Daily Treasury Outlook

4 October 2021

Highlights

Global: Global risk sentiments improved on Friday, with the S&P 500 climbing 1.15%, led by cyclical stocks including financial, energy and industrials, amid improved consumer sentiments and personal spending data. UST bonds also gained on Friday, with the 10-years bond yield staying below the 1.5% handle. Meanwhile, demand for the reverse repo facility fell from a record US$1.605tn to US$1.386tn. The 3-month Libor stood at 0.1331%. House Democrats are hoping to break a stalemate on US$550bn new spending bill, with House Speaker Pelosi planning for a Friday vote. Separately, Merck's drug Molnupiravir is said to reduce hospitalisation/death risk by 50% in a late-stage clinical trial.

Market watch: Asian markets may start the week on a more upbeat note this morning, notwithstanding China markets out for Golden Week holidays. Today's economic data calendar comprises of Eurozone's Sentix investor confidence index, Singapore's manufacturing and electronics PMIs, US factory orders and durable goods orders. ECB's Guindos and Makhlouf, BOE's Ramsden and Carney, and Fed's Bullard are also speaking. For the week ahead, watch for RBA policy decision tomorrow (likely statically 0.10% for its cash rate target and 3-year target), RBNZ policy decision on Wednesday (likely to hike 25bps to 0.5%), the potential appointment of a new Japanese finance minister and a fresh stimulus package by incoming PM Fumio Kishida, RBI policy decision (likely unchanged) and US' September labour market report on Friday, with nonfarm payrolls and the unemployment rate tipped at 470k and 5.1% respectively versus 235k and 5.2% previously.

PMIs: divergent manufacturing PMIs across Asia, with improvement seen in South Korea (52.4 versus 51.2 previously), Indonesia (52.2 versus 43.7 as the COVID situation has improved), Philippines (50.9 versus 46.4), Thailand (48.9 versus 48.3, also still in contraction territory), Malaysia (still in contraction zone at 48.1, albeit better than 43.4 previously), and Myanmar (41.1 versus 36.5), whereas Vietnam was static at 40.2 (partly contributing to the global supply chain disruptions), and Taiwan softened from 58.5 to 54.7.

CN: Chinese currency regulator SAFE remained positive on the outbreak of portfolio inflows in its latest first half Balance of Payment report. China's non-reserve financial and capital account returned to surplus again in the first half of 2021, first surplus since 2019. The steady inflows under direct investment and portfolio investment offset the outflows from alternative investment. Inflows from foreign direct investment for the first half of 2021 hit US$177 billion, highest in record for the first half of the year.

US: Personal income rose 0.2% in August, while personal spending climbed 0.4%. Core PCE prices also rose more than expected by 0.3% mom (3.6% YoY), the highest since 1991.

Key Market Movements

Equity	Value	% chg
S&P 500	4357.0	1.1%
DJIA	34326	1.4%
Nikkei 225	28771	-2.3%
SH Comp	3568.2	0.0%
STI	3051.1	-1.2%
Hang Seng	24576	0.0%
KLCI	1524.5	-0.9%

	Value	% chg
DXY	94.035	-0.2%
USDJPY	111.05	-0.2%
EURUSD	1.1596	0.1%
GBPUSD	1.3546	0.5%
USDIDR	14308	0.0%
USDSGD	1.3571	0.0%
SGDMYR	3.0771	0.0%

	Value	chg (bp)
2Y UST	0.26	-1.17
10Y UST	1.46	-2.57
2Y SGS	0.58	-1.00
10Y SGS	1.57	-2.22
3M LIBOR	0.13	-0.08
3M SIBOR	0.43	0.00
3M SOR	0.21	-0.42
3M SORA	0.13	0.00
3M SOFR	0.05	0.00

	Value	% chg
Brent	79.28	1.2%
WTI	75.88	1.1%
Gold	1761	0.2%
Silver	22.54	1.7%
Palladium	1922	0.5%
Copper	9128	2.1%
BCOM	100.93	0.2%

Source: Bloomberg

Major Markets

SG: The September manufacturing and electronics PMIs may consolidate around the August prints of 50.9 and 51.0 respectively, given recent news headlines of supply chain disruptions and China headwinds including the latest power shortages. The STI declined 1.15% to close at 3051.11 on Friday but may trade with a firmer tone today. SGS bonds may also see some support today following Friday's gains in the UST bond market.

