

Daily Treasury Outlook

26 May 2023

Highlights

Global: US debt ceiling discussions continued on Thursday with no agreement on the table yet. Speaker of the House Kevin McCarthy, however, committed to reaching an agreement even as he conceded that they “knew this would not be easy”. The House adjourned on Thursday for a week-long break, but lawmakers have been told to come back to vote if a deal is reached. There was some reprieve for US equities, which for the most part focused on the strong developments in the AI space rather than on-going debt ceiling concerns (S&P: +0.88%; NASDAQ: +1.71%; Dow Jones: -0.11%). Following Nvidia’s upbeat sales forecast and ~24% stock rally, Marvell Technology Inc. projected that its AI related revenues will “at least double” from a year ago in FY24, sending company shares 20% higher in afterhours market trading. UST yields moved higher on Thursday along with the DXY index. Meanwhile, incoming US economic data painted a resilient growth picture. The second estimate of Q1 GDP growth was revised higher to 1.3% QoQ annualised from 1.1% on higher personal consumption. Fewer-than-expected initial jobless claims for the week of 20 May corroborated a strong consumption picture with underlying labour market resilience. Markets are now pricing in another interest hike by the US Fed within the next two policy meetings.

Market watch: Asian markets may open mixed on mixed cues from the US. Today’s economic data calendar comprises of US April PCE Deflator, the U. of Michigan Sentiment report, Singapore’s April industrial production and Malaysia April CPI. ECB’s Vujcic and Lane will speak today.

ID: Bank Indonesia (BI) kept its policy rate unchanged at 5.75% for a fourth consecutive meeting, as we had expected. BI maintained its 2023 GDP growth current account forecast of 4.5% - 5.3% and -0.4% to 0.4% of GDP, respectively. Given the recent strength of the US dollar, Governor Perry stated that the central bank would continue implementing measures such as the operation twist to support the Rupiah.

Oil: Both WTI and Brent fell 3.4% and 2.7% on Thursday to close at US\$71.83/bbl and US\$76.26/bbl, respectively. During the intraday trade, both benchmarks initially held steady but fell to around Monday's handles, as Russian Deputy Prime Minister Alexander Novak played down the prospect of further OPEC+ production cuts at the group's next meeting (4 June). The last few days have seen conflicting signals on the group's next policy move. As such, we remain vigilant ahead of any potential shocks from the group's June meeting.

Key Market Movements

Equity	Value	% chg
S&P 500	4151.3	0.9%
DJIA	32765	-0.1%
Nikkei 225	30801	0.4%
SH Comp	3201.3	-0.1%
STI	3207.7	-0.2%
Hang Seng	18747	-1.9%
KLCI	1402.5	-0.5%
	Value	% chg
DXY	104.251	0.4%
USDJPY	140.06	0.4%
EURUSD	1.0725	-0.2%
GBPUSD	1.2321	-0.4%
USDIDR	14950	0.3%
USDSGD	1.3546	0.4%
SGDMYR	3.4216	0.3%
	Value	chg (bp)
2Y UST	4.53	15.72
10Y UST	3.82	7.55
2Y SGS	3.36	5.90
10Y SGS	3.04	5.88
3M LIBOR	5.42	2.86
3M SIBOR	4.09	0.00
3M SOR	4.12	0.00
3M SORA	3.61	-0.19
3M SOFR	4.82	0.56
	Value	% chg
Brent	76.26	-2.7%
WTI	71.83	-3.4%
Gold	1941	-0.8%
Silver	22.74	-1.4%
Palladium	1422	0.2%
Copper	7963	0.8%
BCOM	99.29	-1.3%

Source: Bloomberg

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Major Markets

MY: The Malaysian Palm Oil Board (MPOB) forecast a potential drop of one to three million tonnes in the country's crude palm oil production next year due to the El Nino weather pattern. However, the El Nino is not expected to affect production this year, according to the MPOB's director general. Despite the potential production decrease, the average price forecast for 2023 remains at RM4,200 per tonne.

Macau: Macau's GDP surged by 38.8% YoY, reversing a five-quarter decline. The rebound was mostly led by external demand which skyrocketed 410.6% YoY. Specifically, exports of services recorded an impressive year-on-year increase of 71.5%, as exports of gaming services and tourism services soared by 100.0% YoY and 72.9% YoY respectively. Nonetheless, private consumption expenditure still posed a drag, albeit falling slower by 7.5% YoY, on the back of decrease in population and resumption of outbound travels after the border reopening. Gross fixed capital formation also recorded shallower decline of 0.5% YoY, as year-on-year increase in public construction investment at 28.2% (specifically the construction of public housing and the further Macao-Taipa bridge) offset most of the decline in private construction investment at 17.5%. Meanwhile, public consumption expenditure soared by 30.1% YoY, amid increased economic relief measures. Driven by the surge in government spending, domestic demand expanded by 1.6% YoY.

CN: The latest weekly Covid-19 reports showed that Covid-19 has taken over influenza since 24 April as the most prevalent virus in China's capital Beijing. China's top respiratory disease expert Zhong Nanshan forecasted that the epidemic is expected to peak at about 65 million infections a week. Nevertheless, the impact of the resurgence of Covid-19 on people's mobility is likely to be limited.

SG: The STI slipped 0.20% to close at 3207.72 yesterday.

ESG Updates

MY: Malaysia and Indonesia, the two largest palm oil producers, will be sending top officials to the European Union (EU) to voice concern over the European Union's newly approved landmark deforestation law. The law bans imports of coffee, beef, soy and other commodities into the EU unless companies can prove that the products were not grown on land that was deforested after 2020.

