

Daily Treasury Outlook

1 September 2021

Highlights

Global: Twin concerns over slowing growth momentum in both the US and China weighed on market sentiments overnight. US consumer confidence declined to a six month low of 113.8 amid the Delta variant outbreak, while China's official non-manufacturing PMI also slumped from 53.3 to 47.5 (contraction territory for the first time since February 2020) in August and heightened market speculation of more forthcoming policy support. That said, China is also considering tightening oversight of e-commerce companies over IP laws. The S&P 500 fell 0.13%, but still chalked up its 7th straight monthly gain in August, while the VIX rose to 16.48. UST bonds bear-steepened with the 10-year yield up 3bps to 1.31%, tracking the losses in the European bond market (with the German 10-year yield also up 6bps to -0.38%) after hawkish comments from ECB's Knot and Holzmann who hinted at reducing the asset purchase pace and potentially terminating the PEPP in March amid the improving inflation outlook (August inflation jumped to a decade high of 3% while core inflation also surged to 1.6% which is the highest since 2012). Meanwhile, the cash glut pushed the usage of the overnight reverse repo rate to yet another record of US\$1.19tn. Elsewhere, the Chile central bank hiked its key rate from 0.75% to 1.5% in its biggest hike in two decades amid overheating concerns. Separately, Canadian PM Trudeau's election campaign promises include increasing the tax rate on bank and insurer profits above C\$1bn from 15% to 18%.

Market watch: Asian markets may tread water today, awaiting the OPEC+ meeting and the other Asian and European manufacturing PMIs. Apart from the slew of manufacturing PMIs from Europe, UK and Asia, today's economic calendar also comprises of Australia's 2Q GDP growth, Indonesia's August CPI, S'pore's COE tender results, and US' manufacturing ISM. ECB's Weidmann and Fed's Bostic are also speaking.

US: The S&P CoreLogic home prices rose 18.6% yoy in June, the highest since the index began in 1987. However, the Conference Board's present situation and expectation gauges both slipped to 147.3 and 91.4 respectively in August, down from the revised 157.2 and 103.8 previously.

CN: China's official manufacturing PMI fell to 50.1 in August from 50.4 in July. The weakening demand for manufacturing goods was mainly attributable to three factors. First, the disruption to supply chain due to floods this summer could dampen demand. Second, the demand for high energy consumption products also weakened probably due to the impact of China's campaign to reduce carbon emission. Third, external demand softened further with new export order fell to 46.7 from 47.7. Despite weaker than expected PMI, business sentiment remained stable with business expectation remained high at 57.5, down slightly from 57.8 in July.

Oil: Oil prices fell ahead of the OPEC+ meeting today, where the bloc is expected to add a further 400kbpd to its total output. Brent declined 0.8% to \$71.63 as risk sentiment globally softened.

Key Market Movements

Equity	Value	% chg
S&P 500	4522.7	-0.1%
DJIA	35361	-0.1%
Nikkei 225	28090	1.1%
SH Comp	3543.9	0.4%
STI	3055.1	-1.5%
Hang Seng	25879	1.3%
KLCI	1601.4	0.0%
	Value	% chg
DXY	92.626	0.0%
USDJPY	110.02	0.1%
EURUSD	1.1809	0.1%
GBPUSD	1.3755	0.0%
USDIDR	14268	-0.7%
USDSGD	1.3449	-0.1%
SGDMYR	3.0887	0.0%
	Value	chg (bp)
2Y UST	0.21	0.79
10Y UST	1.31	3.03
2Y SGS	0.36	-0.30
10Y SGS	1.41	-1.95
3M LIBOR	0.12	0.00
3M SIBOR	0.43	0.00
3M SOR	0.18	0.00
3M SORA	0.13	-0.04
3M SOFR	0.04	0.04
	Value	% chg
Brent	71.63	-0.8%
WTI	68.5	-1.0%
Gold	1814	0.2%
Silver	23.89	-0.6%
Palladium	2471	-1.0%
Copper	9520	1.2%
BCOM	95.99	-0.2%

Source: Bloomberg

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Major Markets

SG: The STI fell 1.52% to close at 3055.05 yesterday, as market sentiments softened in the wake of the Chinese PMI data and as investors awaited the changes to the MSCI quarterly index review. SGS bond yields fell around 2bps yesterday but may unwind amid the overnight sell-off in UST and European bond markets due to hawkish ECB comments.

