

## Daily Treasury Outlook

11 January 2021

### Highlights

**Global:** Risk sentiments remained buoyant on Friday, notwithstanding the unexpected first decline in US nonfarm payrolls since April by 140k, even as the unemployment rate remained static at 6.7% in December. With President-elect Biden signalling trillions of dollars in fiscal stimulus when he takes office, the market interpretation was to sell UST bonds, especially the longer tenors in anticipation of rising inflation expectations and higher funding needs. Moreover, retail, professional and business services, construction and manufacturing saw healthy job gains, but were dragged down by restaurants and bars, and the prospect of more incoming fiscal stimulus meant the dip in the labour market could very well be temporary. The S&P 500 rallied 0.55% to fresh highs, while VIX fell to 21.56. The bear-steepening bias in UST bonds extended on Friday, with the 10-year yield surging to 1.12%, with further potential upside likely to endanger risk appetite for EM assets. Meanwhile, although Democrats are moving ahead with the impeachment motion against Trump, this is unlikely to pass in his last week of office as the Senate will not reconvene until 19 January, albeit House Speaker Nancy Pelosi is hoping to recall lawmakers this week.

**Market watch:** Asian markets are likely to view the glass as half-full and start the week on a positive tone amid market expectations of further US fiscal stimulus. Today's economic data calendar include China's CPI/PPI, Malaysia's industrial production and Eurozone's Sentix investor confidence. ECB's Lagarde and Vasle are also speaking. For the week ahead, keep an eye on Fed chair Powell's speech, ECB minutes and Germany's 2020 GDP growth estimate on Thursday, BOK policy decision on Friday (likely unchanged at 0.5%), UK's November GDP estimate, and BOJ governor Kuroda's first appearance since the state of emergency was reinstated in Tokyo. Earnings season also kick off on Friday with banks like Citigroup, JPMorgan and Wells Fargo.

**US:** Meanwhile, Fed's Clarida opined that the central bank is not expected to taper its asset purchase program this year and his "economic outlook is consistent with us keeping the current pace of purchases throughout the remained of the year". However, the average wage also rose 5.1% yoy in December, adding to inflationary concerns and the Biden administration may be planning to raise the federal minimum wage to \$15 per hour. Separately, US' move to ease restrictions on diplomatic and official contact with Taiwan may cast the spotlight on the state of US-China relationship again.

**SG:** The World Economic Forum special annual meeting will be held from 25-28 May 2021.

### Key Market Movements

Equity	Value	% chg
S&P 500	3824.7	0.5%
DJIA	31098	0.2%
Nikkei 225	28139	2.4%
SH Comp	3570.1	-0.2%
STI	2993.2	3.0%
Hang Seng	27878	1.2%
KLCI	1633.2	1.9%
	Value	% chg
DXY	90.098	0.3%
USDJPY	103.94	0.1%
EURUSD	1.2218	-0.4%
GBPUSD	1.3568	0.0%
USIDR	14020	0.8%
USDSGD	1.3255	0.1%
SGDMYR	3.0398	-0.3%
	Value	chg (bp)
3M UST	0.07	-0.76
10Y UST	1.12	3.58
1Y SGS	0.32	0.00
10Y SGS	0.96	0.35
3M LIBOR	0.22	-0.93
3M SIBOR	0.40	0.00
3M SOR	0.19	-0.42
	Value	% chg
Brent	55.99	3.0%
WTI	52.24	2.8%
Gold	1849	-3.4%
Silver	25.42	-6.3%
Palladium	2377	-2.1%
Copper	8131	-0.6%
BCOM	79.66	-0.8%

Source: Bloomberg

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### Major Markets

**US:** US equities closed higher last Friday on rising stimulus expectations amid a weaker than expected jobs data report. The S&P 500 index rose 0.55% and the Nasdaq 100 Composite index advanced 1.28%. Markets were fairly buoyant despite the miss in overall job numbers, as labour softness may spur further stimulus from the incoming Biden administration. The risk rally remains supported and we are bullish on US equities in the near term.

**CN:** Senior officials from the National Health Commission have encouraged people not to return to hometown for the upcoming Chinese New Year holiday. The impact of the recent resurgence in Hebei on the Chinese economy remains unclear pending on the development of China's control measures. At the current scale, we think the impact is likely to be limited. China's Commerce Department unveiled a new regulation to adopt counter measures against unjustified extraterritorial application of foreign legislation. The release of new regulations ahead of inauguration of Biden Administration served the purpose of drawing China's red line in protecting Chinese companies' interests and rights.

**SG:** The STI rallied strongly by 2.97% to close at 2993.189 on Friday and may try to test the 3000 resistance handle amid positive Friday cues from Wall Street. The SGS bond market is likely to continue to track the bear steepening bias in the UST market for now, especially with the upcoming re-opening of the 30-year SGS re-opening.

**HK:** The secondary housing price tracker CCL index rebounded to a 19-week high for the week ended 3 January. This reinforces the fact that the housing market is resilient probably due to the low borrowing cost, the sanguine investment sentiment, the mortgage relief for first-home local buyers and the prospect of scarce home supply. We expect housing price to rebound about 5% yoy in 2021.

**Malaysia:** New Guidelines. Malaysia's PM, Muhyiddin Yassin, is reportedly planning to announce new coronavirus measures today. Defense Minister said that the government is refining and renewing measures, which may include tighter guidelines for the social sector especially to reduce movement, even as it will take care of the interests of all parties. The news came as Malaysia continued to battle renewed upsurge in infections, with record high infections last week.

