Economics & Strategy Research

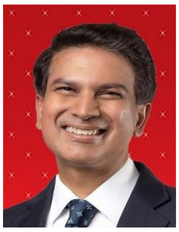
Macro Insights Weekly

Assessing market volatility markers

Economics/Strategy/Rates/FX/Credit

Group Research

February 7, 2022



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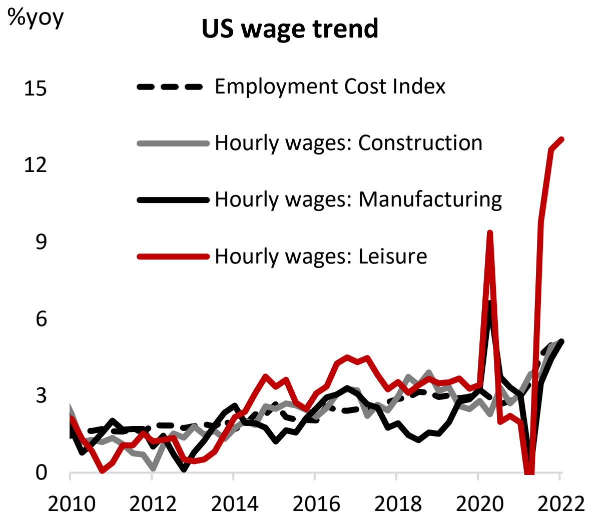
- *High inflation and policy response, ongoing and forthcoming, have made the markets nervous. We look at a set of indicators for cues to the way markets and economies would be heading*
- *First: freight rates. Moving good to the US remains costly, but China's demand has waned*
- *Second: commodities. Oil is sending major inflation impulse, but gold market says no panic*
- *Third: inflation markers. Inflation to remain high through April; expectations still in check*
- *Fourth: equity market valuation. Rising yields have dimmed the prospect for growth stocks*
- *Fifth: USD. Dollar strength may be needed for US inflation to be tamed, but that's bad news for EM*

Key data release and events this week:

- *Central Banks of Thailand, Indonesia, and India will keep the benchmark rate/Repo Rates unchanged this week respectively*
- *China's M2 growth is expected to accelerate to 9.2% YoY in Jan22 from 9.0% in Dec21*
- *Malaysia's 4Q21 GDP growth likely bounced to 5.5% YoY from -4.5% in 3Q*

Chart of the Week: US wage trend

US inflation remains high (headline: 7.1%, core PCE: 4.9%), driven partly by supply side factors (low oil inventory, high shipping rates), but demand is also strong, thanks to healthy wage growth. Through January '22, wages were rising at 5-6% across most sectors, with hospitality and leisure seeing the strongest spike. This could continue to feed into inflation even as supply constraints ease in the coming months.



Source: CEIC, FRED, DBS

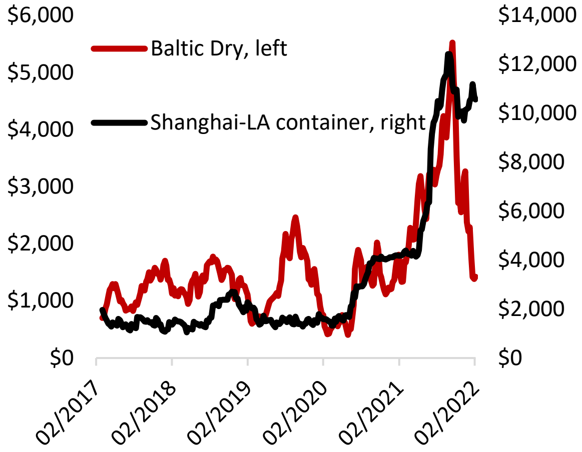
Refer to important disclosures at the end of this report.

Commentary: Assessing market volatility markers

High inflation and policy response, ongoing and forthcoming, have made the markets nervous. So far, the nervousness has translated into some curve flattening, as stronger near-term policy action is priced in; it has also been reflected in general strength of the USD, and a pick-up in equity market stress. Still, DM credit spreads are well behaved, there is no sign of liquidity premiums rising, and EM asset prices have been only mildly under pressure.

Navigating through these uncertain times entails help from a set of indicators that give ample cues to the way markets and economies would be heading. First in this list is symptomatic of the challenges of moving goods during the pandemic—freight rates. The cost of moving good from China to the US soared last year reflecting port congestions, shortage of workers and containers, and a spike in demand. Freight rates have come down a tad over the last three months, but are still very high by historical comparison. More progress in port bottleneck easing is expected, so the worst in this area may well be over.

