

Daily Treasury Outlook

3 May 2023

Highlights

Global: On the eve of the Fed decision, volatility in financial market returned. One day after JP Morgan CEO said the regional banking crisis is near the end, shares of other mid-sized US regional banks tumbled on Tuesday. The KBW regional banking index fell 5.52% to its lowest level since December 2020, which dragged down the S&P500. In addition, market sentiment was also weighed down by the rising uncertainty from the US debt ceiling problem. On data, US job openings fell 384K to 9.59 million in March, the lowest since April 2021. The report also showed layoffs jumped by 248K to 1.8 million, the highest level since December 2020, led by the construction industry probably due to job losses in the housing market. Resignation also dropped to 3.85 million, the lowest level since May 2021. As such, the quit rates dipped to 2.5% from 2.6%. However, the softness in the labour market shows that the cumulative amount of policy tightening is taking effect to cool down the economy. However, it is not strong enough to change Fed's assessment, given both job openings and quit rates are still not far from the historically high level.

Eurozone inflation accelerated to 7% YoY in April from 6.9% YoY in March. However, core inflation excluding food, fuel prices, alcohol and tobacco slowed slightly to 5.6% YoY from 5.7% YoY. The small core inflation surprise came as the ECB's quarterly survey of bank lending showed tightened credit. The survey showed a net 38% of banks in the 20 countries reported a decline in corporate demand for credit in the first quarter, the biggest portion since the global financial crisis. A net 27% lender reported tighter credit standards. In addition, a net 72% banks reported a decline of mortgage demand. The recent data may give ECB room to switch to a smaller size interest rate hike in the coming months.

The Reserve Bank of Australia surprised the market by delivering another 25bp hike after pause in April. Although the trend of disinflation continues, RBA's hike showed that the central bank is not happy with pace of return of inflation to target. RBA Governor Lowe said yesterday that the decision was against the backdrop of still very tight labour market condition and worryingly persistent services prices inflation overseas. The RBA retains a tightening bias noting that "further tightening of monetary policy may be required" ensure inflation returns to target in a reasonable timeframe. RBA also downplayed the impact of recent banking crisis in the US and EU by removing last month's reference to "banking system problems", leading to a tightening in financial conditions.

Market watch: Today's calendar comprises US April S&P Services PMI and ADP employment change, Singapore and India's April PMI, Thailand's April CPI, New Zealand's 1Q unemployment rate and Australia's retail sales.

Oil: WTI and Brent fell 5.3% and 5.0% on Tuesday, to close at US\$71.66/bbl and US\$75.32/bbl respectively, as concerns over the health of the US economy, and the ongoing issue of US debt ceiling continue to cause a drag on oil prices.

Key Market Movements		
Equity	Value	% chg
S&P 500	4119.6	-1.2%
DJIA	33685	-1.1%
Nikkei 225	29158	0.1%
SH Comp	3323.3	0.0%
STI	3282.0	0.4%
Hang Seng	19934	0.2%
KLCI	1426.1	0.7%
	Value	% chg
DXY	101.958	-0.2%
USDJPY	136.55	-0.7%
EURUSD	1.0999	0.2%
GBPUSD	1.2467	-0.2%
USDIDR	14705	0.2%
USDSGD	1.3347	-0.1%
SGDMYR	3.3412	0.1%
	Value	chg (bp)
2Y UST	3.96	-17.94
10Y UST	3.42	-14.42
2Y SGS	3.14	4.90
10Y SGS	2.80	3.50
3M LIBOR	5.30	0.00
3M SIBOR	4.09	0.00
3M SOR	3.96	0.00
3M SORA	3.61	0.10
3M SOFR	4.69	0.56
	Value	% chg
Brent	75.32	-5.0%
WTI	71.66	-5.3%
Gold	2017	1.7%
Silver	25.37	1.5%
Palladium	1442	-1.2%
Copper	8514	-0.9%
BCOM	102.33	-1.3%

Source: Bloomberg

Daily Treasury Outlook

3 May 2023

Major Markets

ID: Headline inflation slowed sharply to 4.3% YoY in April from 5.0% in March, below expectations (Consensus & OCBC: 4.4%), edging towards to Bank Indonesia's (BI) 2-4% target range. With year-to-date headline CPI averaging 5.0% YoY and on a clear downward trajectory, we remain comfortable with our forecast that the overall CPI will average 3.9% this year from 4.2% in 2022. Along with the still-outperforming rupiah and the potential end to the Fed rate hiking cycle this month, we expect the benchmark BI-7DRR rate to remain at 5.75% in the coming months.

