

## Daily Treasury Outlook

7 June 2021

### Highlights

**Global:** News that G7 finance ministers had agreed to the US proposal of a global minimum tax of at least 15% did not douse market hopes that the latest disappointing nonfarm payroll which printed at 559k in May would keep the FOMC from any premature taper. US Treasury Secretary Yellen also opined that even if President Biden's US\$4tn spending plans trigger higher inflation and interest rates, "it would actually be a plus for society's point of view and the Fed's point of view". The S&P 500 gained 0.88% on Friday while VIX slipped to 16.42. UST bonds also traded firmer with the 10-year bond yield closing down 7bps at 1.55%. The reverse repo facility usage surged to US\$483.3bn, just shy of the record US\$485.3bn reached on 27 May. The US Treasury Department will sell US\$120bn of 3-, 10- and 30-year bonds starting tomorrow. Meanwhile, a clampdown on cryptocurrency in China led to more declines in bitcoin over the weekend.

**Market watch:** Asian markets are headed to a firm Monday open amid positive Friday cues from US markets. Today's economic calendar comprises China's May trade data, German factory orders, and Eurozone's Sentix investor confidence. Only BOE's Breeden is speaking today. For the week ahead, watch for US' CPI data on Thursday, BOC policy decision on 9 June (likely static at 0.25%, but with a more hawkish tilt), ECB policy meeting on 10 June (likely to keep policy settings unchanged, but may continue with the faster pace of bond purchases until September), and Russia that may hike interest rates again on Friday. The WTO is also meeting tomorrow to discuss expanding Covid production facilities, while the Fed is in blackout ahead of their 15-16 June FOMC meeting.

**US:** The May unemployment rate also dipped from 6.1% to a better than expected 14-month low of 5.8% while average hourly earnings jumped more than expected by 2.0% yoy (0.5% mom), and the April nonfarm payrolls was also revised up from 266k to 278k. More than half of the 1.6 million jobs added in the last three months came from the leisure and hospitality sector, but were in lower-paying jobs.

**SG:** The Covid community cases fell to just 6 yesterday, the lowest daily tally since 10 May, and the proportion of unlinked cases has fallen from 22% to 15% since the start of the Phase 2 (Heightened Alert) period. P2(HA) is due to end on 13 June.

**Oil:** Brent has cleanly broke above the \$70 threshold last week, ending the week 4.6% higher. Both the flat price and calendar spreads show a clear breakout from its previous consolidation ranges. We expect oil to build on last week's momentum and continue inching higher this week.

**Gold:** Gold fell back below the \$1900 last week and a weak US CPI print this week may usher it down further. With breakeven yields staying stagnant, we continue to see gold as trading too rich and expect it to move lower in the near term.

### Key Market Movements

Equity	Value	% chg
S&P 500	4229.9	0.9%
DJIA	34756	0.5%
Nikkei 225	28942	-0.4%
SH Comp	3591.8	0.2%
STI	3151.0	-0.4%
Hang Seng	28918	-0.2%
KLCI	1578.5	-0.8%
	Value	% chg
DXY	90.136	-0.4%
USDJPY	109.52	-0.7%
EURUSD	1.2167	0.3%
GBPUSD	1.4157	0.4%
USDIDR	14295	0.1%
USDSGD	1.3245	-0.2%
SGDMYR	3.1078	-0.1%
	Value	chg (bp)
2Y UST	0.14	-0.97
10Y UST	1.55	-7.16
2Y SGS	0.36	0.30
10Y SGS	1.52	2.15
3M LIBOR	0.13	-0.33
3M SIBOR	0.44	0.00
3M SOR	0.24	-0.66
3M SORA	0.17	0.07
3M SOFR	0.01	-0.01
	Value	% chg
Brent	71.89	0.8%
WTI	69.62	1.2%
Gold	1892	1.1%
Silver	27.79	1.3%
Palladium	2846	0.1%
Copper	9955	1.7%
BCOM	94.68	1.5%

Source: Bloomberg

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**Major Markets**

**US:** US equities rebounded last Friday despite the softer May nonfarm payrolls as tapering concerns were eased. The S&P 500 index rose 0.88% and the Nasdaq 100 Composite index notched a 1.47% gain. 10Y UST bond yields slipped 7.16bps to close at 1.55%. For the week ahead, investors will continue to turn towards US economic data with the May CPI in focus for further market cues.

