

Daily Treasury Outlook

8 June 2021

Highlights

Global: US equity markets pulled back overnight amid concerns about the global minimum 15% corporate tax consensus by G7 that could hurt future earnings of large MNCs and tech companies. The S&P 500 fell to close down at 0.08% despite initial gains towards a record high, but Nasdaq still gained after Biogen's Alzheimer's drug was approved. VIX was unchanged at 16.42. UST bonds also retreated, pushing up the 10-year bond yield 2bps to 1.57%. The Treasury's 3- and 6-month bills stopped out at 0.02% and 0.04%, the highest since 19 April, amid market concerns about a potential IOER hike. The usage of the Reverse Repo Facility also jumped to a record US\$486.1b, overtaking the previous high of US\$485.3b on 27 May, while the 3-month LIBOR dipped to 0.1231% amid the flushed liquidity ahead of the quarter-end. There is a US\$58b 3-year new issue today, followed by US\$38b of 10-year tomorrow and US\$24b of 30-year re-openings on Thursday. Meanwhile, S&P has upgraded Australia's AAA sovereign rating outlook from negative to stable, citing its swift economic recovery.

Market watch: Asian markets are likely to tread water today amid mixed cues from the US overnight. Today's economic calendar comprises of Taiwan's CPI and trade, Indonesia's foreign reserves, Japan's Eco Watchers survey, Germany's industrial production, Eurozone's ZEW survey, US' NFIB small business optimism, JOLTS job openings and April trade data. BOE's Haldane is also speaking.

EU: The Sentix index rose from 21.0 to 28.1 in June, with the current conditions gauge surging from 6.3 to 21.3 amid the reopening and resumption of economic activities as Covid cases decline.

Oil: Oil prices fell yesterday, with Brent recording a 0.6% decline overnight to \$71.49. The decline is likely on the back of profit taking after prices briefly traded over \$72 yesterday. We expect the upward trend in oil to continue in the near term.

Gold: Gold briefly traded above \$1900 yesterday but appears unconvicted in materially breaking higher. The market is likely waiting for the US CPI print this Thursday to determine its next direction.

Key Market Movements

Equity	Value	% chg
S&P 500	4226.5	-0.1%
DJIA	34630	-0.4%
Nikkei 225	29019	0.3%
SH Comp	3599.5	0.2%
STI	3175.8	0.8%
Hang Seng	28787	-0.5%
KLCI	1578.5	0.0%
	Value	% chg
DXY	89.950	-0.2%
USDJPY	109.25	-0.2%
EURUSD	1.2190	0.2%
GBPUSD	1.4183	0.2%
USDIDR	14265	-0.2%
USDSGD	1.3231	-0.1%
SGDMYR	3.1188	0.4%
	Value	chg (bp)
2Y UST	0.15	0.99
10Y UST	1.57	1.53
2Y SGS	0.35	-0.70
10Y SGS	1.50	-1.85
3M LIBOR	0.13	-0.25
3M SIBOR	0.44	0.00
3M SOR	0.24	0.00
3M SORA	0.17	-0.19
3M SOFR	0.01	-0.03
	Value	% chg
Brent	71.49	-0.6%
WTI	69.23	-0.6%
Gold	1899	0.4%
Silver	27.89	0.3%
Palladium	2839	-0.2%
Copper	9901	-0.5%
BCOM	94.16	-0.6%

Source: Bloomberg

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Major Markets

US: US equities closed mixed last night. The S&P 500 Index fell 0.08% while the Nasdaq 100 Composite Index notched a 0.49% gain. 10Y UST bond yields rose 1.53bps to close at 1.57%. Looking ahead, investors will likely keep an eye on further developments on the global tax reform while awaiting the May CPI report due this week.

CN: China's trade data remained strong. Exports in dollar term grew by 27.9% yoy while imports surged by 51.1% yoy in May. China's trade surplus widened to US\$45.53 billion from US\$42.85 billion. Total trade in May was at US\$482.3 billion, third highest in record. The share of ASEAN's total trade with China increased to 14.8% in the first five months, up from 14.7% in the first four months, reinforcing ASEAN's position as China's largest trading partner. However, China's demand weakened despite surge in imports of commodity by value due to base effect. China's imports of crude oil by volume fell by 14.6% yoy in May, a sign of diminishing demand amid rising commodity prices.

SG: The STI gained 0.79% to close at 3175.81 yesterday, but may take a breather today amid market focus on the global minimum corporate tax plans. SGS bonds may also see some pressure following the sell-off in UST bond market on inflationary concerns. MAS is selling \$10.8b and \$5b of 84- and 28-day bills respectively today.

Malaysia: According to Bloomberg, Malaysia has extended the expiry of existing income tax exemption on interest or profit earned from deposits for corporate investors in retail money market funds to 1 Jan 2022. The exemption was supposed to be expiring this month.

