

Daily Treasury Outlook

7 January 2021

Highlights

Global: Capitol chaos as protestors disrupted the US electoral college count that was supposed to certify Biden's victory, but was later secured. The Georgia runoff elections also point to a Democratic sweep for the first time in six years, heightening stimulus and funding concerns which contributed to the US Treasury bond market sell-off. The S&P 500 gained 0.57%, led by financials and manufacturers, while VIX fell to 25.07. UST bonds bear-steepened further, pushing the 10-year yield up 8bps to 1.03% (crossing 1% for the first time since March). The 3-month LIBOR eased to 0.2340% while Bitcoin surged to a fresh record high. The December FOMC minutes revealed "all participants judged that it would be appropriate to continue those purchases at least at the current pace", but a couple were open to weighting purchases of Treasury securities toward longer maturities", and noted that judgement of "substantial further progress" would be "broad, qualitative, and not based on specific numerical criteria or thresholds". Meanwhile, US officials are said to be considering banning Americans from investing in Alibaba Group Holding Ltd and Tencent Holding Ltd.

Market watch: Asian markets may look to open with a firm tone, taking the overnight cue from Wall Street. Today's economic data calendar comprises Thailand's consumer confidence, Germany's factory orders, Taiwan's CPI, Eurozone's CPI, consumer confidence and retail sales, and US' initial jobless claims and services ISM. Fed's Harker, Barkin, Bullard Evans and Daly are also speaking today.

US: ADP data showed jobs fell for the first time in December by 123k. The US has labelled India, Italy and Turkey's digital taxes as discriminatory against American companies, but will not retaliate for now.

UK: PM Johnson called on some 250 business leaders for ideas on cutting red tape and said Chancellor Sunak will lead the project to speed up government machinery in a post-Brexit world. Meanwhile, BOE governor Bailey sounded cautious on post-Brexit growth, but opined that the UK will not introduce a new EU rule to allow banks to deduct software investments from capital requirements.

SG: COE premiums rose for categories Category A, but slipped for B and E.

Oil: Brent rose 4.3% yesterday to close in on the \$55 level. Gains were pared late in US trading as protests in Capitol Hill dampened risk sentiment, but early gains were driven by Saudi Arabia's surprise output cut and a drop in US crude inventories last week.

Key Market Movements

Equity	Value	% chg
S&P 500	3748.1	0.6%
DJIA	30829	1.4%
Nikkei 225	27056	-0.4%
SH Comp	3550.9	0.6%
STI	2863.0	0.1%
Hang Seng	27692	0.2%
KLCI	1592.0	-1.0%
	Value	% chg
DXY	89.530	0.1%
USDJPY	103.04	0.3%
EURUSD	1.2327	0.2%
GBPUSD	1.3608	-0.1%
USIDR	13895	-0.1%
USDSGD	1.3179	0.0%
SGDMYR	3.0436	0.0%
	Value	chg (bp)
3M UST	0.08	0.50
10Y UST	1.04	8.06
1Y SGS	0.31	-1.00
10Y SGS	0.93	5.28
3M LIBOR	0.24	-0.04
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	54.3	1.3%
WTI	50.63	1.4%
Gold	1919	-1.6%
Silver	27.29	-1.0%
Palladium	2444	-1.1%
Copper	8002	0.0%
BCOM	80.27	-0.1%

Source: Bloomberg

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Major Markets

US: US equities closed mixed on tech share loss, following the Senate victory for Democrats. The S&P 500 index advanced 0.6% and the Dow Jones Industrial Average index rose 1.4% to close at a record high while the Nasdaq 100 Composite index fell 0.6%. With the Democrats taking control of the Senate, US Congress is poised for a Blue Wave. This is likely supportive for market sentiment as more fiscal stimulus may be forthcoming. As such, this is likely to fuel risk appetite and we remain bullish on US equities in the near term.