**CN:** President Biden signed an executive order on 3 June to update an investment blacklist which bans US entities from investing in Chinese companies with ties to defense or surveillance technology. The number of Chinese companies in the blacklist was expanded to 59 from the 48 firms previously identified by the Trump Administration in 2020. The expansion of the list was mainly due to the official inclusion of subsidiaries or related companies of blacklist companies. In addition, the expansion of the scope of targeted companies beyond those with military ties to those in the surveillance technology sector indicated that the list may increase in the future. For this week, other than May inflation data and credit data, market will also watch out for the upcoming in-person China-ASEAN foreign ministers meeting, held in Chongqing from Monday to Tuesday with topic of vaccination passport could be the point of interest.

**SG:** The STI retreated 0.44% to close at 3151.04 on Friday, but may see a firmer session today given positive Friday cues from Wall Street. With the short-covering in the UST bonds market emerging post-NFP, SGS bonds may also unwind some of the 1-2bps sell-off on Friday.

**HK:** Angelalign Technology's public offering has received stronger response than JD Logistics. This coupled with strong response to iBond and HK-listed Chinese companies' preparation for dividend payments has boosted HKD demand. As a result, USDHKD spot dropped below 7.7600 to three-month low. Having said that, HKD rates have barely moved, probably due to the flush HKD liquidity and the lowered HKD loan-to-deposit ratio. Going ahead, HKD demand may remain relatively strong amid the upcoming half-year end, continuous dividend payments (during June to August) and potential large IPOs in June. However, until local loan demand rebounds and pushes up HKD loan-to-deposit ratio or the Fed starts to tighten policy, the gap between HKD demand and supply may persist and warrant a lower for longer HKD rates. As such, we see low probability of USDHKD spot retesting 7.75 in the near term.

**Indonesia:** Bank Indonesia said that its early price surveys suggest that June would see prices decreasing by around 0.09% mom, or translating to an inflation print of 1.40% yoy. The sequential price downtick is said to be driven by deflation in the prices of food items such as chicken and chili, as well as inter-city transportation. Indonesia posted full-month inflation of 1.68% yoy in May.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly traded higher last Friday. Shorter tenors traded within range while belly and longer tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 137bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 627bps. The HY-IG Index Spread widened 10bps to 490bps. Flows in SGD corporates were heavy, with flows in STSP 3.3%-PERPs, UBS 4.85%-PERPs, MINTSP 3.15%-PERPs and CS 5.625%-PERPs. UST 10Y Yields fell 7bps to 1.56% after nonfarm payrolls increased last month by 559,000 jobs, below the forecast of 650,000 job gains.

**New Issues:** Haimen Zhongnan Investment Development International Co Ltd (Guarantor: Jiangsu Zhongnan Construction Group Co., Ltd.) priced a USD150mn 364-day bond at 12.25%. The Export-Import Bank of China priced a USD300mn 3-year zero coupon bond. AIA Group Limited priced a SGD500mn PerpNC10 Tier 2 bond at SOR+133bps. KEB Hana Bank has arranged investor calls commencing 7 June for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.136	-0.42%	USD-SGD	1.3245	-0.24%
USD-JPY	109.520	-0.70%	EUR-SGD	1.6112	0.06%
EUR-USD	1.217	0.33%	JPY-SGD	1.2092	0.45%
AUD-USD	0.774	1.06%	GBP-SGD	1.8749	0.11%
GBP-USD	1.416	0.36%	AUD-SGD	1.0250	0.79%
USD-MYR	4.128	0.09%	NZD-SGD	0.9551	0.66%
USD-CNY	6.395	-0.13%	CHF-SGD	1.4728	0.20%
USD-IDR	14295	0.07%	SGD-MYR	3.1078	-0.14%
USD-VND	23038	0.01%	SGD-CNY	4.8291	0.11%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.56%	O/N	0.0551	0.05%
2M	-0.3360	-0.34%	1M	0.0813	0.08%
3M	-0.5460	-0.54%	2M	0.1179	0.11%
6M	-0.5130	-0.52%	3M	0.1283	0.13%
9M	-0.1940	-0.20%	6M	0.1649	0.16%
12M	-0.4860	-0.49%	12M	0.2460	0.25%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.062	0.077	0.077
07/28/2021	0.084	0.082	0.082
09/22/2021	0.084	0.082	0.082
11/03/2021	0.084	0.082	0.082
12/15/2021	0.084	0.082	0.082
01/26/2022	0.084	0.082	0.082
03/16/2022	0.089	0.084	0.084

