

Daily Treasury Outlook

3 June 2021

Highlights

Global: Fed's Harker opined that it may be time to at least think about thinking about tapering even though we should do so carefully and methodically as the economy continues to strengthen. The Fed's Beige Book also flagged that the US economy expanded at a "somewhat faster rate" in early April to late May, and "looking forward contacts anticipate facing cost increases and charging higher prices". The Fed also announced that it would start to sell down its US\$137bn of corporate bonds and ETF portfolio in an orderly fashion by year-end but the size may not move the market significantly. The S&P500 edged up 0.1% overnight, aided by meme stocks, while VIX slipped to 17.48. UST bonds reacted to the Fed's Beige Book report and Harker's comments, but the 10-year bond yield still closed down 2bps at 1.59%.

Market watch: Asian markets may trade with a mixed tone today, as traders digest the potential Fed taper intentions going forward and awaited Friday's US labour market report for more clarity. Today's economic calendar comprises of the services and composite PMIs from Asia (including China's Caixin), Europe and the UK, as well as US' initial jobless claims, ADP employment change and services ISM. Fed's Bostic, Harker and Quarles and BOE governor Bailey are also speaking.

US: The Biden administration will amend a Trump ban on investments to companies linked to China's military to create a blacklist of companies operating in defence and surveillance technology sectors.

SG: The manufacturing and electronics PMI edged down to 50.7 and 50.4 in May, but marked the 11th and 10th straight month in expansion territory.

Malaysia: Malaysia reported 126 Covid-19 facilities yesterday, the highest ever daily count since the start of the pandemic. The report came as the country entered the second-day of nationwide full MCO restrictions, and another uptick in daily case counts to 7703. Separately, the authorities have also announced that 13 localities in Penang will be placed under Enhanced MCO for two weeks due to significant increase in cases. The EMCO measure would ban all residents within the area from exiting their homes altogether during the period.

CN: China's Vice Premier Liu He's virtual meeting with US Treasury Secretary Janet Yellen on Wednesday, the second meeting with US top economic officials in less than a week, offered some hopes for normalization of bilateral trade relationship. Market will watch out for the revised companies list linked to China's military, which may face increasing scrutiny from the US Treasury.

Oil: Another solid day of gains for oil, which saw Brent rising 1.6% to \$71.35. This is on the back of OPEC+ suggesting that the oil market's supply balance may be tighter than expected two days ago. We expect the upward trend in oil to continue.

Key Market Movements

Equity	Value	% chg
S&P 500	4208.1	0.1%
DJIA	34600	0.1%
Nikkei 225	28946	0.5%
SH Comp	3597.1	-0.8%
STI	3161.0	-0.8%
Hang Seng	29298	-0.6%
KLCI	1597.9	0.8%
	Value	% chg
DXY	89.909	0.1%
USDJPY	109.56	0.1%
EURUSD	1.2211	0.0%
GBPUSD	1.4171	0.1%
USDIDR	14280	0.0%
USDSGD	1.3225	0.0%
SGDMYR	3.1167	-0.2%
	Value	chg (bp)
2Y UST	0.14	-0.20
10Y UST	1.59	-1.87
2Y SGS	0.36	0.40
10Y SGS	1.50	0.41
3M LIBOR	0.13	-0.29
3M SIBOR	0.44	0.00
3M SOR	0.24	0.00
3M SORA	0.17	0.06
3M SOFR	0.01	-0.03
	Value	% chg
Brent	71.35	1.6%
WTI	68.83	1.6%
Gold	1908	0.4%
Silver	28.17	1.0%
Palladium	2859	-0.2%
Copper	10148	-1.0%
BCOM	94.45	0.3%

Source: Bloomberg

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Major Markets

US: US equities ticked higher on Wednesday despite Fed official Harker's call to begin taper talks. The S&P 500 index and the Nasdaq 100 Composite index both rose 0.14%. 10Y UST bond yield slipped 1.87bps to close at 1.59%. Investors will look forward to tomorrow's US nonfarm payrolls report release, where the median consensus is for a 650k jobs gain.

