

Daily Treasury Outlook

5 November 2021

Highlights

Global: BOE surprised financial markets by voting 7-2 to not hike rates overnight, prompting a global market bond rally. This followed the FOMC's earlier decision to taper its monthly asset purchases by US\$15bn as widely anticipated and Fed chair Powell reiterating that the central bank can be "patient", albeit "if a response is called for, we will not hesitate". With only Ramsden and Saunders opting to hike 15bps, the BOE MPC also opted to let the bond purchase program reach GBP875bn. BOE governor Bailey said it was a "close call" and warned that rising inflation would mean rates will have to rise in the "coming months" but pushed back against the frontloaded and aggressive market pricing of its rate hike trajectory. The S&P 500 hit another record high after adding 0.42%, with VIX up at 15.44. UST bonds rallied with the 10-year yield down 8bps to 1.53%. Meanwhile, OPEC+ also opted to stick to its gradual pace of 400k bpd increase from December despite US White House pressure.

Market watch: Asian markets should open on a firm tone this morning, riding on the temporary relief that the BOE pushback should provide, while awaiting for tonight's key US October labour market report where nonfarm payrolls and the unemployment rate are anticipated at +450k and 4.7% respectively, versus 194k and 4.8% previously. Today's economic data calendar comprises of Indonesia's 3Q GDP growth and October foreign reserves, S'pore's retail sales, Thailand and Taiwan's October CPI, Eurozone's retail sales and German industrial production. ECB's Holzmann, Guindos, Centeno, Panetta, as well as BOE's Ramsden, Pill and Tenreyro are also speaking.

US: Initial jobless claims fell 14k to 269k, the lowest in nearly 20 months, while the continuing claims also declined 134k to 2.105m (lowest since mid-March 2020). Meanwhile, 3Q unit labour costs accelerated to 8.3% and labour productivity decreased 5.0%. Separately, the trade deficit jumped 11.2% to a record US\$80.9 billion in September.

CN: Chinese President Xi Jinping made fresh pledges that China will further open up at the opening of the fourth China International Import Expo. President Xi said China will shorten the negative list for foreign investment, and expand the opening of telecommunication, healthcare and other services in an orderly fashion.

SG: Retail sales likely rose 2.0% yoy (1.9% mom sa) in September, and 3.7% yoy excluding motor vehicles.

The STI fell 0.39% to close at 3219.69 on Wednesday but may reclaim lost ground today amid the overnight rally in US equity markets. SGS bonds may also gain on the back of the BOE surprise decision to remain static for now.

Key Market Movements

Equity	Value	% chg
S&P 500	4680.1	0.4%
DJIA	36124	-0.1%
Nikkei 225	29794	0.9%
SH Comp	3526.9	0.8%
STI	3219.7	0.0%
Hang Seng	25225	0.8%
KLCI	1531.3	0.0%
	Value	% chg
DXY	94.347	0.5%
USDJPY	113.76	-0.2%
EURUSD	1.1554	-0.5%
GBPUSD	1.3500	-1.4%
USDIDR	14338	0.3%
USDSGD	1.3511	0.2%
SGDMYR	3.0752	-0.1%
	Value	chg (bp)
2Y UST	0.42	-4.15
10Y UST	1.53	-7.72
2Y SGS	0.86	0.00
10Y SGS	1.82	0.00
3M LIBOR	0.14	-0.52
3M SIBOR	0.43	0.00
3M SOR	0.28	0.00
3M SORA	0.15	0.00
3M SOFR	0.05	0.00
	Value	% chg
Brent	80.54	-1.8%
WTI	78.81	-2.5%
Gold	1792	1.3%
Silver	23.80	1.2%
Palladium	2006	-0.1%
Copper	9459	0.0%
BCOM	102.57	-0.5%

Source: Bloomberg

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Major Markets

HK: Hong Kong has been in a discussion with Chinese experts about the potential of reopening its border. Discussions seems to reach to the final stage that Hong Kong travellers could be allowed to visit mainland China, without any quarantine as early as next month, but with daily quota to Guangdong province initially. Overall, this in line with our base case scenario that a partial border reopening by the end of year or 1Q21, and Hong Kong's retails sectors would be the largest beneficial.

Malaysia: Bank Negara Malaysia kept its policy rate unchanged at 1.75% on Wednesday prior to the Deepavali holiday, as widely expected. Even though it continued to flag some downside risks to the growth outlook, it appeared to remain comfortable with the current level of monetary policy accommodation. Going into 2022, it pointed out that inflation pressure should remain benign in Malaysia due to the lingering economic slack, signalling that it intends to keep its policy rate unchanged for as long as it can instead of hiking rate.

