

## Daily Treasury Outlook

5 March 2021

### Highlights

**Global:** Fed Chair Powell's speech did little to calm anxious bond bears overnight. Powell reiterated that we "are a long way from our goals" and that "disorderly" market conditions "caught my attention", but did not provide any specifics of what should be done to combat any "persistent tightening in financial conditions that threatens the achievement of our goals". The S&P 500 slumped 1.34%, dragged down by tech stocks and at one stage briefly wiping out its 2021 gains, while VIX surged to 28.57. UST bonds reacted negatively with the 10-year yield up to another one-week high of 1.56%. The USD also strengthened. Meanwhile, US President Biden has signed off on the fiscal aid package, with the debate likely to end this weekend with approval. Separately, oil prices also jumped after OPEC+ kept increased output lesser than expected, and BNM kept its OPR unchanged yesterday.

**Market watch:** Asian markets may trade on a cautious tone today, awaiting the US' February labour market report where market players are primed for the nonfarm payrolls and unemployment rate to come in at +198k and 6.3% respectively, compared to January readings of +49k and 6.3%. China's NPC is also convening today. For the day ahead, the economic data calendar also comprises Thai CPI, S'pore's retail sales, German factory orders, foreign reserves data from Indonesia and Malaysia. Speakers scheduled today include BOE's Haskel and Fed's Bostic.

**US:** Fed chair Powell opined that "while there are still risks, there's good reason to expect job creation to pick up in coming months", albeit he did not expect a return to maximum employment in 2021. On inflation, he also downplayed the uptick in prices as they are "certainly not staying up to the point where they would move inflation expectations materially above 2%". Initial jobless claims rose slightly by 9k to 745k last week.

**JP:** The Japanese government has recommended to extend its state of emergency for the Tokyo region by two weeks from its expiry on Sunday.

**SG:** Diesel-powered cars and taxis will not be registered from 2025, five years ahead of the original schedule.

**Oil:** Brent rose almost 5% yesterday after Saudi Arabia and other OPEC+ members surprised the market with a smaller than expected supply increase. The bloc added 150kbpd in total, far less than the 500-1000kbpd increase the market was expecting. Saudi Arabia, in particular, shocked the market by extending its unilateral cut of 1mbpd by one more month. Increase in supply came primarily from Russia (+130kbpd) and Kazakhstan (+20kbpd). We think oil prices may continue on its upward trajectory for now and may find resistance at \$70/bbl.

### Key Market Movements

Equity	Value	% chg
S&P 500	3768.5	-1.3%
DJIA	30924	-1.1%
Nikkei 225	28930	-2.1%
SH Comp	3503.5	-2.1%
STI	3014.8	0.5%
Hang Seng	29237	-2.2%
KLCI	1581.3	-0.5%
	Value	% chg
DX	91.631	0.8%
USDJPY	107.98	0.9%
EURUSD	1.1969	-0.8%
GBPUSD	1.3895	-0.4%
USIDR	14267	0.2%
USDSGD	1.3373	0.4%
SGDMYR	3.0448	0.0%
	Value	chg (bp)
3M UST	0.03	-0.51
10Y UST	1.56	8.32
1Y SGS	0.36	0.00
10Y SGS	1.47	7.04
3M LIBOR	0.19	1.04
3M SIBOR	0.44	0.00
3M SOR	0.25	0.00
	Value	% chg
Brent	66.74	4.2%
WTI	63.83	4.2%
Gold	1698	-0.8%
Silver	25.35	-2.8%
Palladium	2342	-0.6%
Copper	8908	-2.1%
BCOM	84.78	-0.1%

Source: Bloomberg

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### Major Markets

**US:** US equities closed lower once more on tech share losses amid rising bond yield concerns. The S&P 500 index fell 1.34% and the Nasdaq 100 Composite index retreated 2.11%. 10Y UST bond yields rose 8.3bps to close at 1.56%. While the recent resurgence in bond yields have been “notable” and “worthy of attention”, the foremost priority is to restore employment and any increase in inflation now is likely to be transitory according to Fed Chair Powell. As such, the bond market interpreted it as a green light to higher yields. If bond yields continue their ascent, the US equity market will likely continue to see heightened bearish pressure in the sessions ahead.

**CN:** For today, focus will shift to China’s National People’s Congress, which will last from 5-11 March. China will unveil plan for 14<sup>th</sup> five-year plan for National Economic and Social Development and the long-term objectives through the Year 2035. The rising competition from the US for the supply chain will further underpin the role of innovation as a core national strategy for the next five year.

**SG:** The STI extended gains to rise 0.48% to close at 3014.78 yesterday but may tread water ahead of tonight’s US labour market report amid soft cues from Wall Street again. With growing market speculation that the 10-year UST bonds yield could test the 2% handle by year-end, SGS bonds may also suffer from some reflation angst.

**Malaysia:** Bank Negara kept its Overnight Policy Rate unchanged at 1.75% as widely expected. The central bank appears to be decidedly in a wait-and-see mode. While the central bank is still largely sanguine on growth outlook, it did not forget to note that it is paying attention to downside risks as well. Still, ongoing exports recovery and the rollout of vaccination domestically would help to provide space for BNM to hold rate unchanged for a while more.

