

Daily Treasury Outlook

3 September 2021

Highlights

Global: A series of positive US economic data helped propel the S&P 500 index to a new record high overnight. The benchmark US equity index closed 0.3% at a fresh high of 4536.95. US initial jobless claims last week fell to a new pandemic low of 340k, extending a downward trend that has largely persisted since July. US factory orders in July also beat expectations at 0.4% mom, as did core durable goods in the same period at 0.8% mom. 10Y Treasury yields slid 1bp to close at 1.2834%. All eyes will be on tonight's US nonfarm payroll figure, where we are expecting a 525k print for the month of August.

Market watch: Asian markets may tread cautiously today as markets await the US jobs report tonight. Apart from the slew of composite and service PMIs that will be reported today from the US, China, Hong Kong, Germany, Eurozone and UK, today's economic calendar also comprises of Singapore retail sales, US unemployment rate, US nonfarm payrolls and the US ISM Services Index. The BOJ will be undergoing its 1-3 years, 3-5 years and 10-25 years outright bond purchases today. Fed officials Bostic and Daly are also speaking today.

US: US initial jobless claims fell to 340k last week, beating expectations of a 345k decline. Meanwhile core factory orders and durable goods orders also surprised to the upside, rising 0.8% mom each to beat expectations of 0.5% mom and 0.7% mom respectively.

CN: China pledged its open-up policies and sustainable development goals in the opening of the 2021 China International Trade Fair for Trade in Services. President Xi announced China will implement a negative list for cross-border service trade. Meanwhile, China also committed to share development opportunities of the services trade with all countries. In addition, President Xi also announced to set up a new stock exchange Beijing Stock Exchange to serve innovation-oriented SMEs.

SG: We expect retail sales in July to have dipped 0.3% yoy. The contraction is likely a result of the restriction measures as well as a decline in motor vehicle sales.

Oil: Oil prices rose overnight, with Brent adding 2.0%, on a combination of risk-on sentiment as well as lingering production curtailment over the effects of Hurricane Ida.

Key Market Movements

Equity	Value	% chg
S&P 500	4537.0	0.3%
DJIA	35444	0.4%
Nikkei 225	28544	0.3%
SH Comp	3597.0	0.8%
STI	3088.8	0.0%
Hang Seng	26090	0.2%
KLCI	1582.2	-0.3%
	Value	% chg
DXY	92.225	-0.2%
USDJPY	109.94	-0.1%
EURUSD	1.1875	0.3%
GBPUSD	1.3833	0.5%
USDIDR	14273	-0.1%
USDSGD	1.3424	-0.2%
SGDMYR	3.0956	0.4%
	Value	chg (bp)
2Y UST	0.21	-0.38
10Y UST	1.28	-1.01
2Y SGS	0.35	-1.00
10Y SGS	1.40	-2.28
3M LIBOR	0.12	-0.08
3M SIBOR	0.43	0.00
3M SOR	0.18	0.00
3M SORA	0.13	0.01
3M SOFR	0.04	0.04
	Value	% chg
Brent	73.03	2.0%
WTI	69.99	2.0%
Gold	1810	-0.2%
Silver	23.91	-1.0%
Palladium	2408	-1.5%
Copper	9377	0.4%
BCOM	96.71	0.7%

Source: Bloomberg

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Major Markets

SG: The STI rose less than 0.1% yesterday and is likely to trade cautious today ahead of tonight's all-important US jobs report.

Malaysia: PM Ismail Sabri said that the government has set up a special committee on pandemic management that will include members of the opposition. He added that the initiative is in line with the spirit of the 'Malaysian Family' that he outlined before. He noted that yesterday was the first time that the national infectivity rate has fallen below 1.0 since late June, signalling a potential turn in the fight against the pandemic resurgence. He remarked that all states are projected to reach a vaccination level of 80% by the end of September.

Indonesia: Bank Indonesia released a new rule on macroprudential inclusive financing to boost loans disbursement toward micro-SMEs. Under the new rule, commercial and shariah lenders would have to gradually ramp up their financing ratios, starting from at least 20% of total loans in 2022 to 30% by 2024. The central bank added that lenders can disburse the loans through several schemes including direct lending, supply chain financing or purchase of securities. A penalty of up to IDR5bn will be set for lenders that fail to meet the ratios.

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Bond Market Updates

Market Commentary: Shorter tenors traded 1bps higher, belly tenors traded 0-1bps lower, and longer tenors traded 0-1bps higher yesterday across the SGD swap curve. There were heavy flows in SGD Corporates yesterday, with flows in AAREIT 5.375%-PERPs, MAPLSP 3.7%-PERPs, STANLN 5.375%-PERPs, and UOBSP 2.55%-PERPs. 10Y UST Yields traded 1bps lower to 1.28% yesterday amidst the release of better-than-expected weekly initial jobless claims by the US Department of Labour. Jobless claims came in at 340,000, lower than the consensus of 345,000 forecasted by economists and was the lowest since the start of the pandemic.

