

Daily Treasury Outlook

2 June 2021

Highlights

Global: Strong US manufacturing ISM data of 61.2 in May buoyed market sentiments briefly, but concerns of supply shortages and labour constraints returned. The S&P500 still closed down 0.05% while VIX rose to 17.90. UST bonds bear-steepened in a choppy session overnight with the 10-year bond yield up 2bps to 1.62%. Demand for the Fed's overnight reverse repo facility also fell for the second straight session to US\$448b, but the effective fed funds rate slipped to 0.05% (lowest since April) which lent to market debate about the Fed needing to tweak its tools. Meanwhile, South Korea reported core inflation rose 1.5% yoy in May, adding to market speculation of a BOK hawkish tilt. Elsewhere, OPEC+ recommended hiking July output as expected and anticipated that stockpiles would slide rapidly in 2H21.

Market watch: Asian markets may trade sideways today. Today's economic calendar comprises of Australia's 1Q GDP growth, Indonesia's May CPI, Germany and UK's CPI, S'pore's COE tender results, manufacturing and electronics PMI, and US' mortgage applications. Fed's Harker, Evans, Bostic and Kaplan, ECB's Villeroy, Elderson, Weidman and Lagarde are also speaking.

US: Fed's Brainard opined that prices have "moved somewhat higher", but "my expectation for the contour of inflation...remains broadly unchanged", while Kashkari echoed to say that high inflation is not "here to stay".

AU: RBA kept its cash rate static at 0.1% as widely expected with no change to its economic assessment. Market speculation now turns to the 6 July meeting where discussion may revolve around the extension of the 3-year yield target of 0.1% and/or to taper its bond purchase program.

EU: The Eurozone's headline and core inflation accelerated to 2% and 0.9% respectively. Meanwhile, the EU will raise about \$100b in long-term bonds in later this month and EU-bills from September to finance its landmark stimulus program.

SG: The May manufacturing and electronics PMIs may consolidate around the April readings of 50.9 and 50.7, but the key is whether supply chain shortages have pushed up input costs and affected deliveries.

Key Market Movements

Equity	Value	% chg
S&P 500	4202.0	0.0%
DJIA	34575	0.1%
Nikkei 225	28814	-0.2%
SH Comp	3624.7	0.3%
STI	3187.2	0.7%
Hang Seng	29468	1.1%
KLCI	1585.9	0.1%
	Value	% chg
DXY	89.831	0.0%
USDJPY	109.48	-0.1%
EURUSD	1.2213	-0.1%
GBPUSD	1.4150	-0.4%
USDIDR	14280	0.0%
USDSGD	1.3224	0.1%
SGDMYR	3.1229	-0.1%
	Value	chg (bp)
2Y UST	0.15	0.59
10Y UST	1.61	1.19
2Y SGS	0.35	0.40
10Y SGS	1.50	1.81
3M LIBOR	0.13	0.00
3M SIBOR	0.44	0.00
3M SOR	0.23	0.00
3M SORA	0.17	-0.12
3M SOFR	0.01	-0.05
	Value	% chg
Brent	70.25	1.3%
WTI	67.72	2.1%
Gold	1900	-0.3%
Silver	27.89	-0.5%
Palladium	2864	1.2%
Copper	10245	-0.1%
BCOM	94.14	1.4%

Source: Bloomberg

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Major Markets

US: US equities slipped last night in a choppy session despite the solid ISM manufacturing print which came in stronger than expected at 61.2 in May. The S&P 500 Index fell 0.05% and the Nasdaq 100 Composite Index declined 0.09%. 10Y UST bond yields rose 1.19bps to close at 1.61%. for the day ahead, markets are likely to stay volatile as investors continue to focus on US economic data for further market cues.

CN: China's Vice Minister of Industry and Information technology said yesterday that the ministry will step up commodity price monitoring and work together with other agencies to address the challenges facing the SMEs due to the recent hike in commodity prices.

SG: The STI rebounded 0.73% to close at 3187.23 yesterday, but may range trade today awaiting more catalysts. SGS bonds may face some bear-steepening pressure leads from the UST bond market today as well.