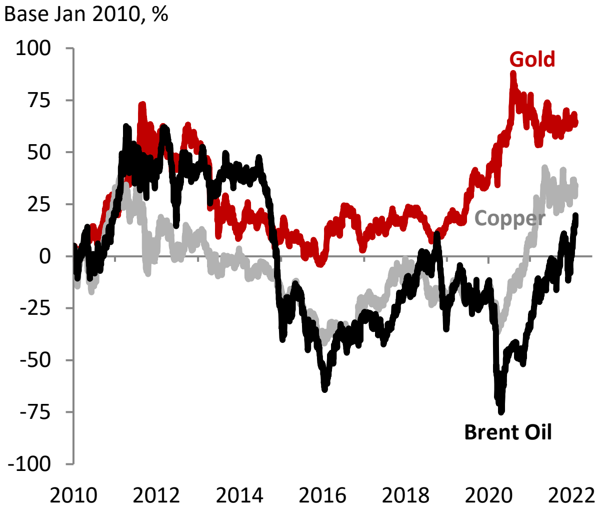
Freight rates



Source: Bloomberg, DBS

Moving goods to the US is expensive, but what should we take away from the plunging Baltic Dry freight rate? In the past, this indicator has been our bellwether for China's commodity demand, which by extension is a proxy for China's industrial production, which in turn is an indicator for global demand for manufactured goods. This weakness is important to keep in mind while considering the outlook.

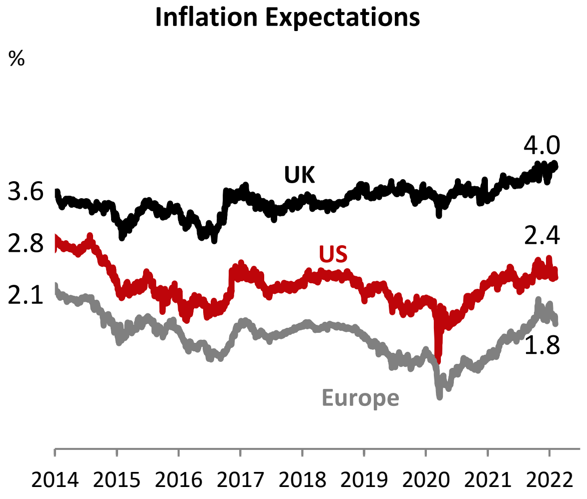
Brent Oil vs Copper vs Gold



Source: Bloomberg, DBS

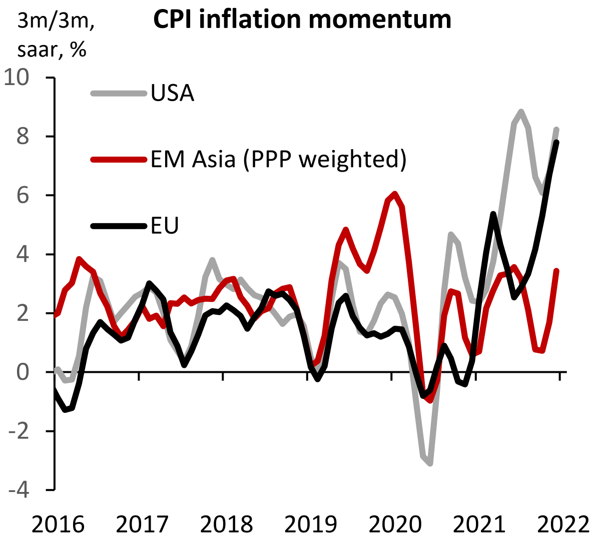
Second indicator that does and could contribute to global economic and market volatility is commodity prices. Looking at oil, there seems reason to worry, as the crude price of USD90plus per barrel sends a strong inflationary impulse through the global economy. Despite the pledge by Opec+ nations to increase production (modestly), geopolitical tension on Ukraine and Iran appears to be keeping bullish sentiments intact in the oil markets. We are looking for de-escalation in the Russia-West standoff over Ukraine, and expecting to read about US Shale producers ramping up production, as that ought to put a lid on the oil market's upward march.

Among other commodities, gold has been interesting, not showing any major movement despite a great deal of news on inflation. Perhaps inflation expectations are not yet strong enough to cause a rush to hedge. Inflation expectations indicators, another important gauge, show the same.



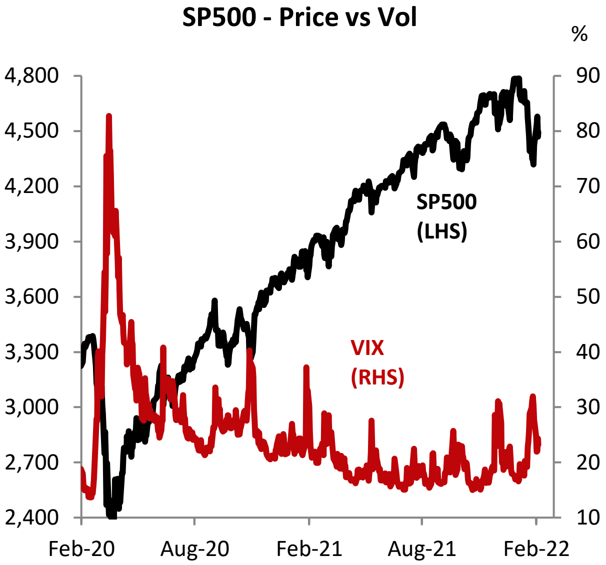
Source: Bloomberg, DBS. Market-based expectation of long-term inflation based on 5Y forward 5Y inflation swaps.