New Issues: Maldives Sukuk Issuance Ltd priced a USD200mn re-tap of its MVMOFB 9.875%'26s at 10.5%. China Development Bank Hong Kong Branch priced a USD500mn 3-year senior unsecured green bond at T+23bps, tightening from an IPT of T+60bps area. Contemporary Ruiding Development Ltd (Guarantor: Contemporary Amperex Technology Co) priced a USD500mn 5-year senior unsecured bond at T+85bps, tightening from an IPT of T+125bps area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.225	-0.24%	USD-SGD	1.3424	-0.16%
USD-JPY	109.940	-0.06%	EUR-SGD	1.5942	0.15%
EUR-USD	1.188	0.30%	JPY-SGD	1.2211	-0.08%
AUD-USD	0.740	0.46%	GBP-SGD	1.8570	0.30%
GBP-USD	1.383	0.46%	AUD-SGD	0.9935	0.31%
USD-MYR	4.159	0.10%	NZD-SGD	0.9545	0.39%
USD-CNY	6.457	-0.05%	CHF-SGD	1.4683	-0.03%
USD-IDR	14273	-0.07%	SGD-MYR	3.0956	0.38%
USD-VND	22764	-0.09%	SGD-CNY	4.8081	0.04%

Equity and Commodity

Index	Value	Net change
DJIA	35,443.82	131.29
S&P	4,536.95	12.86
Nasdaq	15,331.18	21.80
Nikkei 225	28,543.51	92.49
STI	3,088.84	1.00
KLCI	1,582.19	-4.70
JCI	6,078.23	-12.70
Baltic Dry	3,833.00	176.00
VIX	16.41	0.30

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	0.35 (-0.01)	0.22(--)
5Y	0.78 (-0.02)	0.76 (-0.01)
10Y	1.4 (-0.02)	1.24 (-0.01)
15Y	1.68 (-0.02)	--
20Y	1.84 (-0.02)	--
30Y	1.84 (-0.01)	1.87 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.034	0.072	0.072
11/03/2021	-0.012	0.078	0.078
12/15/2021	-0.017	0.077	0.077
01/26/2022	0.006	0.082	0.082
03/16/2022	0.006	0.082	0.082
05/04/2022	0.006	0.082	0.082

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)	69.99	2.04%	Corn (per bushel)	5.255	0.5%
Brent (per barrel)	73.03	2.01%	Soybean (per bushel)	12.833	0.4%
Heating Oil (per gallon)	216.77	1.82%	Wheat (per bushel)	7.170	0.4%
Gasoline (per gallon)	216.35	2.49%	Crude Palm Oil (MYR/MT)	43.580	1.4%
Natural Gas (per MMBtu)	4.64	0.56%	Rubber (JPY/KG)	1.970	0.4%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9376.50	0.44%	Gold (per oz)	1809.7	-0.2%
Nickel (per mt)	19464.00	0.68%	Silver (per oz)	23.9	-1.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/03/2021 08:30	JN	Jibun Bank Japan PMI Composite	Aug F	--	--	45.90	--
09/03/2021 09:45	CH	Caixin China PMI Composite	Aug	--	--	53.10	--
09/03/2021 08:30	HK	Markit Hong Kong PMI	Aug	--	--	51.30	--
09/03/2021 09:45	CH	Caixin China PMI Services	Aug	52.00	--	54.90	--
09/03/2021 13:00	SI	Retail Sales YoY	Jul	0.30%	--	25.80%	--
09/03/2021 15:30	TH	Foreign Reserves	Aug-27	--	--	\$242.8b	--
09/03/2021 15:55	GE	Markit Germany Services PMI	Aug F	61.50	--	61.50	--
09/03/2021 15:55	GE	Markit/BME Germany Composite PMI	Aug F	60.60	--	60.60	--
09/03/2021 16:00	EC	Markit Eurozone Composite PMI	Aug F	59.50	--	59.50	--
09/03/2021 16:00	EC	Markit Eurozone Services PMI	Aug F	59.70	--	59.70	--
09/03/2021 16:30	UK	Markit/CIPS UK Services PMI	Aug F	55.50	--	55.50	--
09/03/2021 16:30	UK	Markit/CIPS UK Composite PMI	Aug F	55.30	--	55.30	--
09/03/2021 20:30	US	Unemployment Rate	Aug	5.20%	--	5.40%	--
09/03/2021 20:30	US	Change in Nonfarm Payrolls	Aug	725k	--	943k	--
09/03/2021 21:45	US	Markit US Composite PMI	Aug F	--	--	55.40	--
09/03/2021 22:00	US	ISM Services Index	Aug	61.70	--	64.10	--

Source: Bloomberg

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