

Daily Treasury Outlook

8 October 2021

Highlights

Global: Kicking the can down the road once again, as Senate leaders officially reached an agreement to temporarily raise the US debt ceiling from October to December. US funding may have averted the crisis for now, but with two months left to run down the clock the debt ceiling will likely continue to dominate market chatter. The S&P 500 took optimism at the news, rising 0.8%. 10Y Treasury yields increased 5.2bps to 1.573% while the 10Y breakeven yield on the same rose 3bps to 2.476%. Meanwhile, Fed's Mester suggested that current inflationary pressures are related to pandemic-related factors, alluding to the current Fed rhetoric that current upside price pressures are transitory. Today's US nonfarm payroll report will be keenly watched by the market, where a strong print (>800k) may send risk appetite higher. Our model forecasts tonight's US nonfarm payroll print at 600k – 100k more than the median estimate.

Market watch: Asian markets are likely to open higher today on continued optimism from US markets and positive developments on the US debt ceiling deal. Today's economic calendar comprises of US and Canada unemployment rate, China PMI, Japan and Germany current account balance, Australia foreign reserves and Japan labour earnings. Fed's Brainard, Bowman, Bostic, Barkin, Harker and Evans will be speaking today. 22nd September's FOMC minutes will also be released today.

CN: Chinese travellers made 515 million trips during the October golden week, down 1.5% yoy. Tourism spending was down by 4.7% yoy to CNY389 billion according to preliminary estimation from the Ministry of Culture and Tourism. Total trips made during 2021 golden week reached 70.1% pre-pandemic level. The small dip of this year's travel was probably due to the ripple effect from the recent sporadic outbreak of delta variant.

However, China's box office hit CNY4.25 billion, up from CNY3.95 billion. The strong year-on-year increase of box office showed the change of consumption appetite. In addition, the data from China UnionPay also showed that average daily transaction surged by 32% yoy compared with last year's golden week holiday.

US: Initial jobless claims declined more than expected last week, coming in at 326k vs expectations of 364k.

Oil: Brent rebounded 1.1% yesterday to close at \$81.95/bbl. This came after the US said it had no plans to release barrels from its Strategic Petroleum Reserve to ease the current energy crunch.

Natural gas: Henry Hub prices closed virtually unchanged on the day at \$5.68/mmbtu, although it continued to endure volatile swings in intraday trading. Europe's TTF and Asia's JKM continue to trade elevated at \$33.68/mmbtu and \$34.05/mmbtu respectively.

Key Market Movements

Equity	Value	% chg
S&P 500	4399.8	0.8%
DJIA	34755	1.0%
Nikkei 225	27678	0.5%
SH Comp	3568.2	0.0%
STI	3101.2	0.6%
Hang Seng	24702	3.1%
KLCI	1561.3	0.1%
	Value	% chg
DXY	94.217	-0.1%
USDJPY	111.63	0.2%
EURUSD	1.1552	0.0%
GBPUSD	1.3619	0.3%
USDIDR	14217	-0.3%
USDSGD	1.3586	0.0%
SGDMYR	3.0812	0.3%
	Value	chg (bp)
2Y UST	0.31	1.20
10Y UST	1.57	5.23
2Y SGS	0.57	-0.20
10Y SGS	1.64	2.23
3M LIBOR	0.12	0.00
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	81.95	1.1%
WTI	78.3	1.1%
Gold	1756	-0.4%
Silver	22.60	-0.1%
Palladium	1965	3.8%
Copper	9280	2.6%
BCOM	102.34	0.7%

Source: Bloomberg

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Major Markets

SG: The STI rose 0.6% last night and may see modest gains today, following positive cues from Wall Street overnight and the Kospi this morning.

UK: UK house prices posted the biggest gain in fourteen years last month. The average price increase of a UK house rose 1.7% m/m in September – the biggest on-month increase since February 2007.

Malaysia: Malaysia reported a fall in its foreign reserves to USD115.2bn as of Sep 30th, compared to USD116.2bn as of Sep 15th. According to BNM, the reserves are sufficient to finance 8.2 months of retained imports and is 1.3 times its short-term external debt.

Indonesia: Indonesia's parliament passed the tax reform bill into law yesterday, in which it would see a raise of VAT rate from 10% to 11% in 2022, and for the corporate tax rate to stay at 22% instead of 20% that was originally planned. According to Finance Minister Sri Mulyani, the reform will add as much as IDR140tn in revenue for 2022, putting the new tax revenue at 9.2% next year and 10.1% of GDP in 2025. Without the reform, she said the tax ratio would be stagnant at 8.4-8.6% of GDP in 2021-2025.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly traded higher yesterday, with shorter and belly tenors trading 0-2bps higher, and longer tenors trading 0-1bps higher. There were light flows in SGD Corporates yesterday, with flows in STANLN 5.375%-PERPs. UST 10Y Yields rose 5bps to 1.57% yesterday amidst the release of a better-than-expected weekly initial jobless claims reading by the US Department of Labour. Weekly jobless claims came in at 326,000, lower than the 345,000 Dow Jones estimate and a sharp fall from the 364,000 in the prior week. Investors will be closely watching the release of the non-farm payroll data today.

