

## Daily Treasury Outlook

4 May 2022

### Highlights

**Global:** FOMC alert! The S&P500 gained 0.48% overnight with VIX lower to 29.25. Starbucks rose as US sales offset Chinese weakness. The UST bond market pared losses ahead of the widely anticipated 50bps rate hike by the Fed, with the yield curve flattening. The 10-year UST bond yield had tested 3% on Monday before easing and closed 1bp lower at 2.98% overnight. Note the Aussie 10-year bond yield had also crossed 3% after RBA hiked more than expected, whilst their British and German counterparts crossed 2% and 1% respectively. Meanwhile, the US SEC is investigating Didi Global's IPO in the US, while Fitch had trimmed its China growth forecast from 4.8% to 4.3% for 2022 but revised up its 2023 forecast from 5.1% to 5.2% in anticipation of further policy support. The US is also reviewing tariffs on Chinese imports which will start to expire in July, with officials weighing between potential easing to combat imported inflation versus retaining leverage over China, according to the WSJ.

**Market watch:** Asian markets may see choppy trading today with market players bracing for the Fed's expeditious rate hike trajectory and Quantitative Tightening strategy, especially with Fed chair Powell's press conference on tap (which could reveal his views on the recession risk and also the possibility of 75bp rate hikes), coupled with concerns about China's regulatory tightening (especially for tech companies). Markets in Japan, China, Indonesia, Thailand and Malaysia are closed today. The economic data calendar comprises of the slew of PMIs from Europe and S'pore, Eurozone's March retail sales, US' ADP employment data, services ISM and March trade balance. For the rest of this week, watch for FOMC today, BOE policy decision and OPEC+ meeting tomorrow.

**US:** The JOLTS report saw a record 4.5m workers quit their jobs and job openings rise by 205k to 11.5m, led by the retail sector. Separately, factory orders also surged 2.2% in March, following a 0.1% increase in February.

**EU:** ECB's Schnabel warned that inflationary pressures are broadening, and the central bank must "prevent high inflation from taking hold in expectations".

**SG:** The April manufacturing and electronics PMIs are due later this evening, with the 50 handle likely to be closely watched since the March readings had softened to 50.1 and 50.4 respectively. The recent business expectations survey for the manufacturing sector showed that only 2% of firms are optimistic about the April-September period ahead, down from 8% a quarter ago, whereas 15% of the services firms are upbeat (+1% point from a quarter ago, likely attributable to the recent relaxation of Covid-related curbs).

**Oil:** Brent fell 2.4% overnight to \$104.97/bbl as perceived demand weakness in China continues to weigh on markets. Volatility remains high in the market and is expected to remain as the market grapples with reduced Russian oil flows and Chinese demand.

### Key Market Movements

Equity	Value	% chg
S&P 500	4175.5	0.5%
DJIA	33129	0.2%
Nikkei 225	26819	0.0%
SH Comp	3047.1	0.0%
STI	3356.9	0.0%
Hang Seng	21102	0.1%
KLCI	1600.4	0.0%
	Value	% chg
DXY	103.465	-0.3%
USDJPY	130.14	0.0%
EURUSD	1.0521	0.1%
GBPUSD	1.2499	0.1%
USDIDR	14497	0.0%
USDSGD	1.3843	-0.2%
SGDMYR	3.1463	0.2%
	Value	chg (bp)
2Y UST	2.78	5.12
10Y UST	2.97	-0.95
2Y SGS	2.01	0.00
10Y SGS	2.53	0.00
3M LIBOR	1.33	0.00
3M SIBOR	1.09	0.00
3M SOR	1.27	0.00
3M SORA	0.31	0.00
3M SOFR	0.17	0.28
	Value	% chg
Brent	104.97	-2.4%
WTI	102.41	-2.6%
Gold	1868	0.3%
Silver	22.57	-0.3%
Palladium	2262	2.0%
Copper	9410	-3.7%
BCOM	128.62	-0.3%

Source: Bloomberg

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### Major Markets

**SG:** The STI, which had closed up 0.65% at 3,356.9 on 29 April, may tread water today ahead of the FOMC decision. SGS bonds may come under pressure today amid the hawkish recalibration of global bond yields higher.

