

Daily Treasury Outlook

7 May 2021

Highlights

Global: A late rally sent the Dow Jones to a fresh record overnight and the 10-year UST bond yield edged slightly higher to 1.57% even as the US Financial Stability Report warned of stretched market valuations that may be susceptible to “significant declines”. US initial jobless claims also fell to just 498k last week, down from 590k the previous week, but missed expectations. The S&P 500 added 0.82% while VIX fell to 18.39. Meanwhile, the Bank of England kept its bank rate unchanged at 0.10% and voted 8-1 (with Haldane who favoured reducing the asset purchase target by GBP50bn to GBP825bn) to continue with its asset purchase program. Separately, BNM also kept its OPR static at 1.75% on a sanguine growth outlook.

Market watch: Asian markets are likely to open on a firm tone this morning, but investors are waiting for tonight’s US labour market report with April nonfarm payrolls and unemployment rate tipped at 1mn and 5.8% respectively. Today’s economic calendar comprises China’s Caixin services PMI, foreign reserves data from Malaysia, Indonesia and China, and April trade data from China and Taiwan. ECB’s Lagarde, BOE’s Broadbent and Haldane, and Fed’s Barkin are also speaking and RBA’s monetary policy statement is also due.

US: Fed’s Brainard also called for “more granular, higher-frequency disclosures” following the Archegos bust-up.

EU: Germany warned of severe complications for vaccine production arising from the US proposal to waive patent protection.

SG: Transport minister Ong Ye Kung said Singapore needs to continue to open up its aviation industry and hopes that the HK trade bubble can still proceed.

Malaysia: BNM kept its OPR unchanged at 1.75% yesterday, as widely expected. Even though the country is experiencing another bout of Covid-19 resurgence, it continues to take the view that any restriction orders would be less restrictive than before, and hence impact growth less forcefully. It did say, however, that the balance of risks to growth remains tilted on the downside. But on its own, that won’t be enough to shift market expectation towards a rate cut, given that it continues to telegraph how growth momentum remains strong as it stands.

Oil: Brent fell 1.3% to \$68.09 yesterday, presumably on profit taking as the benchmark is close to attempting the \$70 handle. The market is keenly awaiting the twin reports of China’s trade balance and the US labour market to determine its next direction.

Gold: Gold finally breached the \$1800 level, rising 1.6% to close at \$1815.22 yesterday. This is gold’s highest level in more than two months.

Key Market Movements

Equity	Value	% chg
S&P 500	4201.6	0.8%
DJIA	34549	0.9%
Nikkei 225	29331	1.8%
SH Comp	3441.3	-0.2%
STI	3173.0	0.6%
Hang Seng	28637	0.8%
KLCI	1578.3	0.2%
	Value	% chg
DXY	90.951	-0.4%
USDJPY	109.09	-0.1%
EURUSD	1.2065	0.5%
GBPUSD	1.3889	-0.1%
USDIDR	14319	-0.8%
USDSGD	1.3333	-0.2%
SGDMYR	3.0840	0.1%
	Value	chg (bp)
2Y UST	0.15	0.21
10Y UST	1.57	0.36
2Y SGS	0.00	0.00
10Y SGS	1.52	-4.60
3M LIBOR	0.17	-0.55
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
3M SORA	0.19	0.11
3M SOFR	0.02	-0.04
	Value	% chg
Brent	68.09	-1.3%
WTI	64.71	-1.4%
Gold	1815	1.6%
Silver	27.31	3.1%
Palladium	2950	-0.8%
Copper	10092	1.4%
BCOM	92.87	0.7%

Source: Bloomberg

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Major Markets

US: US equities advanced last night as market sentiment was uplifted by US weekly initial jobless claims falling to a new pandemic-era low of 498k although it missed expectations despite the Fed's caution of asset overvaluation. The S&P 500 index rose 0.87%. 10Y UST bond yields ticked 0.36bps higher to close at 1.57%. For the day ahead, investors will be watching out for the April nonfarm payroll report to gauge the labour market recovery, where a significant gain in jobs could boost risk appetite in the US equity market further.