New Issues: There were no issuances yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.217	-0.05%	USD-SGD	1.3586	-0.03%
USD-JPY	111.630	0.20%	EUR-SGD	1.5694	-0.06%
EUR-USD	1.155	-0.03%	JPY-SGD	1.2171	-0.21%
AUD-USD	0.731	0.55%	GBP-SGD	1.8501	0.24%
GBP-USD	1.362	0.27%	AUD-SGD	0.9935	0.53%
USD-MYR	4.183	-0.02%	NZD-SGD	0.9412	0.17%
USD-CNY	6.445	0.00%	CHF-SGD	1.4625	-0.20%
USD-IDR	14217	-0.25%	SGD-MYR	3.0812	0.25%
USD-VND	22761	0.00%	SGD-CNY	4.7470	0.23%

Equity and Commodity

Index	Value	Net change
DJIA	34,754.94	337.95
S&P	4,399.76	36.21
Nasdaq	14,654.02	152.11
Nikkei 225	27,678.21	149.34
STI	3,101.15	17.27
KLCI	1,561.29	1.87
JCI	6,416.40	-0.93
Baltic Dry	5,647.00	238.00
VIX	19.54	-1.46

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5640	-0.57%	O/N	0.0728	0.07%
2M	-0.3360	-0.34%	1M	0.0871	0.09%
3M	-0.5510	-0.55%	2M	0.1090	0.11%
6M	-0.5300	-0.53%	3M	0.1240	0.12%
9M	-0.1940	-0.20%	6M	0.1561	0.16%
12M	-0.4870	-0.49%	12M	0.2411	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.57 (--)	0.31(--)
5Y	0.98 (+0.03)	1.02 (+0.04)
10Y	1.64 (+0.02)	1.57 (+0.05)
15Y	1.95 (+0.03)	--
20Y	2.02 (+0.02)	--
30Y	2 (+0.01)	2.13 (+0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	0.006	0.078	0.078
12/15/2021	0.005	0.077	0.077
01/26/2022	0.005	0.077	0.077
03/16/2022	0.036	0.085	0.085
05/04/2022	0.071	0.094	0.094
06/15/2022	0.185	0.122	0.122

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.66	(--)
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)	78.30	1.12%	Corn (per bushel)	5.340	0.3%
Brent (per barrel)	81.95	1.07%	Soybean (per bushel)	12.473	0.4%
Heating Oil (per gallon)	245.96	0.72%	Wheat (per bushel)	7.413	-0.6%
Gasoline (per gallon)	233.44	1.14%	Crude Palm Oil (MYR/MT)	50.360	-0.6%
Natural Gas (per MMBtu)	5.68	0.04%	Rubber (JPY/KG)	1.970	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9280.00	2.59%	Gold (per oz)	1755.8	-0.4%
Nickel (per mt)	18264.00	1.06%	Silver (per oz)	22.6	-0.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/08/2021 07:30	JN	Labor Cash Earnings YoY	Aug	0.40%	0.70%	1.00%	0.60%
10/08/2021 07:30	JN	Household Spending YoY	Aug	-1.20%	-3.00%	0.70%	--
10/08/2021 07:50	JN	BoP Current Account Balance	Aug	¥1473.6b	¥1665.6b	¥1910.8b	--
10/08/2021 07:50	JN	Trade Balance BoP Basis	Aug	-¥385.3b	-¥372.4b	¥622.3b	--
10/08/2021 09:45	CH	Caixin China PMI Services	Sep	49.20	--	46.70	--
10/08/2021 09:45	CH	Caixin China PMI Composite	Sep	--	--	47.20	--
10/08/2021 13:30	AU	Foreign Reserves	Sep	--	--	A\$78.7b	--
10/08/2021 14:00	GE	Trade Balance	Aug	15.0b	--	18.1b	17.9b
10/08/2021 14:00	GE	Current Account Balance	Aug	17.6b	--	17.6b	--
10/08/2021 15:30	TH	Foreign Reserves	Oct-01	--	--	\$247.4b	--
10/08/2021 20:30	US	Change in Manufact. Payrolls	Sep	25k	--	37k	--
10/08/2021 20:30	US	Change in Nonfarm Payrolls	Sep	500k	--	235k	--
10/08/2021 20:30	CA	Unemployment Rate	Sep	6.90%	--	7.10%	--
10/08/2021 20:30	US	Unemployment Rate	Sep	5.10%	--	5.20%	--
10/08/2021 20:30	CA	Net Change in Employment	Sep	60.0k	--	90.2k	--
10/08/2021 22:00	US	Wholesale Inventories MoM	Aug F	1.20%	--	1.20%	--

Source: Bloomberg

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