UK: PM Johnson warned that he would not fall back on uncontrolled immigration to plug the truck driver shortage but opined that those industries are the best solvers for their own supply chains. That said, the manufacturing PMIS actually edged up from 56.3 to 57.1 in September.

HK: RMB deposits showed double-digit growth for the 10th consecutive month and were up by 25.5% yoy to RMB842.7 billion in August, the strongest since January 2016. We see four reasons behind the strong growth. First, seasonal factors including half-year end in June and corporate tax payments in July have abated. Second, the PBoC cut RRR and took actions to keep liquidity reasonable ample. Third, southbound net outflows under stock connects moderated in August after reaching record high in July. Finally, banks in Hong Kong have raised RMB deposit rates in preparation for the launch of wealth management connect. Going forward, the resilience of RMB and the attractive RMB deposit rates may continue to support the growth of RMB deposits. Meanwhile, the further financial integration of the Greater Bay Area may also help to increase offshore RMB liquidity though the net inflows of RMB to Hong Kong under southbound bond connect and wealth management connect are expected to be moderate at this juncture.

Macau: Gross gaming revenue (GGR) increased by 165.9% yoy or 32.4% mom in August as travel restrictions and local containment measures have been relaxed. However, the GGR was still 73.4% lower compared to August 2019. Due to the rebound of local Covid-19 cases, the new containment measures look set to weigh on inbound tourism and gaming activities as the Golden Week Holiday effect may be undermined. As such, we further lower our full year GGR growth forecast from about 70% yoy to around 60% yoy. In this case, this year's gaming revenue may only return to about 32% of 2019's level.

Malaysia: Malaysia is reportedly looking to reopen its borders to foreign travel in December once 90% of its adult population get fully vaccinated. According to local press reports as relayed by Bloomberg, PM Ismail Sabri said that "December is possible" even though he admitted that it remains too early to be sure at the moment. He also stated that the government will open inter-state borders before allowing international travel. As of the weekend, 87.2% of the adult population had been fully vaccinated.

Indonesia: Indonesia reported a significant uptick in its manufacturing PMI reading for September on Friday. At 52.2, it marks a decisive cross-over into expansionary territory after the 43.7 reading of the previous month and is in line with the improvement seen in the Covid-19 situation in recent weeks. Elsewhere, the headline CPI inflation came in at 1.60% yoy, a tad softer than the 1.66% that the market had pencilled in.

Bond Market Updates

Market Commentary: The SGD swap curve bull flattened on Friday, with shorter tenors trading 1-2bps lower, belly tenors trading 2-3bps lower, and longer tenors trading 2-5bps lower. There were light flows in SGD Corporates on Friday, with flows in METRO 4.3%'24s. UST 10Y Yields fell 3bps to 1.46% on Friday amidst an as-expected rise in personal income, slightly higher-than-expected consumer sentiment index tracked by the University of Michigan, and a slightly higher-than-expected y/y increase in the core personal consumption expenditures (PCE) price index. Personal income rose by 0.2% in August, while the consumer sentiment index and the core PCE price index came in at 72.8 and 3.6% y/y respectively.

New Issues: There were no issuances on Friday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.035	-0.21%	**USD-SGD**	1.3571	-0.04%
USD-JPY	111.050	-0.22%	**EUR-SGD**	1.5738	0.10%
EUR-USD	1.160	0.14%	**JPY-SGD**	1.2213	0.08%
AUD-USD	0.726	0.43%	**GBP-SGD**	1.8377	0.45%
GBP-USD	1.355	0.53%	**AUD-SGD**	0.9854	0.41%
USD-MYR	4.179	-0.17%	**NZD-SGD**	0.9414	0.49%
USD-CNY	6.445	-0.40%	**CHF-SGD**	1.4576	0.02%
USD-IDR	14308	-0.03%	**SGD-MYR**	3.0771	0.01%
USD-VND	22755	-0.03%	**SGD-CNY**	4.7524	0.07%

