

Daily Treasury Outlook

7 September 2021

Highlights

Global: Despite having the US markets out for holidays yesterday, European equity markets rallied, with the Euro Stoxx 50 rising 1.05% (the most in six weeks), which suggested that overall risk appetite was supportive. The risk-on tilt was likely supported by hopes that the Fed would delay its taper plans after last Friday's disappointing nonfarm payrolls report, as well as encouraging German factory orders that unexpectedly surged 3.4% mom (24.4% yoy) in July boosted by export demand for ships. Meanwhile, Japan's Nikkei 225 also gained 1.83%, partly boosted by the addition of Nintendo, Keyence and Murata Manufacturing on 1 October, and the change of Suga's leadership.

Market watch: Asian markets may open steady this morning as investors await the RBA policy decision where a hold on its cash rate target and 3-year yield target both at 0.1% would not surprise markets, but any delay to the taper plans amid the Delta outbreak could sway markets given that governor Lowe had opined last month that fiscal policy rather than such a move would be better placed to provide support. The economic data calendar comprises of China's August trade data, Indonesia and Malaysia's foreign reserves, German industrial production and ZEW survey, and Taiwan's August CPI and trade. BOE's Saunders is also speaking.

US: President Biden is expected to decide whether to renominate Fed chair Powell for a second term this week.

UK: The UK has extended the post-Brexit grace periods for trade between Great Britain and Northern Ireland, as it continues discussions with the EU.

SG: The resident and citizen unemployment rates rose slightly by 0.2% points to 3.7% and 3.9% respectively in July, while the overall unemployment rate also edged up 0.1% point to 2.8%, following the tightening of the Covid restrictions under P2(HA). Meanwhile, social gatherings at workplaces will not be allowed from 8 Sep, while the frequency of mandatory testing for higher-risk environments will be stepped up to slow the increase in Covid cases.

Oil: Oil fell yesterday, with Brent declining 0.5% to \$72.22. Trading volume was thin given the US was out on Labour Day holiday, with the front-month contract trading at half its normal volume. The coming week will likely determine oil's next course of direction, as markets decide whether they are more deterred by last Friday's US poor jobs number or more buoyed by the increased possibility of a slowdown in US monetary tightening normalisation.

Key Market Movements

Equity	Value	% chg
S&P 500	4535.4	0.0%
DJIA	35369	0.0%
Nikkei 225	29660	1.8%
SH Comp	3621.9	1.1%
STI	3101.1	0.6%
Hang Seng	26164	1.0%
KLCI	1581.6	-0.5%
	Value	% chg
DXY	92.035	0.0%
USDJPY	109.86	0.1%
EURUSD	1.1870	-0.1%
GBPUSD	1.3837	-0.2%
USDIDR	14223	-0.3%
USDSGD	1.3426	0.1%
SGDMYR	3.0901	0.0%
	Value	chg (bp)
2Y UST	0.21	0.00
10Y UST	1.32	0.00
2Y SGS	0.35	-0.10
10Y SGS	1.41	1.82
3M LIBOR	0.12	-0.21
3M SIBOR	0.43	0.00
3M SOR	0.19	0.00
3M SORA	0.13	0.22
3M SOFR	0.04	0.00
	Value	% chg
Brent	72.22	-0.5%
WTI	69.29	0.0%
Gold	1823	-0.2%
Silver	24.68	-0.1%
Palladium	2414	-0.2%
Copper	9451	0.2%
BCOM	97.12	0.0%

Source: Bloomberg

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Major Markets

SG: The STI added 0.56% to close at 3101.08 yesterday and may trade sideways today. SGS bonds sold off yesterday with yields up by 2-3bps. While there is no second mini-auction for this year, there is a new 30-year SGS (Infrastructure) bond announcement on 21 Sep, with the auction on 28 Sep, in addition to the re-opening of the 2-year SGS bond.

HK: More details about southbound bond connect reportedly will be announced as early as this week. Meanwhile, details of wealth management connect may be announced as soon as this Friday and be launched in early October.

Macau: China announced the plan to build a Guangdong-Macau in-depth cooperation zone in Hengqin, which will mainly support Macau's economic diversification, facilitate Macau residents' life and employment, enrich the practice of "one country, two systems" and connect Macau and Zhuhai to promote the development of the Greater Bay Area. For economic diversification, Macau and Hengqin will together develop technology research, high-end manufacturing, traditional Chinese medicine and other Macau's local signature businesses, culture and tourism, conventions and exhibitions, as well as modern finance. Supportive measures including preferential tax policies will be implemented to attract companies and talents. There will be relaxed rules on trade of goods, cross-border travel, cross-border financial management, market access and cross-border flow of online data. During the course of economic diversification, we may see deeper collaboration between Macau and the rest of Greater Bay Area.