So then why worry? Will coming months bring about a decline in inflation rates? We doubt it, especially for the US and EU. Our inflation momentum measure shows plenty of pipeline pressure over the next three months, at least.



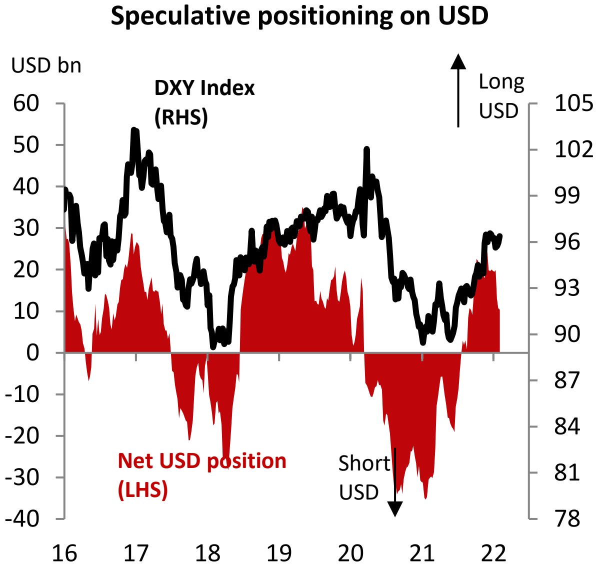
Source: CEIC, DBS

High inflation pushes up rate hike expectations; they also push up interest rates at the long-end. These are negative for growth stocks, which has already played out in the US stock market. We expect elevated VIX.



Source: Bloomberg, DBS

A strong dollar may be essential for the US to fight imported inflation, and may well to rise with rate hikes, but that is bad news for emerging markets that rely on USD funding. This indicator is as important as any other for near-term assessment of market volatility.



Source: Bloomberg

Taimur Baig

Key forecasts for the week

Event	DBS	Previous
Feb 7 (Mon)		
Indonesia: GDP (4Q)	4.3% y/y	3.5% y/y
Feb 8 (Tue)		
Malaysia: Industrial production (Dec)	6.8% y/y	9.4% y/y
Feb 9 (Wed)		
China: M2 (Jan)	9.2% y/y	9.0% y/y
Thailand: BOT benchmark rate	0.50%	0.50%
Feb 10 (Thu)		
Indonesia: 7D reverse repo	3.50%	3.50%
India: RBI repurchase rate	4.0%	4.0%
Feb 11 (Fri)		
Malaysia: GDP (4Q)	5.5% y/y	-4.5% y/y
Taiwan: exports (Jan)	25% y/y	23.4% y/y
- imports	32.2% y/y	28.1% y/y
- trade balance	USD5.71bn	USD5.77bn
Taiwan: CPI (Jan)	2.4% y/y	2.6% y/y
India: Industrial production (Dec)	0.2% y/y	1.4% y/y

Central bank watch

Bank of Thailand – 9 Feb: We expect the Bank of Thailand (BOT) to keep its policy rate unchanged at 0.5% at its February meeting. Policymakers are likely to reaffirm their accommodative policy stance amid a fragile recovery driven by the pandemic and the emergence of the Omicron variant, even though the negative virus impact from the Omicron outbreak should be lesser than initially feared. The BOT is likely to prioritise growth, but it would also closely monitor rising headline inflation, signs that inflation could be less transitory than expected, and potential spillovers into inflation expectations. January's headline CPI surprised to the upside and jumped to a nine-month high of 3.2% YoY, largely driven by rising energy and food prices.

Bank Indonesia – 10 Feb: In the final quarter of 2021, the Covid caseload had receded sharply, alongside a ramp-up in vaccination, allowing for looser social distancing measures. This likely led to further normalisation in domestic activity, which coupled with a strong commodity-driven run-in exports, is expected to have translated into a higher headline growth in 4Q. We expect growth to rise to 4.3% yoy from 3.5% quarter before. Bank Indonesia meets later in the week, where the Governor is likely to emphasize on the need to be vigilant against a challenging global policy backdrop and tightening liquidity conditions. The BI has already initiated liquidity normalisation with first of the reserve requirement ratio hikes scheduled for March. Recent hawkish commentary has raised the risk of hikes being brought forward to 2Q22.