**HK:** Amid weak domestic and external demand during the fifth wave of Covid-19 outbreak, Hong Kong's economy plunged into contraction in the first quarter of 2022. According to the preliminary reading, Hong Kong's GDP missed market expectations and shrank by 4.0% YoY in real term in 1Q 2022, as compared to the 4.7% expansion in the previous quarter. On seasonally adjusted basis, GDP contracted by 2.9% QoQ, after staying virtually unchanged in 4Q 2021. Private consumption expenditure, gross domestic fixed capital formation and exports of goods turned to notable year-on-year declines of 5.4%, 8.3 and 4.5% respectively (+5.3%, -0.6% and +13.5 respectively in 4Q 2022). Meanwhile, on the back of massive Covid-19 relief spending, government consumption expenditure expanded further by 5.9% YoY.

**CN:** Despite fresh downgrades of Chinese growth forecast this year by major agencies, the latest politburo meeting reiterated to achieve its growth rate. This implies more policy supports in the pipeline. The key policy put came from China's commitment to complete the special ratification of the platform economy. As compared to the financial stability meeting chaired by Liu He last month, the latest message was endorsed by President Xi himself. This is by far the most authoritative confirmation on regulatory front. The policy put is likely to set the floor for China's equity valuation.

### ESG Updates

**SG:** The National Parks Board (NParks) aims to reduce bird-building collisions with new guidelines that incorporate biophilic design principles into developments. Key elements include designs that enhance the visibility of glass surfaces to birds and monitoring collision hotspot areas for existing buildings.

**MY:** Malaysia's new minimum monthly wage has kicked in on 1 May and raised to RM1,500 from the previous RM1,200. The RM300 increase was the highest increment on record since the implementation of the minimum wage.

**Rest of the world:** Climate change could see 4% of global economic output lost by 2050, with poorer parts of the world to be hit disproportionately hard.

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### Bond Market Updates

**Market Commentary:** Shorter and longer tenors traded 1-2bps higher, while belly tenors traded 2-3bps higher across the SGD SORA curve on Friday. After hitting a high of 3.0% intraday the day before and ending at 2.98%, the UST 10Y yields traded 1bps lower to end the session at 2.97% yesterday. This comes ahead of the 2-day Federal Open Committee ("FOMC") meeting, with a statement for its decision on interest rates scheduled to be released on Thursday early morning (Singapore time). Investors will be looking for clarity and guidance on the Fed's upcoming plans. Market consensus is currently for a 50bps rate hike at this meeting.

**New Issues:** Wuxing Industry Investment Husheng Co Ltd priced a USD150mn 3-year senior unsecured bond at 4%. Export-Import Bank of China/The priced a USD250mn 2-year unsecured bond at 2.7%. MapletreeLog Treasury Co Pte Ltd priced a SGD50mn 7-year senior unsecured bond at 3.512.