HK: Hong Kong exits from pandemic-induced recession, with real GDP expanding by 2.7% YoY in the first quarter of 2023, reversing the four-quarter decline recorded last year. The growth was largely attributable to the solid revival of domestic consumption and sharp rebound of inbound tourism, on the back of full-fledged reopening and gradual resumption of economic activities. On seasonally adjusted basis, Hong Kong's GDP grew by 5.3% QoQ. According to advance estimates, most of the components showed stronger performance in the first quarter of 2023, representing a turnaround compared to last year. Zooming in, private consumption expenditure and services exports rose faster by 12.5% YoY (Q4 2022: +1.7% YoY) and 16.9% YoY (Q4: +0.6% YoY) respectively, while gross domestic fixed capital formation turned to year-on-year increase of 5.8% (Q4: -8.9% YoY). On the other hand, on the back of scaled back stimulus package, government consumption expenditure expanded at a slower pace of 0.5% YoY (4Q: +9.1% YoY). Meanwhile, exports of goods continued to weigh on growth, plunging further by 18.7% YoY (4Q: -24.9% YoY).

MY: We expect BNM to keep its policy rate unchanged at 2.75% on account of moderating growth momentum and inflationary pressures. Lower commodity prices and weakening external demand have weighed on Malaysian exports while domestic demand has also moderated, albeit to a much lesser extent than exports. Simultaneously, lower transportation costs have eased inflationary pressures, but core inflation and food prices still remain sticky. For this reason, we expect that while BNM remains on hold, it will continue to strike a cautious tone on monitoring pipeline inflationary pressures.

SG: The STI rose 0.4% to close at 3,281.99 on Tuesday.

Daily Treasury Outlook

3 May 2023

ESG Updates

CN: China's Guangdong province released a set of draft work guidelines for bank loans using carbon emissions allowances as collateral, as a starting point to explore the potential of carbon finance.

Rest of the world: The Asian Development Bank announced a funding guarantee facility to support Asia in reducing greenhouse gas emissions and building infrastructure resilient to the impacts of climate change.

Bond Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with shorter tenors trading 5-6bps higher, belly tenors trading 5-6bps higher, and the 10Y trading 5bps higher. In the US, PacWest Bancorp and Western Alliance Bancorp experienced "multiple volatility halts" just after the acquisition of First Republic Bank, causing investors to be concerned over financial stability in the US, per Bloomberg. In addition, it is possible for US to default on their debt in June this year, if the debt-ceiling is not raised. Asia USD Investment Grade spreads widened by 2bps to 137.2bps, and Asia USD High Yield spreads widened by 11bps to 990.8bps, according to Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
02-May-23	SK On Co Ltd (Guarantor: Kookmin Bank)	Green Bond	USD	900	3-year	T+155bps	T+195bps

Daily Treasury Outlook

3 May 2023

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.958	-0.19%	USD-SGD	1.3347	-0.12%
USD-JPY	136.550	-0.69%	EUR-SGD	1.4682	0.12%
EUR-USD	1.100	0.21%	JPY-SGD	0.9776	0.59%
AUD-USD	0.666	0.50%	GBP-SGD	1.6640	-0.35%
GBP-USD	1.247	-0.23%	AUD-SGD	0.8894	0.38%
USD-MYR	4.464	0.04%	NZD-SGD	0.8287	0.57%
USD-CNY	6.913	-0.14%	CHF-SGD	1.4945	0.15%
USD-IDR	14705	0.24%	SGD-MYR	3.3412	0.13%
USD-VND	23461	-0.01%	SGD-CNY	5.1834	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	33,684.53	-367.17
S&P	4,119.58	-48.29
Nasdaq	12,080.51	-132.09
Nikkei 225	29,157.95	34.77
STI	3,281.99	11.48
KLCI	1,426.11	10.16
JCI	6,863.30	-52.41
Baltic Dry	1,576.00	-5.00
VIX	17.78	1.70