Reserve Bank of India – 10 Feb: With Mumbai declaring a public holiday on Feb 7, the MPC review will be delayed to Feb 10. Whilst Omicron poses a risk, receding case count in the metros and subsequent relaxation in curbs, should add to the central bank's confidence on the recovery path. This will allow the focus to return to financial market stability and incremental exit from an accommodative policy stance, as imported pressures (higher oil) and producers' price adjustments underpin inflation and keep inflationary expectations high. Repo rates are likely to be held unchanged with the probability of a 20bp increase in the reverse repo rate this week. Bond yields have risen sharply following a high borrowing program for FY23, with market participants counting on central bank's support to quell the pace of rise.

Forthcoming data releases

China: M2 growth is expected to accelerate to 9.2% YoY in Jan22 from 9.0% in Dec21 amid an accommodative monetary policy stance. There were 10bps cut of MLF rate and 1Y LPR cut in the month respectively. Given various headwinds to the economy including renewed COVID outbreak and regulatory crackdown, further easing is expected. In addition, the authority will increase fiscal spending to support the economy and sufficient liquidity is crucial amid looming municipal bond supply. At least 100bps RRR cut is in-sight.

Malaysia: 4Q21 real GDP growth likely experienced a V-shaped bounce to 5.5% YoY (from -4.5% in 3Q), driven by a broad-based recovery. The economy likely expanded by 3.6% for full-year 2021, within the authorities' projected 3-4% range. 4Q21's economic recovery reflected relaxation of virus containment measures as Malaysia made further progress towards economic normalisation, with almost all states under Phase Four of the National Recovery Plan by end-December 2021. Looser virus curbs not only benefitted private consumption and services activity, but also aided manufacturing activity and exports, which played catch-up in fulfilling order backlogs caused by the lockdowns in 3Q21. The severe floods in December 2021 however prevented a faster expansion in 4Q21, but could result in reinvestment to rebuild capital stock in 2022. Our expectations are for the Malaysian economy to gain further momentum in 2022, expanding by 5.5% in 2022, recouping its pre-pandemic GDP levels by early 2022, helped by improving domestic demand from reopening progress and continued policy support.

Taiwan: January trade and inflation data are due this week. Export growth is likely to remain strong at 25% YoY, thanks to the continued increase in global semiconductor demand and the recovery in regional supply chains. CPI inflation is expected to stay above 2% for the sixth straight month, at 2.4% in January. The rise in global energy prices, coupled with the seasonal effect from Chinese New Year, is likely to stoke inflation pressures in the near term. The passthrough onto core inflation will need to be closely monitored in the months ahead.

Economics Team

Economics

Eurozone: ECB's hawkish pivot

With inflation at a record high and growth expected to return to a stronger footing on easing restrictions, the European policymakers are coming around the view that part of the emergency policy settings in place in the past two years can be unwound. The ECB kept the benchmark rates unchanged at last week's rate review, with the statement largely sticking to script. The press conference and introductory speech, however, carried subtle shifts of an upcoming change in stance. While the growth outlook was seen as 'broadly balanced', the inflation assessment was cautious, highlighting that these risks were "tilted to the upside". ECB chief Lagarde did not also commit to her past insistence that rates would not be raised in 2022, leaving the door open for policy normalisation this year.

January inflation rose 5.1% yoy, with high energy (29% yoy), utilities and transport driving inflation higher in the past six months. With the supply-demand mix and geopolitical drivers poised to keep global commodity prices on an upward path, firms are also increasingly passing on higher costs. Add to this, inflationary expectations are likely to firm up on firmer demand and improvement in the labour market. 4Q21 quarterly growth pointed to resilience in the recovery momentum, despite hurdles like the onset of the Omicron variant, supply chain delays and high inflation. 1Q22 growth is also expected to expand notwithstanding these challenges as demand shifts from goods to services consumption, localised curbs are eased and easing supply chain woes buoy production.

Prior to February's rate review, the Pandemic Emergency Purchase Program (PEPP) was set to cease in March 2022 and replaced by monthly net purchases under the APP worth EUR40bn in 2Q22 and EUR30bn in 3Q, which then falls to EUR20bn "for as long as necessary to reinforce the accommodative impact of its policy rate". With the central bank now turning cautious of inflationary risks, high energy prices and a broader wave of policy normalisation measures amongst its Western counterparts, the stage is being set for gradual withdrawal of the accommodative measures.

A formal shift in guidance is expected in March, marked by an upward revision in the 2022-2023 inflation forecast from the current 3.2% and 1.8% respectively, underscoring the policymakers' view that price pressures might prove to be more pervasive that previously assumed. A likely start of a taper of asset purchases might be timed for 3Q22, followed by two hikes in the deposit facility rate, each in late-3Q and 4Q22 to end the year at 0%. Imminent normalisation prospects and rally in UST yields have led to a repricing in money market rates as well as longer-tenor bond yields.

Radhika Rao

FX: Reality checks and unwinding risks

USD to regain its footing this week. Last Friday, DXY found support at 95.2, its 50-day moving average, after four days of aggressive selling. US nonfarm payrolls were robust at 467k in January vs the 125k consensus; the Bureau of Labor Statistics also revised December to 510k from 199k. Average hourly earnings increased 5.7% YoY, its highest reading since May 2020.

