

Daily Treasury Outlook

8 September 2021

Highlights

Global: The reopening of US markets post Labour Day holiday saw both equities and Treasuries selling off. The S&P 500 index declined 0.3%, with all but the tech and real estate sectors posting losses on the day. 10Y Treasury yields rose about 5bp to close at 1.373% ahead of a busy auction pipeline through this week, with \$38bn worth of 10Y Treasury debt set to be sold tonight. On the data front, China's trade data yesterday showed better than expected trade flows in August, with exports and imports rising 25.6% (17.3%) and 33.1% (26.9%) yoy respectively (expectations in parentheses). Imports of commodity, in particular, look particularly impressive, with crude oil and iron ore imports all rising to their highest in three to four months based on tonnage. The RBA maintained its taper plans in yesterday's monetary policy meeting. Bank of Canada is expected to stand pat on both its key interest rate of 0.25% and its taper plans of C\$2bn per week in tonight's meeting. The Fed's Williams and Kaplan will be speaking tonight (tomorrow morning SGT) while the Beige Book's release tonight will also be of keen interest to the market.

Market watch: Asian markets may open lower this morning, taking cues from US markets. Today's economic calendar comprises of a host of prints from Japan including GDP, BOP, trade balance and year on year bankruptcies. In Southeast Asia, Singapore COE bids and Vietnam domestic vehicle sales will be reported. Canada will also be releasing its central bank rate decision today with estimates at 0.25%. RBA's Debelle will be speaking today.

UK: PM Boris Johnson has announced a tax hike on UK workers, businesses and shareholders to fund the rising costs of the healthcare system. Both the National Insurance and dividend tax will rise by 1.25% next year, going against PM Johnson's election manifesto of not raising main tax rates.

SG: Companies with more than 10 employees will now need to declare any retrenchment of staff to the Ministry of Manpower, starting 1 November. Presently, companies need only notify the ministry when five or more workers are retrenched within a six-month period.

Oil: Oil prices fell, with Brent declining 0.7% to \$71.69. Trading volume has returned to pre-Labour Day levels yesterday. The decline post-US holiday suggests oil may continue seeing bearish pressure in the near term, with the key support level expected at \$70.

Gold: Gold prices fell 1.6% yesterday and closed below \$1800 for the first time in more than a week, pushed lower by the gain in Treasury yields.

Key Market Movements

Equity	Value	% chg
S&P 500	4520.0	-0.3%
DJIA	35100	-0.8%
Nikkei 225	29916	0.9%
SH Comp	3676.6	1.5%
STI	3108.5	0.2%
Hang Seng	26354	0.7%
KLCI	1583.5	0.1%
	Value	% chg
DX	92.512	0.5%
USDJPY	110.28	0.4%
EURUSD	1.1840	-0.3%
GBPUSD	1.3786	-0.4%
USDIDR	14213	-0.1%
USDSGD	1.3461	0.3%
SGDMYR	3.0934	0.1%
	Value	chg (bp)
2Y UST	0.22	1.40
10Y UST	1.37	5.09
2Y SGS	0.35	0.50
10Y SGS	1.43	1.94
3M LIBOR	0.11	-0.09
3M SIBOR	0.43	0.00
3M SOR	0.18	0.00
3M SORA	0.13	0.03
3M SOFR	0.05	0.18
	Value	% chg
Brent	71.69	-0.7%
WTI	68.35	-1.4%
Gold	1794	-1.6%
Silver	24.32	-1.5%
Palladium	2375	-1.6%
Copper	9351	-1.1%
BCOM	95.79	-1.4%

Source: Bloomberg

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Major Markets

SG: The STI rose 0.2% yesterday but may see selling pressure on the back of Wall Street's weak performance overnight.

HK: The Return2hk Scheme for Hong Kong residents from Mainland China and Macau will resume from 8th September. Meanwhile the Come2hk scheme for non-local residents from Mainland China and Macau will be launched on 15th September with a quota of 2000 visitor arrivals per day. Visitor arrivals under the two schemes will be exempted from mandatory quarantine. This is unlikely to be a game changer for the subdued tourism-related sectors of Hong Kong as these schemes are unilateral and the application for exit/entry permit for travelling to and from HK has not yet resumed. Nevertheless, if it paves way for further reopening of the border with Guangdong or China as a whole, the resumption of cross-border travel may provide additional impetus for Hong Kong's economic recovery.

Malaysia: Malaysia reported an uptick in its foreign reserves print, at USD116.3bn as of end-August compared to 111.3bn in mid-August. The uptick partly reflects the allocation of SDRs from the IMF during the period, which added to the foreign reserves of its members, including Malaysia.

