

Daily Treasury Outlook

2 September 2021

Highlights

Global: US ADP employment figures for August came in surprisingly low at 374k, way below expectations of 625k and increasing the odds that this Friday's US nonfarm payrolls figure may also disappoint. In tandem, we now expect a US nonfarm payroll figure this Friday of only 525k, 200k lesser than the median expectation on Bloomberg. A better-than-expected US August ISM manufacturing PMI helped to cushion the blow from the ADP figure yesterday, however, which may have resulted in the relatively muted movements across major asset classes yesterday. The US PMI performance also reflects the continued divergence in economic recovery between DMs and EMs. European PMIs are hovering around 60, but many Asian PMIs continue to post contractionary values while China's PMI on Tuesday surprised to the downside. Overnight, the S&P 500 index was virtually unchanged, as were gold prices. 10Y Treasury fell 1.5bp to 1.294%, but otherwise may continue to hug close to the 1.30% level until Friday's jobs report. We expect markets to continue their consolidation amid low volatility until tomorrow's US jobs report.

Market watch: Asian markets may tread cautiously today, following mixed data from the US overnight. Today's economic calendar comprises of South Korean GDP and CPI, AU and US trade balance, US initial jobless claims, US durable goods and US factory orders. Fed officials Bostic and Daly are also speaking today.

US: US ADP change for August disappointed at 374k, much lesser than expectations of 625k. This was similar to last month's poor reading of 326k, although July's nonfarm payrolls eventually surprised to the upside. Separately, US ISM PMI for August came in better than expected at 59.9, a rebound from last month's 59.5.

Oil: Similar to US equities and gold, oil was virtually unchanged on the day, with Brent falling less than 0.1% to close at \$71.59. OPEC+ increased its supply by 400k bpd beginning October, which was as planned and largely expected by the oil market. This explains the little change in prices on the day despite Brent seeing some intraday volatility. Oil is likely to take its next cue from tomorrow's US jobs report. Hurricane Kate is now downgraded to tropical depression and is not expected to have the same impact on the oil market as Hurricane Ida did.

Gold: Gold was virtually unchanged on the day, rising a mere 0.02% to close at \$1813.90. The last three days saw little intraday volatility in gold price movements and the precious metal has traded cleanly above the \$1800 level in the same period. We expect this trend to continue until tomorrow's jobs report. A strong US nonfarm payroll may send gold back below the \$1800 handle.

Key Market Movements

| Equity | Value | % chg |
|------------|--------|----------|
| S&P 500 | 4524.1 | 0.0% |
| DJIA | 35313 | -0.1% |
| Nikkei 225 | 28451 | 1.3% |
| SH Comp | 3567.1 | 0.7% |
| STI | 3087.8 | 1.1% |
| Hang Seng | 26028 | 0.6% |
| KLCI | 1586.9 | -0.9% |
| | Value | % chg |
| DXY | 92.449 | -0.2% |
| USDJPY | 110.01 | 0.0% |
| EURUSD | 1.1839 | 0.3% |
| GBPUSD | 1.3770 | 0.1% |
| USDIDR | 14283 | 0.1% |
| USDSGD | 1.3446 | 0.0% |
| SGDMYR | 3.0838 | -0.2% |
| | Value | chg (bp) |
| 2Y UST | 0.21 | 0.01 |
| 10Y UST | 1.29 | -1.52 |
| 2Y SGS | 0.36 | -0.20 |
| 10Y SGS | 1.42 | 1.51 |
| 3M LIBOR | 0.12 | -0.03 |
| 3M SIBOR | 0.43 | 0.00 |
| 3M SOR | 0.19 | 0.00 |
| 3M SORA | 0.13 | 0.08 |
| 3M SOFR | 0.04 | 0.04 |
| | Value | % chg |
| Brent | 71.59 | -0.1% |
| WTI | 68.59 | 0.1% |
| Gold | 1814 | 0.0% |
| Silver | 24.14 | 1.0% |
| Palladium | 2446 | -1.0% |
| Copper | 9336 | -1.9% |
| BCOM | 96.07 | 0.1% |

Source: Bloomberg

Daily Treasury Outlook

2 September 2021

Major Markets

SG: The STI gained 1.1% yesterday but may open softer today, following mixed signals from Wall Street and a dip in this morning's Kospi open. The index is also likely to consolidate across today and tomorrow as it awaits the US jobs report on Friday.

