

## Daily Treasury Outlook

12 January 2021

### Highlights

**Global:** A cautious start to the week saw risk sentiment softening, with the S&P 500 index down 0.2% and the VIX index climbing. Brent was down while Treasuries continued their selloff, with 10Y Treasury yields climbing yet again to close at 1.146%. Political uncertainty continues to grip the US, with House Democrats still keen on impeaching outgoing President Trump for the second time for inciting the violence on Capitol Hill last week. The Chamber on Tuesday is seeking to urge outgoing Vice President Mike Pence to use his congressional authority to remove the President, failing which would result in an impeachment vote on Wednesday. Meanwhile in Asia, Malaysia reinstated its movement control order (MCO) across most of the country and has banned interstate travel.

**Market watch:** Asian markets are likely to open with a cautious tone this morning, taking cues from the overnight sell off in Wall Street. Today's economic calendar comprises of Japan's eco watchers survey, and China's December money supply, new lending and FDI. BOE's Broadbent and Fed's George and Rosengren are also speaking today.

**US:** Fed's Barkin opined that US economic growth in H2 is going to be "very strong", while Bostic said that he is "open" to a potential late-2021 tapering of its current QE programme. Meanwhile, Kaplan said he was hopeful of beginning the conversation of QE tapering in late-2021. Fed officials look at odds on when tapering may begin, with Vice-Chair Clarida last Friday saying he does not expect tapering to begin this year.

**Malaysia:** Malaysia re-introduced stringent MCO restriction orders yesterday in a bid to counter ongoing uptick in coronavirus infections. Starting from midnight Wednesday, most of the country - including the capital region of KL and 5 major states including Selangor, Johor and Penang - will see activities curtailed. While five essential sectors including manufacturing and construction will remain open, interstate travel will be banned throughout the country and interdistrict movement will be curtailed in MCO areas. This comes as daily cases breached record highs last week, with counts of over 3000. Given the likely economic impact, the probability of Bank Negara cutting its OPR further, as soon as the next meeting on Jan 20, has risen.

**Oil:** Oil prices fell for the first time in five sessions, with Brent declining 0.6% to \$55.66/bbl on a firming dollar and a cautious outlook to the week. The market will be keenly watching the US STEO report tonight to see if there are any upward revisions to demand on vaccine developments.

**Gold:** Gold fell 0.3% overnight but we think it may be searching for a technical bottom at current price levels.

### Key Market Movements

Equity	Value	% chg
S&P 500	3799.6	-0.7%
DJIA	31009	-0.3%
Nikkei 225	28139	0.0%
SH Comp	3531.5	-1.1%
STI	2983.9	-0.3%
Hang Seng	27908	0.1%
KLCI	1617.3	-1.0%
	Value	% chg
DXY	90.465	0.4%
USDJPY	104.26	0.3%
EURUSD	1.2151	-0.5%
GBPUSD	1.3518	-0.4%
USIDR	14125	0.7%
USDSGD	1.3309	0.4%
SGDMYR	3.0415	0.1%
	Value	chg (bp)
3M UST	0.08	1.01
10Y UST	1.15	3.07
1Y SGS	0.32	0.00
10Y SGS	0.96	-0.15
3M LIBOR	0.22	-0.04
3M SIBOR	0.41	0.00
3M SOR	0.18	0.00
	Value	% chg
Brent	55.66	-0.6%
WTI	52.25	0.0%
Gold	1844	-0.3%
Silver	24.91	-2.0%
Palladium	2369	-0.3%
Copper	8131	0.0%
BCOM	79.49	-0.2%

Source: Bloomberg

**Daily Treasury Outlook**

12 January 2021

**Major Markets**

**US:** US equities closed in the red, led by share losses in the real estate and consumer discretionary sectors. The S&P 500 index declined 0.7% and the Nasdaq 100 Composite index closed 1.3% lower. The overnight selloff in the US equity market is likely to be a technical dip, but we think the risk rally remains intact in the near term.

**CN:** China's CPI rebounded to 0.2% yoy in December from -0.5% yoy in November. On sequential basis, CPI rose by 0.7% mom mainly driven by the rebound of food prices, which jumped by 8.5% mom after contracting for two consecutive months. In addition, the rebound of oil prices in the past few years also drove up transportation cost with fuel cost increased by 5.1% mom. However, core CPI slipped lower to 0.4% yoy, record low since China published this data. This new low of core CPI was probably the result of extreme cold winter and resurgence of virus in some parts of the country. Looking ahead, given the high base effect, we expect China's CPI to fall back to negative territory again in January and February. As such, there is no urgency for China to think about U-turn of its monetary policy in the near term.

**SG:** The STI declined 0.3% to 2983.90 yesterday, once again failing to hurdle above the 3000 level. The benchmark equity index is expected to face further selling pressure today, following the softness seen in Wall Street overnight.

**HK:** On 11 January, southbound flows under the stock connect saw the strongest inflows since record of HK\$19.49 billion and the inflows exceeded HK\$10 billion for the sixth consecutive trading day. This may be attributable to several factors including the relatively attractive valuation of Hong Kong's equity, the flushed global liquidity, and the sanguine investment sentiment amid optimism about global economic outlook. Besides, it confirms that Chinese investors have increasing needs to diversify their portfolio with offshore assets. Given the strong equity inflows and the busy IPO pipeline, HKD demand may remain solid and in turn keep the short-end rates and USDHKD spot elevated.

