

Daily Treasury Outlook

9 June 2021

Highlights

Global: A mass internet outage spurred some risk aversion plays, but World Bank's forecast of 5.6% global growth (previously 4.1% in January) this year, the strongest in 80 years, helped to put a floor. The S&P500 ended little changed at +0.02%, but within a whisker of its 7 May record high, while VIX rose to 17.07. UST bonds also bull-flattened as inflation concerns waned amid a decent US\$58bn 3-year bond auction which fetched 0.325% and a 2.47x bid-cover, and pushed the 10-year bond yield down to a 1-month low yield of 1.53%. The reverse repo facility usage demand surged to a fresh high of US\$497.4bn amid Fed purchases and drawdowns of the Treasury's cash account, while the 3-month LIBOR was at 0.128%. Meanwhile, US president Biden ended talks with Republican senator Capito without agreement on his infrastructure plan. Separately, WTI topped US\$70 per barrel amid recovery hopes, while Bitcoin slid on news of the recovery of Colonial Pipeline's ransom. Over in China, stress tests are being conducted on Evergrande exposure.

Market watch: Asian markets may be set for a muted open this morning given lacklustre clues from Wall Street overnight and as investors await Bank of Canada's policy decision (likely static with a hawkish tint) and tomorrow's US CPI print. Today's economic calendar comprises of China's CPI/PPI, Germany and Philippines' April trade data, US' mortgage applications and wholesale inventories.

US: US' trade deficit narrowed from a record in March by 8.2% to US\$68.9b in April, while JOLTS job openings surged by 998k to 9.3m (highest since data going back to 2000), suggesting that the recent disappointing NFP was due largely to supply side constraints. Meanwhile, US and EU leaders will commit to ending outstanding trade feuds when they meet next week, according to market talk.

EU: The Eurozone economy contracted a milder 0.3% qoq (-1.3% yoy) in 1Q21, following a 0.6% qoq decline in 4Q20, and indicating a second technical recession since the start of the Covid pandemic.

SG: Condo resale transactions fell 11.4% in May but prices rose 0.9% to a fresh high.

Oil: WTI closed above \$70 for the first time since October 2018 as optimism over demand recovery continues to grow. We maintain our bullish call for crude oil prices.

Gold: Gold fell 0.3% to \$1892.89/oz yesterday. In the past two sessions, gold has briefly traded above the \$1900 level, but has ended below said level on both occasions. The \$1900 level continues to be a strong resistance level for gold and if the US CPI print comes in much below than expected, we might see a fresh bout of selling in gold.

Key Market Movements

Equity	Value	% chg
S&P 500	4227.3	0.0%
DJIA	34600	-0.1%
Nikkei 225	28964	-0.2%
SH Comp	3580.1	-0.5%
STI	3167.1	-0.3%
Hang Seng	28781	0.0%
KLCI	1588.0	0.6%
	Value	% chg
DXY	90.076	0.1%
USDJPY	109.5	0.2%
EURUSD	1.2173	-0.1%
GBPUSD	1.4157	-0.2%
USDIDR	14253	-0.1%
USDSGD	1.324	0.1%
SGDMYR	3.1127	-0.2%
	Value	chg (bp)
2Y UST	0.15	-0.39
10Y UST	1.53	-3.56
2Y SGS	0.35	-0.20
10Y SGS	1.49	-1.79
3M LIBOR	0.12	-0.51
3M SIBOR	0.43	0.00
3M SOR	0.23	0.00
3M SORA	0.17	-0.09
3M SOFR	0.01	-0.01
	Value	% chg
Brent	72.22	1.0%
WTI	70.05	1.2%
Gold	1893	-0.3%
Silver	27.62	-1.0%
Palladium	2810	-1.0%
Copper	9964	0.6%
BCOM	94.77	0.7%

Source: Bloomberg

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Major Markets

US: US equities were flat last night, although tech shares rose. The S&P 500 index ticked 0.02% higher and the Nasdaq 100 Composite index rose 0.31%. 10Y UST bond yield slipped 3.56bps to close at 1.53%. Investors will look forward to tomorrow's US May CPI report, where the median consensus is for a 4.7% yoy increase.

SG: The STI declined by 0.27% to close at 3167.14 yesterday, and may continue to tread water today given the rangebound overnight session in US equity markets. With the UST bond market rally overnight, SGS bonds may also stay biddish today.

HK: Hong Kong Airlines reportedly is planning to cut hundreds of jobs and prioritize cargo. With the border remaining closed, both the aviation and tourism sectors may remain in the doldrums and in turn constrain the improvement of the labor market and the overall economy. On a positive note, Financial Secretary Paul Chan hinted that the details of HK\$5,000 e-consumption vouchers will be announced later this month. This may help to restore local consumer confidence. Besides, owing to the public and private sectors' efforts to encourage inoculation, the vaccination program shows signs of acceleration with the share of population receiving at least one jab of Covid-19 vaccine increasing by 2 percentage points in a week to 20.4% as of 6 Jun.

Malaysia: Bank Negara Malaysia said that its foreign reserves amounted to \$110.9bn as of May 31st, a slight uptick from \$110.6bn as of May 12th. According to its calculations, the reserves are sufficient to finance 8.4 months of retained imports and stands at 1.1 times of Malaysia's short-term external debt.