Central bank speakers this week

Speakers	Mon 7-Feb	Tue 8-Feb	Wed 9-Feb	Thu 10-Feb	Fri 11-Feb
ECB Christine Lagarde*	23:45				
RBNZ Adrian Orr*		10:15			
ECB Francois de Galhau			01:00	20:30	
BOE Huw Pill**			21:10		
FED Michelle Bowman			23:30		
FED Loretta Mester				01:00	
BOC Tiff Macklem*				01:00	
EC Econ Forecasts				18:00	
ECB Luis de Guindos				20:00	
ECB Philip Lane**				21:15	
RBA Philip Lowe*					06:30
FED Thomas Barkin					08:00
ECB Frank Elderson					16:05
BOE Andrew Bailey*					21:10

* Governor; ** Chief Economist Event at Singapore Time

Hence, **look for upside surprises in Thursday's US CPI data**. Consensus sees headline inflation climbing to 7.3% YoY in January from 7.0% in December, and core inflation rising to 5.9% from 5.5%. From Wednesday to Friday, **Fed speakers** – Governor Michelle Bowman and Fed Presidents Loretta Mester and Thomas Barkin (Richmond) – **will affirm that the Fed is on track to hike rates on 16 March.**

GBP is vulnerable to misplaced hawkish BOE hike expectations. Speaking this week, Bank of England Governor Andrew Bailey and Chief Economist Huw Pill are likely to affirm that more rate hikes are on the cards. However, they will not want markets to get carried away in expecting more back-to-back rate hikes that hurt the economic outlook. On 3 February, the BOE delivered a second consecutive hike to 0.50%, with four dissenters wanting a larger 50 bps. Hence, the 2Y Gilt yield rushed up to 1.26% and flattened the yield curve (10Y-2Y) to 15 bps. On Thursday, UK GDP could be a wake-up call if growth comes in below the 6.4% YoY consensus in 4Q21 from 6.8% the previous quarter.

As witnessed after the FOMC and RBA meetings, GBP and EUR are also at risk to reality checks and an unwinding of recent long positions.

Last week, EUR rebounded towards 1.15 from below 1.12 on the EU 10Y bond yield turning positive at 0.205%, above the 0% policy refi rate. On 3 February, the European Central Bank opened the door for a rate hike this year which governing council member Klaas Knot said could come as early in October. Like the Survey of Professional Forecasters last Friday, ECB President Christine **Lagarde and** Chief Economist Philip **Lane will remind us that the ECB has not met the three criteria** for the forward guidance of the 2% inflation target for the forecast horizon.

ECB Survey of Professional Forecasters 1Q 2022

Economic variable	Survey horizon			
	2022	2023	2024	Longer
HICP inflation, % ch	**3.0** (1.9)	**1.8** (1.7)	**1.9** (-)	**2.0** (1.9)
HICP core inflation, % ch	**2.0** (1.5)	**1.8** (1.6)	**1.9** (-)	**1.9** (1.8)
Real GDP growth, % ch	**4.2** (4.5)	**2.7** (2.2)	**1.7** (-)	**1.5** (1.5)
Unemployment rate, %	**7.2** (7.4)	**6.9** (7.2)	**6.8** (-)	**6.7** (7.0)

Numbers in parentheses are previous forecasts in 4Q21 survey

The ECB also **clearly stated rate hikes would come only after ending net asset purchases**. Apart from the February CPI estimate on 2 March, global energy prices and EU wage negotiations will be vital in deciding the fate of net asset purchases at the ECB meeting on 10 March.

Philip Wee

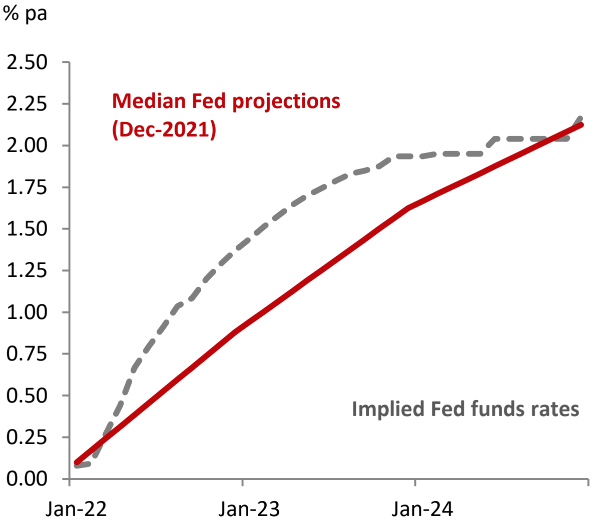
USD Rates: When hawks meet the tiger, the doves scatter

The Tiger year is proving to be hawkish. Across the G10, many central banks including the Fed, ECB, RBA, RBC, BOE have pivoted and have (or are about to) begin rate hikes in earnest. **While we had been in the normalisation camp for a long time,** the pace at which the market gravitates towards this view proved to be much quicker.