CN: China's central bank PBoC has set 10 key tasks for 2021 after concluding its annual working conference. Other than flexibility, the monetary policy will be more targeted and reasonable. This means that China's monetary policy direction could be two-way depending on the development of macro condition. In addition, RMB internalization also returns to the spotlight though PBoC said it will promote RMB internationalization in a more prudent manner.

SG: The STI added 0.12% to close at 2863.01 yesterday and a firm tone may exert again today amid the overnight rally in Wall Street and morning gains in Kospi and Nikkei. The SGS bond may continue to bear-steepen in line with the UST market.

HK: The PMI slid to 43.5 in December, the lowest since April 2020. Output and new orders both fell at the fastest rate while employment and new business flows from Mainland China dropped notably. The deteriorating business conditions in the private sector was mainly attributable to the fourth wave of Covid-19 and the resultant tightening of social distancing measures. Virus resurgence in other major economies were also to blame. Since the government has extended the existing containment measures till late January and lockdown measures in other nations are still in place, the business conditions may remain sluggish. As such, PMI may stay in the contractionary territory in the coming months. This reinforces our view that GDP may continue to contract in 4Q 2020. On a positive note, once the local pandemic is brought under control and the border control is lifted due to an effective vaccine roll out, it is possible for the business conditions to improve. In this case, it is unlikely that PMI will fall back to last year's lows, but the rebound is likely to be gradual and stabilize above the 45 mark.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with shorter tenors trading 1-2bps higher and belly tenors trading 4-5bps higher while longer tenors traded 5-8bps higher. 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 widened 4bps to 636bps. The HY-IG Index Spread widened 4bps to 488bps. Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, BAERVX 5.75%-PERPs, CMZB 4.2%'28s and OLAMSP 4%'26s. 10Y UST gained 8bps to 1.04%, topping 1% for the first time since March, as the Democrats moved closer to having control over the White House and Capitol Hill.

New Issues: State Bank of India/London priced a USD600mn 5.5-year bond at T+140bps, tightening from IPT of T+175bps area. Shriram Transport Finance Co Ltd priced a USD500mn 3-year social bond at 4.4%, tightening from IPT of 4.65% area. Redsun Properties Group Ltd priced a USD350mn 4NC2 bond at 7.5%, tightening from IPT of 8.1% area. Seazen Group Ltd priced a USD300mn 4.5NC2.5 bond at 4.45%, tightening from IPT of 4.95% area. Golden Wheel Tiandi Holdings Co Ltd priced a USD85mn re-tap of its GWTH 14.25%'23s at 14.25%, tightening from IPT of 15% area. Dexin China Holdings Co Ltd priced a USD150mn Will Not Grow re-tap of its DEXICN 9.95%'22s at 9.45%, tightening from IPT of 10% area. Zhongsheng Group Holdings Ltd priced a USD450mn 5-year bond at T+268bps, tightening from IPT of T+300bps area. Logan Group Co Ltd priced a USD300mn 7NC4 bond at 4.5%, tightening from IPT of 5% area. China South City Holdings Ltd priced a USD120mn Will Not Grow re-tap of its CSCHCN 10.75%'23s at 10.8%, tightening from IPT of 11.25% area. Hopson Capital International Group Co Ltd priced a USD400mn 364-day bond at 5.8%, tightening from IPT of 6% area. Bank of China Limited (Hong Kong Branch) has arranged investor calls commencing 6 January for its proposed USD bond offering. China Huarong Financial Leasing Co., Ltd. has arranged investor calls commencing 6 January for its proposed USD bond offering. SK Hynix Inc. has arranged investor calls commencing 6 January for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.530	0.11%	USD-SGD	1.3179	0.02%
USD-JPY	103.040	0.31%	EUR-SGD	1.6245	0.26%
EUR-USD	1.233	0.24%	JPY-SGD	1.2788	-0.31%
AUD-USD	0.780	0.55%	GBP-SGD	1.7934	-0.12%
GBP-USD	1.361	-0.14%	AUD-SGD	1.0282	0.56%
USD-MYR	4.010	-0.17%	NZD-SGD	0.9614	0.62%
USD-CNY	6.463	0.11%	CHF-SGD	1.5001	-0.01%
USD-IDR	13895	-0.14%	SGD-MYR	3.0436	0.02%
USD-VND	23093	0.06%	SGD-CNY	4.9020	0.12%

