

Daily Treasury Outlook

8 November 2021

Highlights

Global: Global risk sentiments received yet another boost after Friday's US nonfarm payrolls exceeded market expectations to surge 450k and the October unemployment rate fell to a 19-month low of 4.6%. The September NFP was also revised up to 312k instead of the initial 194k, bringing average monthly job growth to 582k this year. Average hourly earnings rose 4.9% yoy (0.4% mom), the largest increase in eight months, and reinforcing the health of the labour market and in turn the US economic recovery. Unsurprisingly, the S&P 500 rose 0.37% on Friday, with VIX also up to 16.48. Despite the strong NFP, UST bonds also rallied, pushing the 10-year yield back below the 1.5% handle to close at 1.45%, as investors tracked the UK bond gilt rally after the BOE failed to hike rates last week. Fed's George opined that "the risk of a prolonged period of elevated inflation has increased" and the "argument for patience in the face of these inflation pressures has diminished. There are US\$39bn and US\$25bn of 10- and 30-year bond auctions this week. Meanwhile, President Biden's US\$550bn infrastructure bill was passed by the House on Friday. Elsewhere, China's October trade surplus surged to a record US\$84.54bn, with exports and imports expanding 27.1% (in USD terms) and 20.6% respectively, apparently shrugging off the ongoing power crunch and supply chain problems.

Market watch: Asian markets are likely to cheer the better-than-expected US labour market data this morning. Today's economic data calendar comprises of Taiwan's trade data, Malaysia's foreign reserves, Indonesia's consumer confidence, and Eurozone's Sentix investor confidence. Fed's Powell, Clarida, Harker, Bowman, and Evans, as well ECB's Lane and Makhlof, and BOE's Bailey (important to watch after blindsiding markets last week by choosing not to hike rates) are speaking. China's annual policy plenum, where President Xi is likely to secure a third 5-year term, also starts today. For the week ahead, inflation watch remains one key theme with China and also US' inflation prints mid-week (whose PPI and CPI which may accelerate to levels last seen back in 1990 amid higher energy and labour costs and supply chain disruptions), the Singles Day sales on 11/11 which may reflect Chinese private consumption health, and 3Q21 GDP growth estimates from UK, Malaysia and HK.

CN: China's trade surplus in October hit a record high of US\$84.5 billion as demand for Chinese goods remained strong. China's trade surplus with the US remained above US\$40 billion for two straight months. China's softening demand for iron ore is probably due to spill over effect from weaker property activities.

US: The labour participation rate was flat at 61.6% in October, despite leisure and hospitality hiring, including temporary help services, being in demand. With the October NPF, the US job market is now 4.2m jobs below its pre-Covid level.

Key Market Movements

Equity	Value	% chg
S&P 500	4697.5	0.4%
DJIA	36328	0.6%
Nikkei 225	29612	-0.6%
SH Comp	3491.6	-1.0%
STI	3242.3	0.7%
Hang Seng	24871	-1.4%
KLCI	1531.7	0.0%
	Value	% chg
DXY	94.320	0.0%
USDJPY	113.41	-0.3%
EURUSD	1.1567	0.1%
GBPUSD	1.3498	0.0%
USDIDR	14328	-0.1%
USDSGD	1.3502	-0.1%
SGDMYR	3.0736	-0.1%
	Value	chg (bp)
2Y UST	0.40	-2.36
10Y UST	1.45	-7.49
2Y SGS	0.83	-3.40
10Y SGS	1.77	-4.67
3M LIBOR	0.14	0.46
3M SIBOR	0.43	0.00
3M SOR	0.27	-0.69
3M SORA	0.15	0.02
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.74	2.7%
WTI	81.27	3.1%
Gold	1818	1.5%
Silver	24.16	1.5%
Palladium	2040	1.7%
Copper	9518	0.8%
BCOM	102.74	0.2%

Source: Bloomberg

Daily Treasury Outlook

8 November 2021

Major Markets

SG: MAS plans to curb “greenwashing” using regulation and technology via stress tests from next year.

The STI gained 0.70% to close at 3242.34 on Friday and may climb further today. SGS bonds may also take the lead from UST bond market rally on Friday and open higher today.

CN: Demand from advanced economies remained strong. Exports to US, EU and Japan rose by 22.68% yoy, 44.31% yoy and 16.34% yoy respectively. China’s trade surplus with the US remained above US\$40 billion for two straight months. China’s imports of crude oil rose by 56.32% yoy by value mainly due to surging oil prices although imports of crude oil by volume fell by 11.19% yoy. Demand for iron ore softened further due to slowdown of property market with both imports of iron ore by value and by volume fell by 1.79% yoy and 14.18% yoy respectively. China continued to stock up chips, which has been one of the key drivers to China’s import growth recently.

Malaysia: UK's Foreign Secretary Liz Truss has travelled to Malaysia as the first stop of her week-long visit to Southeast Asia, aiming to deepen economic and security ties with the country. It is part of the UK's push to strengthen the economic network outside of Europe after the post-Brexit realities. The UK Foreign Office said that she will be looking to discuss deeper digital and tech sector investments, amongst other issues.

