OCBC TREASURY RESEARCH

Daily Treasury Outlook

6 January 2021

Highlights

Global: US equity markets recovered in a choppy session overnight, with energy and tech stocks leading. The NYSE decided not to delist the three Chinese Telecom companies. OPEC+ agreed to keep output steady through to at least February, even as Saudi Arabia said it would unilaterally cut 1m barrels a day next month. The S&P 500 rose 0.7% while VIX retraced to 25.34. The USD slipped on rising inflation expectations amid rebounding crude oil prices. 10-year breakevens also edged higher after the robust US manufacturing ISM data. UST bonds fell with a bear-steepening bias as the 10-year yield was up 3bps to 0.95%, but with 3-month LIBOR lower at 0.2369%. Meanwhile, investors are still awaiting the results of the Georgia runoff elections. Separately, the World Bank tips 4.0% global growth this year after contracting 4.3% in 2020, with China leading by 7.9%, whilst Euro area grows by 3.6%, US at 3.5% and Japan at 2.5%.

Market watch: Asian markets may attempt to capitalise on the overnight stabilization in US equity markets. Today's economic data calendar comprises the services and composite PMIs from US, Europe and Asia, including China's Caixin, as well as S'pore's COE results, US' ADP employment change and durable goods orders. The FOMC minutes from 16 December is due, and BOE's Bailey is speaking today.

US: Manufacturing ISM jumped from 57.5 to 60.7 in December, the highest in more than two years which suggests that the strong momentum may sustain in the coming months.

EU: Germany has extended its lockdown till at least end of January amid the Covid pandemic.

UK: Chancellor Sunak has announced a GBP4.6b emergency support for UK businesses amid the third lockdown.

SG: The issuing limits for SGS and treasury bills have been raised to $960b and $105b respectively, up from $690b and $60b previously, and are expected to last until 2025. Retail sales fell a milder 1.9% yoy but grew 7.3% mom sa in November, and may return to positive growth by February.

Oil: Saudi Arabia has made a surprise voluntary output cut of 1mbpd which will last through Feb and Mar 2021, essentially dialling back the 500kbpd increase that took place at the start of this month. Russia and Kazakhstan combined are set to increase output by a mere 75 kdpb. Brent rose almost 5% to close at $53.60/bbl overnight, while WTI close over $50/bbl for the first time since Feb'20.

Gold: Gold closed above the $1950 level yesterday for the first time in almost three months. We remain bullish on gold through 2021.

Key Market Movements

Equity	Value	% chg
S&P 500	3726.9	0.7%
DJIA	30392	0.6%
Nikkei 225	27159	-0.4%
SH Comp	3528.7	0.7%
STI	2859.7	0.0%
Hang Seng	27650	0.6%
KLCI	1608.4	0.4%
	Value	**% chg**
DXY	89.436	-0.5%
USDJPY	102.72	-0.4%
EURUSD	1.2298	0.4%
GBPUSD	1.3627	0.4%
USDIDR	13915	0.1%
USDSGD	1.3176	-0.2%
SGDMYR	3.0430	0.0%
	Value	**chg (bp)**
3M UST	0.08	1.27
10Y UST	0.95	4.17
1Y SGS	0.32	-4.10
10Y SGS	0.88	-0.44
3M LIBOR	0.24	-0.11
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	**% chg**
Brent	53.6	4.9%
WTI	49.93	4.9%
Gold	1950	0.4%
Silver	27.55	1.2%
Palladium	2471	3.7%
Copper	7861	0.0%
BCOM	80.33	2.2%

Source: Bloomberg

Major Markets

US: US equities advanced on energy and tech share gains. The S&P 500 index rose 0.7% and the Nasdaq 100 Composite index notched a 0.9% gain. With the Georgia senate runoff elections underway, we may see increased volatility in the US equity market, but we think the risk rally remains intact in the near term.

CN: China's currency regulator SAFE and PBoC announced to increase the macro prudential coefficient for Chinese onshore company's cross border lending cap. This will increase the quota for cross border lending and broaden the channel for capital outflows. According to the statement from the PBoC that the move will boost RMB's cross border usage as well as promoting two-way capital flows. By broadening outflow channel, it has sent a strong signal that China wants to slow down the appreciation of RMB. However, the direct impact could be limited as not many companies are able to use cash pooling business. Nevertheless, it may close the gap between CNY and CNH as companies may do cross border lending in RMB and purchase foreign currency in the offshore market.

