

Daily Treasury Outlook

8 January 2021

Highlights

Global: Risk sentiments generally remained healthy ahead of tonight's key US labour market report, underpinned by market expectations for more US fiscal stimulus under a Blue sweep. The S&P 500 rallied 1.5% while Nasdaq jumped 2.5% and VIX fell to 22.37. The bear-steepening bias in UST bonds extended further overnight, pushing the 10-year yield up 8bps to 1.08%. The 3-month LIBOR eased further to 0.2248% (lowest since 14 December) while Bitcoin topped \$40,000. USD also moved higher. After the unexpected mob storming of Capitol Hill on Wednesday, House Speaker Nancy Pelosi has joined Senate Democratic leader Chuck Schumer in calling for Trump's removal. This came after a number of White House staff also resigned in protest and Facebook and Instagram have an extended ban on Trump. Over in Asia, record Covid cases were reported in Malaysia, Indonesia and Tokyo.

Market watch: Asian markets are likely to open on a still firm tone this morning, but investors may be cautious of pushing the rally too far ahead of tonight's US nonfarm payrolls report where market is eyeing +50k (the most muted since May 2020) while the December unemployment rate is tipped to rise for the first time in eight months by 0.1% to 6.8%. Other key economic data to watch include India's 4Q20 GDP growth, Philippines and Taiwan's trade data and foreign reserves data from Indonesia and Malaysia. Fed's Clarida is also speaking on the economy and monetary policy.

US: Initial jobless claims fell 3k on the week but remained relatively elevated at 787k, while the services ISM rose from 55.9 to 57.2 in its 7th straight month of growth, albeit the underlying details were somewhat mixed with the new orders gauge higher but the employment gauge sliding back below the 50 handle again. Meanwhile, Fed's Barkin tips 2H21 growth to be "robust" after a "bumpy" start to the year, while Harker and Evans opined that the Fed may start paring back its bond-purchase program as early as the year-end, albeit Bullard was of a different opinion. Separately, the US will suspend plans to hit \$1.3t of French goods in tariffs.

EU: Eurozone's economic sentiments improved in December, but inflation remained at -0.3% in December, while the core CPI held at 0.2% and retail sales plunged 6.1% mom (-2.9% yoy).

UK: BOE's Hauser suggested that central banks should be "market makers of last resort" and offer "standing" facilities in anticipation of the next market upheaval.

SG: More frequent testing may be needed for individuals who choose not to take the Covid vaccine.

Oil: Brent closed in on the \$55 level yesterday, rising 0.2% to \$54.38/bbl as risk sentiment further strengthened. Resistance is expected at \$55/bbl.

Key Market Movements

Equity	Value	% chg
S&P 500	3803.8	1.5%
DJIA	31041	0.7%
Nikkei 225	27490	1.6%
SH Comp	3576.2	0.7%
STI	2907.0	1.5%
Hang Seng	27549	-0.5%
KLCI	1603.0	0.7%
	Value	% chg
DX	89.826	0.3%
USDJPY	103.81	0.7%
EURUSD	1.2272	-0.4%
GBPUSD	1.3568	-0.3%
USIDR	13910	0.1%
USDSGD	1.3246	0.5%
SGDMYR	3.0492	0.2%
	Value	chg (bp)
3M UST	0.08	-0.25
10Y UST	1.08	4.40
1Y SGS	0.32	1.10
10Y SGS	0.96	2.14
3M LIBOR	0.23	-0.29
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	54.38	0.1%
WTI	50.83	0.4%
Gold	1914	-0.2%
Silver	27.14	-0.5%
Palladium	2429	-0.6%
Copper	8038	0.0%
BCOM	80.31	0.0%

Source: Bloomberg

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Major Markets

US: US equities closed higher on rising stimulus expectations, as US Congress finally certified the Electoral College result. The S&P 500 index rose 1.5% and the Nasdaq 100 Composite index advanced 2.5%. Risk appetite gained further traction, fuelled by the prospects of more fiscal stimulus with the incoming Biden administration. We remain bullish on US equities in the sessions ahead.

CN: PBoC announced to tweak the macro prudential coefficient again for the third time since December 2020. The coefficient for domestic enterprises to borrow from the offshore market will be reduced to 1 from 1.25, which will scale back room for foreign debt. This will reduce the demand for RMB from the inflowing foreign debt. The recent adjustments of macro prudential coefficients sent the signal that China wants to slow down the pace of RMB appreciation via reducing RMB demand and increasing dollar demand in anticipation of seasonal demand for RMB ahead of Chinese New Year holiday.

SG: The STI gained 1.54% to close at a 10-month high of 2906.97 yesterday and may track higher today amid the overnight bounce in Wall Street. The relentless bear steepening bias in the UST market is likely to continue to exert on the SGS bond market here as well.

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Bond Market Updates

Market Commentary: The SGD swap curve slightly rose yesterday, with shorter and belly tenors trading 0-1bps higher while longer tenors traded 1-3bps higher, except for the 30-year which traded almost flat. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 148bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 17bps to 652bps. The HY-IG Index Spread widened 16bps to 504bps. There were very minimal flows in SGD corporates yesterday. 10Y UST gained 4bps to 1.08% after news that the Democrats will soon assume control of the U.S. government, increasing the likelihood of further stimulus spending.

