, fell to 31.0 from 36.9 in April.

US housing data also remained resilient. There was a slight increase in the share of consumers planning to buy a house over the next six months. Housing prices continued to gain steadily. FHFA house price index showed housing prices increased by 0.6% MoM in March. The S&P CoreLogic Case-Shiller national home price index also climbed 0.4% in March after adjusting for seasonal fluctuations.

**Market Watch:** Today's economic calendar comprises Bank of Thailand's rate decision (we expect a 25bp hike to 2.0%), South Korea and Japan's April industrial production, China's May manufacturing PMI, Germany's May CPI and Canada's March GDP.

**Oil:** Both WTI and Brent fell 4.4% and 4.6% on Tuesday to close at US\$69.46/bbl and US\$73.54/bbl, respectively. With both US President Joe Biden and House Speaker Kevin McCarthy having reached an agreement over the weekend, market jitters on how the US Congress perceives the deal has continued to keep oil markets on the edge. Prices were further weighed down on signals of an ample supply in the physical market to meet near-term demand. Nevertheless, with prices edging lower ahead of OPEC+ group meeting, we should continue to remain vigilant ahead of any potential supply shock.

### Key Market Movements

Equity	Value	% chg
S&P 500	4205.5	0.0%
DJIA	33043	-0.2%
Nikkei 225	31328	0.3%
SH Comp	3224.2	0.1%
STI	3187.6	-0.2%
Hang Seng	18596	0.2%
KLCI	1396.9	-0.6%
	Value	% chg
DX	104.165	0.0%
USDJPY	139.79	-0.5%
EURUSD	1.0735	0.3%
GBPUSD	1.2414	0.5%
USDIDR	14985	0.1%
USDSGD	1.3505	-0.2%
SGDMYR	3.4043	0.0%
	Value	chg (bp)
2Y UST	4.45	-11.18
10Y UST	3.69	-11.17
2Y SGS	3.37	-1.50
10Y SGS	2.89	-6.08
3M LIBOR	5.48	0.00
3M SIBOR	4.09	0.00
3M SOR	4.12	0.00
3M SORA	3.62	0.46
3M SOFR	4.85	2.29
	Value	% chg
Brent	73.54	-4.6%
WTI	69.46	-4.4%
Gold	1959	0.8%
Silver	23.17	0.0%
Palladium	1411	-0.5%
Copper	8123	-0.1%
BCOM	98.33	-1.7%

Source: Bloomberg

**Daily Treasury Outlook**

31 May 2023

**Major Markets**

**ID:** Bank Indonesia's (BI) Governor Perry Warjiyo stated during a parliamentary hearing on Tuesday that the rupiah is projected to strengthen against the US dollar next year, in the range of 14,600 to 15,100, compared to this year's projection of 14,800 to 15,200 (as per 30 May closing, YTD average is 15,082). Additionally, BI anticipates GDP growth to accelerate and easing inflation next year, with a range of 4.7% to 5.5% and 1.5% to 3.5%, respectively. Governor Perry expects the current account to shift to a deficit of '1.3% to 0.5% of GDP' in 2024, compared to this year's projection of a '-0.4% to a +0.4% of GDP'.

**CN:** President Xi chaired the first meeting of the National Security Commission under the 20<sup>th</sup> CPC Central Committee. The meeting stressed the necessity of being prepared to deal with worst case and even extreme case scenarios and being ready withstand high winds choppy waters, and even dangerous storms. The strong wordings showed there is no imminent solution to repair the US China relationship.

**HK:** The slackening global growth momentum continued to drag on Hong Kong's trade performance. Year-on-year decline of merchandise exports and imports in Hong Kong widened again, to 13.0% YoY and 11.9% YoY respectively in April. During the month, trade deficit narrowed somewhat to HK\$36.6bn, as compared to HK\$40.6bn in the previous month. Exports to nearly all major trading partners shrank, including that of Mainland, the US and the EU. Sentiment in Hong Kong's housing market stayed generally positive. On month-on-month basis, the residential property price index rose further, albeit by a moderated pace of 0.5% in April. Compared with the level at end-2022, the housing price rose by 5.8% cumulatively. Rental index also rose further by 1.4% in April over the previous month. On trading side, in the first four months, the number of transactions of residential properties rebounded sharply by 33.3% YoY.

