

Daily Treasury Outlook

6 October 2021

Highlights

Global: Inflation pressure is building up globally. Natural gas prices rallied by another 7.8% month to date while oil prices also extended its gain sending Brent prices to above \$82.5 per barrel. Inflation expectations soared yesterday as a result of the rise of commodity prices. The 10-year breakeven in the US rose to 2.45% from 2.39%, highest since early June. The IMF expects global economic growth in 2021 is likely to fall slightly below its July forecast of 6% due to risks of debt, inflation and divergent economic trends. However, the strong rebound of equity market in Europe and US showed that market is not worried about stagflation yet despite the downward revision of global growth forecast. This was also supported by resilient US September ISM services index, which increased by 0.2 to 61.9 against the expectations for a decline.

Market watch: Asian markets are likely to open higher on renewed investor confidence from US markets overnight. The RBNZ released its official cash rate today, with a hike of 25 bps from 0.25% to 0.50% as expected. The committee noted that further removal of monetary stimulus is expected over time. Today's economic calendar comprises of South Korea CPI and foreign reserves, Germany, UK and Hong Kong PMI's, Eurozone retail sales as well as US employment change. ECB's Centeno, ECB's Lagarde as well as Fed's Quarles will be speaking today.

US: New orders for September ISM services index increased by 0.3 to 63.5 indicating solid demand. However, the expansion was capped by the supply side's constraints. Prices paid by services industries rose further to 77.5 from 75.4 in August while Employment dipped by 0.7 to 53 due to labor shortages. Those may translate to higher inflationary pressure in the coming months. US trade deficit surged to a record of US\$73.3 billion in August according to the latest report from the Commerce Department. The Atlanta Fed cut its third quarter GDP forecast to 1.3% annualized rate from previously 2.3%.

UK: The latest survey from the British Chambers of Commerce showed that the net balance of factory firms expecting to hike prices rose to 60% in the third quarter, up from 57% in the second quarter, highest since the survey began in 1989. PepsiCo said yesterday that the company would likely to raise prices early next year due to increasingly supply chain challenges from the shortage of cans and bottles to a lack of truck drivers.

EU: The ECB President Lagarde echoed her deputy yesterday that the central bank will pay more attention to wage developments and inflation expectations although she reiterated that the central bank should not overreact to supply shortages or rising energy prices. She still expected the current frictions to be transitory.

Key Market Movements

Equity	Value	% chg
S&P 500	4345.7	1.1%
DJIA	34315	0.9%
Nikkei 225	27822	-2.2%
SH Comp	3568.2	0.0%
STI	3068.1	-0.7%
Hang Seng	24104	0.3%
KLCI	1530.4	0.5%
	Value	% chg
DXY	93.975	0.2%
USDJPY	111.46	0.5%
EURUSD	1.1598	-0.2%
GBPUSD	1.3629	0.1%
USDIDR	14253	-0.1%
USDSGD	1.357	0.0%
SGDMYR	3.0796	0.2%
	Value	chg (bp)
2Y UST	0.28	0.60
10Y UST	1.53	4.69
2Y SGS	0.57	-0.20
10Y SGS	1.57	0.22
3M LIBOR	0.13	-0.65
3M SIBOR	0.43	0.00
3M SOR	0.19	0.00
3M SORA	0.13	-0.07
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.56	1.6%
WTI	78.93	1.7%
Gold	1760	-0.5%
Silver	22.63	-0.2%
Palladium	1917	0.5%
Copper	9174	-0.8%
BCOM	103.85	1.8%

Source: Bloomberg

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Major Markets

HK: HKMA published a technical whitepaper, titled “e-HKD: A technical perspective”, to explore potential technical design options for issuing and distributing retail CBDCs. For the retail CBDC, there will be a retail system for commercial banks to distribute and circulate either rCBDC or CBDC-backed e-money, according to the Whitepaper. Going forward, the HKMA will seek opinions from academia and industry while aiming to come up with an initial view by mid-2022. Since it will take time to finalize the infrastructure, deploy pilot projects and finally promote a wide-spread use of retail CBDCs, we may not see any real impact on the market at this juncture.

Malaysia: Malaysia's Finance Minister Tengku Zafrul Abdul Aziz said that individuals are allowed to open accounts with any licensed banks including offshore accounts, as long as they go through the due diligence process under various regulations. He offered this at the parliament yesterday, in response to queries from the opposition. Separately, he reiterated that this year's fiscal deficit is expected to be around 6.5-7.0% of GDP.

