

Daily Treasury Outlook

3 November 2021

Highlights

Global: Markets would be keenly anticipating the FOMC meeting tonight, when the Fed is almost certain to announce its tapering plans. The timing of when the tapering begins and the pace would be the key focus in tonight's announcement. 10Y Treasury yields hovered close to the 1.55% level for the third day running, while the Treasury yield curve steepened marginally. The S&P 500 index inched higher to clock a new record high, although a more aggressive than expected pace of tapering announced tonight may see US equities undergo a shallow correction in the near term. Separately, the RBA cooled expectations of near-term rate hike possibilities in yesterday's meeting, suggesting that the normalization of its rate cycle may only come in 2023 or later.

Market watch: Asian markets may open cautiously ahead of tonight's FOMC meeting. Today's economic calendar comprises several releases for the US. This includes US MBA mortgage applications, durable goods orders, ADP unemployment change, factory orders and the ISM service index. China, Indonesia, Hong Kong and the UK will also be releasing PMI data today. New Zealand unemployment came in at 3.4%, lower than market expectations of 3.9% for 3Q2021. Bank Negara Malaysia will be announcing its MPC decision today, markets expect the Overnight Policy Rate to be held unchanged at 1.75%. ECB's Elderson, Lagarde, Centeno, Muller, de Cos, Villeroy will be speaking today. RBA's Debelle will also be speaking today.

US: The FOMC is almost certain to announce plans for its tapering tonight. Key to watch is the timing of tapering (either immediately or beginning December), and the pace of tapering (\$15bn/month across eight months our base case). Calendar-based guidance on its first-rate hike, although welcomed, will more than likely be absent.

CN: China's Premier Li Keqiang reiterated that China should support smaller companies via the policy combinations of tax and fee reductions. Meanwhile, he said China will also guide financial institutions to lower the interest rate to support the real economy. In addition, China's Ministry of Commerce clarified yesterday that the notices to recommended household to stock up daily necessities and emergency supplies in winter is nothing to do with geopolitical issues.

Oil: Oil closed almost unchanged yesterday, rising just a cent to close a fraction higher than the prior day. The oil market is understandably cautious given the OPEC+ meeting tomorrow as well as the FOMC meeting tonight. We expect Brent to continue hovering around \$80-\$85 in the near term.

Nat gas: Asian LNG closed below \$30/mmbtu for the first time in more than a month yesterday but is still more than twice the traded price seen at the end of Q2.

Key Market Movements

Equity	Value	% chg
S&P 500	4630.7	0.4%
DJIA	36053	0.4%
Nikkei 225	29521	-0.4%
SH Comp	3505.6	-1.1%
STI	3232.4	0.4%
Hang Seng	25100	-0.2%
KLCI	1537.6	0.4%
	Value	% chg
DXY	94.090	0.2%
USDJPY	113.96	0.0%
EURUSD	1.1579	-0.2%
GBPUSD	1.3612	-0.4%
USDIDR	14253	0.0%
USDSGD	1.3491	0.0%
SGDMYR	3.0777	0.2%
	Value	chg (bp)
2Y UST	0.45	-4.93
10Y UST	1.55	-0.69
2Y SGS	0.87	-3.70
10Y SGS	1.83	-1.83
3M LIBOR	0.14	0.86
3M SIBOR	0.44	0.00
3M SOR	0.28	0.00
3M SORA	0.15	-0.09
3M SOFR	0.05	0.00
	Value	% chg
Brent	84.72	0.0%
WTI	83.91	-0.2%
Gold	1788	-0.3%
Silver	23.54	-2.1%
Palladium	2014	-2.1%
Copper	9555	0.0%
BCOM	104.22	0.6%

Source: Bloomberg

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Major Markets

SG: MAS managing director Ravi Menon remarked that “the balance of risk has shifted toward inflation” and that the central bank is “ready to act” if prices escalate more than anticipated. Menon also flagged the risk of short-term supply-side disruptions being entrenched into longer term inflation expectations.

The STI added 0.4% yesterday to close at 3232.37 but may trade cautious today ahead of the FOMC tonight and tomorrow’s market holiday.

HK: Hong Kong’s retail sales up 7.3% yoy in September, missing expectation amid the fading effect from the first batch of consumption vouchers in August. Still, sales rose 8 percent for the first nine months of 2021 in the comparison to the same period in 2020. Zooming in, the sale value of consumer durable goods (+29.16% yoy), alcoholic beverages and tobacco (+13.83% yoy), jewellery, clocks and watches and valuable gifts (+16.19% yoy) all increased, supported by the improving virus control and labour market outlook together with the consumption voucher scheme, which may continue to lend support in the near term. However, clothing, footwear and allied product (-4.2% yoy) and commodities in department stores (-11.6% yoy) continued to plunge amid the frozen inbound tourism. Going forward, the retail sector’s performance may be divided to mixed until the reopen of border as most of the categories remained far below their pre- pandemic level.

Malaysia: Bank Negara Malaysia is due to announce its MPC decision today, the last one for the year. We expect the central bank to keep its Overnight Policy Rate unchanged at 1.75%, given the recent improvement in economic momentum after the pandemic bout has receded.