Indonesia: Indonesia's Tourism Minister, Sandiagno Uno, said that a number of government agencies will be supporting the plan to reopen Bali and order several bureaus to work from Bali starting July. These include the Financial Services Authority and the Coordinating Ministry for Maritime and Investment Affair, as well as Bank Indonesia. He said that he has also approached Indonesia's tech unicorns to support the "Work from Bali" program. He aims to bring the island's economy to growth by Q3 or Q4.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading at 1bps lower. Belly tenors traded 2-3bps lower while longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 136bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 626bps. The HY-IG Index Spread remained mostly unchanged at 490bps. There were heavy flows in SGD corporates yesterday, including SUNSP 3.8%-PERPs, AIA 2.9%-PERPs, KITSP 4.3%-PERPs, MINTSP 3.15%-PERPs, LREIT 4.2%-PERPs, OLAMSP 4%'26s, CS 5.625%-PERPs, OLAMSP 5.375%-PERPs, SRBJNG 4.11%'25s and STSP 3.3%-PERPs. UST 10Y Yields ticked marginally higher by 1bps to 1.57% amidst a lack of clear drivers and as investors continued to digest the worse-than-expected nonfarm payrolls data released last Friday.

New Issues: NagaCorp Ltd (Guarantors: NagaCorp HK Ltd, Nagaworld Ltd, Nagacity Walk Ltd, Naga 2 Land Ltd and Naga 3 Company Ltd and Ariston Sdn.Bhd) priced a USD200mn re-tap of its NAGACL 7.95%'24s at 6.625%, tightening from IPT of 6.875% area. Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd) priced a USD90mn 3-year bond at 4%. Goucheng International Co., Ltd. Priced a USD100mn 3-year senior unsecured bond at 3.48%. Suntec Real Estate Investment Trust priced a SGD150mn PerpNC5 at 4.25%, tightening from IPG of 4.45% area. China Everbright Bank Co., Hong Kong Branch has mandated banks for its proposed USD senior bond offering. Pacific Century Premium Developments Limited 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	89.950	-0.21%	USD-SGD	1.3231	-0.11%
USD-JPY	109.250	-0.25%	EUR-SGD	1.6128	0.10%
EUR-USD	1.219	0.19%	JPY-SGD	1.2109	0.14%
AUD-USD	0.775	0.19%	GBP-SGD	1.8762	0.07%
GBP-USD	1.418	0.18%	AUD-SGD	1.0260	0.10%
USD-MYR	4.128	0.09%	NZD-SGD	0.9563	0.13%
USD-CNY	6.397	0.03%	CHF-SGD	1.4740	0.08%
USD-IDR	14265	-0.21%	SGD-MYR	3.1188	0.35%
USD-VND	23026	-0.05%	SGD-CNY	4.8355	0.13%

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	0.08	0.077	0.077
07/28/2021	0.103	0.082	0.082
09/22/2021	0.103	0.082	0.082
11/03/2021	0.103	0.082	0.082
12/15/2021	0.103	0.082	0.082
01/26/2022	0.103	0.082	0.082

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.23	-0.56%	Corn (per bushel)	6.793	-0.5%
Brent (per barrel)	71.49	-0.56%	Soybean (per bushel)	15.603	-1.5%
Heating Oil (per gallon)	211.56	-0.20%	Wheat (per bushel)	6.800	-1.1%
Gasoline (per gallon)	219.31	-0.83%	Crude Palm Oil (MYR/MT)	42.300	-0.8%
Natural Gas (per MMBtu)	3.07	-0.87%	Rubber (JPY/KG)	2.478	-0.9%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9900.50	-0.55%	Gold (per oz)	1899.2	0.4%
Nickel (per mt)	17892.00	-0.71%	Silver (per oz)	27.9	0.3%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/08/2021 02:00	GE Industrial Production SA MoM	Apr 0.40%	--	2.50%	--
06/08/2021 04:00	TA CPI YoY	May 2.20%	--	2.09%	--
06/08/2021 05:00	GE ZEW Survey Expectations	Jun 86	--	84.4	--
06/08/2021 05:00	GE ZEW Survey Current Situation	Jun -28.0	--	-40.1	--
06/08/2021 05:00	EC GDP SA QoQ	1Q F -0.60%	--	-0.60%	--
06/08/2021 05:00	EC GDP SA YoY	1Q F -1.80%	--	-1.80%	--
06/08/2021 08:30	US Trade Balance	Apr -\$68.5b	--	-\$74.4b	--
06/08/2021 19:00	SK Unemployment rate SA	May 3.60%	--	3.70%	--
06/08/2021 19:00	SK GDP YoY	1Q F 1.80%	--	1.80%	--
06/08/2021 19:00	SK GDP SA QoQ	1Q F 1.60%	--	1.60%	--
06/08/2021 19:50	JN Money Stock M2 YoY	May 8.40%	--	9.20%	--
06/08/2021 20:30	AU Westpac Consumer Conf SA MoM	Jun --	--	-4.80%	--
06/08/2021 21:00	NZ ANZ Business Confidence	Jun P --	--	1.8	--
06/08/2021 21:30	CH CPI YoY	May 1.60%	--	0.90%	--
06/08/2021 21:30	CH PPI YoY	May 8.50%	--	6.80%	--
06/08/2021 22:00	VN Domestic Vehicle Sales YoY	May --	--	144.20%	--

Source: Bloomberg

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