

Daily Treasury Outlook

7 June 2022

Highlights

Global: Treasury yields rose overnight with the 10Y and 30Y rising about 11bps each. The 10Y Treasury yield closed above 3.00% for the first time since mid-May. Equities pared gains as the session wore on, with the S&P 500 index closing 0.3% up on the day even though it rose as much as 1.5% during intraday trade. UK PM Boris Johnson survived his confidence vote 211-148, meaning he is now immune to a Conservative leadership challenge for the next twelve months. The RBA meets today and is widely expected to hike its benchmark rate by 25-40bps.

Market watch: Asian markets may trade mixed today as overnight jitters on Wall Street is weighed against a potential easing of regulatory constraints on Chinese tech companies. The economic data calendar for the day ahead comprises of Philippines and Taiwan's CPI, China and Hong Kong's foreign reserves, Singapore's foreign reserves and US' trade balance. The RBA's cash rate target will be on the radar as well.

CN: Market sentiment in China continued to improve on Monday thanks to the improving Covid situation. Adding to this positive sentiment is the news that Chinese regulators are concluding investigations into tech company Didi, which will allow its app to be restored to app stores very soon. This confirms that there is unlikely to be any further escalation of the regulatory crackdown.

MY: Malaysia's palm oil producers warned of more production losses due to a "severe" labour crunch. The industry association said that a shortage of about 120,000 workers have resulted in Malaysia missing a golden opportunity to capitalize on high palm oil prices. It has recently cut its production forecast for 2022, from 18.9mn tons to 18.6mn tons due to the labour issues and signalled that the production might be crimped further if the issue persists.

Oil: Brent fell 0.2% yesterday after touching almost as high as \$122.00/bbl in intraday trade. The \$120.00 handle appears to be acting as a support level for now. We remain bullish on oil in the near to medium term.

Key Market Movements

Equity	Value	% chg
S&P 500	4121.4	0.3%
DJIA	32916	0.0%
Nikkei 225	27916	0.6%
SH Comp	3236.4	1.3%
STI	3226.6	-0.2%
Hang Seng	21654	2.7%
KLCI	1537.8	0.0%
	Value	% chg
DXY	102.437	0.3%
USDJPY	131.88	0.8%
EURUSD	1.0696	-0.2%
GBPUSD	1.2532	0.4%
USDIDR	14452	0.1%
USDSGD	1.3766	0.0%
SGDMYR	3.1983	0.0%
	Value	chg (bp)
2Y UST	2.73	7.37
10Y UST	3.04	10.67
2Y SGS	2.16	0.70
10Y SGS	2.84	1.04
3M LIBOR	1.63	0.00
3M SIBOR	1.34	0.00
3M SOR	1.58	0.00
3M SORA	0.55	1.62
3M SOFR	0.44	2.44
	Value	% chg
Brent	119.51	-0.2%
WTI	118.5	-0.3%
Gold	1841	-0.5%
Silver	22.07	0.7%
Palladium	2006	1.2%
Copper	9745	2.6%
BCOM	136.31	1.9%

Source: Bloomberg

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7 June 2022

Major Markets

SG: The STI fell 0.2% yesterday and may trade mixed today given overnight jitters on Wall Street.

ID: PM Albanese of Australia said that he will be attending the G-20 summit in Bali at the end of the year, marking an official change of stance by Australia, after his visit to Jakarta yesterday. In his first visit after being inaugurated in May, the Australian PM pledged closer ties with Indonesia, calling it a future “superpower” and reiterating an AUD470mn pledge over four years for overseas development in Indonesia and the region.

ESG Updates

SG: Singapore launched a national action strategy aimed at galvanising a whole-of-nation effort to combat the growing global challenge of marine litter. The six strategic focus areas include reduction of land-based and sea-based sources of litter, circular economy approach as well as research and development.

CN: China EV sales rose in May as the industry began recovering from the COVID-19 lockdowns. Among China’s top three EV startups, Li Auto Inc. fared better than Xpeng Inc. and Nio Inc. in May.

Rest of the world: New York plans 22 renewable energy projects, with the majority being solar-power facilities, to achieve a zero-emission grid by 2040.

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7 June 2022

Bond Market Updates

Market Commentary: Shorter and belly tenors traded 1-2bps higher and longer tenors traded 1-3bps higher across the SGD SORA curve yesterday. UST 10Y yields traded 11bps higher to 3.04% yesterday, amidst growing investor concerns surrounding inflationary pressures fuelled by rising crude oil prices and the recent strong labour market report. This comes ahead of Friday's consumer price index release for May, where Bloomberg median consensus currently estimates relatively unchanged headline inflation at 8.2% YoY and core inflation at 5.9% YoY.