SG: The STI declined 0.82% to close at 3161.04 yesterday and may consolidate sideways today amid unconvincing cues from Wall Street overnight. SGS bonds may stay supported for now.

HK: Housing price increased by 3.5% yoy in April to the highest since July 2019, just 1.5% away from all-time high. Housing transaction volume also grew consecutively for one year and was up by 18% yoy to 7084 deals. More notably, new home launch in Tai Wai has been oversubscribed by over 47 times lately. Taken all together, it points to solid local demand probably due to the well-contained local epidemic, the improvement in labor market, a low-rate environment, the narrowed decline of housing rent and the eased cash flow pressure of small businessmen. On the supply side, the supply crunch remains intact as housing completions and housing starts decreased by 36.2% yoy and 88.8% yoy respectively during 1Q. Moving into the rest of this year, we do not rule out the possibility of housing price refreshing record high should any further relaxation of containment measures allow local housing demand to strength and bring back external demand.

Indonesia: Indonesia reported CPI headline inflation of 1.68% yoy in May, broadly in line with market expectation. Core inflation, which strips out the volatile items such as food and energy, came in at 1.37%, marking the first monthly increment in yoy print since March 2020. The upticks, however, are unlikely to awaken market concerns about inflation in Indonesia, given the base effect.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly traded lower yesterday. Shorter tenors traded 0-1bps lower while belly and longer tenors traded ~1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 139bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 611bps. The HY-IG Index Spread tightened 5bps to 473bps. There were heavy flows in SGD corporates yesterday including in STSP 3.3%-PERPs, LREIT 4.2%-PERPs, MINTSP 3.15%-PERPs, STTGDC 3.13%'28s, OLAMSP 5.375%-PERPs, SPHSP 4%-PERPs and OLAMSP 4%'26s. UST 10Y Yields fell 2bps to 1.59% as investors await for more clarity in the form of economic data amidst Philadelphia Fed President Patrick Harker's comment where he said that it was time to consider the time frame for scaling back on the Fed's asset purchase program.

New Issues: Perusahaan Penerbit SBSN Indonesia III priced a USD1.25bn 5-year bond at 1.5%, tightening from IPT of 1.9% area, a USD1.0bn 10-year bond at 2.55%, tightening from IPT of 3% area, and a USD750mn 30-year bond at 3.55%, tightening from IPT of 4% area. PT Indofood CBP Sukses Makmur Tbk priced a USD1.15bn 10-year senior unsecured bond at T+180bps, tightening from IPT of T+225bps area, and a USD600mn 30-year senior unsecured bond at T+245bps, tightening from IPT of T+280bps area. Skyfame International Holdings Ltd (Guarantor: Skyfame Realty) priced a USD100mn re-tap of its SKYFAM 13%'23s at 13%. SMC Global Power Holdings Corp priced a USD600mn PerpNC5.5 at 5.45%, tightening from IPT of 5.875% area. E-House China Enterprise Holdings Ltd priced a USD100mn re-tap of its EHOUSE 7.6%'23s at 7.5%, tightening from IPT of 7.75% area. Shinhan Card Co.,Ltd. priced a USD300mn 5-year senior unsecured bond at T+70bps. Sembcorp Financial Services Pte. Ltd. priced a SGD400mn 10-year bond at 2.45%, tightening from IPG of 2.65% area. Industrial Bank Co., Ltd. has arranged investor calls commencing 2 June for its proposed USD green bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.909	0.09%	USD-SGD	1.3225	0.01%
USD-JPY	109.560	0.07%	EUR-SGD	1.6149	-0.01%
EUR-USD	1.221	-0.02%	JPY-SGD	1.2071	-0.11%
AUD-USD	0.775	0.00%	GBP-SGD	1.8740	0.16%
GBP-USD	1.417	0.15%	AUD-SGD	1.0253	-0.02%
USD-MYR	4.125	-0.05%	NZD-SGD	0.9571	-0.31%
USD-CNY	6.381	0.00%	CHF-SGD	1.4729	-0.09%
USD-IDR	14280	0.00%	SGD-MYR	3.1167	-0.20%
USD-VND	23047	0.00%	SGD-CNY	4.8252	-0.08%

