

## Daily Treasury Outlook

6 September 2021

### Highlights

**Global:** 500k short for the August US nonfarm payrolls which missed market expectations for 733k and printed at just 235k, the slowest in seven months. This despite the unemployment rate falling from 5.4% to 5.2% and average hourly earnings continuing to accelerate to 4.3% yoy (0.6% mom). With this latest setback to the labour market, and the expiry of the emergency unemployment benefits from today, it remains to be seen if Fed chair Powell will pull the taper trigger at the upcoming September FOMC meeting even if it does not detail plans to start the taper before the year is out. The S&P 500 slipped 0.03% on Friday, albeit the Nasdaq edged up to another record high. VIX was flat at 16.41. After an initial NFP-inspired rally, UST bonds also bear-steepened, with the 10-year yield closing at 1.33% in anticipation of the upcoming 10- and 30-year note auctions on the 8 and 9 September respectively. With the Delta spread in the US, Fauci has called for booster shots to start with the Pfizer vaccine for the 20 September kick-off date set by President Biden. Elsewhere, Japan futures are up following PM Suga's resignation. Over in China, however, the expected tightening of supervision of the financial services industry may be watched with a note of caution as well.

**Market watch:** With the US market out for Labour Day holiday today, Asian markets are likely to open a tad softer and tread water in the interim. Today's light economic calendar comprises of Thailand's August CPI and Germany's July factory orders. BOE's Mann is also speaking. For the week ahead, watch for China's trade data and RBA policy decision (cash rate and 3-year yield targets are likely to both be static at 0.1% respectively amid the Delta-driven lockdowns, with a potential delay to its taper plans) tomorrow, BOC rate decision (likely on hold at 0.25%) on Wednesday, ECB (no change to its policy rate of -0.5%, with the PEPP pace also untouched for now, but any hints of a divergence in views may be on the cards) and BNM (our non-consensus call for a 25bps rate cut to 1.5%) on Thursday. A full slate of Fed speakers including Williams, Kaplan, Daly, Evans, Bowman, and Mester, plus ECB's Lagarde are also scheduled for this week.

**US:** With the last two months of nonfarm payrolls data being revised up 134k, the leisure and hospitality sector which had been posting strong job gains previously appeared to have petered out with the Delta variant. The labour participation rate was unchanged at 61.7% amid persistent childcare challenges and virus concerns. The services ISM retreated from July's 64.1 to 61.7 in August, while the Markit services and composite PMIs also printed at 55.1 and 55.4 respectively for August.

**UK:** PM Johnson is facing Parliament this week amid his plans to raise GDP10b increase in national insurance tax. This follows Chancellor Sunak's expected removal of the "triple lock" pledge to raise pensions by the highest of inflation, wages or 2.5%.

### Key Market Movements

Equity	Value	% chg
S&P 500	4535.4	0.0%
DJIA	35369	-0.2%
Nikkei 225	29128	2.0%
SH Comp	3581.7	-0.4%
STI	3083.9	-0.2%
Hang Seng	25902	-0.7%
KLCI	1589.2	0.4%
	Value	% chg
DX	92.035	-0.2%
USDJPY	109.71	-0.2%
EURUSD	1.1880	0.0%
GBPUSD	1.3871	0.3%
USDIDR	14263	-0.1%
USDSGD	1.3412	-0.1%
SGDMYR	3.0895	-0.2%
	Value	chg (bp)
2Y UST	0.21	0.05
10Y UST	1.32	3.88
2Y SGS	0.35	-0.30
10Y SGS	1.39	-0.97
3M LIBOR	0.12	-0.13
3M SIBOR	0.43	0.00
3M SOR	0.19	0.88
3M SORA	0.13	0.01
3M SOFR	0.04	0.04
	Value	% chg
Brent	72.61	-0.6%
WTI	69.29	-1.0%
Gold	1828	1.0%
Silver	24.72	3.4%
Palladium	2420	0.5%
Copper	9431	0.6%
BCOM	97.12	0.4%

Source: Bloomberg

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### Major Markets

**SG:** With the pause on current virus curb relaxation due to the recent rise in Covid cases, the government is boosting testing and will start booster shots this month for those aged above 60 years and for those who are immune compromised. The STI slipped 0.16% to close lower at 3083.85 on Friday and may consolidate today as well amid weak leads from US market from Friday post-NFP. SGS bonds may open under pressure today, tracking the bear-steepening bias in the UST bond market on Friday and notwithstanding the disappointing NFP report. Recall last week, both the manufacturing and Markit Singapore PMI had retreated to 50.9 and 52.1 respectively for August, even though the electronics PMI improved to 51.0.

**CN:** Both PBoC deputy governor and CSRC deputy Chairman said China will continue to deepen the opening-up of the financial sector and further promote the institutional opening-up of the capital market. China's senior health official said last week that China is not ready to change its zero tolerance Covid-19 strategy. China will only consider making adjustments if all three factors including strict public health controls, high vaccination rate and therapeutic treatment are fulfilled.

**HK:** In August, PMI for private sector rose to the highest since February 2014 of 53.3 despite weak external demand amid Delta variant outbreaks. Output and new orders both increased for the fifth consecutive month as domestic demand strengthened amid e-consumption vouchers and well-contained local epidemic. This reinforces our view that domestic demand will be the main growth driver of local economy in 2H21. Going forward, as China's local infections have subsided and global vaccination rate has been rising, external demand may recover. As such, even though the support from e-consumption vouchers may not last for long, PMI may still stay in the expansionary territory for the rest of 2021.

**Malaysia:** Malaysia's attorney general said that the appointment of Ismail Sabri as the country's PM is legitimate and does not require further validation. In a statement issued on Saturday, he said that the procedure for deciding the majority "has already been decided by His Majesty," potentially alluding to the sense that there is no need for a confidence vote in the parliament anymore to ascertain the majority. Earlier, the king said that the PM must face a confidence vote in the parliament as soon as possible.

