

## Daily Treasury Outlook

2 November 2021

### Highlights

**Global:** Global risk sentiments remained buoyant overnight with the S&P 500 up 0.18% to a new high and the Dow Jones Industrial Average hitting 36,000 for the first time amid earnings optimism as more than 80% of companies that have reported so far have topped analyst estimates. Advancers included Tesla while VIX rose to 16.41. UST bonds slipped ahead of the FOMC meeting, with the 10-year yield was little changed at 1.56%. Meanwhile, China's manufacturing Caixin PMI rose to a four-month high of 50.6 in October as new orders rose and power shortages eased. Elsewhere, with the kickoff for the COP26 climate talks, India who is the third largest emitter has committed to net-zero emissions by 2070.

**Market watch:** Asian markets look to open on a firm tone this morning. Investors are awaiting the RBA policy decision later today where they may drop its 0.1% YCC target for the 3-year bond maturing April 2024. Today's economic data calendar comprises of HK retail sales and manufacturing PMIs from Europe and S'pore. RBA's Debelle, ECB's Enria, de Cos and Elderson, and UK chancellor Sunak are also speaking today. Pfizer, BP, Maersk, Prudential and Samsung SDI are also reporting results today.

**US:** Democratic senator Joe Manchin said he needs more time to assess the US\$1.75tn package, thus dashing hopes for a quick passage. The US' manufacturing ISM fell from 61.1 to 60.8 amid supply chain disruptions in October, with the prices paid gauge accelerating to 85.7 and the new orders gauge falling to 59.8. Meanwhile construction spending also unexpectedly declined by 0.5% in September.

**CN:** China's Caixin PMI rebounded unexpectedly to 50.6 in October from 50 in September. The divergence between official PMI and Caixin PMI was mainly due to new orders. Caixin reported the rebound of domestic demand while official PMI painted a softening domestic demand. The discrepancy could be the result of different geographic coverage as the outbreak of delta variant in China remains sporadic.

**SG:** The manufacturing and electronics PMIs may show some softening from the September readings of 50.8 and 51.2 respectively, given the rising costs, supply chain disruptions and China's slowdown themes.

**Oil:** Brent rose almost a dollar to \$84.71 yesterday. Prices are likely to remain capped by the \$85 resistance level from now until the OPEC+ meeting on Thursday, where there is a growing possibility of the oil bloc adding more supply due to the current high prices.

**Gold:** Gold added 0.6% yesterday but is unlikely to close above the \$1800 level until the FOMC meeting concludes on Wednesday (Thursday morning SGT).

### Key Market Movements

Equity	Value	% chg
S&P 500	4613.7	0.2%
DJIA	35914	0.3%
Nikkei 225	29647	2.6%
SH Comp	3544.5	-0.1%
STI	3219.1	0.7%
Hang Seng	25154	-0.9%
KLCI	1530.9	-2.0%
	Value	% chg
DXY	93.879	-0.3%
USDJPY	114	0.0%
EURUSD	1.1606	0.4%
GBPUSD	1.3665	-0.1%
USDIDR	14248	0.6%
USDSGD	1.3485	0.0%
SGDMYR	3.0723	-0.2%
	Value	chg (bp)
2Y UST	0.50	0.22
10Y UST	1.56	0.36
2Y SGS	0.91	2.30
10Y SGS	1.85	0.47
3M LIBOR	0.13	0.06
3M SIBOR	0.44	0.00
3M SOR	0.28	0.00
3M SORA	0.16	-0.02
3M SOFR	0.05	0.00
	Value	% chg
Brent	84.71	1.2%
WTI	84.05	0.6%
Gold	1793	0.6%
Silver	24.04	0.6%
Palladium	2057	2.6%
Copper	9555	0.6%
BCOM	103.64	0.3%

Source: Bloomberg

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### Major Markets

**SG:** The STI added 0.65% to close at 3219.05 yesterday and may extend gains today amid bullish market sentiments. SGS bonds are likely to take a backseat for now ahead of the key central bank meetings due this week.

**HK:** 3Q21 GDP grew at 5.4% yoy (vs 7.6% yoy in 2Q), below expectation due to weak performance of tourism industry. On private consumption, expenditure rose 7% yoy, suggesting continuous improving labour market with the help of e-consumption voucher scheme which boosted the local economic activities. In a nutshell, we tipped our 2021 GDP forecast at 6% yoy in 2021 based on an assumption of uneven economic recovery.

**Macau:** Following a sharp drop in inbound visitors, Macau's gaming revenue fell 25.8% mom or 40% yoy to 4.37bn MOP, the worst month of 2021. Sequentially, total gaming revenue dropped 24.2% QoQ in Q3 21, with the lingering effects of pandemic uncertainty, tighter government oversight and the latest containment measures which added uncertainty to the overall industry activities. As a result, we downgrade our full year 2021 GGR growth estimate to roughly 30% yoy, highlighted the big changes in Macau as a key Asia gaming hub and the tourism outlook.

**Malaysia:** Malaysia's manufacturing PMI for October improved to a reading of 52.2 from 48.1 the month before, marking the first time it has crossed into the expansionary zone of above 50 since May 2021. It reflects the improvement in broader sentiment as the country recovers from its pandemic resurgence.