Rest of the world: Some cities in Vietnam are cutting the use of public lighting to save energy for households and manufacturing, amid looming power shortages due to heatwaves. This move was meant to ensure stable and safe electricity supplies.

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Bond Market Updates

Market Commentary: The SGD SORA curve traded higher yesterday, with shorter tenors trading 6-8bps higher, belly tenors trading 5-8bps higher, and the 10Y trading 5bps higher. According to Bloomberg, House Speaker McCarthy pledged to work through the long weekend to promptly come to a conclusion before June 1, the estimated date that the US Treasury could run short on cash. Asia USD Investment Grade spreads tightened by 3bps to 129bps, and Asia USD High Yield spreads tightened by 9bps to 1022bps, according to Bloomberg.

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
25-May-23	Industrial & Commercial Bank of China Ltd/Dubai DIFC	FRN	USD	122	3-year	SOFRRATE +65	N.A.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.251	0.35%	USD-SGD	1.3546	0.38%
USD-JPY	140.060	0.42%	EUR-SGD	1.4528	0.14%
EUR-USD	1.073	-0.23%	JPY-SGD	0.9671	-0.05%
AUD-USD	0.651	-0.60%	GBP-SGD	1.6690	0.02%
GBP-USD	1.232	-0.36%	AUD-SGD	0.8811	-0.23%
USD-MYR	4.627	0.72%	NZD-SGD	0.8213	-0.42%
USD-CNY	7.079	0.26%	CHF-SGD	1.4955	0.30%
USD-IDR	14950	0.30%	SGD-MYR	3.4216	0.33%
USD-VND	23478	0.01%	SGD-CNY	5.2243	-0.12%

Equity and Commodity

Index	Value	Net change
DJIA	32,764.65	-35.27
S&P	4,151.28	36.04
Nasdaq	12,698.09	213.93
Nikkei 225	30,801.13	118.45
STI	3,207.72	-6.49
KLCI	1,402.48	-7.14
JCI	6,704.23	-41.57
Baltic Dry	1,215.00	-80.00
VIX	19.14	-0.89

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	3.1380	3.14%	O/N	5.0619	5.07%
2M	-0.3360	-0.34%	1M	5.1409	5.14%
3M	3.4150	3.42%	3M	5.4244	5.40%
6M	3.7440	3.73%	6M	5.5321	5.50%
9M	-0.1940	-0.20%	12M	5.5337	5.52%
12M	3.9320	3.90%			

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	3.36 (+0.06)	4.54(--)
5Y	3 (+0.07)	3.91 (+0.09)
10Y	3.04 (+0.06)	3.82 (+0.08)
15Y	2.87 (+0.04)	--
20Y	2.73 (+0.04)	--
30Y	2.46 (+0.04)	4 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/14/2023	0.486	0.122	5.209
07/26/2023	0.939	0.235	5.323
09/20/2023	0.709	0.177	5.265
11/01/2023	0.161	0.040	5.128
12/13/2023	-0.511	-0.128	4.960
01/31/2024	-1.151	-0.288	4.800
0	0.000	0.000	0.000

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	390.30	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	5.05
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.83	-3.38%	Corn (per bushel)	5.908	0.6%
Brent (per barrel)	76.26	-2.68%	Soybean (per bushel)	13.240	0.0%
Heating Oil (per gallon)	234.62	-2.80%	Wheat (per bushel)	6.043	-0.3%
Gasoline (per gallon)	267.35	-1.75%	Crude Palm Oil (MYR/MT)	35.650	1.1%
Natural Gas (per MMBtu)	2.31	-3.79%	Rubber (JPY/KG)	2.050	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7962.50	0.77%	Gold (per oz)	1941.4	-0.8%
Nickel (per mt)	21228.00	2.39%	Silver (per oz)	22.7	-1.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
5/26/2023 10:00	TH Customs Exports YoY	Apr	-2.10%	--	-4.20%
5/26/2023 07:30	JN Tokyo CPI Ex-Fresh Food YoY	May	3.40%	3.20%	3.50%
5/26/2023 09:30	AU Retail Sales MoM	Apr	0.30%	--	0.40%
5/26/2023 12:00	MA CPI YoY	Apr	3.30%	--	3.40%
5/26/2023 13:00	SI Industrial Production YoY	Apr	-4.50%	--	-4.20%
5/26/2023 14:00	UK Retail Sales Inc Auto Fuel MoM	Apr	0.30%	--	-0.90%
5/26/2023 14:00	UK Retail Sales Inc Auto Fuel YoY	Apr	-2.80%	--	-3.10%
5/26/2023 14:00	UK Retail Sales Ex Auto Fuel MoM	Apr	0.40%	--	-1.00%
5/26/2023 15:30	TH Foreign Reserves	19-May	--	--	\$224.7b
5/26/2023 16:00	TA GDP YoY	1Q F	--	--	-3.02%
5/26/2023 20:30	US Durable Goods Orders	Apr P	-1.00%	--	3.20%
5/26/2023 20:30	US Retail Inventories MoM	Apr	0.20%	--	0.70%
5/26/2023 20:30	US Personal Income	Apr	0.40%	--	0.30%
5/26/2023 20:30	US Personal Spending	Apr	0.50%	--	0.00%
5/26/2023 20:30	US Wholesale Inventories MoM	Apr P	0.00%	--	0.00%
5/26/2023 22:00	US U. of Mich. Sentiment	May F	58	--	57.7

Source: Bloomberg

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