

## Daily Treasury Outlook

7 October 2021

### Highlights

**Global:** A short-term increase in the US debt ceiling limit till December may keep the October bears at bay for now, but merely postpones the problem till year-end when the Fed's taper and seasonal holidays may also complicate matters. US equities recovered from an initial slump to see the S&P 500 rise 0.41% while VIX also declined to 21.00. UST bonds also wiped-out gains, with the 10-year bond yield back above 1.52% amid supply chain-induced inflation concerns. The USD was higher. Meanwhile, Russia's Putin also said he would help stabilize global energy markets by boosting supplies to Europe, prompting natural gas prices lower. Crude oil prices also closed lower after testing 7-year highs earlier. Separately, US president Biden is planning to meet virtually with Chinese President Xi before the end of the year. This news came amid US Secretary of State Anthony Blinken's call to China to cease its "provocative" actions around Taiwan.

**Market watch:** Asian markets may open in the green this morning, aided by improved sentiments following Republican Leader Mitch McConnell's compromise deal on the US debt ceiling. Today's economic data calendar comprises of foreign reserves from China, Malaysia and Indonesia, Thai consumer confidence, and Germany's August industrial production. ECB's Elderson, Lane, Holzmann and Schnabel, Fed's Mester, PBoC's Yi Gang, and BOC's Macklem are also speaking.

**US:** The ADP employment rose 568k in September, the highest since June, which could give a positive spin to tomorrow's key nonfarm payrolls report. Fed's Barkin had opined that demand in the US is very strong, but supply problems are contributing to both inflation and wage increases.

**SG:** Covid cases hit a new record of 3,562. The STI added 0.51% to close at 3083.88 yesterday and may extend gains amid the market relief over the short-term extension of the US debt ceiling. SGS bonds may continue to range trade today.

**EU:** The ECB is studying a new bond purchase program to replace the PEPP next year.

**Natural gas:** US Henry hub prices fell 10% in a day while Europe's TTF dipped 12% after Russia said it would supply more gas in this supply crunch period.

**Oil:** Brent fell 1.8% to \$81.08 yesterday on news that Russia may alleviate the energy supply crunch crisis by supplying more gas to Europe. We expect prices to stay supported in the near term.

### Key Market Movements

Equity	Value	% chg
S&P 500	4363.6	0.4%
DJIA	34417	0.3%
Nikkei 225	27529	-1.1%
SH Comp	3568.2	0.0%
STI	3083.9	0.5%
Hang Seng	23966	-0.6%
KLCI	1559.4	1.9%
	Value	% chg
DXY	94.266	0.3%
USDJPY	111.41	0.0%
EURUSD	1.1556	-0.4%
GBPUSD	1.3582	-0.3%
USDIDR	14253	0.0%
USDSGD	1.359	0.1%
SGDMYR	3.0734	-0.2%
	Value	chg (bp)
2Y UST	0.29	0.99
10Y UST	1.52	-0.52
2Y SGS	0.58	0.70
10Y SGS	1.61	4.33
3M LIBOR	0.12	-0.26
3M SIBOR	0.43	0.00
3M SOR	0.19	0.00
3M SORA	0.13	-0.04
3M SOFR	0.05	0.00
	Value	% chg
Brent	81.08	-1.8%
WTI	77.43	-1.9%
Gold	1763	0.1%
Silver	22.63	0.0%
Palladium	1892	-1.3%
Copper	9046	-1.4%
BCOM	101.59	-2.2%

Source: Bloomberg

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### Major Markets

**HK:** Since the local epidemic has been well contained, the focus of the 2021 Policy Address shifts from combating the virus to supporting long-term development in four key areas. First, promoting the integration among the Greater Bay Area. What caught market's attention most is the development plan of Northern Metropolis which aims to facilitate close collaboration between Hong Kong and Shenzhen on infrastructure, people's livelihood, ecological environment as well as high-tech development which will support China's industrial upgrade, Hong Kong's re-industrialization and economic diversification. Second, tackling the persistent housing supply issue. In terms of home supply, the government will strive to provide about 430,000 public and private units in the coming ten years and increase the provision of transitional housing units to 20,000. To increase land supply, the development plan of Northern Metropolis coupled with other plans may ensure new home supply of around 600,000 units in the period of 10 to 15 years after 2031-32. However, the plans stated above will take some time to materialize given the complicated process. As such, we expect that any downward pressure on housing prices may be limited in the near term. Third, a slew of supportive measures for various industries including finance, transportation, trade, innovation and technology, aviation etc. In addition, the government will support SMEs and increase investment in infrastructure. Finally, supporting sustainable development with an aim to achieve carbon neutrality before 2050 and support the ageing population.

**Malaysia:** Malaysia's Defence Minister, Hishamuddin Hussein said that Johor will move to Phase Three of the National Recovery Plan while Pahang will ease into Phase Four effective tomorrow. It marks further reopening of the country's economy as the Covid-19 situation comes under better control. Elsewhere, the government has also allowed for more flexibility in the operating hours of wholesale markets, as well as allowing for marriage ceremonies to be held in temples and churches effective Oct 9th.