Labour market data last Friday set the direction for USD rates again. Headline NFP printed 467k, against expectations of 125k. Note that this number was surprisingly strong given Omicron headwinds. **The upward revision of 709k in payrolls over the past two months was particularly impressive**. Couple that with average hourly earnings jumping by 0.7% MoM sa, this set of data reinforces the point that the labour market is hot. **The UST curve bear flattened, with 10Y yields topping 1.9%. A tad more than five hikes are now being priced into 2022.** From a tactical perspective, we see two key opportunities that could play out in the coming few months.

First, there may be value in steepening plays in the 5M/18M segment of the USD curve. The tenor choice might be odd. However, we note that the market has priced in more than three hikes by June and baring a 50bps move from the Fed (which we think is unlikely), there might not be much value left in paying that tenor. If the Fed is worried about inflation, back-to-back hikes might get priced into 2H22 and 1H23. If inflation cools off, we think the Fed could well default into the 1 hike/quarter run rate, limiting downside. **Alternatively, paying rates in the shorter tenors (1Y-2Y) on dips might work as well.**

Fed and market views



Source: Bloomberg, Federal Reserve

Second, the market might rethink terminal rates and increase optimism on growth. We are probably a tad early in this call. In the previous tightening cycle, longer-term UST yields did not move much even as the Fed hiked three times in 2017. It was only when the market realized that the economy was still ok and Powell was not going to pause just yet that yields shifted higher. Something similar could after the Fed delivers a few hikes. We would note that labour market participation is picking up. If this positive trend continues, it would cement a firmer and longer-lasting economic recovery. This would allow the Fed sufficient time (perhaps 2-3 years) to normalize rates. **The tenors that are more vulnerable are likely to be in the 2Y to 3Y area.** There should be some passthrough unto longer-term yields. On the external front, we note that major central banks are also normalizing. In particular, **there is spillover from the ECB's hawkish pivot** that should put upward pressure on 5Y to 10Y US yields. **Our modelled 10Y US yield is now well within in the 2-2.5% range.**

Eugene Leow & Duncan Tan

G3 Rates: Taking stock of our calls

With central bank normalisation across the world becoming an established theme, we take a quick look at the key calls we made back in November (see here). To recap, we laid out three ideas:

1) 2Y/10Y UST curve segment flattens to 80bps

2) 5Y US breakeven falls towards 2.6-2.8% region

3) 10Y yield spread of UST over JGB widens towards 200bps

Idea 1 has exceeded our expectations. The 2Y/10Y spread has now narrowed to 60bps as the market frontloads Fed hike expectations. Our view of flattening through the tightening cycle has not changed. When the Fed is done with hikes, we would assume the curve to be flat, as the market will begin pricing in economic slowdown risks.

Idea 2 played out in December / January with the rate falling as low as 2.7%. However, 5Y breakevens are now hovering around 2.8% as the market starts to reassess how persistent inflation can be. We are neutral at this level, however, we note that 5Y5Y inflation swaps, at 2.40%, looks somewhat low if it dips further.

Idea 3 is playing out. The spread of 10Y UST over 10Y JGB has widened to about 170bps, up from about 140bps in end-2021. We think lightening up slightly on this position makes sense especially since there is an outside chance that the BOJ opts to widen the 10Y JGB band.

Eugene Leow & Duncan Tan

Credit: Inflation risks in Asian credit

Inflation driven by supply chain bottlenecks poses an unclear impact on credit, inflation that is due to demand growth outstripping supply has more obvious implications. In particular, we have recommended exposure to Asian energy and basic materials credit, expecting strong energy and metals pricing to support firms in these sectors. Similarly, sectors that could underperform with rising inflation may also be identified—namely firms which face margin pressure from higher input prices and have limited ability to pass through cost increases. Given the high prevalence of administered tariffs in Asia, risks of underperformance by the utilities sector amid rising energy costs are significant, especially if upward adjustments in tariffs are held back. **We could expect different upside and downside risks from elevated inflation to drive different credit outcomes.**

Indonesia's case is worth a look, with the government having stated that electricity tariffs will not be increased in 1H 2022 to avoid adding to cost burdens. There was even a short-lived export ban for coal partly aimed at reducing domestic coal prices for electricity generation. Given rising energy prices, we should not be surprised to see greater differentiation of energy/materials vs utilities for Indonesian USD credit. Indeed, even as credit spreads for both sectors had largely moved in lockstep given their common SOE status, the cumulative rise in spreads since Q3 2021 is noticeably larger for utilities credit compared to energy and basic materials credit. The impact of inflation has thus proved to be uneven for Indonesian credit, and risks of a further divergence cannot be discounted if high energy prices are to persist.