Indonesia: Indonesia’s Finance Ministry said that the government has met its IDR4tn indicative target for the Sharia-compliant bond auction yesterday. Incoming bids were robust at a total of IDR48.69tn. The instruments consisted of Islamic bonds and T-bills.

Gold: Gold tumbled 0.3% yesterday to close at \$1787.76. Its price movements continue to be largely range-bound from \$1700-\$1800. A more hawkish than expected FOMC announcement tonight might send gold towards the lower end of this range.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday mostly by 4-5bps (with the exception of the 1Y at 3bps lower). There were heavy flows in SGD corporates yesterday, with flows in MLTSP 3.725%-PERPs, UOBSP 2.55%-PERPs, and STSP 3.3%-PERPs. UST 10Y Yields traded 1bps lower to 1.55% yesterday amidst the start of the FOMC meeting, with Fed Chairman Jerome Powell expected to announce later on 3 November (US time) the tapering of the central bank's USD120 billion monthly bond purchase program.

New Issues: Amipeace Ltd (Guarantor: Bank of China Ltd/Macau) priced a USD600mn 5-year senior unsecured green bond at T+75bps, tightening from an IPT of T+115bps area. Jinan City Construction Group Limited Company has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.090	0.22%	USD-SGD	1.3491	0.04%
USD-JPY	113.960	-0.04%	EUR-SGD	1.5620	-0.20%
EUR-USD	1.158	-0.23%	JPY-SGD	1.1834	0.11%
AUD-USD	0.743	-1.29%	GBP-SGD	1.8364	-0.35%
GBP-USD	1.361	-0.39%	AUD-SGD	1.0023	-1.21%
USD-MYR	4.149	-0.07%	NZD-SGD	0.9592	-0.95%
USD-CNY	6.400	0.04%	CHF-SGD	1.4749	-0.49%
USD-IDR	14253	0.04%	SGD-MYR	3.0777	0.18%
USD-VND	22744	-0.04%	SGD-CNY	4.7483	0.10%

Equity and Commodity

Index	Value	Net change
DJIA	36,052.63	138.79
S&P	4,630.65	16.98
Nasdaq	15,649.60	53.68
Nikkei 225	29,520.90	-126.18
STI	3,232.37	13.32
KLCI	1,537.63	6.71
JCI	6,493.28	-59.61
Baltic Dry	3,630.00	-178.00
VIX	16.03	-0.38

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	0.87 (-0.04)	0.48(--)
5Y	1.42 (-0.04)	1.15 (-0.03)
10Y	1.83 (-0.02)	1.56 (-0.01)
15Y	2.11 (-0.03)	--
20Y	2.15 (-0.03)	--
30Y	2.09 (-0.03)	1.96(--)

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	-0.005	0.078	0.078
01/26/2022	0.014	0.082	0.082
03/16/2022	0.136	0.113	0.113
05/04/2022	0.295	0.153	0.153
06/15/2022	0.617	0.233	0.233

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	35.36	--
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)	83.91	-0.17%	Corn (per bushel)	5.730	-1.0%
Brent (per barrel)	84.72	0.01%	Soybean (per bushel)	12.440	0.6%
Heating Oil (per gallon)	250.82	0.20%	Wheat (per bushel)	7.915	-0.7%
Gasoline (per gallon)	245.01	1.69%	Crude Palm Oil (MYR/MT)	54.000	0.1%
Natural Gas (per MMBtu)	5.54	6.86%	Rubber (JPY/KG)	2.146	-1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9555.00	0.62%	Gold (per oz)	1787.8	-0.3%
Nickel (per mt)	19702.00	1.31%	Silver (per oz)	23.5	-2.1%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/03/2021 05:45	NZ Unemployment Rate	3Q 3.90%	3.40%	4.00%	--
11/03/2021 05:45	NZ Employment Change QoQ	3Q 0.40%	2.00%	1.00%	1.10%
11/03/2021 08:30	AU Building Approvals MoM	Sep -2.00%	--	6.80%	--
11/03/2021 08:30	HK Markit Hong Kong PMI	Oct --	--	51.70	--
11/03/2021 09:45	CH Caixin China PMI Services	Oct 53.10	--	53.40	--
11/03/2021 09:45	CH Caixin China PMI Composite	Oct --	--	51.40	--
11/03/2021 15:00	MA BNM Overnight Policy Rate	Nov-03 1.75%	--	1.75%	--
11/03/2021 15:00	UK Nationwide House PX MoM	Oct 0.30%	--	0.10%	--
11/03/2021 15:00	UK Nationwide House Px NSA YoY	Oct 9.20%	--	10.00%	--
11/03/2021 17:30	UK Markit/CIPS UK Services PMI	Oct F 58.00	--	58.00	--
11/03/2021 19:00	US MBA Mortgage Applications	Oct-29 --	--	0.30%	--
11/03/2021 20:15	US ADP Employment Change	Oct 400k	--	568k	--
11/03/2021 22:00	US Durable Goods Orders	Sep F -0.40%	--	-0.40%	--
11/03/2021 22:00	US Factory Orders	Sep 0.10%	--	1.20%	--
11/03/2021 22:00	US ISM Services Index	Oct 62.00	--	61.90	--
11/03/2021 22:00	US Durables Ex Transportation	Sep F 0.40%	--	0.40%	--

Source: Bloomberg

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