

Daily Treasury Outlook

5 January 2021

Highlights

Global: Risk sentiments turned a tad cautious overnight as Covid cases soared and the UK went into emergency lockdown through to at least mid-February and amid the uncertainty over Georgia's senate run-off elections for two seats where the probability of a blue wave could portend a loosening of the purse strings for US fiscal stimulus. The S&P 500 tumbled 1.5% on profit-taking while VIX jumped to 26.97. UST bonds traded little changed with the 10-year yield holding at 0.92%. Meanwhile, Fed's Evans opined that "getting inflation moving up with momentum and delivering rates around 2.5% is important" while Mester noted an initial growth slowdown followed by a strengthening later this year would not necessitate a change in the monetary policy stance. Global manufacturing PMIs were mostly buoyant into December 2020, whereas Bitcoin fizzled up to 17% after rallying to a record high of \$34,793 on Sunday. Separately, Saudi Arabia and Russia are also conflicted over whether to boost oil output or stay pat.

Market watch: Asian markets may open with a soft tone this morning, with investors weighing the Covid resurgence and the Georgia Senate runoff elections. Today's economic data calendar comprises CPI from Thailand and Philippines, S'pore's retail sales and US' manufacturing ISM. Fed's Evans, Williams are also speaking today.

US: The manufacturing PMI rose 57.1 in December, up from 56.7 in November and the highest since September 2014, while construction spending also increased 0.9% to \$1.459t (highest since 2002).

EU: Eurozone manufacturing PMI rose from 53.8 to 55.2 in December, the fastest since mid-2018, with Germany also climbing from 57.8 to 58.3.

UK: The manufacturing PMI also rose to a 3-year high of 57.5 in December, but was likely attributable to frontloading ahead of the Brexit deadline.

SG: Private home prices rose for a 3rd quarter by 2.1% in 4Q20, marking the fastest pace since mid-2018 and up from the 0.8% increase in 3Q20. This brought the full year 2020 increase to 2.2%, versus 2.7% in 2019. Price gains in 4Q20 were led by the RCR (4.8%) and CCR (3.3%) whereas OCR (1.7%), and was mirrored for the full-year 2020 for RCR (5.1%), CCR (3.1%) whilst OCR fell 0.2%.

Key Market Movements

Equity	Value	% chg
S&P 500	3700.7	-1.5%
DJIA	30224	-1.3%
Nikkei 225	27258	-0.7%
SH Comp	3503.0	0.9%
STI	2858.9	0.5%
Hang Seng	27473	0.9%
KLCI	1602.6	-1.5%
	Value	% chg
DX	89.869	-0.1%
USDJPY	103.13	-0.1%
EURUSD	1.2248	0.3%
GBPUSD	1.3571	-0.7%
USDIDR	13895	-1.1%
USDSGD	1.3206	-0.1%
SGDMYR	3.0436	0.0%
	Value	chg (bp)
3M UST	0.06	0.51
10Y UST	0.91	0.00
1Y SGS	0.36	-3.10
10Y SGS	0.89	4.22
3M LIBOR	0.24	0.00
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	51.09	-1.4%
WTI	47.62	-1.9%
Gold	1943	2.3%
Silver	27.24	3.2%
Palladium	2383	-2.7%
Copper	7766	0.0%
BCOM	78.64	0.7%

Source: Bloomberg

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Major Markets

US: US equities closed in the red on rising virus concerns amid uncertainty over the Georgia runoff senate election later today. The S&P 500 index and the Nasdaq 100 Composite index both closed 1.5% lower. The overnight selloff is likely to be a technical dip, but we expect the risk rally to remain intact in the near term.

CN: China's box office for New Year day long weekend hit a record high of CNY1.299 billion for New Year day holiday season. In addition, China's regulators continued to optimise the policy to support the usage of RMB in cross border settlement.

SG: The STI added 0.53% to close at 2858.90 yesterday, but may succumb to profit-taking today amid weak leads from Wall Street overnight and morning slippage by Kospi this morning. SGS bond yields rose by 2-4bps yesterday as risk sentiments improved, but this may reverse today with the softening in risk appetite due to the global Covid resurgence. There is an upcoming 30-year SGS bond re-opening later this month.

HK: Retail sales value declined 4% yoy in November, the mildest since May 2019. The decline narrowed mainly due to low base effect and the significant increase in consumer durable goods (+21.3% yoy). Despite that, retail sales dropped for the 22nd consecutive month due to the fourth wave of Covid-19 and the near standstill tourism. In the very near term, the retail sector's outlook may remain sluggish as the government announced to extend the stringent social distancing measures by another two weeks till 20 January. That said, in the medium term, we do expect the retail sector to regain some momentum should local pandemic be brought under control and international travel resume on vaccine rollout. Still, the pace of recovery may only be gradual and moderate. Specifically, the government may gradually unwind the one-off relief measures. Meanwhile, it may take some time for the labour market to recover. In conclusion, given the low base from 2020, we expect retail sales value to rebound by around 15% yoy this year, following the 24% yoy contraction in 2020.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly rose yesterday, with belly tenors trading 1bps higher while longer tenors traded 4-5bps higher, except for the 15-year which traded almost flat. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 149bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 632bps. The HY-IG Index Spread tightened 13bps to 482bps. There were very minimal flows in SGD corporates yesterday. 10Y UST fell 1bps to 0.91% over anticipation regarding Tuesday's U.S. Senate runoff elections.

