

## Daily Treasury Outlook

8 April 2021

### Highlights

**Global:** Fed minutes reassured financial markets overnight that “it would likely be some time until substantial further progress” towards its mandates are met and downplayed any inflation risk. Fed Chair Powell also noted downward pressure on short-term rates and said it may be appropriate to tweak the interest on excess reserves rates (IOER), or the overnight reverse repo rate, or both to keep the Fed Funds rate well within the 0.00-0.25% range. The S&P 500 tested a new record and closed up 0.15% amid the slowest trading day, while VIX slipped to 17.16. UST bonds traded mixed with a steeper yield curve amid the discussions of an inter-meeting IOER tweak, and the 10-year yield ended at 1.67%. The 3-month LIBOR eased to 0.1936% while the USD and oil prices both rose. Meanwhile, Biden’s proposed 15% minimum tax on profitable corporations would only apply to those with income exceeding \$2bn instead of \$100mn, but G20 Finance ministers are seeking agreement on the global minimum corporate tax rate by mid-year. Elsewhere, RBI pledged to buy 1bn rupees of bonds this quarter to cap borrowing costs, while keeping its benchmark repo rate unchanged at a record low of 4.00%.

**Market watch:** Asian markets may tread water today, as the 2021 IMF-World Bank Spring meeting commences with Fed Chair Powell participating in a panel. Today’s economic calendar comprises Taiwan’s CPI, Thailand’s consumer confidence, Japan’s Eco Watchers survey, Germany’s factory orders and US’ initial jobless claims. Fed’s Powell, Bullard and Kashkari are also speaking, and ECB minutes are also due today.

**US:** The trade deficit widened in February to a record high of US\$71.1bn amid strong imports, while consumer borrowing also surged to \$27.6bn with the broader re-opening of the US economy. This echoed the FOMC minutes which noted that “participants anticipated consumer spending would be bolstered by the recently enacted fiscal stimulus packages as well as by accommodative monetary policy”. Still, US consumers are saving \$0.42 of every \$1 from the latest stimulus checks with less than 25% spent and the rest used to pay down debts, according to a New York Fed poll.

**EU:** The EU drug regulator found a “possible link” between the AstraZeneca vaccine and blood-clots but determined that the benefits outweighed the risks. The UK regulator also echoed the view but recommended not using the shot for those below 30 years.

**SG:** The overall, resident and citizen unemployment rates continue to improve to 3.0%, 4.1% and 4.3% respectively in February, after peaking in September 2020.

### Key Market Movements

Equity	Value	% chg
S&P 500	4080.0	0.1%
DJIA	33446	0.0%
Nikkei 225	29731	0.1%
SH Comp	3479.6	-0.1%
STI	3195.8	-0.4%
Hang Seng	28675	-0.9%
KLCI	1600.6	1.4%

  

	Value	% chg
DXY	92.455	0.1%
USDJPY	109.85	0.1%
EURUSD	1.1868	-0.1%
GBPUSD	1.3737	-0.6%
USDIDR	14495	-0.1%
USDSGD	1.3413	0.2%
SGDMYR	3.0844	0.1%

  

	Value	chg (bp)
2Y UST	0.15	-0.39
10Y UST	1.67	1.79
2Y SGS	0.49	-1.30
10Y SGS	1.64	-5.26
3M LIBOR	0.20	-0.24
3M SIBOR	0.44	0.00
3M SOR	0.32	0.00
3M SORA	0.19	-0.05
3M SOFR	0.04	-0.10

  

	Value	% chg
Brent	63.16	0.7%
WTI	59.77	0.7%
Gold	1738	-0.3%
Silver	25.15	-0.1%
Palladium	2629	-2.1%
Copper	8916	-1.5%
BCOM	83.76	0.2%

Source: Bloomberg

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### Major Markets

**US:** US equities closed mixed yesterday as Fed members downplayed rising inflation concerns, but assured markets that it will “likely be some time” before bond purchase tapering is on its cards. The S&P 500 index advanced 0.15%. 10Y UST bond yields rose 1.79bps to close at 1.67%. With the Fed opening the door to higher yields, markets will likely track inflation figures and may take their cues from there.

**CN:** China’s FX reserve fell to US\$3.17 trillion in March from US\$3.204 trillion in February. The small decline of FX reserve in March was mainly the result of valuation effect due to stronger broad dollar and rising volatility in risky assets. As PBoC is unwilling to expand the balance sheet amid the recent new wave of capital inflows, the change of China’s FX reserve is mainly the function of mark to market valuation change rather than the cross-border capital flows. In addition, China’s Ministry of Finance said it will exit the crisis era fiscal stimulus in an orderly manner. However, China will step up its fiscal support to manufacturing and innovation under the guidance of 14th five-year plan.