**Indonesia:** Indonesia's government has cut the income tax rate on bond interest to a record-low 10% for domestic investors, which would put it on par with the rate for foreign investors. The change is to reduce distortions in bond prices between local and global investors and came after the government had trimmed the rate for foreign investors since Aug 1st. The lower tax rate for domestic investors is effective since Aug 30th.

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**Oil:** Brent fell 0.6% on Friday after the soft US jobs report, but still added 1.3% on the week. Over the weekend, Saudi Arabia cut its premium for its Arab Light crude oil by \$1.30/bbl to \$1.70/bbl off the Oman/Dubai price average – the lowest level since June 2021.

**Gold:** Gold prices rose on Friday after the poor nonfarm payroll print, gaining 1.0% to close at its highest in more than a month. We expect gold to continue its bullish run in the next month and possibly trade around \$1850-\$1900.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower on Friday, with shorter tenors unchanged, and belly and longer tenors trading 0-1bps lower. There were light flows in SGD Corporates on Friday, with flows in MAPLSP 3.7%-PERPs. UST 10Y Yields rose 4bps to 1.32% on Friday amidst the release of lower-than-expected August nonfarm payroll numbers by the US Department of Labour. August jobs total came in at 235,000, significantly lower than economist's consensus of 720,000 and is the lowest since the start of the year.

**New Issues:** There was no bond priced on Friday.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX1	92.035	-0.21%	USD-SGD	1.3412	-0.09%
USD-JPY	109.710	-0.21%	EUR-SGD	1.5934	-0.05%
EUR-USD	1.188	0.04%	JPY-SGD	1.2228	0.14%
AUD-USD	0.746	0.81%	GBP-SGD	1.8595	0.13%
GBP-USD	1.387	0.27%	AUD-SGD	1.0005	0.70%
USD-MYR	4.146	-0.30%	NZD-SGD	0.9594	0.51%
USD-CNY	6.455	-0.02%	CHF-SGD	1.4673	-0.07%
USD-IDR	14263	-0.07%	SGD-MYR	3.0895	-0.20%
USD-VND	22764	-0.09%	SGD-CNY	4.8125	0.09%

## Equity and Commodity

Index	Value	Net change
DJIA	35,369.09	-74.73
S&P	4,535.43	-1.52
Nasdaq	15,363.52	32.34
Nikkei 225	29,128.11	584.60
STI	3,083.85	-4.99
KLCI	1,589.19	7.00
JCI	6,126.92	48.69
Baltic Dry	3,833.00	176.00
VIX	16.41	0.00

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.35 (--)	0.22 (--)
5Y	0.78 (--)	0.78 (+0.02)
10Y	1.39 (-0.01)	1.24 (+0.04)
15Y	1.67 (-0.01)	--
20Y	1.84 (--)	--
30Y	1.84 (--)	1.87 (+0.04)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.007	0.072	0.072
11/03/2021	0.015	0.078	0.078
12/15/2021	0.01	0.077	0.077
01/26/2022	0.033	0.082	0.082
03/16/2022	0.003	0.075	0.075
05/04/2022	0.036	0.083	0.083

## 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)	69.29	-1.00%	Corn (per bushel)	5.240	-0.3%
Brent (per barrel)	72.61	-0.58%	Soybean (per bushel)	12.920	0.7%
Heating Oil (per gallon)	215.94	-0.38%	Wheat (per bushel)	7.263	1.3%
Gasoline (per gallon)	215.40	-0.44%	Crude Palm Oil (MYR/MT)	44.290	1.6%
Natural Gas (per MMBtu)	4.71	1.53%	Rubber (JPY/KG)	1.987	0.9%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9431.00	0.58%	Gold (per oz)	1827.7	1.0%
Nickel (per mt)	19789.00	1.67%	Silver (per oz)	24.7	3.4%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/06/2021 06:45	NZ	Volume of All Buildings SA QoQ	2Q	2.90%	2.00%	3.70%	--
09/06/2021 09:00	AU	Melbourne Institute Inflation YoY	Aug	--	--	0.03	--
09/06/2021 09:00	NZ	ANZ Commodity Price	Aug	--	--	-1.40%	--
09/06/2021 09:00	AU	Melbourne Institute Inflation MoM	Aug	--	--	0.50%	--
09/06/2021 09:30	AU	ANZ Job Advertisements MoM	Aug	--	--	-0.50%	--
09/06/2021 10:00	VN	Domestic Vehicle Sales YoY	Aug	--	--	-38.10%	--
09/06/2021 11:30	TH	CPI YoY	Aug	0.32%	--	0.45%	--
09/06/2021 11:30	TH	CPI Core YoY	Aug	0.17%	--	0.14%	--
09/06/2021 11:30	TH	CPI NSA MoM	Aug	0.19%	--	-0.12%	--
09/06/2021 14:00	GE	Factory Orders WDA YoY	Jul	18.90%	--	26.20%	--
09/06/2021 14:00	GE	Factory Orders MoM	Jul	-0.70%	--	4.10%	--
09/06/2021 15:30	GE	Markit Germany Construction PMI	Aug	--	--	47.1	--
09/06/2021 16:00	UK	New Car Registrations YoY	Aug	--	--	-29.50%	--
09/06/2021 16:20	TA	Foreign Reserves	Aug	--	--	\$543.08b	--
09/06/2021 16:30	UK	Markit/CIPS UK Construction PMI	Aug	56.00	--	58.70	--
09/06/2021 16:30	EC	Sentix Investor Confidence	Sep	19.70	--	22.20	--

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