SG: The STI added 0.3% to close at 2859.68 yesterday and may creep higher again today amid the overnight positive cue from Wall Street. SGS bond yields may face some pressure today, following the sell-off in the UST bond market as risk sentiments stabilised.

Bond Market Updates

Market Commentary: The SGD swap curve mostly fell yesterday, with shorter and belly tenors trading 1-2bps lower while longer tenors traded 2-3bps lower, except for the 20-year which traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 148bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 632bps. The HY-IG Index Spread widened 2bps to 484bps. There were very minimal flows in SGD corporates yesterday. 10Y UST gained 4bps to 0.96% over stronger-than-anticipated U.S. manufacturing data and the unsure outcome of the Georgia elections

New Issues: Republic of Indonesia priced a USD1.25bn 10-year bond at 1.9%, tightening from IPT of 2.35% area, a USD1.25bn 30-year bond at 3.1%, tightening from IPT of 3.55% area, and a USD500mn 50-year bond at 3.4%, tightening from IPT of 3.85% area. Macquarie Group Ltd priced a USD1.25bn 6NC5 bond at T+97bps, tightening from IPT of T+135bps area. Hyundai Capital America priced a USD1.2bn 3-year bond at T+67bps, tightening from IPT of T+95bps area, a USD850mn 5-year bond at T+95bps, tightening from IPT of T+120bps area, and a USD650mn 7-year bond at T+115bps, tightening from IPT of T+140bps area. National Australia Bank Ltd priced a USD1.25bn 20-year bond at T+95bps, tightening from IPT of T+125bps area. Yango Justice International Ltd (Guarantor: Yango Group Co., Ltd.) priced a USD200mn Will Not Grow 364-day bond at 5.3%, tightening from IPT of 5.75% area. CIFI Holdings Group Co Ltd priced a USD419mn 6.25NC4 bond at 4.4%, tightening from IPT of 5% area. CAS Capital No. 1 Ltd. (Guarantor: CAS Holding No. 1 Ltd.) priced a USD600mn PerpNC5.5 bond at 4%, tightening from IPT of 4.25% area. Sinopec Group Overseas Development 2018 Ltd (Guarantor: China Petrochemical Corporation) priced a USD1.15bn 5-year bond at T+110bps, tightening from IPT of T+145bps area, a USD1.2bn 10-year bond at T+140bps, tightening from IPT of T+170bps area, and a USD650mn 30-year bond at T+138bps, tightening from IPT of T+180bps area. China Development Bank Corp/Hong Kong priced a USD750mn 3-year bond at T+48bps, tightening from IPT of T+85bps area. Country Garden Holdings Co Ltd priced a USD500mn 5.5-year bond at T+235bps, tightening from IPT of T+285bps area and a USD700mn 10-year bond at T+240bps, tightening from IPT of T+290bps area. RKPF Overseas 2020 (A) Limited (Guarantor: Road King Infrastructure Limited) priced a USD500mn 5NC3 bond at 5.2%, tightening from IPT of 5.625% area. Modern Land China Co Ltd priced a USD250mn 2.25-year bond at 10.4%, tightening from IPT of 11% area. Zhongliang Holdings Group Co Ltd priced a USD200mn re-tap of its ZHLGHD 9.5%'22s at 8.625%, tightening from IPT of 9.125% area. Studio City Finance Ltd priced a USD750mn 8NC3 bond at 5%, tightening from IPT of 5.25% area. PT Pertamina Persero has sent requests for proposals to banks for a potential USD bond offering. State Bank of India has mandated banks for its proposed USD bond offering.