Indonesia: Indonesia is due to report its Q3 GDP data today. We expect growth to slow to 4.0% yoy compared to 7.07% in the prior quarter, due to the effects of the pandemic resurgence and the PPKM restriction measures during the period. With the pandemic situation coming under better control in more recent months, the economic momentum should look a lot more robust going forward, but any significant miss in the historical Q3 data could dampen sentiment nonetheless.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower on Wednesday, with shorter tenors trading 3-5bps lower, belly tenors trading 2-3bps lower, and longer tenors trading 3-5bps lower. There were moderate flows in SGD corporates on Wednesday, with flows in MAPLSP 3.7%-PERPs, MLTSP 3.725%-PERPs, and STANLN 5.375%-PERPs. UST 10Y Yields traded 7bps lower to 1.53% yesterday amidst the Federal Reserve announcing the tapering of its USD120 billion bond-buying program “later this month” and the Bank of England surprising markets by holding rates steady.

New Issues: China Bohai Bank Co Ltd priced a USD300mn 3-year senior unsecured bond at 1.58%, tightening from an IPT of T+120bps area. Medco Laurel Tree Pte. Ltd. (Guarantor: Medco Energi Internasional Tbk PT) priced a USD400mn 7NC3 senior bond at 7.25%, in-line with the IPG of 7.25% area. Haichuan International Investment Co Ltd (Guarantor: Jiangsu Fangyang Group Co Ltd, SBLC Provider: China Zheshang Bank Co., Ltd) priced a USD150mn 3-year credit-enhanced bond at 1.98%, tightening from an IPT of 2.15% area. Jinan Urban Construction International Investment Co Ltd (Guarantor: Jinan City Construction Group Ltd Co) priced a USD500mn 3-year senior unsecured bond at 2.3%, tightening from an IPT of 2.7% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.347	0.51%	USD-SGD	1.3511	0.24%
USD-JPY	113.760	-0.22%	EUR-SGD	1.5610	-0.26%
EUR-USD	1.155	-0.50%	JPY-SGD	1.1875	0.47%
AUD-USD	0.740	-0.63%	GBP-SGD	1.8239	-1.12%
GBP-USD	1.350	-1.37%	AUD-SGD	0.9999	-0.39%
USD-MYR	4.154	0.13%	NZD-SGD	0.9596	-0.53%
USD-CNY	6.397	-0.15%	CHF-SGD	1.4805	0.18%
USD-IDR	14338	0.28%	SGD-MYR	3.0752	-0.08%
USD-VND	22686	-0.25%	SGD-CNY	4.7297	-0.32%

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%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.049	0.072	0.072
01/26/2022	-0.025	0.077	0.077
03/16/2022	0.127	0.116	0.116
05/04/2022	0.298	0.158	0.158
06/15/2022	0.626	0.24	0.24
07/27/2022	0.875	0.303	0.303

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.81	-2.54%	Corn (per bushel)	5.593	-0.8%
Brent (per barrel)	80.54	-1.77%	Soybean (per bushel)	12.093	-1.8%
Heating Oil (per gallon)	240.66	-1.15%	Wheat (per bushel)	7.738	-0.9%
Gasoline (per gallon)	229.26	-1.96%	Crude Palm Oil (MYR/MT)	54.460	0.9%
Natural Gas (per MMBtu)	5.72	0.81%	Rubber (JPY/KG)	2.083	-2.9%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9458.50	-0.39%	Gold (per oz)	1792.0	1.3%
Nickel (per mt)	19162.00	-2.24%	Silver (per oz)	23.8	1.2%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/05/2021 07:00	SK	BoP Current Account Balance	Sep	--	\$10067.7m	\$7512.3m	--
11/05/2021 07:00	SK	BoP Goods Balance	Sep	--	\$9454.2m	\$5635.7m	--
11/05/2021 07:30	JN	Household Spending YoY	Sep	-3.50%	-1.90%	-3.00%	--
11/05/2021 07:50	JN	Japan Buying Foreign Bonds	Oct-29	--	-¥525.9b	-¥604.5b	--
11/05/2021 07:50	JN	Japan Buying Foreign Stocks	Oct-29	--	-¥210.4b	¥120.5b	¥119.9b
11/05/2021 07:50	JN	Foreign Buying Japan Bonds	Oct-29	--	-¥472.3b	-¥372.7b	-¥371.5b
11/05/2021 07:50	JN	Foreign Buying Japan Stocks	Oct-29	--	¥411.5b	¥229.7b	¥230.5b
11/05/2021 08:30	AU	RBA Statement on Monetary Policy					
11/05/2021 09:00	PH	CPI YoY 2012=100	Oct	4.90%	--	4.80%	--
11/05/2021 09:00	PH	Exports YoY	Sep	6.40%	--	17.60%	--
11/05/2021 09:00	PH	Exports	Sep	--	--	\$6466.0m	--
11/05/2021 09:00	PH	Imports YoY	Sep	18.90%	--	30.80%	--
11/05/2021 09:00	PH	Trade Balance	Sep	-\$3647m	--	-\$3577m	--
11/05/2021 11:00	ID	Net Foreign Assets IDR	Oct	--	--	1975.8t	1975.8t
11/05/2021 11:00	ID	Foreign Reserves	Oct	--	--	\$146.90b	--
11/05/2021 12:00	ID	GDP YoY	3Q	3.88%	--	7.07%	--

Source: Bloomberg

Treasury Research & Strategy

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