**Indonesia:** Time for Shots. Indonesia's president, Joko Widodo, is slated to take Indonesia's first coronavirus vaccine shot this week, on Jan 13th, in an effort to showcase the authority's confidence in the efficacy and safety of the vaccines. The government is planning to vaccinate as many as 181.5mn people - 2/3 of Indonesia's population - by March 2022. Any effort to forcefully counter the covid scourge will be welcomed by the market, especially given that the pandemic continued to spread at a considerable speed.

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**Oil:** Oil rose again on Friday, marking its fourth consecutive increase amid firming risk sentiment across global markets. Brent closed at \$55.99/bbl to clock 8% gains on the week. We continue to expect Brent to trade around the mid-50's range in the near term.

**Gold:** Gold fell 3.3% on Friday to close around the \$1850 level as expectations of increased US fiscal stimulus pressured Treasury yields higher, dimming the appeal of non-yielding gold.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly rose last Friday, with belly tenors trading 0-1bps higher while longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 19bps to 671bps. The HY-IG Index Spread widened 17bps to 521bps. There were very minimal flows in SGD corporates last Friday. 10Y UST gained 4bps to 1.12% after news that nonfarm payrolls decreased by 140,000 jobs in December, raising expectations of more stimulus spending.

**New Issues:** ZhenAn Glory Investment Ltd. (Guarantor: Zhenro Properties Group Ltd) priced a USD100mn 363-day bond at 5.35%. Guangzhou Fineland Real Estate Development Co., Ltd. has mandated banks for its proposed USD offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.098	0.30%	USD-SGD	1.3255	0.07%
USD-JPY	103.940	0.13%	EUR-SGD	1.6194	-0.38%
EUR-USD	1.222	-0.44%	JPY-SGD	1.2749	-0.08%
AUD-USD	0.776	-0.15%	GBP-SGD	1.7976	0.04%
GBP-USD	1.357	0.00%	AUD-SGD	1.0293	0.03%
USD-MYR	4.029	-0.20%	NZD-SGD	0.9599	-0.12%
USD-CNY	6.475	-0.06%	CHF-SGD	1.4967	0.00%
USD-IDR	14020	0.79%	SGD-MYR	3.0398	-0.31%
USD-VND	23067	-0.06%	SGD-CNY	4.8837	-0.01%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5550	-0.56%	O/N	0.0868	0.09%
2M	-0.3360	-0.34%	1M	0.1264	0.13%
3M	-0.5500	-0.55%	2M	0.1658	0.17%
6M	-0.5300	-0.52%	3M	0.2244	0.22%
9M	-0.1940	-0.20%	6M	0.2465	0.25%
12M	-0.5100	-0.51%	12M	0.3296	0.33%

### 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	-0.072	-3.1	0.07	0.07
04/28/2021	-0.08	-0.9	0.067	0.067
06/16/2021	-0.07	1	0.07	0.07
07/28/2021	-0.06	1	0.072	0.072
09/22/2021	-0.055	0.5	0.074	0.074

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.24	2.77%	Corn (per bushel)	4.963	0.5%
Brent (per barrel)	55.99	2.96%	Soybean (per bushel)	13.758	1.1%
Heating Oil (per gallon)	157.95	2.69%	Wheat (per bushel)	6.388	-0.5%
Gasoline (per gallon)	154.23	4.02%	Crude Palm Oil (MYR/MT)	39.970	0.7%
Natural Gas (per MMBtu)	2.70	-1.06%	Rubber (JPY/KG)	2.871	1.6%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	8131.00	-0.59%	Gold (per oz)	1849.0	-3.4%
Nickel (per mt)	17667.00	-2.44%	Silver (per oz)	25.4	-6.3%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/11/2021 08:00	AU Melbourne Institute Inflation MoM	Dec	--	0.3%	--
01/11/2021 08:00	AU Melbourne Institute Inflation YoY	Dec	--	1.4%	--
01/11/2021 08:30	AU Retail Sales MoM	Nov F	7.0%	7.0%	--
01/11/2021 09:00	PH Bank Lending YoY	Nov	--	2.2%	2.1%
01/11/2021 09:00	PH Bank Lending Net of RRP's YoY	Nov	--	1.90%	1.8%
01/11/2021 09:00	PH Money Supply M3 SRF YoY	Nov	--	11.8%	--
01/11/2021 09:30	CH CPI YoY	Dec	0.0%	-0.5%	--
01/11/2021 09:30	CH PPI YoY	Dec	-0.7%	-1.5%	--
01/11/2021 12:00	MA Industrial Production YoY	Nov	0.1%	-0.5%	--
01/11/2021 12:00	MA Manufacturing Sales Value YoY	Nov	--	2.2%	--
01/11/2021 13:30	SW SEB Swedish Housing-Price Indicator				
01/11/2021 15:00	DE CPI YoY	Dec	0.5%	0.5%	--
01/11/2021 15:00	NO CPI YoY	Dec	1.4%	0.7%	--
01/11/2021 15:00	NO CPI MoM	Dec	0.4%	-0.7%	--
01/11/2021 15:00	NO CPI Underlying YoY	Dec	3.1%	2.9%	--
01/11/2021 15:00	NO CPI Underlying MoM	Dec	-0.1%	-0.4%	--

Source: Bloomberg

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