HK: Retail sales increased by 2.9% yoy in July, far below expectations and 20.8% lower compared to July 2019. This reinforces the fact that the frozen inbound tourism and the ongoing social distancing measures have together kept the retail sector far away from the pre-pandemic levels. However, the muted growth may be partially attributable to the households' preference to delay spending in the run-up to the launch of e-consumption vouchers from 1 August. If this is the case, retail sales may have rebounded in August. The faster-than-expected decline in unemployment rate may have lent some support as well. Still, since border reopening looks unlikely in 3Q while the latest retail sales have surprised to the downside during June and July, we cut our retail sales growth forecast in 2021 from about 15% yoy to about 11% yoy, assuming partial border reopening in 4Q 2021.

Malaysia: Malaysia's Finance Ministry released its 2022 pre-budget document yesterday on the country's 64th Independence Day. As part of a drive to improve Malaysia's budget transparency, the document comes ahead of the tabling of the 2022 budget in the parliament that is scheduled to take place on Oct 29th. It noted that the 2021 fiscal deficit is expected to go up from the 5.4% of GDP that was originally expected to 6.5-7.0% due to the various additional stimulus outlays because of the pandemic resurgence. The document also noted the need to increase the statutory debt limit – now at 60% of GDP – “to provide additional fiscal space in strengthening the domestic economy and ensuring a sustainable recovery.”

Indonesia: Indonesia's Finance Ministry sold IDR21tn of bonds yesterday, meeting its target. Incoming bids came at IDR116.1tn, the highest since Feb 2020, according to Bloomberg data. Foreign investors are said to have accounted for 19.18% of total incoming bids and 20.87% of total awarded bids. The auction is watched as a gauge of market appetite for Indonesia's sovereign bonds after the recent extension of debt monetization by the central bank. Its overall high bid-to-cover ratio and lower issuance outlay should be indicative of a broadly sanguine market response.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with shorter tenors trading 1-3bps lower, belly tenors trading 3-5bps lower, and longer tenors trading 3-4bps lower. There were heavy flows in SGD Corporates yesterday, with flows in HRINTH 3.8%'25s, MAPLSP 3.7%-PERPs, and OLAMSP 5.375%-PERPs. UST 10Y Yields rose 3bps to close at 1.31% yesterday amidst hawkish comments from several ECB officials following a decade-high Eurozone inflation reading and the June S&P/Case-Shiller Home Price Index showing a record high for home prices in the US.

New Issues: QUAN CHENG FINANCIAL HOLDINGS (BVI) LTD (Guarantor: JINAN FINANCIAL HOLDING GROUP CO., LTD.) priced a USD278mn 3-year senior unsecured bond at 3.8%, tightening from an IPT of 4.2% area. Sun Hung Kai & Co BVI Ltd (Guarantor: Sun Hung Kai & Co., an unrated alternative investment company) priced a USD375mn 5-year senior unsecured bond at 5%, tightening from an IPT of 5.35% area. Chongqing International Logistics Hub Park Construction Co Ltd priced a USD155mn 3-year senior unsecured bond at 5.3%. Kaisa Group Holdings Ltd priced a USD300mn 364-Day senior sustainability bond at 11%. AIA Group Limited has arranged investor calls commencing 31 August for its proposed USD bond offering. Aozora Bank, Ltd has arranged investor calls commencing 31 August for its proposed USD bond offering. ACEN Finance Limited has arranged investor calls commencing 31 August for its proposed USD bond offering. Zensun Enterprises Limited has mandated banks for its proposed USD bond offering. Changchun Urban Development & Investment Holdings has arranged investor calls commencing 31 August for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.626	-0.03%	USD-SGD	1.3449	-0.05%
USD-JPY	110.020	0.09%	EUR-SGD	1.5882	0.06%
EUR-USD	1.181	0.10%	JPY-SGD	1.2225	-0.13%
AUD-USD	0.732	0.27%	GBP-SGD	1.8498	-0.08%
GBP-USD	1.376	-0.04%	AUD-SGD	0.9837	0.20%
USD-MYR	4.155	-0.85%	NZD-SGD	0.9478	0.66%
USD-CNY	6.461	-0.09%	CHF-SGD	1.4694	0.16%
USD-IDR	14268	-0.71%	SGD-MYR	3.0887	-0.03%
USD-VND	22784	0.02%	SGD-CNY	4.8037	-0.13%