Indonesia: Bank Indonesia said that the recent outflows from the country's bond market are temporary in nature and that they have subsided in the past few days. The outflows are said to have been triggered by hawkish statements from the Fed amid concern that inflation in the US may last longer than expected. Separately, Indonesia raised IDR5tn at a biweekly Islamic bond auction yesterday, matching an indicative target. The auction drew IDR46.1tn worth of incoming bids, slightly bigger than the previous one on Sep 21st.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter, belly, and longer tenors trading 0-1bps lower. There were very light flows in SGD Corporates yesterday. UST 10Y Yields rose 5bps to 1.53% yesterday amidst a higher-than-expected ISM service index reading and ongoing inflation concerns potentially accelerating the Fed's plans to taper bond purchases and raise interest rates. Markets will be watching the August jobs report set to be released this Friday.

New Issues: Housing & Development Board priced a SGD900mn 7-year senior unsecured bond at 1.54%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.975	0.21%	USD-SGD	1.3570	0.01%
USD-JPY	111.460	0.48%	EUR-SGD	1.5739	-0.19%
EUR-USD	1.160	-0.20%	JPY-SGD	1.2178	-0.45%
AUD-USD	0.729	0.15%	GBP-SGD	1.8495	0.16%
GBP-USD	1.363	0.14%	AUD-SGD	0.9895	0.14%
USD-MYR	4.179	0.11%	NZD-SGD	0.9448	-0.06%
USD-CNY	6.445	#DIV/0!	CHF-SGD	1.4621	-0.36%
USD-IDR	14253	-0.10%	SGD-MYR	3.0796	0.19%
USD-VND	22758	0.04%	SGD-CNY	4.7519	0.07%

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%

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	0.005	0.08	0.08
05/04/2022	0.015	0.082	0.082
06/15/2022	0.158	0.118	0.118

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	78.93	1.69%	Corn (per bushel)	5.375	-0.6%
Brent (per barrel)	82.56	1.60%	Soybean (per bushel)	12.505	1.2%
Heating Oil (per gallon)	249.36	2.34%	Wheat (per bushel)	7.448	-1.6%
Gasoline (per gallon)	235.79	2.14%	Crude Palm Oil (MYR/MT)	49.750	2.8%
Natural Gas (per MMBtu)	6.31	9.47%	Rubber (JPY/KG)	1.943	0.2%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9174.00	-0.83%	Gold (per oz)	1760.2	-0.5%
Nickel (per mt)	18121.00	1.10%	Silver (per oz)	22.6	-0.2%

Equity and Commodity

Index	Value	Net change
DJIA	34,314.67	311.75
S&P	4,345.72	45.26
Nasdaq	14,433.83	178.35
Nikkei 225	27,822.12	-622.77
STI	3,068.12	-21.53
KLCI	1,530.42	7.95
JCI	6,288.05	-54.64
Baltic Dry	4,410.00	106.00
VIX	21.30	-1.66

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.57 (--)	0.24 (--)
5Y	0.92 (+0.01)	0.97 (+0.03)
10Y	1.57 (--)	1.3 (+0.05)
15Y	1.87 (--)	--
20Y	1.97 (--)	--
30Y	1.95 (--)	1.81 (+0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/06/2021 05:00	SK	Foreign Reserves	Sep	--	\$463.97b	\$463.93b	--
10/06/2021 07:00	SK	CPI YoY	Sep	2.40%	2.50%	2.60%	--
10/06/2021 07:00	SK	CPI MoM	Sep	0.40%	0.50%	0.60%	--
10/06/2021 07:00	SK	CPI Core YoY	Sep	1.80%	1.90%	1.80%	--
10/06/2021 08:30	HK	Markit Hong Kong PMI	Sep	--	--	53.30	--
10/06/2021 09:00	NZ	RBNZ Official Cash Rate	Oct-06	0.50%	--	0.25%	--
10/06/2021 14:00	GE	Factory Orders MoM	Aug	-2.20%	--	3.40%	--
10/06/2021 14:00	GE	Factory Orders WDA YoY	Aug	16.40%	--	24.40%	--
10/06/2021 15:30	GE	Markit Germany Construction PMI	Sep	--	--	44.60	--
10/06/2021 16:00	SI	Automobile COE Open Bid Cat A	Oct-06	--	--	48000	--
10/06/2021 16:00	SI	Automobile COE Open Bid Cat B	Oct-06	--	--	68310	--
10/06/2021 16:30	UK	Markit/CIPS UK Construction PMI	Sep	54.00	--	55.20	--
10/06/2021 17:00	EC	Retail Sales MoM	Aug	0.80%	--	-2.30%	--
10/06/2021 17:00	EC	Retail Sales YoY	Aug	0.40%	--	3.10%	--
10/06/2021 19:00	US	MBA Mortgage Applications	Oct-01	--	--	-1.10%	--
10/06/2021 20:15	US	ADP Employment Change	Sep	430k	--	374k	--

Source: Bloomberg

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