**Indonesia:** Finance Minister Sri Mulyani said that the government is seeing signs of improvement in the economy in Q1. She added that a successful rollout of vaccination program will be a game changer. Until then, she suggested that the global economic recovery and higher commodity prices will help to improve the trade and manufacturing sectors.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with shorter tenors trading 1-2bps higher. Belly tenors traded 4-5bps higher while longer tenors traded 5-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 127bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 640bps. The HY-IG Index Spread widened 3bps to 513bps. There were very minimal flows in SGD corporates yesterday. 10Y UST Yields gained 8bps to 1.57% on the back of Fed Chairman Jerome Powell's speech, where he commented over the recent rise in bond yields and inflation but did not sound concerned enough to force a retracement in yields by the market.

**New Issues:** China Everbright Bank Co Ltd/Hong Kong priced a USD550mn 3-year bond at T+65bps, tightening from IPT of T+110bps area. Export-Import Bank of Korea priced a USD240mn 3-year bond at SOFR+30bps. Central Plaza Development Ltd (Guarantor: BCG Chinastar International Investment Ltd) priced a USD500mn re-tap of its CPDEV 4.65%'26s at 4.65%, tightening from IPT of 5.125% area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.631	0.75%	USD-SGD	1.3373	0.35%
USD-JPY	107.980	0.91%	EUR-SGD	1.6006	-0.42%
EUR-USD	1.197	-0.78%	JPY-SGD	1.2386	-0.54%
AUD-USD	0.773	-0.63%	GBP-SGD	1.8582	-0.06%
GBP-USD	1.390	-0.42%	AUD-SGD	1.0327	-0.34%
USD-MYR	4.058	0.16%	NZD-SGD	0.9615	-0.42%
USD-CNY	6.470	0.03%	CHF-SGD	1.4400	-0.60%
USD-IDR	14267	0.15%	SGD-MYR	3.0448	-0.02%
USD-VND	23022	0.03%	SGD-CNY	4.8571	0.06%

## Equity and Commodity

Index	Value	Net change
DJIA	30,924.14	-345.95
S&P	3,768.47	-51.25
Nasdaq	12,723.47	-274.28
Nikkei 225	28,930.11	-628.99
STI	3,014.78	14.41
KLCI	1,581.26	-7.19
JCI	6,290.80	-85.96
Baltic Dry	1,763.00	90.00
VIX	28.57	1.90

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5600	-0.55%	O/N	0.0785	0.08%
2M	-0.3360	-0.34%	1M	0.1030	0.11%
3M	-0.5460	-0.54%	2M	0.1465	0.15%
6M	-0.5170	-0.52%	3M	0.1938	0.18%
9M	-0.1940	-0.20%	6M	0.2110	0.21%
12M	-0.4820	-0.49%	12M	0.2820	0.28%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.42 (+0.01)	0.14(--)
5Y	0.77 (+0.06)	0.79 (+0.06)
10Y	1.47 (+0.07)	1.57 (+0.08)
15Y	1.78 (+0.07)	--
20Y	1.83 (+0.07)	--
30Y	1.91 (+0.07)	2.32 (+0.04)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
03/17/2021	0.022	2.2	0.072	0.072
04/28/2021	0.065	4.3	0.082	0.082
06/16/2021	0.065	0	0.082	0.082
07/28/2021	0.065	0	0.082	0.082
09/22/2021	0.065	0	0.082	0.082
11/03/2021	0.087	2.2	0.088	0.088

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.81	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.04
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	63.83	4.16%	Corn (per bushel)	5.463	-0.7%
Brent (per barrel)	66.74	4.17%	Soybean (per bushel)	14.153	0.3%
Heating Oil (per gallon)	189.60	3.28%	Wheat (per bushel)	6.498	-0.3%
Gasoline (per gallon)	199.79	2.36%	Crude Palm Oil (MYR/MT)	39.390	1.0%
Natural Gas (per MMBtu)	2.75	-2.49%	Rubber (JPY/KG)	2.700	0.8%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	8907.50	-2.13%	Gold (per oz)	1697.5	-0.8%
Nickel (per mt)	16133.00	-7.37%	Silver (per oz)	25.4	-2.8%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/05/2021	SI	Retail Sales YoY	Jan	-2.50%	--	-3.60%	--
03/05/2021	SI	Retail Sales SA MoM	Jan	-1.10%	--	-0.90%	--
03/05/2021	AU	Foreign Reserves	Feb	--	--	A\$54.8b	--
03/05/2021 02:00	GE	Factory Orders MoM	Jan	0.50%	--	-1.90%	--
03/05/2021 02:00	MA	Foreign Reserves	Feb-26	--	--	\$109.7b	--
03/05/2021 02:00	GE	Factory Orders WDA YoY	Jan	1.90%	--	6.40%	--
03/05/2021 02:30	TH	Foreign Reserves	Feb-26	--	--	\$255.7b	--
03/05/2021 03:20	TA	Foreign Reserves	Feb	--	--	\$541.48b	--
03/05/2021 08:30	US	Change in Nonfarm Payrolls	Feb	198k	--	49k	--
03/05/2021 08:30	US	Unemployment Rate	Feb	6.30%	--	6.30%	--
03/05/2021 08:30	US	Trade Balance	Jan	-\$67.5b	--	-\$66.6b	--
03/05/2021 08:30	US	Change in Manuf. Payrolls	Feb	15k	--	-10k	--
03/05/2021 15:00	US	Consumer Credit	Jan	\$12.000b	--	\$9.734b	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Research &  
Strategy  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China  
Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

Malaysia & Indonesia  
[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Howie Lee**

Thailand & Commodities  
[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau  
[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Herbert Wong**

Hong Kong & Macau  
[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)

### FX/Rates Strategy

**Frances Cheung**

Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Terence Wu**

FX Strategist  
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst  
[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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