

## Daily Treasury Outlook

5 October 2021

### Highlights

**Global:** Global risk sentiments took a tumble overnight amid the Facebook Inc outage and as US president Biden also warned that the debt ceiling could be breached in two weeks and put the onus on Senate Republican Leader Mitch McConnell. The S&P 500 fell 1.30%, weighed down by tech shares, while VIX rose to 22.96. UST bonds also retreated slightly, with the 10-year yield at 1.48% after Fed's Bullard warned that elevated inflation could take longer to subside. The yield on the T-bill maturing 21 October also climbed up nearly 4bps to 0.106%, reflecting the imminent US debt ceiling concerns. Meanwhile, OPEC+ opted not to deviate from its gradual supply hike plan despite the current natural gas crisis. Elsewhere, Chinese developer Fantasia Holdings Group Co failed to repay a \$205.7m bond that was due yesterday, while another Fantasia unit also didn't repay a RMB700m loan due yesterday, which added to market angst over China Evergrande.

**Market watch:** Asian markets look set for a soft opening this morning amid weak overnight market cues, and as investors await the RBA policy decision (likely static at 0.1% for both the cash rate and 3-year yield targets) due later today while market is bracing for RBNZ to hike its OCR by 25bps to 0.5% early tomorrow morning. Today's economic data calendar also comprises services and composite PMIs from US, Europe, UK and India, as well as S'pore's August retail sales and US' ISM services index. ECB's Lagarde and Holzmann, and Fed's Quarles are also speaking.

**US:** Factory orders rose 1.2% mom (18.0% yoy) in August, but gained only 0.5% excluding transportation, whereas durable goods orders increased 1.8% and 0.3% excluding transportation. Meanwhile, the Fed will initiate an independent review of trading activity by certain senior officials. US trade representative Katherine Tai is set to speak to Chinese Vice Premier Liu He to address trade issues including China's compliance to the Phase 1 of the bilateral trade deal where the latter had promised to buy an extra US\$200b in US goods over 2017 levels.

**SG:** The manufacturing PMI eased slightly by 0.1 point to 50.8 in September, marking its 15<sup>th</sup> straight month in expansion territory, whereas the electronics PMI rose 0.2 points to 51.2 in September, marking its 4th consecutive month of expansion. Margin pressures arising from supply chain disruptions leading to higher costs are manifesting and the ability to sustain production in the run-up to the Christmas season may be at stake. Going ahead, the ability to pass on some of the higher costs to end-consumers would also be key. While manufacturing momentum may sustain around 7% yoy in 2H21, and our full-year manufacturing growth forecast of 10.6% yoy remains intact, we would expect that momentum will taper off into 1H22 and full-year 2022 manufacturing growth may normalise to around 3-4% yoy.

### Key Market Movements

Equity	Value	% chg
S&P 500	4300.5	-1.3%
DJIA	34003	-0.9%
Nikkei 225	28445	-1.1%
SH Comp	3568.2	0.0%
STI	3089.7	1.3%
Hang Seng	24036	-2.2%
KLCI	1522.5	-0.1%
	Value	% chg
DXY	93.776	-0.3%
USDJPY	110.93	-0.1%
EURUSD	1.1621	0.2%
GBPUSD	1.3610	0.5%
USDIDR	14267	-0.3%
USDSGD	1.3569	0.0%
SGDMYR	3.0737	-0.1%
	Value	chg (bp)
2Y UST	0.28	1.38
10Y UST	1.48	1.73
2Y SGS	0.57	-1.30
10Y SGS	1.57	-0.44
3M LIBOR	0.13	0.30
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	-0.04
3M SOFR	0.05	0.00
	Value	% chg
Brent	81.26	2.5%
WTI	77.62	2.3%
Gold	1770	0.5%
Silver	22.68	0.6%
Palladium	1907	-0.8%
Copper	9251	1.3%
BCOM	102.05	1.1%

Source: Bloomberg

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### Major Markets

**SG:** The STI added 1.26% to close at 3089.65 yesterday but may not be able to hold on today amid overnight slippage in US stocks due to a tech sell-off. SGS bonds are also likely to unwind yesterday's gains and range trade today.

**Eurozone:** The Sentix investor index fell from 19.6 in September to a 6-month low of 16.9 in October, missing market expectations, while its expectations index also dropped to 8.0 (lowest since May 2020), suggesting fading momentum for the region.

**HK:** According to the latest report from the Hong Kong private wealth management association and KPMG China, the private wealth management industry will continue to grow in Hong Kong. Most of the survey respondents (wealth management institutions) expect the AUM will increase 6-10% yoy in the next five years. Elsewhere, Guangdong Province has announced its 14th five-year plan which proposes connecting Shenzhen to the Hong Kong-Zhuhai-Macau Bridge. If this is the case, Hong Kong's Lantau Island will be connected to Qianhai of Shenzhen which may facilitate the collaboration between the two cities.

**Macau:** The city cancelled its plan to reopen the border with Zhuhai and announced a third round of mass Covid-19 testing as another new local Covid-19 case was confirmed on Oct 04. The virus resurgence locally indicates that both inbound tourism and gaming activities could lose some momentum in October.