Equity and Commodity

Index	Value	Net change
DJIA	34,326.46	482.54
S&P	4,357.04	49.50
Nasdaq	14,566.70	118.12
Nikkei 225	28,771.07	-681.59
STI	3,051.11	-35.59
KLCI	1,524.48	-13.32
JCI	6,228.85	-58.10
Baltic Dry	4,410.00	106.00
VIX	21.15	-1.99

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5630	-0.56%	**O/N**	0.0668	0.07%
2M	-0.3360	-0.34%	**1M**	0.0818	0.08%
3M	-0.5460	-0.55%	**2M**	0.1076	0.10%
6M	-0.5300	-0.53%	**3M**	0.1284	0.13%
9M	-0.1940	-0.20%	**6M**	0.1534	0.15%
12M	-0.4970	-0.49%	**12M**	0.2241	0.23%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.58 (-0.01)	0.24(--)
5Y	0.93 (-0.02)	0.93 (-0.04)
10Y	1.57 (-0.02)	1.3 (-0.03)
15Y	1.87 (-0.01)	--
20Y	1.97 (-0.02)	--
30Y	1.95 (-0.01)	1.81 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.006	0.077	0.077
12/15/2021	-0.017	0.075	0.075
01/26/2022	-0.005	0.077	0.077
03/16/2022	0	0.079	0.079
05/04/2022	0.016	0.083	0.083
06/15/2022	0.114	0.107	0.107

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)	75.88	1.13%	Corn (per bushel)	5.415	0.9%
Brent (per barrel)	79.28	0.97%	Soybean (per bushel)	12.465	-0.8%
Heating Oil (per gallon)	238.27	1.75%	Wheat (per bushel)	7.553	4.1%
Gasoline (per gallon)	225.00	-0.16%	Crude Palm Oil (MYR/MT)	47.510	-1.7%
Natural Gas (per MMBtu)	5.62	-4.23%	Rubber (JPY/KG)	1.973	-0.6%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9128.00	2.14%	Gold (per oz)	1761.0	0.2%
Nickel (per mt)	17971.00	0.20%	Silver (per oz)	22.5	1.7%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/04/2021 07:50	JN	Monetary Base YoY	Sep	--	11.70%	14.90%	--
10/04/2021 07:50	JN	Monetary Base End of period	Sep	--	--	¥661.3t	--
10/04/2021 08:00	AU	Melbourne Institute Inflation MoM	Sep	--	--	0.00%	--
10/04/2021 08:00	AU	Melbourne Institute Inflation YoY	Sep	--	--	2.50%	--
10/04/2021 15:30	EC	ECB's Guindos Speaks					
10/04/2021 16:30	EC	Sentix Investor Confidence	Oct	18.60	--	19.60	--
10/04/2021 20:00	CA	Bloomberg Nanos Confidence	Oct-01	--	--	60.90	--
10/04/2021 20:30	CA	Building Permits MoM	Aug	3.40%	--	-3.90%	--
10/04/2021 21:00	SI	Purchasing Managers Index	Sep	50.90	--	50.90	--
10/04/2021 21:00	SI	Electronics Sector Index	Sep	--	--	51.00	--
10/04/2021 22:00	US	Factory Orders	Aug	1.00%	--	0.40%	--
10/04/2021 22:00	US	Durables Ex Transportation	Aug F	--	--	0.20%	--
10/04/2021 22:00	US	Cap Goods Orders Nondef Ex Air	Aug F	--	--	0.50%	--
10/04/2021 22:00	US	Cap Goods Ship Nondef Ex Air	Aug F	--	--	0.70%	--
10/04/2021 22:00	US	Factory Orders Ex Trans	Aug	0.40%	--	0.80%	--
10/04/2021 22:00	US	Durable Goods Orders	Aug F	1.80%	--	1.80%	--

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
herberthtwong@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