New Issues: Jingming Yuantong Development Investment Bvi Co Ltd (Guarantor: Qingdao Jimo District Urban Tourism Development & Investment Co Ltd) priced a USD110mn 3-year senior unsecured guaranteed bond at 4.5%, in line with an IPT of 4.5% area. China Construction Bank Corp Singapore Branch priced a SGD350mn 2-year senior unsecured bond at 2.85%, tightening from an IPT of 3.05% area. Bangkok Bank PCL has arranged investor calls commencing 7 June for its proposed USD senior bonds offering. ASB Bank Ltd has arranged investor calls commencing 6 June for its proposed USD tier 2 bonds offering. Changchun Urban Development & Investment Holdings Group Co has arranged investor calls commencing 6 June for its proposed USD senior unsecured fixed rate green bonds offering.

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7 June 2022

	Day Close	% Change		Day Close	% Change
DX	102.437	0.29%	USD-SGD	1.3766	0.04%
USD-JPY	131.880	0.76%	EUR-SGD	1.4724	-0.17%
EUR-USD	1.070	-0.21%	JPY-SGD	1.0438	-0.79%
AUD-USD	0.719	-0.19%	GBP-SGD	1.7251	0.37%
GBP-USD	1.253	0.35%	AUD-SGD	0.9902	-0.17%
USD-MYR	4.389	-0.01%	NZD-SGD	0.8935	-0.22%
USD-CNY	6.654	-0.10%	CHF-SGD	1.4181	-0.83%
USD-IDR	14452	0.10%	SGD-MYR	3.1983	0.11%
USD-VND	23196	0.00%	SGD-CNY	4.8329	-0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5380	-0.54%	O/N	0.8191	0.82%
2M	-0.3360	-0.34%	1M	1.1197	1.12%
3M	-0.3280	-0.33%	2M	0.1525	0.15%
6M	-0.0080	-0.02%	3M	1.6260	1.61%
9M	-0.1940	-0.20%	6M	2.1093	2.11%
12M	0.4860	0.45%	12M	2.7754	2.74%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/15/2022	2.043	0.511	1.342
07/27/2022	4.086	1.022	1.852
09/21/2022	5.77	1.442	2.273
11/02/2022	7.037	1.759	2.59
12/14/2022	8.096	2.024	2.855
02/01/2023	8.822	2.206	3.036

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	118.50	-0.31%	Corn (per bushel)	7.425	2.1%
Brent (per barrel)	119.51	-0.18%	Soybean (per bushel)	16.993	0.1%
Heating Oil (per gallon)	436.01	1.86%	Wheat (per bushel)	10.930	5.1%
Gasoline (per gallon)	419.30	-1.39%	Crude Palm Oil (MYR/MT)	67.040	-0.7%
Natural Gas (per MMBtu)	9.32	9.37%	Rubber (JPY/KG)	2.589	0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9745.00	2.58%	Gold (per oz)	1841.4	-0.5%
Nickel (per mt)	29701.00	5.63%	Silver (per oz)	22.1	0.7%

Equity and Commodity

Index	Value	Net change
DJIA	32,915.78	16.08
S&P	4,121.43	12.89
Nasdaq	12,061.37	48.64
Nikkei 225	27,915.89	154.32
STI	3,226.63	-5.34
KLCI	1,537.83	-12.07
JCI	7,096.58	-86.38
Baltic Dry	2,633.00	67.00
VIX	25.07	0.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.16 (+0.01)	2.73(--)
5Y	2.59 (+0.01)	3.03 (+0.1)
10Y	2.84 (+0.01)	3.03 (+0.11)
15Y	2.95 (--)	--
20Y	2.96 (--)	--
30Y	2.72 (-0.01)	3.19 (+0.11)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	16.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.78
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/07/2022 05:00	SK Foreign Reserves	May	--	\$447.71b	\$449.30b
06/07/2022 07:30	JN Labor Cash Earnings YoY	Apr	1.50%	1.70%	1.20%
06/07/2022 09:00	PH CPI YoY 2018=100	May	5.40%	--	4.90%
06/07/2022 09:00	CH Foreign Reserves	May	\$3115.00b	--	\$3119.72b
06/07/2022 09:00	HK Foreign Reserves	May	--	--	\$465.7b
06/07/2022 09:00	NZ ANZ Commodity Price MoM	May	--	--	-1.90%
06/07/2022 12:30	AU RBA Cash Rate Target	Jun-07	0.60%	--	0.35%
06/07/2022 13:00	JN Leading Index CI	Apr P	102.50	--	100.80
06/07/2022 14:00	GE Factory Orders MoM	Apr	0.40%	--	-4.70%
06/07/2022 14:00	GE Factory Orders WDA YoY	Apr	-4.10%	--	-3.10%
06/07/2022 16:00	TA CPI YoY	May	3.33%	--	3.38%
06/07/2022 16:30	UK S&P Global/CIPS UK Services PMI	May F	51.80	--	51.80
06/07/2022 16:30	UK S&P Global/CIPS UK Composite PMI	May F	51.80	--	51.80
06/07/2022 17:00	SI Foreign Reserves	May	--	--	\$365.18b
06/07/2022 20:30	US Trade Balance	Apr	-\$89.5b	--	-\$109.8b
06/07/2022 20:30	CA Int'l Merchandise Trade	Apr	2.80b	--	2.49b

Source: Bloomberg

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