Indonesia: At 3.51% yoy, Indonesia’s Q3 GDP print released on Friday came below what the market and we had pencilled in at 3.9-4.0%. It is also effectively half of the 7.07% growth rate in Q2, before the delta-driven pandemic resurgence walloped the economy. Private consumption was especially badly hit over the period. However, since the pandemic has stabilized, consumer and business sentiments have started to show signs of life yet again, paving the way for an uplift in momentum.

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8 November 2021

Bond Market Updates

Market Commentary: The SGD swap curve mostly bull steepened on Friday, with shorter tenors trading 2-5bps lower, belly tenors trading 4-5bps lower, and longer tenors trading 2-4bps lower. There were light flows in SGD corporates on Friday, with flows in MLTSP 3.725%-PERPs. UST 10Y Yields traded 8bps lower to 1.45% on Friday despite a better-than-expected October nonfarm payroll reading. The October jobs report showed 531,000 jobs were added last month, better than the 450,000 Dow Jones consensus estimate. Additionally, the unemployment rate also came in at 4.6%, better than the 4.7% forecasted by economists. Markets will be focused on several inflation readings set to be released this week.

New Issues: There were no issuances on Friday.

Daily Treasury Outlook

8 November 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.320	-0.03%	USD-SGD	1.3502	-0.07%
USD-JPY	113.410	-0.31%	EUR-SGD	1.5618	0.05%
EUR-USD	1.157	0.11%	JPY-SGD	1.1904	0.24%
AUD-USD	0.740	-0.01%	GBP-SGD	1.8222	-0.09%
GBP-USD	1.350	-0.01%	AUD-SGD	0.9991	-0.08%
USD-MYR	4.159	0.12%	NZD-SGD	0.9611	0.16%
USD-CNY	6.399	0.03%	CHF-SGD	1.4798	-0.05%
USD-IDR	14328	-0.07%	SGD-MYR	3.0736	-0.05%
USD-VND	22698	0.05%	SGD-CNY	4.7372	0.16%

Equity and Commodity

Index	Value	Net change
DJIA	36,327.95	203.72
S&P	4,697.53	17.47
Nasdaq	15,971.59	31.28
Nikkei 225	29,611.57	-182.80
STI	3,242.34	22.65
KLCI	1,531.73	0.40
JCI	6,581.79	-4.66
Baltic Dry	3,630.00	-178.00
VIX	16.48	1.04

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.56%	O/N	0.0695	0.07%
2M	-0.3360	-0.34%	1M	0.0870	0.09%
3M	-0.5560	-0.55%	2M	0.1008	0.10%
6M	-0.5360	-0.53%	3M	0.1286	0.14%
9M	-0.1940	-0.20%	6M	0.1796	0.18%
12M	-0.4730	-0.47%	12M	0.3323	0.32%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.83 (-0.03)	0.48(--)
5Y	1.34 (-0.05)	1.06 (-0.05)
10Y	1.77 (-0.05)	1.56 (-0.07)
15Y	2.04 (-0.06)	--
20Y	2.1 (-0.04)	--
30Y	2.02 (-0.04)	1.96 (-0.08)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.049	0.072	0.072
01/26/2022	-0.025	0.077	0.077
03/16/2022	0.076	0.103	0.103
05/04/2022	0.235	0.143	0.143
06/15/2022	0.52	0.214	0.214
07/27/2022	0.745	0.27	0.27

Financial Spread (bps)

Value	Change
EURIBOR-OIS	questing Data...
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)	81.27	3.12%	Corn (per bushel)	5.530	-1.1%
Brent (per barrel)	82.74	2.73%	Soybean (per bushel)	11.923	-1.4%
Heating Oil (per gallon)	245.56	2.04%	Wheat (per bushel)	7.665	-0.9%
Gasoline (per gallon)	232.09	1.23%	Crude Palm Oil (MYR/MT)	53.190	-2.3%
Natural Gas (per MMBtu)	5.52	-3.50%	Rubber (JPY/KG)	2.078	-0.2%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9518.00	0.84%	Gold (per oz)	1818.4	1.5%
Nickel (per mt)	19434.00	1.53%	Silver (per oz)	24.2	1.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/08/2021 10:00	VN Domestic Vehicle Sales YoY	Oct	--	-54.20%	--
11/08/2021 10:00	ID Consumer Confidence Index	Oct	--	95.50	--
11/08/2021 10:00	ID Danareksa Consumer Confidence	Oct	--	76.40	--
11/05/2021 11:16	PH Foreign Reserves	Oct	--	\$107.2b	\$106.6b
11/06/2021 11:08	SI Foreign Reserves	Oct	--	\$416.75b	--
11/08/2021 09:00	PH Agriculture Output YoY	3Q	--	-1.50%	--
11/08/2021 13:00	JN Leading Index CI	Sep P	99.80	101.30	--
11/08/2021 13:00	JN Coincident Index	Sep P	87.90	91.30	--
11/08/2021 15:00	MA Foreign Reserves	Oct-29	--	\$115.6b	--
11/08/2021 16:00	LN International Reserves	Oct	--	5104.3m	--
11/08/2021 17:30	EC Sentix Investor Confidence	Nov	15.00	16.90	--
11/08/2021 21:00	CA Bloomberg Nanos Confidence	Nov-05	--	58.80	--
11/05/2021 11:30	SL Exports YoY	Sep	--	16.20%	--

Source: Bloomberg

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