CN: China's top economic planner NDRC announced yesterday that it is suspending indefinitely all activities under the China-Australia Strategic Economic Dialogue, which was first launched in 2014 to conduct strategic dialogue on key bilateral economic and investment areas and strengthen economic ties. The announcement came after Australia government's announcement to scrap the BRI deal signed between Victoria state and China in April. Nevertheless, the government-to-government ministerial communication channel remains open though it may also be affected.

SG: The STI added 0.62% to close at 3173.00 yesterday and may open firmer but gains may be limited ahead of tonight's key US nonfarm payrolls data. SGS bonds may also range trade today.

HK: China announced more details about the wealth management connect for the Greater Bay Area. For the new connect scheme, both the maximum net northbound inflows and the maximum southbound inflows are not allowed to exceed the aggregate quota which is tentatively set at RMB150 billion. The individual investment quota is RMB1 million. The eligible investors in Macau and HK can invest in non-principal protected wealth management products with 1-3 level of risks as well as mutual funds with risk of R1 to R3. If taking Mutual Recognition of Funds as a reference where cumulative net subscription for Mainland funds and Hong Kong funds reached RMB0.64 billion and RMB17.39 billion respectively as of end-February 2021, we expect to see net inflows from Mainland China to Hong Kong under the new investment link at least at the early stage. If this is the case, the new connect scheme may help to improve CNH liquidity and boost HKD demand.

Indonesia: The Indonesian Rupiah strengthened considerably yesterday. The USDIDR shifted from over 14400 level to around 14320 level in the afternoon. Market talks circled around how fund inflows may have contributed to the demand for Rupiah, together with a generally supportive global environment with stability in the US Treasuries market the night before.

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7 May 2021

Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with shorter tenors trading at 2-4bps lower. Belly tenors traded 5bps lower while longer tenors traded 7bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 142bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 608bps. The HY-IG Index Spread widened 2bps to 466bps. There were heavy flows yesterday including in SPHSP 4.5%-PERPs, STSP 3.3%-PERPs, SPHSP 4%-PERPs, SPHSP 3.2%'30s, OLAMSP 4%'26s and OLAMSP 5.375%-PERPs. 10Y UST Yields remained mostly unchanged at 1.57% as investors largely shrugged off better-than-expected jobless claims data which registered a new low of 498,000 compared to estimates of 527,000.

New Issues: ENN Clean Energy International Investment Ltd. (Guarantor: ENN Natural Gas Co Ltd) priced a USD800mn 5NC3 senior unsecured bond at T+265bps, tightening from IPT of T+320bps area. BOC Aviation USA Corp (Guarantor: BOC Aviation Ltd) priced USD250mn re-tap of its BOCAVI 1.625%'24s at T+125bps, tightening from IPT of T+155bps area. KB Kookmin Card Co Ltd priced a USD300mn 5-year sustainability bond at T+72.5bps, tightening from IPT of T+110bps area. Powerlong Real Estate Holdings Ltd priced a USD200mn 5NC3 senior unsecured bond at 5.1%, tightening from IPT of 5.7% area. Golden Energy & Resources Ltd priced a USD285mn 5NC3 senior unsecured bond at 8.875%, tightening from IPT of 9% area. eHi Car Services Ltd priced a USD300mn 3.5-year senior unsecured bond at 8%. Cathay Pacific Airways Ltd. has arranged investor calls commencing 6 May for its proposed USD bond offering.

