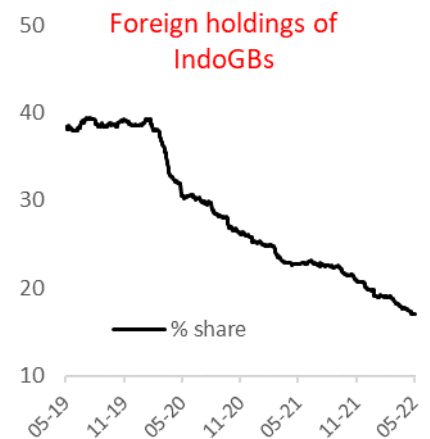


### Rates and FX Themes/Strategy

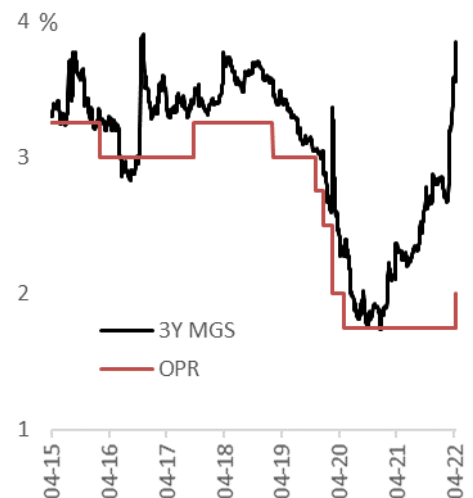
- Global yields slid overnight on growth concerns. USD OIS pricing was little changed, as the PPI outcome does not seem to alter the Fed's rate hike trajectory. UST yields rebounded from intra-day low during late NY session and early Asian hours. After the recent retracement, the 10Y UST yield is likely to trade in a lower range of 2.80-3.00% near-term, while our end-Q2 target stays at 2.95%. The 30Y coupon bond cut of at 2.997%, 0.9bps lower than WI level at a bid/cover ratio of 2.38x while indirect awards rose to 69.7%.
- More ECB officials are joining the camp which intends to hike the policy rate soon and to bring it to above zero either by year-end or early next year. However, this prospect is not lending support to the EUR at the moment, but instead has probably added to investor worries over the growth outlook while both geopolitics/energy and Brexit-related headlines are not helpful. **EUR/USD** broke below the key support of 1.0500 and touched a low of 1.0354. The immediate support for the pair sits at 1.0328/00.
- USD/IDR** is likely to continue to navigate through opposing flows – exporters and FDI related inflows versus bonds and equity outflows. On balance, the pair may manage to trade in a range of 14,450-14,650 near-term. IndoGBs stabilised on Thursday, and with global yields having retraced further lower the domestic bonds may be able to take a breather. That said, we caution against calling a reversal in the overall subdued sentiment.
- MGS** yields fell cross the 3-7Y segment on Thursday, with the 3Y yield back to pre-BNM level, while the 1Y yield is still elevated. MYR IRS outperformed bonds, sliding by 15-18bps from the 3Y tenor onward. The MYR rates market being well ahead of OPR on one hand, the softening in global yields might have given some support to the domestic bonds as well. The 3Y MGS yield may be able to trade in a range of 3.60-3.75% near-term, with the spread between the 3Y MGS yield and the OPR wide compared to BNM's "measured and gradual" approach. The 30Y auction was well received at a bid/cover ratio of 2.57x. Q1 GDP is due out later today; consensus is 4.0% YoY while our base case is 3.0% with an upside risk given how confident BNM sounded just two days ago.
- USD/SGD**. SGD NEER retraced lower during the day on Thursday after opening high; it is trading at 1.12% above mid-point this morning. The upper end and mid-point of the SGD NEER band at current levels correspond to 1.3855/1.4132 for USD/SGD; but we see a downward bias for USD/SGD within this range of 1.3845/1.4122.

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Source: Bloomberg, OCBC



Source: Bloomberg, OCBC

## Daily Market Outlook

13 May 2022

- As **USD/HKD** kept testing 7.8500, the HKMA stepped up its FX intervention, to a total of HKD8.533bn. These operations have started to have an impact, with HKD IRS being paid up by a further 9-12bps this morning. HIBORs were relatively well behaved, as the Aggregate Balance (interbank liquidity) edge down to a still thick HKD329bn. The 3M bill/HIBOR spread has been narrowing (becoming more negative) but the move is gradual. On balance, more FX interventions are likely to come on the broad dollar strength while reaction in HKD rates may still not be big enough to reverse the pressure on in spot t/t at this stage.

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