Indonesia: Indonesia reported an improvement in consumer confidence. The reading by Danareksa showed that August confidence level rose to 71.2 from 62.1 of the previous month. The confidence uptick came as Indonesia appears to have gotten the Covid-19 situation under better control, with the positivity rate at 4.43%, below the 5.0% WHO threshold for the first time.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday, with shorter tenors trading 1-3bps higher, belly tenors trading 4bps higher, and longer tenors 4-6bps higher. There were moderate flows in SGD Corporates yesterday, with flows in UBS 4.85%-PERPs, KREITS 3.15%-PERPs, and MAPLSP 3.7%-PERPs. UST 10Y Yields continued to trade higher yesterday, rising 5bps to 1.37% as investors reposition their portfolio following Friday's disappointing jobs report and supply of US corporate bonds resumed. Despite the lower-than-expected nonfarm payroll numbers, investors are piling on bets that government bond yields will rise in expectation that the Fed will taper by the end of the year.

New Issues: DBS Group Holdings Ltd priced a USD800mn 5.5-year senior unsecured bond at T+37bps, tightening from an IPT of T+65bps area. China Everbright Bank Co Ltd/Luxembourg priced a USD500mn 3-year senior unsecured bond at T+40bps, tightening from an IPT of T+80bps area. GF Financial Holdings BVI Ltd has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.512	0.52%	USD-SGD	1.3461	0.26%
USD-JPY	110.280	0.38%	EUR-SGD	1.5935	0.00%
EUR-USD	1.184	-0.25%	JPY-SGD	1.2204	-0.12%
AUD-USD	0.739	-0.71%	GBP-SGD	1.8558	-0.09%
GBP-USD	1.379	-0.37%	AUD-SGD	0.9944	-0.42%
USD-MYR	4.155	0.18%	NZD-SGD	0.9558	-0.25%
USD-CNY	6.467	0.13%	CHF-SGD	1.4638	-0.20%
USD-IDR	14213	-0.07%	SGD-MYR	3.0934	0.11%
USD-VND	22753	-0.08%	SGD-CNY	4.8053	-0.12%

Equity and Commodity

Index	Value	Net change
DJIA	35,100.00	-269.09
S&P	4,520.03	-15.40
Nasdaq	15,374.33	10.81
Nikkei 225	29,916.14	256.25
STI	3,108.53	7.45
KLCI	1,583.48	1.89
JCI	6,112.40	-14.54
Baltic Dry	3,833.00	176.00
VIX	18.14	1.73

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 (+0.01)	0.22(--)
5Y	0.81 (+0.01)	0.82 (+0.04)
10Y	1.43 (+0.02)	1.24 (+0.05)
15Y	1.72 (+0.02)	--
20Y	1.88 (+0.02)	--
30Y	1.89 (+0.02)	1.87 (+0.04)

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	0.02	0.082	0.082
05/04/2022	0.02	0.082	0.082

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)	68.35	-1.36%	Corn (per bushel)	5.108	-2.5%
Brent (per barrel)	71.69	-0.73%	Soybean (per bushel)	12.770	-1.2%
Heating Oil (per gallon)	212.16	-1.75%	Wheat (per bushel)	7.198	-0.9%
Gasoline (per gallon)	213.00	-1.11%	Crude Palm Oil (MYR/MT)	44.930	1.3%
Natural Gas (per MMBtu)	4.57	-3.06%	Rubber (JPY/KG)	1.984	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9350.50	-1.06%	Gold (per oz)	1794.4	-1.6%
Nickel (per mt)	19506.00	-0.75%	Silver (per oz)	24.3	-1.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/08/2021 08:00	VN	Domestic Vehicle Sales YoY	Aug	--	--	-38.10%	--
09/08/2021 07:50	JN	Bank Lending Incl Trusts YoY	Aug	--	0.60%	1.00%	0.01
09/08/2021 07:50	JN	GDP SA QoQ	2Q F	0.40%	0.50%	0.30%	--
09/08/2021 07:50	JN	GDP Annualized SA QoQ	2Q F	1.60%	1.90%	1.30%	--
09/08/2021 07:50	JN	BoP Current Account Balance	Jul	¥2288.2b	¥1910.8b	¥905.1b	--
09/08/2021 07:50	JN	GDP Deflator YoY	2Q F	-0.80%	-1.10%	-0.70%	--
09/08/2021 07:50	JN	Trade Balance BoP Basis	Jul	¥634.5b	¥622.3b	¥648.6b	--
09/08/2021 07:50	JN	GDP Nominal SA QoQ	2Q F	0.10%	-0.10%	0.10%	--
09/08/2021 07:50	JN	BoP Current Account Adjusted	Jul	¥1852.2b	¥1413.4b	¥1779.1b	--
09/08/2021 12:30	JN	Bankruptcies YoY	Aug	--	--	-39.67%	--
09/08/2021 16:00	SI	Automobile COE Open Bid Cat A	Sep-08	--	--	46689.00	--
09/08/2021 16:00	SI	Automobile COE Open Bid Cat B	Sep-08	--	--	61001.00	--
09/08/2021 16:00	SI	Automobile COE Open Bid Cat E	Sep-08	--	--	64901.00	--
09/08/2021 19:00	US	MBA Mortgage Applications	Sep-03	--	--	-0.02	--
09/08/2021 22:00	CA	Bank of Canada Rate Decision	Sep-08	0.25%	--	0.25%	--
09/08/2021 22:00	CA	Ivey Purchasing Managers Index SA	Aug	--	--	56.40	--

Source: Bloomberg

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