**Indonesia:** Indonesia's October Manufacturing PMI surged to 57.2 from 52.2 earlier, as the country continues to post an improving outlook from its recent pandemic-driven slump. Separately, the October inflation came well within market expectation at 1.66%, signalling that inflation remains well anchored in the economy.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded mostly higher yesterday, with shorter tenors trading 0-4bps higher, belly tenors trading 2-3bps higher, and longer tenors (with the exception of the 15-year trading 2bps lower) trading 1-4bps higher. There were mostly light flows in SGD corporates yesterday. UST 10Y Yields traded sideways at 1.56% yesterday amidst a slightly higher-than-expected October manufacturing index reading released by the Institute for Supply Management. The ISM manufacturing index came in at 60.8, slightly higher than the 60.3 number forecasted by economists. Separately, markets will be focused on the two-day FOMC meeting set to begin today, with the US central bank expected to announce the tapering of its USD120 billion asset purchase program.

**New Issues:** YCIC International HK Co Ltd (Guarantor: Yunnan Communications Investment & Construction Group Co Ltd) priced a USD100mn 5-year senior unsecured bond at 3.8%. PT Plaza Indonesia Investama has arranged investor calls commencing 01 November for its proposed USD bond offering. PT Medco Energi Internasional Tbk has arranged investor calls commencing 01 November for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.879	-0.26%	USD-SGD	1.3485	-0.02%
USD-JPY	114.000	0.04%	EUR-SGD	1.5651	0.36%
EUR-USD	1.161	0.42%	JPY-SGD	1.1821	-0.08%
AUD-USD	0.753	0.11%	GBP-SGD	1.8428	-0.17%
GBP-USD	1.367	-0.12%	AUD-SGD	1.0146	0.04%
USD-MYR	4.152	0.27%	NZD-SGD	0.9684	0.08%
USD-CNY	6.398	-0.12%	CHF-SGD	1.4822	0.61%
USD-IDR	14248	0.56%	SGD-MYR	3.0723	-0.21%
USD-VND	22753	0.00%	SGD-CNY	4.7435	-0.06%

### Equity and Commodity

Index	Value	Net change
DJIA	35,913.84	94.28
S&P	4,613.67	8.29
Nasdaq	15,595.92	97.53
Nikkei 225	29,647.08	754.39
STI	3,219.05	20.88
KLCI	1,530.92	-31.39
JCI	6,552.89	-38.46
Baltic Dry	3,630.00	-178.00
VIX	16.41	0.15

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.56%	O/N	0.0695	0.07%
2M	-0.3360	-0.34%	1M	0.0870	0.09%
3M	-0.5560	-0.55%	2M	0.1008	0.10%
6M	-0.5360	-0.53%	3M	0.1286	0.14%
9M	-0.1940	-0.20%	6M	0.1796	0.18%
12M	-0.4730	-0.47%	12M	0.3323	0.32%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.91 (+0.02)	0.48(--)
5Y	1.46 (--)	1.18 (-0.01)
10Y	1.85 (--)	1.56(--)
15Y	2.14 (+0.01)	--
20Y	2.18 (--)	--
30Y	2.11 (-0.01)	1.96 (+0.02)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.012	0.076	0.076
12/15/2021	-0.008	0.077	0.077
01/26/2022	0.044	0.09	0.09
03/16/2022	0.191	0.127	0.127
05/04/2022	0.366	0.171	0.171
06/15/2022	0.753	0.267	0.267

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	105.00	(--)
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)	84.05	0.57%	Corn (per bushel)	5.790	1.9%
Brent (per barrel)	84.71	0.39%	Soybean (per bushel)	12.368	0.1%
Heating Oil (per gallon)	250.31	0.27%	Wheat (per bushel)	7.973	3.2%
Gasoline (per gallon)	240.93	-2.14%	Crude Palm Oil (MYR/MT)	53.960	-0.1%
Natural Gas (per MMBtu)	5.19	-4.42%	Rubber (JPY/KG)	2.172	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9555.00	0.62%	Gold (per oz)	1793.3	0.6%
Nickel (per mt)	19702.00	1.31%	Silver (per oz)	24.0	0.6%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/02/2021 06:30	AU	ANZ Consumer Confidence Index	Oct-31	--	108.40	106.80	--
11/02/2021 07:00	SK	CPI YoY	Oct	3.30%	3.20%	2.50%	--
11/02/2021 07:00	SK	CPI MoM	Oct	0.20%	0.10%	0.50%	--
11/02/2021 07:00	SK	CPI Core YoY	Oct	2.60%	2.80%	1.90%	--
11/02/2021 07:50	JN	Monetary Base YoY	Oct	--	9.90%	11.70%	--
11/02/2021 07:50	JN	Monetary Base End of period	Oct	--	¥664.0t	¥663.5t	--
11/02/2021 11:03	US	Wards Total Vehicle Sales	Oct	12.50m	--	12.18m	--
11/02/2021 11:30	AU	RBA Cash Rate Target	Nov-02	0.10%	--	0.10%	--
11/02/2021 16:30	HK	Retail Sales Value YoY	Sep	11.90%	--	11.90%	--
11/02/2021 16:30	HK	Retail Sales Volume YoY	Sep	10.80%	--	10.60%	--
11/02/2021 16:55	GE	Markit/BME Germany Manufacturing PMI	Oct F	58.20	--	58.20	--
11/02/2021 17:00	EC	Markit Eurozone Manufacturing PMI	Oct F	58.50	--	58.50	--
11/02/2021 20:30	CA	Building Permits MoM	Sep	3.00%	--	-2.10%	--
11/02/2021 21:00	SI	Purchasing Managers Index	Oct	50.70	--	50.80	--
11/02/2021 21:00	SI	Electronics Sector Index	Oct	--	--	51.20	--
11/02/2021 05:45	NZ	Building Permits MoM	Sep	--	-1.90%	3.80%	--

Source: Bloomberg

## Treasury Research & Strategy

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