New Issues: Sumitomo Mitsui Financial Group Inc priced a USD500mn 3-year bond at T+35bps, tightening from IPT of T+60bps area, a USD1bn 5-year bond at T+60bps, tightening from IPT of T+85bps area, a USD500mn 10-year bond T+80bps, tightening from IPT of T+105bps area, and a USD500mn 20-year bond at T+85bps, tightening from IPT of T+115bps area. Export-Import Bank of India priced a USD1bn 10-year bond at T+145bps, tightening from IPT of T+185bps area. Powerlong Real Estate Holdings Ltd priced a USD100mn re-tap of its PWRLNG 5.95%'25s at 5.25%, tightening from IPT of 5.75% area. Yuzhou Group Holdings Co Ltd priced a USD562mn 6NC4 green bond at 6.35%, tightening from IPT of 6.9% area. Shimao Group Holdings Ltd priced a USD872mn 10NC5 bond at 3.45%, tightening from IPT of 3.9% area. Zhenro Properties Group Ltd priced a USD400mn 5NC3 green bond at 6.63%, tightening from IPT of 7.15% area. CAS Holding No. 1 Ltd. has arranged investor calls commencing 4 January for its proposed USD bond offering. Zhongsheng Group Holdings Limited has arranged investor calls commencing 4 January for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.869	-0.08%	USD-SGD	1.3206	-0.10%
USD-JPY	103.130	-0.07%	EUR-SGD	1.6174	0.22%
EUR-USD	1.225	0.27%	JPY-SGD	1.2804	-0.03%
AUD-USD	0.767	-0.38%	GBP-SGD	1.7922	-0.85%
GBP-USD	1.357	-0.74%	AUD-SGD	1.0124	-0.46%
USD-MYR	4.006	-0.37%	NZD-SGD	0.9477	-0.42%
USD-CNY	6.462	-1.01%	CHF-SGD	1.4985	0.99%
USD-IDR	13895	-1.10%	SGD-MYR	3.0436	0.03%
USD-VND	23074	-0.10%	SGD-CNY	4.8985	-0.78%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5540	-0.56%	O/N	0.0776	0.09%
2M	-0.3360	-0.34%	1M	0.1439	0.14%
3M	-0.5450	-0.54%	2M	0.1904	0.18%
6M	-0.5260	-0.52%	3M	0.2384	0.24%
9M	-0.1940	-0.20%	6M	0.2576	0.26%
12M	-0.4990	-0.50%	12M	0.3419	0.34%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.029	-2.9	0.077	0.077
03/17/2021	-0.06	-3.1	0.07	0.07
04/28/2021	-0.069	-0.9	0.067	0.067
06/16/2021	-0.054	1.5	0.071	0.071
07/28/2021	-0.049	0.5	0.072	0.072
09/22/2021	-0.049	0	0.072	0.072

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.62	-1.85%	Corn (per bushel)	4.838	-0.1%
Brent (per barrel)	51.09	-1.37%	Soybean (per bushel)	13.165	0.1%
Heating Oil (per gallon)	146.20	-0.97%	Wheat (per bushel)	6.420	0.2%
Gasoline (per gallon)	137.29	-2.52%	Crude Palm Oil (MYR/MT)	39.500	1.5%
Natural Gas (per MMBtu)	2.58	1.65%	Rubber (JPY/KG)	2.760	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7766.00	-1.04%	Gold (per oz)	1942.9	2.3%
Nickel (per mt)	16613.00	-0.99%	Silver (per oz)	27.2	3.2%

Equity and Commodity

Index	Value	Net change
DJIA	30,223.89	-382.59
S&P	3,700.65	-55.42
Nasdaq	12,698.45	-189.83
Nikkei 225	27,258.38	-185.79
STI	2,858.90	15.09
KLCI	1,602.57	-24.64
JCI	6,104.90	125.83
Baltic Dry	1,366.00	4.00
VIX	26.97	4.22

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.26 (-0.03)	0.11(--)
5Y	0.46 (--)	0.35 (-0.01)
10Y	0.89 (+0.04)	0.91(--)
15Y	1.14 (+0.03)	--
20Y	1.23 (+0.02)	--
30Y	1.19 (+0.04)	1.66 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.71	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.07
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/05/2021 07:50	JN Monetary Base YoY	Dec 18.0%	--	16.5%	--
01/05/2021 08:30	AU ANZ Job Advertisements MoM	Dec --	--	13.9%	--
01/05/2021 09:00	PH CPI YoY 2012=100	Dec 3.2%	--	3.3%	--
01/05/2021 11:30	TH CPI YoY	Dec -0.39%	--	-0.41%	--
01/05/2021 11:30	TH CPI Core YoY	Dec 0.17%	--	0.18%	--
01/05/2021 13:00	SI Retail Sales YoY	Nov -8.1%	--	-8.6%	--
01/05/2021 13:00	JN Vehicle Sales YoY	Dec --	--	6.0%	--
01/05/2021 15:45	FR CPI YoY	Dec P 0.2%	--	0.2%	--
01/05/2021 15:45	FR CPI EU Harmonized YoY	Dec P 0.2%	--	0.2%	--
01/05/2021 15:45	FR CPI MoM	Dec P 0.4%	--	0.2%	--
01/05/2021 16:55	GE Unemployment Change (000's)	Dec 10.0k	--	-39.0k	--
01/05/2021 16:55	GE Unemployment Claims Rate SA	Dec 6.2%	--	6.1%	--
01/05/2021 17:00	EC M3 Money Supply YoY	Nov 10.6%	--	10.5%	--
01/05/2021 21:30	CA Industrial Product Price MoM	Nov --	--	-0.4%	--
01/05/2021 23:00	US ISM Prices Paid	Dec 65.0	--	65.4	--
01/05/2021 23:00	US ISM Manufacturing	Dec 56.7	--	57.5	--

Source: Bloomberg

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