**Malaysia:** Malaysia's Health Minister Khairy Jamaluddin said that the government has approved the use of different types of Covid vaccines for booster jabs. The mixing of shots is deemed to offer better protection for those eligible for booster shots. Malaysia is due to roll out its booster shots this month, targeting high risk groups such as healthcare workers.

**Indonesia:** Indonesia will reopen international flights to Bali for foreign visitors from a number of countries, starting from Oct 14th. According to the coordinating minister for Investment and Maritime Affairs, Luhut Pandjaitan, the doors will open for visitors from countries such as South Korea, China, Japan and New Zealand as well as Abu Dhabi and Dubai of the UAE.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly traded lower yesterday, with shorter tenors trading 1-2bps lower, and belly and longer tenors trading 0-1bps lower. There were moderate flows in SGD Corporates yesterday, with flows in HRINTH 3.8%'25s, SPHRSP 4.1%-PERPs, and AAREIT 5.375%-PERPs. UST 10Y Yields rose 2bps to 1.48% yesterday to start the week amidst ongoing inflation concerns, even as stocks sold off as seen with the S&P 500 index dipping 1.3%.

**New Issues:** Helenbergh China Holdings Ltd priced a USD102mn 2-year senior green bond at 11%. The Republic of Korea has arranged investor calls commencing 05 October for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.776	-0.28%	USD-SGD	1.3569	-0.01%
USD-JPY	110.930	-0.11%	EUR-SGD	1.5769	0.20%
EUR-USD	1.162	0.22%	JPY-SGD	1.2233	0.16%
AUD-USD	0.728	0.32%	GBP-SGD	1.8466	0.48%
GBP-USD	1.361	0.47%	AUD-SGD	0.9881	0.27%
USD-MYR	4.175	-0.11%	NZD-SGD	0.9454	0.42%
USD-CNY	6.445	-0.40%	CHF-SGD	1.4674	0.67%
USD-IDR	14267	-0.29%	SGD-MYR	3.0737	-0.11%
USD-VND	22749	-0.03%	SGD-CNY	4.7484	-0.08%

## Equity and Commodity

Index	Value	Net change
DJIA	34,002.92	-323.54
S&P	4,300.46	-56.58
Nasdaq	14,255.48	-311.22
Nikkei 225	28,444.89	-326.18
STI	3,089.65	38.54
KLCI	1,522.47	-2.01
JCI	6,342.69	113.84
Baltic Dry	4,410.00	106.00
VIX	22.96	1.81

## 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	0.57 (-0.01)	0.24(--)
5Y	0.92 (-0.01)	0.94 (+0.02)
10Y	1.57 (--)	1.3 (+0.02)
15Y	1.87 (--)	--
20Y	1.97 (--)	--
30Y	1.95 (--)	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	0.128	0.111	0.111

## 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)	77.62	2.29%	Corn (per bushel)	5.408	-0.1%
Brent (per barrel)	81.26	2.50%	Soybean (per bushel)	12.358	-0.9%
Heating Oil (per gallon)	243.66	2.26%	Wheat (per bushel)	7.565	0.2%
Gasoline (per gallon)	230.85	2.60%	Crude Palm Oil (MYR/MT)	48.380	1.8%
Natural Gas (per MMBtu)	5.77	2.62%	Rubber (JPY/KG)	1.939	-1.7%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9250.50	1.34%	Gold (per oz)	1769.6	0.5%
Nickel (per mt)	17924.00	-0.26%	Silver (per oz)	22.7	0.6%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/05/2021 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Sep	0.20%	0.10%	0.00%	--
10/05/2021 07:30	JN	Tokyo CPI YoY	Sep	-0.10%	0.30%	-0.40%	--
10/05/2021 08:30	AU	Trade Balance	Aug	A\$10100m	--	A\$12117m	--
10/05/2021 08:30	JN	Jibun Bank Japan PMI Composite	Sep F	--	--	47.70	--
10/05/2021 09:00	PH	CPI YoY 2012=100	Sep	5.10%	--	4.90%	--
10/05/2021 11:30	AU	RBA Cash Rate Target	Oct-05	0.10%	--	0.10%	--
10/05/2021 11:30	TH	CPI YoY	Sep	0.52%	--	-0.02%	--
10/05/2021 13:00	SI	Retail Sales YoY	Aug	-0.10%	--	0.20%	--
10/05/2021 15:55	GE	Markit Germany Services PMI	Sep F	56.00	--	56.00	--
10/05/2021 15:55	GE	Markit/BME Germany Composite PMI	Sep F	55.30	--	55.30	--
10/05/2021 16:00	EC	Markit Eurozone Composite PMI	Sep F	56.10	--	56.10	--
10/05/2021 16:00	EC	Markit Eurozone Services PMI	Sep F	56.30	--	56.30	--
10/05/2021 16:30	UK	Markit/CIPS UK Services PMI	Sep F	54.60	--	54.60	--
10/05/2021 20:30	US	Trade Balance	Aug	-\$70.8b	--	-\$70.1b	--
10/05/2021 21:45	US	Markit US Composite PMI	Sep F	--	--	54.50	--
10/05/2021 22:00	US	ISM Services Index	Sep	59.90	--	61.70	--

Source: Bloomberg

## Treasury Research & Strategy

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