Equity and Commodity

Index	Value	Net change
DJIA	30,829.40	437.80
S&P	3,748.14	21.28
Nasdaq	12,740.79	-78.17
Nikkei 225	27,055.94	-102.69
STI	2,863.01	3.33
KLCI	1,591.97	-16.38
JCI	6,065.68	-71.66
Baltic Dry	1,418.00	44.00
VIX	25.07	-0.27

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5730	-0.57%	O/N	0.0864	0.08%
2M	-0.3360	-0.34%	1M	0.1309	0.14%
3M	-0.5520	-0.55%	2M	0.1823	0.19%
6M	-0.5240	-0.53%	3M	0.2369	0.24%
9M	-0.1940	-0.20%	6M	0.2539	0.26%
12M	-0.5030	-0.50%	12M	0.3298	0.34%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.26 (+0.01)	0.14(--)
5Y	0.46 (+0.02)	0.43 (+0.05)
10Y	0.93 (+0.05)	1.04 (+0.08)
15Y	1.18 (+0.05)	--
20Y	1.26 (+0.04)	--
30Y	1.26 (+0.07)	1.81 (+0.11)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.04	-4	0.077	0.077
03/17/2021	-0.05	-1	0.075	0.075
04/28/2021	-0.06	-1	0.072	0.072
06/16/2021	-0.055	0.5	0.074	0.074
07/28/2021	-0.05	0.5	0.075	0.075
09/22/2021	-0.026	2.4	0.081	0.081

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-7.33	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.11
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.63	1.40%	Corn (per bushel)	4.950	0.7%
Brent (per barrel)	54.30	1.31%	Soybean (per bushel)	13.653	1.1%
Heating Oil (per gallon)	152.87	0.65%	Wheat (per bushel)	6.475	-1.0%
Gasoline (per gallon)	147.50	1.58%	Crude Palm Oil (MYR/MT)	40.400	1.9%
Natural Gas (per MMBtu)	2.72	0.52%	Rubber (JPY/KG)	2.734	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8002.00	1.80%	Gold (per oz)	1918.6	-1.6%
Nickel (per mt)	17682.00	1.60%	Silver (per oz)	27.3	-1.0%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/07/2021	HK Foreign Reserves	Dec	--	\$486.0b	--
01/07/2021	CH Foreign Reserves	Dec	\$3200.00b	\$3178.49b	--
01/07/2021 08:30	AU Building Approvals MoM	Nov	2.0%	3.8%	--
01/07/2021 08:30	AU Trade Balance	Nov	A\$6400m	A\$7456m	--
01/06/2021 10:00	VN Domestic Vehicle Sales YoY	Dec	--	25.4%	--
01/07/2021 15:00	GE Factory Orders MoM	Nov	-0.5%	2.9%	--
01/07/2021 16:00	TA CPI YoY	Dec	0.10%	0.09%	--
01/07/2021 17:30	UK Markit/CIPS UK Construction PMI	Dec	54.6	54.7	--
01/07/2021 18:00	EC CPI MoM	Dec P	0.3%	-0.3%	--
01/07/2021 18:00	EC Consumer Confidence	Dec F	--	-13.9	--
01/07/2021 18:00	EC CPI Estimate YoY	Dec	-0.3%	-0.3%	--
01/07/2021 21:30	US Trade Balance	Nov	-\$67.3b	-\$63.1b	--
01/07/2021 21:30	US Continuing Claims	Dec-26	5200k	5219k	--
01/07/2021 21:30	US Initial Jobless Claims	Jan-02	800k	787k	--
01/07/2021 22:45	US Bloomberg Consumer Comfort	Jan-03	--	44.6	--
01/07/2021 23:00	US ISM Services Index	Dec	54.5	55.9	--

Source: Bloomberg

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