Equity and Commodity

Index	Value	Net change
DJIA	35,360.73	-39.11
S&P	4,522.68	-6.11
Nasdaq	15,259.24	-6.65
Nikkei 225	28,089.54	300.25
STI	3,055.05	-47.06
KLCI	1,601.38	11.22
JCI	6,150.30	5.40
Baltic Dry	3,833.00	176.00
VIX	16.48	0.29

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (--)	0.22 (--)
5Y	0.79 (-0.02)	0.78 (+0.01)
10Y	1.41 (-0.02)	1.24 (+0.03)
15Y	1.67 (-0.02)	--
20Y	1.84 (-0.01)	--
30Y	1.84 (-0.02)	1.87 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.007	0.077	0.077
11/03/2021	-0.007	0.077	0.077
12/15/2021	0.003	0.08	0.08
01/26/2022	0.013	0.082	0.082
03/16/2022	0.013	0.082	0.082
05/04/2022	0.036	0.088	0.088

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.50	-1.03%	Corn (per bushel)	5.340	-1.2%
Brent (per barrel)	72.99	-0.57%	Soybean (per bushel)	12.988	-0.5%
Heating Oil (per gallon)	213.10	-0.43%	Wheat (per bushel)	7.068	-0.3%
Gasoline (per gallon)	228.26	-1.30%	Crude Palm Oil (MYR/MT)	45.000	-1.3%
Natural Gas (per MMBtu)	4.38	1.67%	Rubber (JPY/KG)	1.948	-0.1%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9520.00	1.17%	Gold (per oz)	1813.6	0.2%
Nickel (per mt)	19547.00	2.82%	Silver (per oz)	23.9	-0.6%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/01/2021 08:00	SK	Exports YoY	Aug	34.00%	--	29.60%	29.60%
09/01/2021 08:30	JN	Jibun Bank Japan PMI Mfg	Aug F	--	--	52.40	--
09/01/2021 08:30	ID	Markit Indonesia PMI Mfg	Aug	--	--	40.10	--
09/01/2021 08:30	SK	Markit South Korea PMI Mfg	Aug	--	--	53.00	--
09/01/2021 08:30	VN	Markit Vietnam PMI Mfg	Aug	--	--	45.10	--
09/01/2021 09:30	AU	GDP SA QoQ	2Q	0.40%	--	1.80%	--
09/01/2021 09:45	CH	Caixin China PMI Mfg	Aug	50.10	--	50.30	--
09/01/2021 12:00	ID	CPI YoY	Aug	1.60%	--	1.52%	--
09/01/2021 14:00	UK	Nationwide House PX MoM	Aug	0.10%	--	-0.50%	--
09/01/2021 15:55	GE	Markit/BME Germany Manufacturing PMI	Aug F	62.70	--	62.70	--
09/01/2021 16:00	EC	Markit Eurozone Manufacturing PMI	Aug F	61.50	--	61.50	--
09/01/2021 16:30	UK	Markit UK PMI Manufacturing SA	Aug F	60.10	--	60.10	--
09/01/2021 19:00	US	MBA Mortgage Applications	Aug-27	--	--	1.60%	--
09/01/2021 21:30	CA	Markit Canada Manufacturing PMI	Aug	--	--	56.20	--
09/01/2021 21:45	US	Markit US Manufacturing PMI	Aug F	61.20	--	61.20	--
09/01/2021 22:00	US	ISM Manufacturing	Aug	58.50	--	59.50	--

Source: Bloomberg

Treasury Research & Strategy

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