Malaysia: Malaysia's Health Minister Khairy Jamaluddin said that the high number of Covid-19 fatalities in some states such as Sarawak and Selangor, despite their high vaccination rates, was due to what he called "fatality backlog". He added that the Klang Valley area should begin seeing a reduction in fatalities in two to three weeks.

Indonesia: Bank Indonesia and China's PBOC have officially launched a currency settlement cooperation framework yesterday, based on an MOU that was signed last September. A number of banks in both countries will be allowed to start related services with CNY and IDR under the framework.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter, belly, and longer (with the exception of the 15-year tenor trading 1bps higher) tenors 0-1bps lower. There were moderate flows in SGD Corporates yesterday, with flows in KPLDSP 2%'26s and MAPLSP 3.7%-PERPs. UST 10Y Yields remain unchanged yesterday as the United States celebrates Labour Day.

New Issues: KWG Group Holdings Limited priced a USD100mn re-tap of its KWGPRO 5.95%'25s at 6.5%. Starhill Global REIT MTN priced a SGD125mn 7-year senior unsecured bond at 2.23%, tightening from an IPG of 2.35% area. National Environment Agency priced a SGD350mn 10-year senior unsecured green bond at 1.67%, and a SGD1.3bn 30-year senior unsecured green bond at 2.5%. Power Finance Corp. has arranged investor calls commencing 06 September for its proposed USD bond offering. China Everbright Bank Co., Luxembourg Branch has mandated banks for its proposed USD bond offering. DBS Group Holdings Ltd. has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.035	0.00%	USD-SGD	1.3426	0.10%
USD-JPY	109.860	0.14%	EUR-SGD	1.5935	0.01%
EUR-USD	1.187	-0.08%	JPY-SGD	1.2219	-0.07%
AUD-USD	0.744	-0.28%	GBP-SGD	1.8574	-0.11%
GBP-USD	1.384	-0.25%	AUD-SGD	0.9986	-0.19%
USD-MYR	4.148	0.04%	NZD-SGD	0.9582	-0.13%
USD-CNY	6.458	0.05%	CHF-SGD	1.4667	-0.04%
USD-IDR	14223	-0.28%	SGD-MYR	3.0901	0.02%
USD-VND	22771	0.03%	SGD-CNY	4.8109	-0.03%

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	29,659.89	531.78
STI	3,101.08	17.23
KLCI	1,581.59	-7.60
JCI	6,126.94	0.02
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	0.8 (+0.02)	0.78(--)
10Y	1.41 (+0.02)	1.24(--)
15Y	1.7 (+0.03)	--
20Y	1.86 (+0.03)	--
30Y	1.87 (+0.03)	1.87(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.02	0.072	0.072
11/03/2021	0.002	0.078	0.078
12/15/2021	-0.003	0.077	0.077
01/26/2022	0.02	0.082	0.082
03/16/2022	-0.011	0.075	0.075
05/04/2022	0.023	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)	72.22	-0.54%	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)	44.350	0.1%
Natural Gas (per MMBtu)	4.71	1.53%	Rubber (JPY/KG)	1.995	0.4%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9450.50	0.21%	Gold (per oz)	1823.3	-0.2%
Nickel (per mt)	19654.00	-0.68%	Silver (per oz)	24.7	-0.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/07/2021 07:00	SK	BoP Current Account Balance	Jul	--	\$8210.7m	\$8846.9m	--
09/06/2021 08:00	VN	Domestic Vehicle Sales YoY	Aug	--	--	-38.10%	--
09/07/2021 09:00	CH	Trade Balance	Aug	\$53.20b	--	\$56.58b	\$56.59b
09/07/2021 09:00	CH	Exports YoY	Aug	17.30%	--	19.30%	--
09/07/2021 09:00	CH	Imports YoY	Aug	26.90%	--	0.3	--
09/07/2021 09:00	CH	Foreign Reserves	Aug	\$3233.00b	--	\$3235.89b	--
09/07/2021 09:00	PH	CPI YoY 2012=100	Aug	4.40%	--	4.00%	--
09/07/2021 11:00	ID	Foreign Reserves	Aug	--	--	\$137.34b	--
09/07/2021 12:30	AU	RBA Cash Rate Target	Sep-07	0.10%	--	0.10%	--
09/07/2021 13:00	ES	CPI YoY	Aug	--	--	5.00%	--
09/07/2021 13:00	ES	CPI MoM	Aug	--	--	1.10%	--
09/07/2021 14:00	GE	Industrial Production SA MoM	Jul	0.80%	--	-1.30%	--
09/07/2021 17:00	GE	ZEW Survey Expectations	Sep	30.30	--	40.40	--
09/07/2021 17:00	GE	ZEW Survey Current Situation	Sep	34.00	--	29.30	--
09/07/2021 17:00	EC	GDP SA QoQ	2Q F	2.00%	--	2.00%	--
09/07/2021 17:00	EC	GDP SA YoY	2Q F	13.60%	--	13.60%	--

Source: Bloomberg

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