Chang Wei Liang

Last week's reports

Hong Kong SAR Chartbook: Impact of Zero-COVID Policy

India Budget: Traditional and new priorities, modest consolidation

FX: DEER recommendations (February 2022)

Growth, Inflation, Policy Rates & FX forecasts

	GDP growth, % YoY					CPI inflation, % YoY, ave				
	2019	2020	2021f	2022f	2023f	2019	2020	2021f	2022f	2023f
China	6.1	2.3	8.1	5.3	5.0	2.9	2.5	1.0	2.5	2.2
Hong Kong SAR	-1.2	-6.1	6.4	2.4	2.7	2.9	0.3	1.6	2.2	2.0
India	4.7	-7.1	8.8	6.5	6.2	3.7	6.6	5.1	5.0	4.4
*India (FY basis)**	*4.0*	*-7.3*	*9.5*	*7.0*	*6.0*	*4.8*	*6.2*	*5.4*	*4.5*	*4.5*
Indonesia	5.0	-2.1	3.6	4.8	4.3	2.8	2.0	1.6	3.0	2.5
Malaysia	4.3	-5.6	3.6	5.5	4.7	0.7	-1.1	2.5	2.0	2.0
Philippines	6.1	-9.6	5.0	6.5	6.3	2.5	2.4	4.4	3.3	3.3
Singapore	0.7	-5.4	7.2	3.5	3.0	0.6	-0.2	2.3	3.8	2.4
South Korea	2.2	-0.9	4.0	2.8	2.8	0.4	0.5	2.5	2.7	1.9
Taiwan	3.1	3.4	6.3	2.8	3.0	0.6	-0.2	2.0	1.3	1.2
Thailand	2.4	-6.1	1.2	3.5	4.2	0.7	-0.8	1.2	1.3	1.6
Vietnam	7.2	2.9	2.6	8.0	6.8	2.8	3.2	1.8	3.6	3.4
Eurozone	0.9	-6.5	5.5	4.0	2.8	1.2	0.3	2.6	2.3	2.0
Japan	0.0	-4.6	2.0	2.5	1.2	0.5	0.0	-0.2	0.5	0.5
United States	2.2	-3.5	5.7	3.5	2.5	1.8	1.3	4.7	5.0	2.6

*2020 represents Fiscal 21; ending Mar 21.

Policy interest rates, eop

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
China*	3.70	3.70	3.65	3.65	3.65	3.65	3.70	3.75
India	4.00	4.00	4.25	4.50	4.75	5.00	5.00	5.00
Indonesia	3.50	3.75	4.00	4.25	4.50	4.50	4.50	4.50
Malaysia	1.75	1.75	2.00	2.25	2.50	2.50	2.50	2.50
Philippines	2.00	2.00	2.00	2.25	2.50	2.75	2.75	2.75
Singapore**	0.25	0.49	0.69	0.91	1.12	1.32	1.50	1.50
South Korea	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00
Taiwan	1.13	1.13	1.25	1.38	1.50	1.50	1.50	1.50
Thailand	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00
Vietnam***	4.00	4.00	4.00	4.50	5.00	5.00	5.00	5.50
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United States	0.50	0.75	1.00	1.00	1.25	1.50	1.75	1.75

* 1-yr Loan Prime Rate; ** 3M SORA OIS ; *** refinancing rate

Exchange rates, eop

Ccy pair	Q1 22	Q2 22	Q3 22	Q4 22	1Q23	2Q23	3Q23	4Q23
USD/CNY	6.47	6.54	6.60	6.56	6.52	6.48	6.44	6.40
USD/HKD	7.81	7.82	7.83	7.82	7.81	7.80	7.79	7.78
USD/INR	75.0	76.0	77.0	76.5	76.0	75.5	75.0	74.5
USD/IDR	14500	14600	14700	14600	14500	14400	14300	14200
USD/MYR	4.25	4.30	4.35	4.32	4.29	4.26	4.23	4.20
USD/PHP	51.0	51.5	52.0	51.7	51.4	51.1	50.8	50.5
USD/SGD	1.35	1.36	1.37	1.36	1.35	1.34	1.33	1.32
USD/KRW	1190	1205	1220	1210	1200	1190	1180	1170
USD/THB	34.0	34.5	35.0	34.6	34.2	33.8	33.4	33.0
USD/VND	22655	22605	22555	22500	22450	22400	22350	22300
AUD/USD	0.71	0.70	0.69	0.70	0.71	0.72	0.73	0.74
EUR/USD	1.11	1.10	1.09	1.10	1.11	1.12	1.13	1.14
USD/JPY	115	116	117	118	117	116	115	114
GBP/USD	1.30	1.29	1.28	1.29	1.30	1.31	1.32	1.33