CN: China's State Council pledged more support for SMEs as quota for relending will be increased by CNY300 billion. Meanwhile, the State Council called for leverage on local government special bond to boost effective investment.

HK: RMB deposits dropped by 0.05% mom to RMB820.8 billion in July. This is in line with the signs of tight liquidity condition during the month, probably due to the concentrated tax payments of Chinese companies, record high southbound equity outflows under stock connects and continuous net inflows to onshore bond market. On a positive note, southbound equity outflows moderated in August. Besides, the PBoC has cut RRR to reduce the funding costs of SMEs and has injected liquidity via open market operation to meet short-term liquidity demand. This helps to improve onshore and offshore RMB liquidity. Going forward, we expect RMB deposits to rebound and have further upside should new investment connect schemes be launched and prompted net inflows to Hong Kong.

Macau: Gaming revenue grew by 234% yoy but plunged by 47.4% mom to MOP4.44 billion in July, the weakest since last September. The plunge in gaming revenue was mainly attributable to the rebound in local Covid-19 cases and China's Delta variant outbreaks. On a positive note, both local and Chinese epidemic has been brought under control and the travel restrictions on Mainland visitors have been relaxed gradually. This may support a rebound in the gaming sector. However, given the lingering pandemic uncertainty and China's crackdown on overseas gambling, the road to recovery may remain bumpy for the gaming sector. Due to the very slow recovery of the gaming sector, we further cut our 2021 gaming revenue growth forecast from about 90% yoy to about 70% yoy.

Malaysia: Malaysia's economics minister, Datuk Seri Mustapa Mohamed said that PM Ismail Sabri will be tabling the 12th Malaysian Plan (12MP) in parliament on Sep 27. He added that the tabling of the 12MP together with the 2022 budget will be the key economic focus for the next 100 days. He noted that the key issues to be covered under the 12MP include bridging the development gap between various parts of the country.

Indonesia: Indonesia reported August inflation data which came broadly in line with market expectation. Headline print came in at 1.59% while the core inflation at 1.31% yoy, broadly signalling subdued price pressures given the recent softness in economic momentum. Elsewhere, August manufacturing PMI came in at 43.7, staying within contractionary territory although marking an improvement from the 40.1 reading of the previous month.

Daily Treasury Outlook

2 September 2021

Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday, with shorter tenors trading 1bps higher, and belly and longer tenors trading 1-2bps higher. There were light flows in SGD Corporates yesterday, with flows in MAPLSP 3.7%-PERPs. UST 10Y Yields fell 2bps to 1.29% yesterday amidst lower-than-expected jobs data numbers released by HR firm ADP. Private payrolls increased by 374,000, significantly lower than Dow Jones' estimate of 600,000, and comes ahead of Friday's August non-farm payrolls release.

New Issues: State Grid Overseas Investment (BVI) (Guarantor: State Grid Corp of China) priced a USD600mn 5-year senior unsecured bond at T+45bps, tightening from an IPT of T+90bps area. Axis Bank Ltd/Gift City priced a USD600mn perpNC5 subordinated unsecured AT1 sustainability bond at 4.1%, tightening from an IPT of 4.4% area. Adani Green Energy Ltd. priced a USD750mn 3-year senior secured green bond at 4.375%, tightening from an IPT of 4.7% area. ACEN Finance Limited (Guarantor: AC Energy Corp) priced a USD400mn perpNC3.5 senior unsecured green bond at 4%, tightening from an IPT of 4.45% area. Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings Group Co Ltd) priced a USD230mn 3-year senior unsecured bond at 4.3%, tightening from an IPT of 4.6% area. Lai Sun MTN Ltd (Guarantor: LAI SUN DEV) priced a USD250mn re-tap of its LASUDE 5%'26s at 4.999%. Contemporary Amperex Technology Co. has arranged investor calls commencing 01 September for its proposed USD bond offering.