**SG:** The STI slipped 0.37% to close at 3195.76 yesterday and may continue to range trade in the interim. SGS bonds may also tread water for now.

**HK:** US\$HKD spot broke above 7.7800 and refreshed the over one-year high despite the retreat of broad dollar index. This reinforces our view that the weakness of HKD has been driven mainly by the sluggish HKD demand. Given the increased volatility in the stock market, we expect equity-related HKD demand to remain subdued. Loan demand may remain muted as well amid weak response to IPOs and the still dire business situation. As such, we expect US\$HKD spot to move towards 7.79 but hold onto our view that the currency pair will not break above 7.80 in the near term given the still flushed global liquidity, the narrow US\$-HKD interest rate gap and the still busy IPO pipeline. Elsewhere, the housing market strengthened further in Feb due to solid pent-up demand (the response to some new home launches was strong), low interest rate environment, receded local infections and scarce short to medium term supply. However, since the CCL index has not yet shown a clear uptrend, we will closely monitor whether the upside of the housing market will be capped by the sliding housing rental (down for the 17th consecutive month in Feb) and the negative wealth effect amid stock market correction.

**Malaysia:** According to news reports, Malaysia’s former PM Najib Razak has been served with a bankruptcy notice by the Inland Revenue Board, given his alleged failure to pay a tax bill totalling MYR1.74bn (USD420mn). If he is declared bankrupt, he may lose his parliamentary seat and will be ineligible to contest for party polls and national elections.

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**Indonesia:** President Jokowi said that he is backing a push to expand Bank Indonesia's mandate. In a Bloomberg interview, he said that BI should not just be managing the currency but should also support sustainable economic growth and job creation. He did add, however, that the central bank should remain independent. His comment came as recent news flow suggests that the parliament is considering a broad review of legislation governing the central bank.

**Oil:** Oil rose 0.7% yesterday to close at \$63.16. Prices rose after US data showed commercial inventories of oil fell below 500 million barrels for the first time in a month. We see oil continuing to consolidate between \$60-\$65, but our bias is still to the upside beyond the current consolidation phase.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower yesterday, with shorter tenors trading at 3-7bps lower. Belly and longer tenors traded 7-8bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 133bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 621bps. The HY-IG Index Spread tightened 7bps to 488bps. There were heavy flows in SGD corporates yesterday including flows in HRINTH 3.2%'21s, CS 5.625%-PERPs, OLAMSP 4%'26s and CTRAIJ 6%'26s. 10Y UST Yields gained 2bps to 1.68% on the back of the FOMC meeting where central bankers reinforced their dovish stance on monetary policy which includes anchoring short-term borrowing rates to near zero levels and purchasing at least USD120.0bn in bonds each month.

**New Issues:** United Overseas Bank Ltd priced a USD750mn 5-year senior unsecured sustainability bond at T+48bps, tightening from IPT of T+75bps area, and a USD750mn 10.5NC5.5 Tier 2 sustainability bond at T+123bps, tightening from IPT of T+150bps area. Redco Properties Group Ltd priced a USD220mn 364-day sustainability bond at 9.75%, tightening from IPT of 10% area. Singtel Group Treasury Pte. Ltd. (Guarantor: Singtel) priced a SGD1.0bn PerpNC10.5 bond at 3.3%, tightening from IPG of 3.6% area. Genting Malaysia Berhad has arranged investor calls commencing 7 April for its proposed USD bond. Putian State-Owned Assets Investment Co., Ltd. has arranged investor calls commencing 8 April for its proposed USD bond. Kia Corp. has arranged investor calls commencing 8 April for its proposed USD green bond.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	92.455	0.13%	<b>USD-SGD</b>	1.3413	0.17%
<b>USD-JPY</b>	109.850	0.09%	<b>EUR-SGD</b>	1.5918	0.10%
<b>EUR-USD</b>	1.187	-0.07%	<b>JPY-SGD</b>	1.2208	0.05%
<b>AUD-USD</b>	0.761	-0.65%	<b>GBP-SGD</b>	1.8425	-0.47%
<b>GBP-USD</b>	1.374	-0.63%	<b>AUD-SGD</b>	1.0211	-0.50%
<b>USD-MYR</b>	4.132	-0.04%	<b>NZD-SGD</b>	0.9406	-0.49%
<b>USD-CNY</b>	6.543	0.05%	<b>CHF-SGD</b>	1.4426	0.29%
<b>USD-IDR</b>	14495	-0.07%	<b>SGD-MYR</b>	3.0844	0.12%
<b>USD-VND</b>	23082	0.00%	<b>SGD-CNY</b>	4.8853	0.07%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	33,446.26	16.02
<b>S&amp;P</b>	4,079.95	6.01
<b>Nasdaq</b>	13,688.84	-9.54
<b>Nikkei 225</b>	29,730.79	34.16
<b>STI</b>	3,195.76	-11.87
<b>KLCI</b>	1,600.59	21.68
<b>JCI</b>	6,036.62	33.85
<b>Baltic Dry</b>	2,092.00	20.00
<b>VIX</b>	17.16	-0.96