New Issues: Shriram Transport Finance Co. has arranged investor calls commencing 5 January for its proposed USD social bond offering. Haidilao International Holding Ltd has arranged investor calls commencing 5 January for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.436	-0.48%	**USD-SGD**	1.3176	-0.23%
USD-JPY	102.720	-0.40%	**EUR-SGD**	1.6203	0.18%
EUR-USD	1.230	0.41%	**JPY-SGD**	1.2828	0.19%
AUD-USD	0.776	1.23%	**GBP-SGD**	1.7955	0.18%
GBP-USD	1.363	0.41%	**AUD-SGD**	1.0225	1.00%
USD-MYR	4.016	0.27%	**NZD-SGD**	0.9555	0.82%
USD-CNY	6.456	-0.08%	**CHF-SGD**	1.5002	0.11%
USD-IDR	13915	0.14%	**SGD-MYR**	3.0430	-0.02%
USD-VND	23080	0.03%	**SGD-CNY**	4.8961	-0.05%

Equity and Commodity

Index	Value	Net change
DJIA	30,391.60	167.71
S&P	3,726.86	26.21
Nasdaq	12,818.96	120.51
Nikkei 225	27,158.63	-99.75
STI	2,859.68	0.78
KLCI	1,608.35	5.78
JCI	6,137.34	32.44
Baltic Dry	1,374.00	8.00
VIX	25.34	-1.63

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5700	-0.55%	**O/N**	0.0846	0.08%
2M	-0.3360	-0.34%	**1M**	0.1398	0.14%
3M	-0.5460	-0.55%	**2M**	0.1904	0.19%
6M	-0.5320	-0.53%	**3M**	0.2373	0.24%
9M	-0.1940	-0.20%	**6M**	0.2559	0.26%
12M	-0.5020	-0.50%	**12M**	0.3406	0.34%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-0.02)	0.12(--)
5Y	0.45 (-0.01)	0.38 (+0.03)
10Y	0.88 (--)	0.95 (+0.04)
15Y	1.14 (-0.01)	--
20Y	1.22 (-0.01)	--
30Y	1.19 (--)	1.71 (+0.05)

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	-0.071	-4.2	0.067	0.067
04/28/2021	-0.069	0.2	0.067	0.067
06/16/2021	-0.069	-0.1	0.067	0.067
07/28/2021	-0.059	1.1	0.07	0.07
09/22/2021	-0.054	0.5	0.071	0.071

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.67	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	49.93	4.85%	Corn (per bushel)	4.918	1.7%
Brent (per barrel)	53.60	4.91%	Soybean (per bushel)	13.500	2.5%
Heating Oil (per gallon)	151.89	3.89%	Wheat (per bushel)	6.540	1.9%
Gasoline (per gallon)	145.21	5.77%	Crude Palm Oil (MYR/MT)	39.660	0.4%
Natural Gas (per MMBtu)	2.70	4.69%	Rubber (JPY/KG)	2.760	0.0%

Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	7860.50	1.22%	Gold (per oz)	1950.0	0.4%
Nickel (per mt)	17404.00	4.76%	Silver (per oz)	27.6	1.2%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/06/2021 08:30	HK	Markit Hong Kong PMI	Dec	--	--	50.1	--
01/06/2021 10:00	VN	Domestic Vehicle Sales YoY	Dec	--	--	25.4%	--
01/06/2021 15:45	FR	Consumer Confidence	Dec	91.0	--	90	--
01/06/2021 15:45	FR	CPI YoY	Dec P	0.2%	--	0.2%	--
01/06/2021 16:50	FR	Markit France Services PMI	Dec F	49.2	--	49.2	--
01/06/2021 16:50	FR	Markit France Composite PMI	Dec F	49.6	--	49.6	--
01/06/2021 16:55	GE	Markit Germany Services PMI	Dec F	47.7	--	47.7	--
01/06/2021 17:00	EC	Markit Eurozone Composite PMI	Dec F	49.8	--	49.8	--
01/06/2021 20:00	US	MBA Mortgage Applications	Jan-01	--	--	--	--
01/06/2021 21:00	GE	CPI YoY	Dec P	-0.2%	--	-0.3%	--
01/06/2021 21:00	GE	CPI MoM	Dec P	0.6%	--	-0.8%	--
01/06/2021 21:00	GE	CPI EU Harmonized YoY	Dec P	-0.6%	--	-0.7%	--
01/06/2021 21:15	US	ADP Employment Change	Dec	75k	--	307k	--
01/06/2021 23:00	US	Durable Goods Orders	Nov F	0.9%	--	0.9%	--
01/06/2021 23:00	US	Factory Orders	Nov	0.7%	--	1.0%	--
01/06/2021 23:00	US	Durables Ex Transportation	Nov F	0.4%	--	0.4%	--

Source:Bloomberg

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