HK: Retail sales growth surprised on the downside at 12.1% yoy in April, partially due to the easing low base effect. Zooming in, the retail outlets like supermarkets that thrived during stay-at-home period last year might have lost some momentum due to the resumption of economic activities. On the other hand, retail outlets like clothing, footwear and allied products have regained traction thanks to the rebound in local consumption amid receded local epidemic and relaxation of social distancing measures. We expect retail sales to stabilize in the next two months on the back of well-contained local epidemic and improvement in labor market while showing stronger recovery in 2H given e-consumption vouchers and the expected border reopening. If this is the case, we expect retail sales will grow by 10%-15% this year.

Malaysia: Malaysia's Finance Minister Tengku Zafrul Abdul Aziz said that the government is still calculating the impact of the latest MCO restrictions. He added, however, that "there will be a revision that is required given the closure of some major economic sectors." Because of the change in GDP forecast, there will be an impact on the fiscal deficit ratio, as well, he said, adding that the government may have to borrow more to fund the Pemerkasa Plus plan, with other options including saving on expenditure and use dividends or income from the government ecosystem, including statutory bodies and state-linked companies.

Indonesia: Indonesia's Finance Minister, Sri Mulyani Indrawati, said that the government will stick to its pledge of narrowing the budget deficit target to less than 3% of GDP by 2023, despite pandemic uncertainties. She said that the deficit is projected to come down from 5.7% this year, to 4.5-4.85% next year, before going to 2.71% in 2023.

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Oil: Brent finally broke above the \$70 handle yesterday, closing at \$70.25 although it rose to as high as \$71.34. The rise in prices came after OPEC+ signaled a tight supply balance in its latest meeting. We expect the upward trend in oil prices to continue.

Gold: Gold fell below \$1900 overnight despite rising to \$1916.64 in the day. A third day of gold closing above \$1900 would have affirmed its continued bullishness but its close below said level suggests there is still some hesitancy among gold bulls.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday by 1-3bps across the tenors. There were heavy flows SGD corporates yesterday including in STSP 3.3%-PERPs, MINTSP 3.15%-PERPs, LREIT 4.2%-PERPs, CAPLSP 2.9%'32s, KITSP 4.75%-PERPs, OLAMSP 4%'26s, ESRCA 5.65%-PERPs, CATHAY 3.375%'23s, STANLN 5.375%-PERPs, OUECT 3.95%'26s and HSBC 4.7%-PERPs. UST 10Y Yields gained 1bps to 1.61% as economic data continues to show signs of inflationary pressure in the economy. The ISM Manufacturing PMI registered 61.2 in May, up from 60.7 in April, signalling expansion in the overall economy.

New Issues: China State Construction Finance Cayman I Ltd (Guarantor: China State Construction International Holdings Limited) priced a USD500mn PerpNC5 at 3.4%, tightening from IPT of 3.75% area. China Hongqiao Group Ltd (Guarantor: China Hongqiao Investment Limited, Hongqiao Investment (Hong Kong) Limited, Hongqiao (HK) International Trading Limited) priced a USD500mn 3-year senior unsecured bond at 6.25%, tightening from IPT of 6.6% area. Zhenro Properties Group Ltd priced a USD340mn 3.25NC2.25 senior note at 7.4%, tightening from IPT of 7.8% area. Korea Development Bank Singapore branch priced a USD100mn 5-year senior unsecured bond at 3-month US Libor + 25bps. Keppel Infrastructure Trust priced a SGD300mn PerpNC10 at 4.3%, tightening from IPG of 4.55% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.831	0.00%	USD-SGD	1.3224	0.05%
USD-JPY	109.480	-0.09%	EUR-SGD	1.6150	-0.07%
EUR-USD	1.221	-0.11%	JPY-SGD	1.2084	0.22%
AUD-USD	0.775	0.26%	GBP-SGD	1.8710	-0.39%
GBP-USD	1.415	-0.44%	AUD-SGD	1.0255	0.31%
USD-MYR	4.127	0.03%	NZD-SGD	0.9601	-0.04%
USD-CNY	6.381	0.17%	CHF-SGD	1.4743	0.29%
USD-IDR	14280	-0.04%	SGD-MYR	3.1229	-0.05%
USD-VND	23046	-0.01%	SGD-CNY	4.8292	0.16%