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7 May 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.951	-0.39%	USD-SGD	1.3333	-0.16%
USD-JPY	109.090	-0.11%	EUR-SGD	1.6085	0.33%
EUR-USD	1.207	0.50%	JPY-SGD	1.2221	-0.08%
AUD-USD	0.778	0.45%	GBP-SGD	1.8520	-0.27%
GBP-USD	1.389	-0.12%	AUD-SGD	1.0377	0.29%
USD-MYR	4.123	0.05%	NZD-SGD	0.9643	0.06%
USD-CNY	6.464	#DIV/0!	CHF-SGD	1.4693	0.46%
USD-IDR	14319	-0.80%	SGD-MYR	3.0840	0.08%
USD-VND	23058	0.03%	SGD-CNY	4.8451	-0.05%

Equity and Commodity

Index	Value	Net change
DJIA	34,548.53	318.19
S&P	4,201.62	34.03
Nasdaq	13,632.84	50.42
Nikkei 225	29,331.37	29331.37
STI	3,173.00	19.41
KLCI	1,578.33	2.66
JCI	5,970.24	-5.67
Baltic Dry	3,157.00	104.00
VIX	18.39	-0.76

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5620	-0.56%	O/N	0.0645	0.07%
2M	-0.3360	-0.34%	1M	0.1084	0.11%
3M	-0.5350	-0.54%	2M	0.1473	0.14%
6M	-0.5160	-0.52%	3M	0.1754	0.18%
9M	-0.1940	-0.20%	6M	0.2066	0.20%
12M	-0.4830	-0.49%	12M	0.2829	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (-0.02)	0.15(--)
5Y	0.76 (-0.02)	0.8 (+0.01)
10Y	1.52 (-0.05)	1.57(--)
15Y	1.86 (-0.05)	--
20Y	1.89 (-0.04)	--
30Y	#VALUE!	2.24(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.106	0.09	0.09
07/28/2021	0.095	0.087	0.087
09/22/2021	0.085	0.085	0.085
11/03/2021	0.075	0.082	0.082
12/15/2021	0.104	0.09	0.09
01/26/2022	0.095	0.087	0.087

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	64.71	-1.40%	Corn (per bushel)	7.595	0.8%
Brent (per barrel)	68.09	-1.26%	Soybean (per bushel)	16.055	1.5%
Heating Oil (per gallon)	198.95	-0.65%	Wheat (per bushel)	7.643	1.1%
Gasoline (per gallon)	211.37	-1.75%	Crude Palm Oil (MYR/MT)	47.180	2.6%
Natural Gas (per MMBtu)	2.93	-0.34%	Rubber (JPY/KG)	2.570	#DIV/0!
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10092.00	1.43%	Gold (per oz)	1815.2	1.6%
Nickel (per mt)	17937.00	0.23%	Silver (per oz)	27.3	3.1%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/07/2021 07:50	JN Monetary Base YoY	Apr	--	20.80%	--
05/07/2021 09:00	CH Trade Balance	Apr	\$27.70b	\$13.80b	--
05/07/2021 09:00	CH Exports YoY	Apr	24.10%	30.60%	--
05/07/2021 09:00	CH Imports YoY	Apr	44.00%	38.10%	--
05/07/2021 09:00	PH Exports YoY	Mar	11.50%	-2.30%	--
05/07/2021 10:00	VN Domestic Vehicle Sales YoY	Apr	--	58.90%	--
05/07/2021 11:00	ID Foreign Reserves	Apr	--	\$137.10b	--
05/07/2021 14:00	GE Industrial Production SA MoM	Mar	2.20%	-1.60%	--
05/07/2021 15:30	TH Foreign Reserves	Apr-30	--	\$250.4b	--
05/07/2021 16:00	TA Exports YoY	Apr	27.60%	27.10%	--
05/07/2021 16:30	UK Markit/CIPS UK Construction PMI	Apr	62.1	61.7	--
05/07/2021 20:30	CA Unemployment Rate	Apr	7.90%	7.50%	--
05/07/2021 20:30	US Unemployment Rate	Apr	5.80%	6.00%	--
05/07/2021 20:30	CA Net Change in Employment	Apr	-162.5k	303.1k	--
05/07/2021 20:30	US Change in Nonfarm Payrolls	Apr	998k	916k	--
05/07/2021 22:00	US Wholesale Inventories MoM	Mar F	1.40%	1.40%	--

Source: Bloomberg

Treasury Research & Strategy

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