Equity and Commodity

Index	Value	Net change
DJIA	34,600.38	25.07
S&P	4,208.12	6.08
Nasdaq	13,756.33	19.85
Nikkei 225	28,946.14	131.80
STI	3,161.04	-26.19
KLCI	1,597.94	12.04
JCI	6,031.58	84.12
Baltic Dry	2,568.00	-28.00
VIX	17.48	-0.42

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5600	-0.56%	O/N	0.0543	0.06%
2M	-0.3360	-0.34%	1M	0.0888	0.09%
3M	-0.5450	-0.54%	2M	0.1169	0.12%
6M	-0.5170	-0.51%	3M	0.1285	0.13%
9M	-0.1940	-0.20%	6M	0.1749	0.17%
12M	-0.4870	-0.48%	12M	0.2469	0.25%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (--)	0.14 (--)
5Y	0.87 (--)	0.79 (-0.01)
10Y	1.5 (--)	1.59 (-0.02)
15Y	1.84 (+0.01)	--
20Y	1.86 (--)	--
30Y	1.88 (--)	2.27 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.062	0.077	0.077
07/28/2021	0.084	0.082	0.082
09/22/2021	0.084	0.082	0.082
11/03/2021	0.084	0.082	0.082
12/15/2021	0.084	0.082	0.082
01/26/2022	0.084	0.082	0.082

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.10	(--)
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)	68.83	1.64%	Corn (per bushel)	6.750	-2.0%
Brent (per barrel)	71.35	1.57%	Soybean (per bushel)	15.625	0.9%
Heating Oil (per gallon)	210.71	1.72%	Wheat (per bushel)	6.875	-0.9%
Gasoline (per gallon)	219.41	1.09%	Crude Palm Oil (MYR/MT)	41.660	3.7%
Natural Gas (per MMBtu)	3.08	-0.93%	Rubber (JPY/KG)	2.360	-3.2%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10147.50	-0.95%	Gold (per oz)	1908.4	0.4%
Nickel (per mt)	18236.00	0.58%	Silver (per oz)	28.2	1.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/03/2021 08:30	HK	Markit Hong Kong PMI	May	--	--	50.3	--
06/03/2021 09:30	AU	Retail Sales MoM	Apr F	1.10%	--	1.10%	--
06/03/2021 09:30	AU	Trade Balance	Apr	A\$8250m	--	A\$5574m	--
06/03/2021 09:45	CH	Caixin China PMI Services	May	56.2	--	56.3	--
06/03/2021 13:00	IN	Markit India PMI Composite	May	--	--	55.4	--
06/03/2021 13:00	IN	Markit India PMI Services	May	--	--	54	--
06/03/2021 15:55	GE	Markit Germany Services PMI	May F	52.8	--	52.8	--
06/03/2021 15:55	GE	Markit/BME Germany Composite PMI	May F	56.2	--	56.2	--
06/03/2021 16:00	EC	Markit Eurozone Composite PMI	May F	56.9	--	56.9	--
06/03/2021 16:00	EC	Markit Eurozone Services PMI	May F	55.1	--	55.1	--
06/03/2021 16:30	UK	Markit/CIPS UK Services PMI	May F	61.8	--	61.8	--
06/03/2021 16:30	UK	Markit/CIPS UK Composite PMI	May F	62.0	--	62.0	--
06/03/2021 20:15	US	ADP Employment Change	May	650k	--	742k	--
06/03/2021 20:30	US	Initial Jobless Claims	May-29	395k	--	406k	--
06/03/2021 21:45	US	Markit US Composite PMI	May F	--	--	68.1	--
06/03/2021 22:00	US	ISM Services Index	May	63.0	--	62.7	--

Source: Bloomberg

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