Equity and Commodity

Index	Value	Net change
DJIA	34,575.31	45.86
S&P	4,202.04	-2.07
Nasdaq	13,736.48	-12.26
Nikkei 225	28,814.34	-45.74
STI	3,187.23	22.95
KLCI	1,585.90	2.35
JCI	5,947.46	98.85
Baltic Dry	2,596.00	-92.00
VIX	17.90	1.14

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.56%	O/N	0.0611	0.06%
2M	-0.3360	-0.34%	1M	0.0859	0.09%
3M	-0.5430	-0.54%	2M	0.1173	0.12%
6M	-0.5120	-0.51%	3M	0.1314	0.13%
9M	-0.1940	-0.20%	6M	0.1710	0.17%
12M	-0.4810	-0.48%	12M	0.2481	0.25%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.35 (--)	0.14(--)
5Y	0.87 (+0.01)	0.8(--)
10Y	1.5 (+0.02)	1.59 (+0.01)
15Y	1.83 (+0.02)	--
20Y	1.85 (+0.02)	--
30Y	1.88 (+0.02)	2.28(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.103	0.082	0.082
07/28/2021	0.103	0.082	0.082
09/22/2021	0.103	0.082	0.082
11/03/2021	0.103	0.082	0.082
12/15/2021	0.084	0.078	0.078
01/26/2022	0.103	0.082	0.082

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.89	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.72	2.11%	Corn (per bushel)	6.888	4.9%
Brent (per barrel)	70.25	1.34%	Soybean (per bushel)	15.485	1.2%
Heating Oil (per gallon)	207.15	1.32%	Wheat (per bushel)	6.935	4.5%
Gasoline (per gallon)	217.04	1.41%	Crude Palm Oil (MYR/MT)	40.180	-0.1%
Natural Gas (per MMBtu)	3.10	3.95%	Rubber (JPY/KG)	2.438	-1.7%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10245.00	-0.13%	Gold (per oz)	1900.4	-0.3%
Nickel (per mt)	18130.00	0.09%	Silver (per oz)	27.9	-0.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/02/2021 07:00	SK	CPI YoY	May	2.60%	--	2.30%	--
06/02/2021 07:00	SK	CPI MoM	May	0.10%	--	0.20%	--
06/02/2021 07:50	JN	Monetary Base YoY	May	--	--	24.30%	--
06/02/2021 08:30	ID	Markit Indonesia PMI Mfg	May	--	--	54.6	--
06/02/2021 09:30	AU	GDP SA QoQ	1Q	1.50%	--	3.10%	--
06/02/2021 09:30	AU	GDP YoY	1Q	0.60%	--	-1.10%	--
06/02/2021 12:00	ID	CPI YoY	May	1.67%	--	1.42%	--
06/02/2021 14:00	GE	Retail Sales MoM	Apr	-2.30%	--	7.70%	--
06/02/2021 14:00	GE	Retail Sales NSA YoY	Apr	10.10%	--	11.00%	--
06/02/2021 16:00	SI	Automobile COE Open Bid Cat A	Jun-02	--	--	41801	--
06/02/2021 16:00	SI	Automobile COE Open Bid Cat B	Jun-02	--	--	58089	--
06/02/2021 16:30	UK	Mortgage Approvals	Apr	81.0k	--	82.7k	--
06/02/2021 16:30	UK	Money Supply M4 MoM	Apr	--	--	0.60%	--
06/02/2021 19:00	US	MBA Mortgage Applications	May-28	--	--	-4.20%	--
06/02/2021 20:30	CA	Building Permits MoM	Apr	-5.00%	--	5.70%	--
06/02/2021 21:00	SI	Purchasing Managers Index	May	51.0	--	50.9	--

Source: Bloomberg

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