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	Day Close	% Change		Day Close	% Change
DXY	103.465	-0.27%	USD-SGD	1.3843	-0.15%
USD-JPY	130.140	-0.02%	EUR-SGD	1.4563	-0.01%
EUR-USD	1.052	0.13%	JPY-SGD	1.0640	-0.05%
AUD-USD	0.710	0.65%	GBP-SGD	1.7302	-0.10%
GBP-USD	1.250	0.06%	AUD-SGD	0.9824	0.54%
USD-MYR	4.354	-0.24%	NZD-SGD	0.8914	-0.02%
USD-CNY	6.609	-0.27%	CHF-SGD	1.4150	-0.19%
USD-IDR	14497	#DIV/0!	SGD-MYR	3.1463	0.25%
USD-VND	22968	0.04%	SGD-CNY	4.7774	0.22%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5270	-0.54%	O/N	0.3300	0.33%
2M	-0.3360	-0.34%	1M	0.8033	0.80%
3M	-0.4160	-0.43%	2M	0.1525	0.15%
6M	-0.2040	-0.23%	3M	1.3349	1.29%
9M	-0.1940	-0.20%	6M	1.9107	1.85%
12M	0.2130	0.17%	12M	2.6286	2.55%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
05/04/2022	2.072	0.518	0.848
06/15/2022	4.403	1.101	1.431
07/27/2022	6.4	1.6	1.93
09/21/2022	8.163	2.041	2.371
11/02/2022	9.365	2.341	2.671
12/14/2022	10.29	2.573	2.903

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	102.41	-2.62%	Corn (per bushel)	8.008	-1.5%
Brent (per barrel)	104.97	-2.43%	Soybean (per bushel)	16.590	-0.9%
Heating Oil (per gallon)	408.27	-2.91%	Wheat (per bushel)	10.338	-0.9%
Gasoline (per gallon)	350.12	-0.25%	Crude Palm Oil (MYR/MT)	76.830	2.5%
Natural Gas (per MMBtu)	7.95	6.41%	Rubber (JPY/KG)	2.478	-0.4%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	9410.00	-3.68%	Gold (per oz)	1868.1	0.3%
Nickel (per mt)	30975.00	-2.51%	Silver (per oz)	22.6	-0.3%

### Equity and Commodity

Index	Value	Net change
DJIA	33,128.79	67.29
S&P	4,175.48	20.10
Nasdaq	12,563.76	27.74
Nikkei 225	26,818.53	-29.37
STI	3,356.90	21.81
KLCI	1,600.43	3.12
JCI	7,228.91	7228.91
Baltic Dry	2,404.00	1.00
VIX	29.25	-3.09

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.01 (--)	2.78 (--)
5Y	2.4 (--)	3.02 (+0.02)
10Y	2.53 (-0.01)	2.97 (-0.01)
15Y	2.69 (-0.02)	--
20Y	2.77 (--)	--
30Y	2.64 (-0.03)	3.01 (-0.02)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.20	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.30
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/04/2022 06:45	NZ Unemployment Rate	1Q	3.20%	3.20%	3.20%
05/04/2022 06:45	NZ Employment Change QoQ	1Q	0.10%	0.10%	0.10%
05/04/2022 08:30	VN S&P Global Vietnam PMI Mfg	Apr	--	--	51.70
05/04/2022 09:30	AU Retail Sales MoM	Mar	0.50%	--	1.80%
05/04/2022 15:55	GE S&P Global Germany Services PMI	Apr F	57.90	--	57.90
05/04/2022 15:55	GE S&P Global Germany Composite PMI	Apr F	54.50	--	54.50
05/04/2022 16:00	EC S&P Global Eurozone Composite PMI	Apr F	55.80	--	55.80
05/04/2022 16:00	EC S&P Global Eurozone Services PMI	Apr F	57.70	--	57.70
05/04/2022 16:30	UK Mortgage Approvals	Mar	70.0k	--	71.0k
05/04/2022 19:00	US MBA Mortgage Applications	Apr-29	--	--	-8.30%
05/04/2022 20:15	US ADP Employment Change	Apr	383k	--	455k
05/04/2022 20:30	US Trade Balance	Mar	-\$107.1b	--	-\$89.2b
05/04/2022 21:00	SI Purchasing Managers Index	Apr	50.00	--	50.10
05/04/2022 21:45	US S&P Global US Services PMI	Apr F	54.70	--	54.70
05/04/2022 21:45	US S&P Global US Composite PMI	Apr F	55.10	--	55.10
05/04/2022 22:00	US ISM Services Index	Apr	58.50	--	58.30

Source: Bloomberg

## Treasury Research & Strategy

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