Interest rate forecasts

		2022				2023			
		Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
US	3M SOFR OIS	0.42	0.67	0.92	**1.00**	1.17	1.42	1.67	**1.67**
	2Y	0.90	1.00	1.15	**1.30**	1.45	1.60	1.75	**1.80**
	10Y	1.80	1.90	2.00	**2.10**	2.15	2.20	2.25	**2.30**
	10Y-2Y	90	90	85	**80**	70	60	50	**50**
Japan	3M TIBOR	0.07	0.07	0.07	**0.07**	0.07	0.07	0.07	**0.07**
	2Y	-0.10	-0.10	-0.10	**-0.10**	-0.10	-0.10	-0.10	**-0.10**
	10Y	0.15	0.15	0.15	**0.15**	0.18	0.20	0.20	**0.20**
	10Y-2Y	25	25	25	**25**	28	30	30	**30**
Eurozone	3M EURIBOR	-0.50	-0.50	-0.50	**-0.50**	-0.50	-0.40	-0.30	**-0.20**
	2Y	-0.60	-0.60	-0.60	**-0.60**	-0.60	-0.50	-0.40	**-0.30**
	10Y	-0.15	-0.05	0.00	**0.00**	0.05	0.10	0.10	**0.10**
	10Y-2Y	45	55	60	**60**	65	60	50	**40**
Indonesia	3M JIBOR	3.65	3.95	4.25	**4.55**	4.80	4.80	4.80	**4.80**
	2Y	4.25	4.40	4.60	**4.85**	5.10	5.35	5.60	**5.70**
	10Y	6.50	6.70	6.90	**6.95**	6.95	6.95	6.95	**6.95**
	10Y-2Y	225	230	230	**210**	185	160	135	**125**
Malaysia	3M KLIBOR	1.97	1.99	2.26	**2.53**	2.80	2.82	2.84	**2.86**
	3Y	2.75	2.80	3.00	**3.15**	3.30	3.30	3.25	**3.20**
	10Y	3.65	3.75	3.85	**3.90**	3.90	3.95	4.00	**4.05**
	10Y-3Y	90	95	85	**75**	60	65	75	**85**
Philippines	3M PHP ref rate	1.50	1.50	1.65	**1.90**	2.20	2.45	2.50	**2.50**
	2Y	2.80	2.90	3.05	**3.15**	3.15	3.20	3.20	**3.25**
	10Y	5.50	5.70	5.90	**5.90**	5.85	5.80	5.80	**5.85**
	10Y-2Y	270	280	285	**275**	270	260	260	**260**
Singapore	3M SORA OIS	0.52	0.74	0.94	**0.98**	1.12	1.32	1.50	**1.50**
	2Y	1.00	1.05	1.15	**1.25**	1.35	1.45	1.60	**1.65**
	10Y	1.75	1.80	1.85	**1.95**	1.97	2.00	2.03	**2.08**
	10Y-2Y	75	75	70	**70**	62	55	43	**43**
Thailand	3M BIBOR	0.62	0.62	0.62	**0.62**	0.62	0.87	0.87	**1.12**
	2Y	0.65	0.70	0.80	**0.85**	0.95	1.05	1.05	**1.10**
	10Y	2.00	2.05	2.10	**2.15**	2.25	2.35	2.40	**2.50**
	10Y-2Y	135	135	130	**130**	130	130	135	**140**
China	1Y LPR	3.75	3.70	3.65	**3.65**	3.65	3.65	3.70	**3.75**
	2Y	2.15	2.20	2.30	**2.40**	2.50	2.60	2.60	**2.60**
	10Y	2.70	2.70	2.75	**2.80**	2.85	2.90	2.95	**3.00**
	10Y-2Y	55	50	45	**40**	35	30	35	**40**
Hong Kong, SAR	3M HIBOR	0.52	0.74	0.96	**1.02**	1.17	1.37	1.62	**1.62**
	2Y	0.75	0.85	1.00	**1.15**	1.25	1.40	1.55	**1.60**
	10Y	1.45	1.55	1.65	**1.75**	1.80	1.85	1.90	**1.90**
	10Y-2Y	70	70	65	**60**	55	45	35	**30**
Korea	3M CD	1.45	1.45	1.70	**1.70**	1.95	1.95	2.20	**2.20**
	3Y	2.00	2.05	2.10	**2.15**	2.25	2.30	2.30	**2.30**
	10Y	2.50	2.65	2.80	**2.85**	2.85	2.85	2.85	**2.85**
	10Y-3Y	50	60	70	**70**	60	55	55	**55**
India	3M MIBOR	3.90	4.00	4.20	**4.40**	4.65	4.90	5.00	**5.10**
	2Y	4.60	4.70	5.00	**5.20**	5.35	5.60	5.60	**5.60**
	10Y	6.45	6.50	6.60	**6.70**	6.75	6.80	6.80	**6.80**
	10Y-2Y	185	180	160	**150**	140	120	120	**120**

%, eop, govt bond yield for 2Y and 10Y, spread bps

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