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.62	1.18%	Corn (per bushel)	6.828	3.1%
Brent (per barrel)	71.89	0.81%	Soybean (per bushel)	15.838	2.2%
Heating Oil (per gallon)	211.99	0.87%	Wheat (per bushel)	6.878	1.7%
Gasoline (per gallon)	221.15	0.44%	Crude Palm Oil (MYR/MT)	42.300	-0.8%
Natural Gas (per MMBtu)	3.10	1.84%	Rubber (JPY/KG)	2.500	3.3%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9955.00	1.70%	Gold (per oz)	1891.6	1.1%
Nickel (per mt)	18020.00	0.72%	Silver (per oz)	27.8	1.3%

## Equity and Commodity

Index	Value	Net change
DJIA	34,756.39	179.35
S&P	4,229.89	37.04
Nasdaq	13,814.49	199.98
Nikkei 225	28,941.52	-116.59
STI	3,151.04	-13.96
KLCI	1,578.45	-12.12
JCI	6,065.17	-26.35
Baltic Dry	2,438.00	-34.00
VIX	16.42	-1.62

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (--)	0.14 (--)
5Y	0.87 (--)	0.78 (-0.06)
10Y	1.52 (+0.02)	1.55 (-0.07)
15Y	1.87 (+0.02)	--
20Y	1.87 (+0.01)	--
30Y	1.87 (--)	2.23 (-0.06)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.19	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.01
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/07/2021 09:00	CH	Trade Balance	May	\$50.50b	--	\$42.85b	--
06/07/2021 09:00	CH	Exports YoY	May	32.00%	--	32.30%	--
06/07/2021 09:00	CH	Imports YoY	May	53.30%	--	43.10%	--
06/07/2021 09:00	CH	Foreign Reserves	May	\$3215.00b	--	\$3198.18b	--
06/07/2021 09:00	HK	Foreign Reserves	May	--	--	\$490.6b	--
06/07/2021 09:00	PH	Foreign Reserves	May	--	--	\$107.3b	--
06/07/2021 09:00	CH	Exports YoY CNY	May	19.20%	--	22.20%	--
06/07/2021 09:00	CH	Trade Balance CNY	May	266.45b	--	276.50b	--
06/07/2021 09:00	CH	Imports YoY CNY	May	41.50%	--	32.20%	--
06/07/2021 09:30	AU	ANZ Job Advertisements MoM	May	--	--	4.70%	--
06/07/2021 10:00	VN	Domestic Vehicle Sales YoY	May	--	--	144.20%	--
06/07/2021 13:00	JN	Leading Index CI	Apr P	102.9	--	102.5	--
06/07/2021 14:00	GE	Factory Orders WDA YoY	Apr	74.80%	--	27.80%	--
06/07/2021 14:30	AU	Foreign Reserves	May	--	--	A\$61.5b	--
06/07/2021 14:00	GE	Factory Orders MoM	Apr	0.50%	--	3.00%	--
06/07/2021 17:00	SI	Foreign Reserves	May	--	--	\$385.71b	--

Source: Bloomberg

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