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	3.0520	3.04%	0/N	4.8110	4.81%
2M	-0.3360	-0.34%	1M	5.0621	5.03%
3M	3.2650	3.25%	3M	5.3024	5.30%
6M	3.6450	3.62%	6M	5.4070	5.39%
9M	-0.1940	-0.20%	12M	5.3663	5.32%
12M	3.8800	3.85%			

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.14 (+0.05)	3.96(--)
5Y	2.85 (+0.03)	3.45 (-0.19)
10Y	2.8 (+0.04)	3.42 (-0.14)
15Y	2.6 (-)	--
20Y	2.53 (+0.01)	--
30Y	2.38 (+0.01)	3.71 (-0.1)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
05/03/2023	0.880	0.220	5.050
06/14/2023	0.850	0.212	5.042
07/26/2023	0.540	0.135	4.965
09/20/2023	-0.045	-0.011	4.819
11/01/2023	-0.837	-0.209	4.621
12/13/2023	-1.669	-0.417	4.413

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	375.30	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	4.81
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.66	-5.29%	Corn (per bushel)	6.380	-0.2%
Brent (per barrel)	75.32	-5.03%	Soybean (per bushel)	14.395	-1.0%
Heating Oil (per gallon)	228.92	-3.91%	Wheat (per bushel)	5.955	-1.4%
Gasoline (per gallon)	243.57	-4.50%	Crude Palm Oil (MYR/MT)	40.160	2.0%
Natural Gas (per MMBtu)	2.21	-4.49%	Rubber (JPY/KG)	2.041	-1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8514.00	-0.95%	Gold (per oz)	2016.7	1.7%
Nickel (per mt)	24965.00	3.08%	Silver (per oz)	25.4	1.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/03/2023 06:45 NZ	Unemployment Rate	1Q	3.50%	3.40%	3.40%
05/03/2023 06:45 NZ	Employment Change QoQ	1Q	0.50%	0.80%	0.20%
05/03/2023 06:45 NZ	Employment Change YoY	1Q	1.80%	2.50%	1.30%
05/03/2023 09:30 AU	Retail Sales MoM	Mar	0.20%	--	0.20%
05/03/2023 11:30 TH	CPI YoY	Apr	2.70%	--	2.83%
05/03/2023 11:30 TH	CPI Core YoY	Apr	1.70%	--	1.75%
05/03/2023 13:00 IN	S&P Global India PMI Composite	Apr	--	--	58.4
05/03/2023 13:00 IN	S&P Global India PMI Services	Apr	--	--	57.8
05/03/2023 15:00 MA	BNM Overnight Policy Rate	May-03	2.75%	--	2.75%
05/03/2023 17:00 EC	Unemployment Rate	Mar	6.60%	--	6.60%
05/03/2023 19:00 US	MBA Mortgage Applications	Apr-28	--	--	3.70%
05/03/2023 20:15 US	ADP Employment Change	Apr	148k	--	145k
05/03/2023 21:00 SI	Purchasing Managers Index	Apr	--	--	49.9
05/03/2023 21:45 US	S&P Global US Services PMI	Apr F	53.7	--	53.7
05/03/2023 21:45 US	S&P Global US Composite PMI	Apr F	53.5	--	53.5
05/03/2023 22:00 US	ISM Services Index	Apr	51.8	--	51.2

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

Keung Ching (Cindy)

Hong Kong & Macau

cindyckung@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

Ahmad A Enver

ASEAN Economist

ahmad.enver@ocbc.com

Jonathan Ng

ASEAN Economist

JonathanNg4@ocbc.com

Ong Shu Yi

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

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