**MY:** Deputy PM and Minister of Plantation and Commodities, Datuk Seri Fadillah Yusof, expressed confidence in his meeting on the European Union's Deforestation Regulation (EUDR) due to the increased level of engagement. This joint mission with Indonesia aims to protect the interests of the palm oil sector, in which Malaysia and Indonesia contribute over 80% to the global market. During their visit, the ministers will meet with various EU officials, including commissioners, parliament representatives, and industry leaders.

**SG:** The STI edged slightly lower by 0.24% on Tuesday to close at 3,187.56.

## Daily Treasury Outlook

31 May 2023

### ESG Updates

**MY:** Malaysia Aviation Group (MAG) signed a sustainable aviation fuel (SAF) offtake agreement with Petronas Dagangan Bhd (PDB) as part of collaborative efforts to make the SAF production available in Malaysia at a commercial scale. It targets to introduce SAF on selected scheduled services from 2027 onwards.

**CN:** Indonesian state utility Perusahaan Listrik Negara (PLN) is seeking a US\$700 million investment to install a 200 MW solar panel that will replace diesel power generators in a bid to reduce carbon emissions. This project will be a pilot program under the Just Energy Transition Partnership (JETP) that combines public and private investments from a coalition of countries to support Indonesia's clean energy transition.

### Bond Market Updates

**Market Commentary:** The movements of SGD SORA traded mostly lower yesterday, with shorter tenors trading 4-7bps lower, belly tenors trading 8bps lower, and the 10Y trading 7bps lower. According to Bloomberg, House Speaker McCarthy was optimistic that the debt-ceiling agreement will pass legislation in time despite receiving threats from Republican hardliners to remove him as speaker. In Asia, CDS fell again yesterday, reaching its lowest since March. Spreads of Asia USD Investment Grade tightened 1bps to 127bps while Asia USD High Yield widened by 9bps to 1025bps, per Bloomberg.

### New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
30-May-23	Export-Import Bank of Korea	-	USD	500	10-year	T+90bps	T+120bps
30-May-23	Huzhou City Investment Development Group Co Ltd	Sustainability Bond	USD	300	3-year	5.68%	6.00%
30-May-23	HSBC Holdings PLC	-	SGD	600	6-year	4.50%	4.75%

**Mandates:** The Government of the Hong Kong Special Administrative Region of the People's Republic of China has mandated banks for a potential USD-denominated senior unsecured fixed rate green note.

## Daily Treasury Outlook

31 May 2023

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.165	-0.04%	USD-SGD	1.3505	-0.23%
USD-JPY	139.790	-0.47%	EUR-SGD	1.4496	0.01%
EUR-USD	1.074	0.25%	JPY-SGD	0.9660	0.24%
AUD-USD	0.652	-0.34%	GBP-SGD	1.6763	0.23%
GBP-USD	1.241	0.48%	AUD-SGD	0.8801	-0.56%
USD-MYR	4.603	-0.04%	NZD-SGD	0.8162	-0.41%
USD-CNY	7.080	0.12%	CHF-SGD	1.4907	-0.39%
USD-IDR	14985	0.10%	SGD-MYR	3.4043	0.05%
USD-VND	23483	0.05%	SGD-CNY	5.2389	0.28%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	3.2130	3.20%	O/N	5.0654	5.06%
2M	-0.3360	-0.34%	1M	5.1537	5.16%
3M	3.4830	3.46%	3M	5.4757	5.46%
6M	3.7810	3.76%	6M	5.5810	5.56%
9M	-0.1940	-0.20%	12M	5.6603	5.62%
12M	3.9820	3.96%			