**Indonesia:** Indonesia has approved China's Sinovac coronavirus vaccine shots for emergency use. According to the country's food and drug regulator, the vaccine was found to be about 65% effective in late stage trials in Bandung. It added that the vaccine is "largely safe" for use, paving the way for the start of vaccination efforts to start tipping the balance in its protracted fight against coronavirus upsurge. President Jokowi is slated to take the first shot tomorrow.

## Daily Treasury Outlook

12 January 2021

### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly rose on Monday by 1-2bps across the curve. The Bloomberg Barclays Asia USD IG Bond Index average OAS was flat at 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 673bps. The HY-IG Index Spread widened 2bps to 523bps. 10Y UST gained another 3bps to 1.15% on the back of continued expectations of stimulus spending while the breakeven rates on the 10 year Treasury Inflation-Protected Securities traded at 2.07% after breaking 2.0% last week.

**New Issues:** Dafa Properties priced USD180mn of 364-day bond at 12.125%, tightening from IPT of 12.4% area. Beijing Capital priced USD400mn of 5Y bond at 4.65%. Shanghai Pudong Development Bank Co Ltd/Singapore priced a 3Y bond at a reoffer spread of +84bps, tightening from IPT of +120bps. Fujian Zhanglong Group priced USD400mn of 2Y11M bond at 3.45% while the Korea Development Bank priced a total of USD1.5bn across three tranches. PT Sri Rejeki Isman Tbk, PT Tower Bersama Infrastructure Tbk, China Huaneng Group Co. Ltd, China Cinda (HK) Holdings Company Limited, Singapore Airlines Limited and Yuexiu Property Company Limited have mandated banks to arrange for a series of fixed income investor calls which may result in proposed USD bond offerings.

## Daily Treasury Outlook

12 January 2021

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.465	0.41%	USD-SGD	1.3309	0.41%
USD-JPY	104.260	0.31%	EUR-SGD	1.6171	-0.14%
EUR-USD	1.215	-0.55%	JPY-SGD	1.2766	0.13%
AUD-USD	0.770	-0.77%	GBP-SGD	1.7989	0.07%
GBP-USD	1.352	-0.37%	AUD-SGD	1.0244	-0.48%
USD-MYR	4.053	0.59%	NZD-SGD	0.9532	-0.70%
USD-CNY	6.481	0.11%	CHF-SGD	1.4948	-0.13%
USD-IDR	14125	0.75%	SGD-MYR	3.0415	0.06%
USD-VND	23054	-0.06%	SGD-CNY	4.8685	-0.31%

## 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	-0.052	-5.2	0.077	0.077
03/17/2021	-0.083	-3.1	0.07	0.07
04/28/2021	-0.092	-0.9	0.067	0.067
06/16/2021	-0.093	-0.1	0.067	0.067
07/28/2021	-0.072	2.1	0.072	0.072
09/22/2021	-0.062	1	0.075	0.075

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.25	0.02%	Corn (per bushel)	4.923	-0.8%
Brent (per barrel)	55.66	-0.59%	Soybean (per bushel)	13.745	-0.1%
Heating Oil (per gallon)	157.35	-0.38%	Wheat (per bushel)	6.348	-0.6%
Gasoline (per gallon)	152.08	-1.39%	Crude Palm Oil (MYR/MT)	39.700	-0.7%
Natural Gas (per MMBtu)	2.75	1.74%	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)	1843.9	-0.3%
Nickel (per mt)	17667.00	-2.44%	Silver (per oz)	24.9	-2.0%

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/12/2021 07:50	JN BoP Current Account Balance	Nov	¥1552.0b	--	¥2144.7b
01/12/2021 07:50	JN Trade Balance BoP Basis	Nov	¥474.6b	--	¥971.1b
01/12/2021 07:50	JN BoP Current Account Adjusted	Nov	¥1997.8b	--	¥1983.3b
01/12/2021 07:50	JN Bank Lending Incl Trusts YoY	Dec	--	--	6.3%
01/12/2021 07:50	JN Bank Lending Ex-Trusts YoY	Dec	--	--	6.0%
01/12/2021 09:00	CH Money Supply M2 YoY	Dec	10.7%	--	10.7%
01/12/2021 09:00	CH New Yuan Loans CNY	Dec	1250.0b	--	1430.0b
01/12/2021 09:00	PH Foreign Reserves	Dec	--	--	\$104.5b
01/12/2021 09:00	CH Money Supply M1 YoY	Dec	10.2%	--	10.0%
01/12/2021 09:00	CH Money Supply M0 YoY	Dec	10.4%	--	10.3%
01/12/2021 09:00	PH Bank Lending YoY	Nov	--	--	2.2%
01/12/2021 09:00	CH Foreign Direct Investment YoY CNY	Dec	--	--	5.5%
01/12/2021 09:00	VN Domestic Vehicle Sales YoY	Dec	--	--	25.40%
01/12/2021 19:00	US NFIB Small Business Optimism	Dec	100.2	--	101.4
01/12/2021 20:00	IN Industrial Production YoY	Nov	-1.0%	--	3.6%
01/12/2021 20:00	IN CPI YoY	Dec	5.0%	--	6.9%

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)**Howie Lee***Thailand & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Seow Zhi Qi***Credit Research Analyst*[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).