**Indonesia:** Indonesia's parliament is set to approve a new draft law on tax reforms today. The so-called draft law on Harmonization of Tax Regulations was previously approved by a working committee involving a parliamentary commission and the government. Among other things, the new law would keep the corporate tax rate unchanged at 22% in 2022, versus a reduction to 20% that was previously planned. It would also introduce a new income tax bracket of 35% for those earning more than IDR5bn a year. It will also lay the groundwork for another round of tax amnesty lasting from Jan-Jun 2022.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with shorter tenors trading 1-3bps higher, belly tenors trading 3-5bps higher, and longer tenors trading 6-8bps higher. There were light flows in SGD Corporates yesterday, with flows in ESRCAY 5.1%'25s. UST 10Y Yields fell 1bps to 1.52% yesterday after the release of a higher-than-expected private jobs data reading. The American payroll processing company reported that private jobs rose by 568,000 for the month of August, higher than the Dow Jones consensus estimate from economists of 425,000. If Friday's non-farm payroll data shows similar results, the Fed will likely be further pressured to taper its bond purchases by the end of the year.

**New Issues:** Macquarie Group Ltd priced a USD850mn 4NC3 senior unsecured bond at T+67bps, tightening from an IPT of T+90bps area, a USD400mn 4NC3 senior unsecured floating rate bond at SOFR+71bps, a USD500mn 6.5NC5.5 senior unsecured bond at T+95bps, tightening from an IPT of T+110bps area, and a USD1.25bn 11.25NC10.25 senior unsecured bond at T+135bps, tightening from an IPT of T+155bps area. The Republic of Korea priced a USD500mn 10-year senior unsecured bond at T+25bps, tightening from an IPT of T+50bps area. KEB Hana Bank has arranged investor calls commencing 07 October for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.266	0.31%	USD-SGD	1.3590	0.15%
USD-JPY	111.410	-0.04%	EUR-SGD	1.5704	-0.22%
EUR-USD	1.156	-0.36%	JPY-SGD	1.2197	0.16%
AUD-USD	0.727	-0.27%	GBP-SGD	1.8457	-0.21%
GBP-USD	1.358	-0.34%	AUD-SGD	0.9883	-0.12%
USD-MYR	4.184	0.11%	NZD-SGD	0.9396	-0.55%
USD-CNY	6.445	0.00%	CHF-SGD	1.4654	0.23%
USD-IDR	14253	0.00%	SGD-MYR	3.0734	-0.20%
USD-VND	22762	0.02%	SGD-CNY	4.7363	-0.33%

## Equity and Commodity

Index	Value	Net change
DJIA	34,416.99	102.32
S&P	4,363.55	17.83
Nasdaq	14,501.91	68.08
Nikkei 225	27,528.87	-293.25
STI	3,083.88	15.76
KLCI	1,559.42	29.00
JCI	6,417.32	129.27
Baltic Dry	4,410.00	106.00
VIX	21.00	-0.30

## 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%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.58 (+0.01)	0.24(--)
5Y	0.96 (+0.03)	0.98 (+0.01)
10Y	1.61 (+0.04)	1.3 (-0.01)
15Y	1.92 (+0.05)	--
20Y	2.01 (+0.04)	--
30Y	1.99 (+0.04)	1.81 (-0.02)

## 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	0.038	0.088	0.088
06/15/2022	0.166	0.12	0.12

## 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)	77.43	-1.90%	Corn (per bushel)	5.323	-1.0%
Brent (per barrel)	81.08	-1.79%	Soybean (per bushel)	12.420	-0.7%
Heating Oil (per gallon)	244.20	-2.07%	Wheat (per bushel)	7.460	0.2%
Gasoline (per gallon)	230.82	-2.11%	Crude Palm Oil (MYR/MT)	50.670	1.8%
Natural Gas (per MMBtu)	5.68	-10.09%	Rubber (JPY/KG)	1.971	1.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9045.50	-1.40%	Gold (per oz)	1762.7	0.1%
Nickel (per mt)	18072.00	-0.27%	Silver (per oz)	22.6	0.0%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/07/2021 00:00	TH	Consumer Confidence Economic	Sep	--	--	33.80	--
10/07/2021 01:00	JN	Leading Index CI	Aug P	102.00	--	104.10	--
10/07/2021 02:00	GE	Industrial Production WDA YoY	Aug	5.00%	--	5.70%	--
10/07/2021 03:00	MA	Foreign Reserves	11202.00	--	--	\$116.2b	--
10/07/2021 02:00	GE	Industrial Production SA MoM	Aug	-0.50%	--	1.00%	--
10/07/2021 08:30	US	Initial Jobless Claims	Oct-02	348k	--	362k	--
10/07/2021 08:30	US	Continuing Claims	Sep-25	2762k	--	2802k	--
10/07/2021 09:45	US	Langer Consumer Comfort	Oct-03	--	--	55	--
10/07/2021 15:00	US	Consumer Credit	Aug	\$17.500b	--	\$17.004b	--
10/07/2021 19:30	JN	Labor Cash Earnings YoY	Aug	0.40%	--	1.00%	0.60%
10/07/2021 19:30	JN	Household Spending YoY	Aug	-1.20%	--	0.70%	--
10/07/2021 19:50	JN	Trade Balance BoP Basis	Aug	-¥385.3b	--	¥622.3b	--
10/07/2021 19:50	JN	BoP Current Account Balance	Aug	¥1473.6b	--	¥1910.8b	--
10/07/2021 19:50	JN	BoP Current Account Adjusted	Aug	¥1145.9b	--	¥1413.4b	--
10/07/2021 21:45	CH	Caixin China PMI Services	Sep	49.20	--	46.70	--
10/07/2021 21:45	CH	Caixin China PMI Composite	Sep	--	--	47.20	--

Source: Bloomberg

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