New Issues: Haidilao International Holding Ltd priced a USD600mn 5-year bond at T+173bps, tightening from IPT of T+225bps area. Bank of China Ltd/Hong Kong priced USD500mn 3-year bond at T+72bps, tightening from IPT of T+110bps area. Huarong Leasing Management Hong Kong Co Ltd priced a USD300mn 363-day bond at 1.9%, tightening from IPT of 2.35% area. RongXingDa Development BVI Ltd (Guarantor: RiseSun Real Estate Development Co., Ltd.) priced a USD300mn 364-day bond at 8.95%, tightening from IPT of 9.15% area. Times China Holdings Ltd priced a USD350mn 6NC4 bond at 5.75%, tightening from IPT of 6.15% area. NWD MTN Ltd (Guarantor: New World Development Company Limited) priced a USD200mn 10-year bond at T+275bps, tightening from IPT of T+300bps area. Central China Real Estate Ltd priced a USD260mn 4.5NC2.5 green bond at 7.875%, tightening from IPT of 8% area. Changxing Urban Construction Investment Group Co. Ltd. priced a USD120mn 3-year bond at 4.2%. United Overseas Bank Limited priced a SGD150mn PerpNC5 at 2.25%. Beijing Capital Group Co., Ltd. has arranged investor calls commencing 7 January for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.826	0.33%	USD-SGD	1.3246	0.51%
USD-JPY	103.810	0.75%	EUR-SGD	1.6256	0.07%
EUR-USD	1.227	-0.45%	JPY-SGD	1.2759	-0.23%
AUD-USD	0.777	-0.42%	GBP-SGD	1.7969	0.20%
GBP-USD	1.357	-0.29%	AUD-SGD	1.0290	0.08%
USD-MYR	4.038	0.70%	NZD-SGD	0.9611	-0.03%
USD-CNY	6.478	0.24%	CHF-SGD	1.4967	-0.23%
USD-IDR	13910	0.11%	SGD-MYR	3.0492	0.18%
USD-VND	23080	-0.06%	SGD-CNY	4.8843	-0.36%

Equity and Commodity

Index	Value	Net change
DJIA	31,041.13	211.73
S&P	3,803.79	55.65
Nasdaq	13,067.48	326.69
Nikkei 225	27,490.13	434.19
STI	2,906.97	43.96
KLCI	1,602.95	10.98
JCI	6,153.63	87.95
Baltic Dry	1,425.00	7.00
VIX	22.37	-2.70

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5670	-0.57%	O/N	0.0865	0.09%
2M	-0.3360	-0.34%	1M	0.1320	0.13%
3M	-0.5560	-0.55%	2M	0.1840	0.18%
6M	-0.5300	-0.52%	3M	0.2340	0.24%
9M	-0.1940	-0.20%	6M	0.2524	0.25%
12M	-0.5090	-0.50%	12M	0.3324	0.33%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-0.01)	0.14(--)
5Y	0.47 (--)	0.46 (+0.03)
10Y	0.96 (+0.02)	1.08 (+0.04)
15Y	1.2 (+0.02)	--
20Y	1.27 (+0.01)	--
30Y	1.27 (+0.01)	1.85 (+0.04)

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	-0.039	0.1	0.078	0.078
04/28/2021	-0.06	-2.1	0.072	0.072
06/16/2021	-0.06	0	0.072	0.072
07/28/2021	-0.06	0	0.072	0.072
09/22/2021	-0.013	4.8	0.084	0.084

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-7.70	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.83	0.40%	Corn (per bushel)	4.940	-0.2%
Brent (per barrel)	54.38	0.15%	Soybean (per bushel)	13.605	-0.3%
Heating Oil (per gallon)	153.81	0.61%	Wheat (per bushel)	6.423	-0.8%
Gasoline (per gallon)	148.27	0.52%	Crude Palm Oil (MYR/MT)	39.680	-1.8%
Natural Gas (per MMBtu)	2.73	0.48%	Rubber (JPY/KG)	2.825	3.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8179.00	1.76%	Gold (per oz)	1914.0	-0.2%
Nickel (per mt)	18109.00	1.89%	Silver (per oz)	27.1	-0.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/08/2021 07:00	SK BoP Current Account Balance	Nov	--	\$8966.9m	\$11657.9m
01/08/2021 09:00	PH Exports YoY	Nov	--	-2.20%	--
01/06/2021 10:00	VN Domestic Vehicle Sales YoY	Dec	--	25.4%	--
01/08/2021 11:00	ID Foreign Reserves	Dec	--	\$133.60b	--
01/08/2021 15:00	GE Industrial Production SA MoM	Nov	0.8%	3.2%	--
01/08/2021 15:30	TH Foreign Reserves	Jan-01	--	\$255.6b	--
01/08/2021 15:45	FR Industrial Production MoM	Nov	-1.0%	1.6%	--
01/08/2021 15:45	FR Industrial Production YoY	Nov	-5.0%	-4.2%	--
01/08/2021 16:00	TA Exports YoY	Dec	10.0%	12.0%	--
01/08/2021 18:00	EC Unemployment Rate	Nov	8.5%	8.4%	--
01/08/2021 21:30	CA Unemployment Rate	Dec	8.7%	8.5%	--
01/08/2021 21:30	CA Net Change in Employment	Dec	-37.5k	62.1k	--
01/08/2021 21:30	US Change in Nonfarm Payrolls	Dec	50k	245k	--
01/08/2021 21:30	US Unemployment Rate	Dec	6.8%	6.7%	--
01/08/2021 21:30	US Change in Manufact. Payrolls	Dec	16k	27k	--
01/08/2021 23:00	US Wholesale Inventories MoM	Nov F	-0.1%	-0.1%	--

Source: Bloomberg

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