Daily Treasury Outlook

2 September 2021

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 92.449 | -0.19% | USD-SGD | 1.3446 | -0.02% |
| USD-JPY | 110.010 | -0.01% | EUR-SGD | 1.5918 | 0.23% |
| EUR-USD | 1.184 | 0.25% | JPY-SGD | 1.2221 | -0.03% |
| AUD-USD | 0.737 | 0.68% | GBP-SGD | 1.8515 | 0.09% |
| GBP-USD | 1.377 | 0.11% | AUD-SGD | 0.9904 | 0.68% |
| USD-MYR | 4.154 | -0.02% | NZD-SGD | 0.9508 | 0.32% |
| USD-CNY | 6.460 | -0.01% | CHF-SGD | 1.4687 | -0.05% |
| USD-IDR | 14283 | 0.11% | SGD-MYR | 3.0838 | -0.16% |
| USD-VND | 22764 | -0.09% | SGD-CNY | 4.8061 | 0.05% |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 35,312.53 | -48.20 |
| S&P | 4,524.09 | 1.41 |
| Nasdaq | 15,309.38 | 50.14 |
| Nikkei 225 | 28,451.02 | 361.48 |
| STI | 3,087.84 | 32.79 |
| KLCI | 1,586.89 | -14.49 |
| JCI | 6,090.93 | -59.37 |
| Baltic Dry | 3,833.00 | 176.00 |
| VIX | 16.11 | -0.37 |

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 | 0.8 (+0.01) | 0.77(--) |
| 10Y | 1.42 (+0.02) | 1.24 (-0.02) |
| 15Y | 1.69 (+0.02) | -- |
| 20Y | 1.85 (+0.02) | -- |
| 30Y | 1.85 (+0.02) | 1.87 (-0.02) |

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 |
|------|------|

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 68.59 | 0.13% | Corn (per bushel) | 5.228 | -2.1% |
| Brent (per barrel) | 71.59 | -1.92% | Soybean (per bushel) | 12.778 | -1.6% |
| Heating Oil (per gallon) | 212.89 | -0.10% | Wheat (per bushel) | 7.143 | 1.1% |
| Gasoline (per gallon) | 211.09 | -7.52% | Crude Palm Oil (MYR/MT) | 42.990 | -4.5% |
| Natural Gas (per MMBtu) | 4.62 | 5.44% | Rubber (JPY/KG) | 1.963 | 0.8% |

Base Metals

| | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|----------|--------|-----------------|---------|-------|
| Copper (per mt) | 9335.50 | -1.94% | Gold (per oz) | 1813.9 | 0.0% |
| Nickel (per mt) | 19332.00 | -1.10% | Silver (per oz) | 24.1 | 1.0% |

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|----------------------------|--------|-----------|--------|-----------|---------|
| 09/02/2021 07:00 | SK | GDP YoY | 2Q F | 5.90% | 6.00% | 5.90% | -- |
| 09/02/2021 07:00 | SK | CPI YoY | Aug | 2.40% | 2.60% | 2.60% | -- |
| 09/02/2021 07:00 | SK | GDP SA QoQ | 2Q F | 0.70% | 0.80% | 0.70% | -- |
| 09/02/2021 07:00 | SK | CPI MoM | Aug | 0.40% | 0.60% | 0.20% | -- |
| 09/02/2021 07:50 | JN | Monetary Base YoY | Aug | -- | 14.90% | 15.40% | -- |
| 09/02/2021 09:30 | AU | Trade Balance | Jul | A\$10000m | -- | A\$10496m | -- |
| 09/02/2021 20:30 | US | Trade Balance | Jul | -\$70.9b | -- | -\$75.7b | -- |
| 09/02/2021 20:30 | CA | Building Permits MoM | Jul | 1.50% | -- | 6.90% | -- |
| 09/02/2021 20:30 | US | Continuing Claims | Aug-21 | 2808k | -- | 2862k | -- |
| 09/02/2021 20:30 | CA | Int'l Merchandise Trade | Jul | 1.70b | -- | 3.20b | -- |
| 09/02/2021 20:30 | US | Initial Jobless Claims | Aug-28 | 345k | -- | 353k | -- |
| 09/02/2021 21:00 | SI | Purchasing Managers Index | Aug | 50.90 | -- | 51.00 | -- |
| 09/02/2021 21:45 | US | Larger Consumer Comfort | Aug-29 | -- | -- | 57.20 | -- |
| 09/02/2021 22:00 | US | Durable Goods Orders | Jul F | -0.10% | -- | -0.10% | -- |
| 09/02/2021 22:00 | US | Factory Orders | Jul | 0.30% | -- | 1.50% | -- |
| 09/02/2021 22:00 | US | Durables Ex Transportation | Jul F | 0.70% | -- | 0.70% | -- |

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Herbert Wong***Hong Kong & Macau*herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@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. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

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).

Co.Reg.no.:193200032W