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.5500	-0.55%	<b>O/N</b>	0.0779	0.07%
<b>2M</b>	-0.3360	-0.34%	<b>1M</b>	0.1101	0.11%
<b>3M</b>	-0.5380	-0.54%	<b>2M</b>	0.1441	0.14%
<b>6M</b>	-0.5170	-0.51%	<b>3M</b>	0.1974	0.20%
<b>9M</b>	-0.1940	-0.20%	<b>6M</b>	0.2010	0.20%
<b>12M</b>	-0.4960	-0.49%	<b>12M</b>	0.2863	0.28%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.49 (-0.01)	0.15(--)
<b>5Y</b>	0.88 (-0.03)	0.87(--)
<b>10Y</b>	1.64 (-0.05)	1.67 (+0.02)
<b>15Y</b>	1.97 (-0.04)	--
<b>20Y</b>	2.02 (-0.04)	--
<b>30Y</b>	2.01 (-0.03)	2.36 (+0.04)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.027	0.072	0.072
06/16/2021	0.068	0.083	0.083
07/28/2021	0.067	0.082	0.082
09/22/2021	0.067	0.082	0.082
11/03/2021	0.067	0.082	0.082
12/15/2021	0.075	0.085	0.085

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	-5.33	(--)
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.01
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.77	0.74%	Corn (per bushel)	5.605	1.1%
Brent (per barrel)	63.16	0.67%	Soybean (per bushel)	14.088	-0.7%
Heating Oil (per gallon)	180.79	0.77%	Wheat (per bushel)	6.163	0.1%
Gasoline (per gallon)	195.18	-0.74%	Crude Palm Oil (MYR/MT)	42.820	1.7%
Natural Gas (per MMBtu)	2.52	2.61%	Rubber (JPY/KG)	2.380	-0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8915.50	-1.45%	Gold (per oz)	1737.7	-0.3%
Nickel (per mt)	16636.00	-0.62%	Silver (per oz)	25.1	-0.1%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/08/2021 07:00	UK RICS House Price Balance	Mar 55.00%	59.00%	52.00%	54.00%
04/08/2021 07:50	JN BoP Current Account Balance	Feb ¥2000.0b	--	¥646.8b	--
04/08/2021 07:50	JN Trade Balance BoP Basis	Feb ¥471.8b	--	-¥130.1b	--
04/08/2021 07:50	JN Japan Buying Foreign Bonds	Apr-02 --	--	¥200.7b	--
04/08/2021 08:30	HK Markit Hong Kong PMI	Mar --	--	50.2	--
04/08/2021 09:00	NZ ANZ Business Confidence	Apr P --	--	-4.1	--
04/08/2021 09:00	PH Exports YoY	Feb 2.70%	--	-5.20%	--
04/08/2021 09:00	PH Trade Balance	Feb -\$2170m	--	-\$2421m	--
04/08/2021 09:00	PH Foreign Reserves	Mar --	--	\$109.1b	--
04/08/2021 10:00	VN Domestic Vehicle Sales YoY	Mar --	--	-22.10%	--
04/08/2021 14:00	GE Factory Orders MoM	Feb 1.20%	--	1.40%	--
04/08/2021 16:00	TA CPI YoY	Mar 1.35%	--	1.37%	--
04/08/2021 16:30	UK Markit/CIPS UK Construction PMI	Mar 55.0	--	53.3	--
04/08/2021 20:30	US Initial Jobless Claims	Apr-03 680k	--	719k	--
04/08/2021 20:30	US Continuing Claims	Mar-27 3638k	--	3794k	--
04/08/2021 21:45	US Langer Consumer Comfort	38078	--	50.0	--

Source: Bloomberg

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