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/14/2023	0.629	0.157	5.237
07/26/2023	1.010	0.253	5.333
09/20/2023	0.735	0.184	5.264
11/01/2023	0.172	0.043	5.123
12/13/2023	-0.505	-0.126	4.954
01/31/2024	-1.260	-0.315	4.765
0	0.000	0.000	0.000

### Equity and Commodity

Index	Value	Net change
DJIA	33,042.78	-50.56
S&P	4,205.52	0.07
Nasdaq	13,017.43	41.74
Nikkei 225	31,328.16	94.62
STI	3,187.56	-7.66
KLCI	1,396.91	-8.02
JCI	6,636.42	-44.68
Baltic Dry	1,172.00	-43.00
VIX	17.46	0.00

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.37 (-0.01)	4.45(--)
5Y	2.94 (-0.04)	3.81 (-0.12)
10Y	2.89 (-0.06)	3.69 (-0.11)
15Y	2.69 (-0.09)	--
20Y	2.59 (-0.07)	--
30Y	2.35 (-0.06)	3.89 (-0.07)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	397.10	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	5.06
------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.46	-4.42%	Corn (per bushel)	5.940	-1.7%
Brent (per barrel)	73.54	-4.58%	Soybean (per bushel)	12.965	-3.0%
Heating Oil (per gallon)	228.08	-3.74%	Wheat (per bushel)	5.910	-4.1%
Gasoline (per gallon)	259.59	-3.98%	Crude Palm Oil (MYR/MT)	34.300	-4.3%
Natural Gas (per MMBtu)	2.33	6.69%	Rubber (JPY/KG)	2.032	-1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8123.00	-0.15%	Gold (per oz)	1959.3	0.8%
Nickel (per mt)	21027.00	-0.64%	Silver (per oz)	23.2	0.0%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/31/2023 07:00	SK Industrial Production YoY	Apr	-7.80%	-8.90%	-7.60%
05/31/2023 07:50	JN Industrial Production MoM	Apr P	1.40%	-0.40%	1.10%
05/31/2023 09:00	NZ ANZ Business Confidence	May	--	--	-43.8
05/31/2023 09:30	CH Manufacturing PMI	May	49.5	--	49.2
05/31/2023 09:30	CH Non-manufacturing PMI	May	55.2	--	56.4
05/31/2023 09:30	AU Private Sector Credit MoM	Apr	0.30%	--	0.30%
05/31/2023 14:30	TH BoP Current Account Balance	Apr	\$2200m	--	\$4779m
05/31/2023 15:00	TH BoT Benchmark Interest Rate	May-31	2.00%	--	1.75%
05/31/2023 15:55	GE Unemployment Change (000's)	May	13.5k	--	24.0k
05/31/2023 19:00	US MBA Mortgage Applications	May-26	--	--	-4.60%
05/31/2023 20:00	GE CPI YoY	May P	6.50%	--	7.20%
05/31/2023 20:00	GE CPI MoM	May P	0.20%	--	0.40%
05/31/2023 20:00	GE CPI EU Harmonized YoY	May P	6.70%	--	7.60%
05/31/2023 20:30	CA Quarterly GDP Annualized	1Q	2.50%	--	0.00%
05/31/2023 20:30	CA GDP MoM	Mar	-0.10%	--	0.10%
05/31/2023 21:45	US MNI Chicago PMI	May	47.2	--	48.6

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Keung Ching (Cindy)**

Hong Kong & Macau  
[cindyckung@ocbcwh.com](mailto:cindyckung@ocbcwh.com)

**Herbert Wong**

Hong Kong & Macau  
[herberttwong@ocbcwh.com](mailto:herberttwong@ocbcwh.com)

**Lavanya Venkateswaran**

Senior ASEAN Economist  
[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

**Ahmad A Enver**

ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**

ASEAN Economist  
[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

**Ong Shu Yi**

ESG  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

### FX/Rates Strategy

**Frances Cheung**

Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Christopher Wong**

FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Chin Meng Tee**

Credit Research Analyst  
[MengTeeChin@ocbc.com](mailto: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