Indonesia: Bank Indonesia said that the country's reserves dropped to \$136.4bn at the end of May, from \$138.8bn in April. According to the central bank, despite the drop, the reserves are nonetheless sufficient to finance 9.5 months' worth of imports, or 9.1 months of imports and government's external debt servicing. The decrease is said to have been partly due to the payment of the government's external debt.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly traded lower yesterday, with shorter tenors trading at 0-2bps lower. Belly tenors traded 2-3bps lower while longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 136bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 618bps. The HY-IG Index Spread tightened 8bps to 483bps. There were heavy flows in SGD corporates yesterday, including SUNSP 4.25%-PERPs, SUNSP 3.8%-PERPs, LREIT 4.2%-PERPs, STSP 3.3%-PERPs, KITSP 4.3%-PERPs, KITSP 4.75%-PERPs, OLAMSP 4%'26s and NTUCSP 3.1%'50s. UST 10Y Yields slipped 3bps to 1.54% on the back of a narrower goods and services deficit data which came in at USD68.9bn in April, down USD6.1bn from USD75bn in March.

New Issues: PCPD Capital Ltd. (Guarantor: Pacific Century Premium Developments Limited) priced a USD700mn 5NC3 bond at 5.125%, tightening from IPT of 5.35% area. Kaisa Group Holdings Ltd priced a USD280mn Will-Not-Grow re-tap of its KAISAG 9.75%'23s at 8.9%, tightening from IPT of 9.2% area. China Everbright Bank Co Ltd/Hong Kong priced a USD600mn 3-year senior unsecured bond at T+53bps, tightening from IPT of T+90bps area. SMBC Aviation Capital Finance DAC (Guarantor: SMBC Aviation Capital Ltd) priced a USD500mn 7-year senior unsecured bond at T+110bps, tightening from IPT of T+140bps area. Lifestyle International Holdings Ltd. has mandated banks for its proposed USD senior unsecured bond offerings.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.076	0.14%	USD-SGD	1.3240	0.07%
USD-JPY	109.500	0.23%	EUR-SGD	1.6117	-0.07%
EUR-USD	1.217	-0.14%	JPY-SGD	1.2094	-0.12%
AUD-USD	0.774	-0.15%	GBP-SGD	1.8743	-0.10%
GBP-USD	1.416	-0.18%	AUD-SGD	1.0247	-0.13%
USD-MYR	4.121	-0.16%	NZD-SGD	0.9529	-0.36%
USD-CNY	6.401	0.05%	CHF-SGD	1.4763	0.16%
USD-IDR	14253	-0.08%	SGD-MYR	3.1127	-0.20%
USD-VND	22964	-0.27%	SGD-CNY	4.8342	-0.03%

Equity and Commodity

Index	Value	Net change
DJIA	34,599.82	-30.42
S&P	4,227.26	0.74
Nasdaq	13,924.91	43.19
Nikkei 225	28,963.56	-55.68
STI	3,167.14	-8.67
KLCI	1,587.96	9.51
JCI	5,999.37	-70.57
Baltic Dry	2,428.00	-10.00
VIX	17.07	0.65

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5570	-0.56%	O/N	0.0550	0.06%
2M	-0.3360	-0.34%	1M	0.0813	0.08%
3M	-0.5460	-0.55%	2M	0.1150	0.12%
6M	-0.5130	-0.51%	3M	0.1231	0.13%
9M	-0.1940	-0.20%	6M	0.1606	0.16%
12M	-0.4860	-0.49%	12M	0.2416	0.25%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.35 (--)	0.15 (--)
5Y	0.85 (-0.01)	0.77 (-0.02)
10Y	1.49 (-0.02)	1.53 (-0.04)
15Y	1.85 (-0.01)	--
20Y	1.86 (--)	--
30Y	1.87 (--)	2.21 (-0.03)

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

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.19	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.05	1.18%	Corn (per bushel)	6.800	0.1%
Brent (per barrel)	72.22	1.02%	Soybean (per bushel)	15.800	1.3%
Heating Oil (per gallon)	213.50	0.92%	Wheat (per bushel)	6.850	0.7%
Gasoline (per gallon)	221.90	1.18%	Crude Palm Oil (MYR/MT)	41.800	-1.2%
Natural Gas (per MMBtu)	3.13	1.89%	Rubber (JPY/KG)	2.449	-1.2%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9964.00	0.64%	Gold (per oz)	1892.9	-0.3%
Nickel (per mt)	17942.00	0.28%	Silver (per oz)	27.6	-1.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/09/2021 02:00	JN	Machine Tool Orders YoY	May P	--	--	120.80%	--
06/09/2021 02:00	GE	Trade Balance	Apr	16.3b	--	20.5b	20.5b
06/09/2021 07:00	US	MBA Mortgage Applications	Jun-04	--	--	-4.00%	--
06/09/2021 10:00	CA	Bank of Canada Rate Decision	Jun-09	0.25%	--	0.25%	--
06/09/2021 10:00	US	Wholesale Inventories MoM	Apr F	0.80%	--	0.80%	--
06/09/2021 19:01	UK	RICS House Price Balance	May	77.00%	--	75.00%	--
06/09/2021 19:50	JN	PPI YoY	May	4.50%	--	3.60%	--
06/09/2021 19:50	JN	Japan Buying Foreign Bonds	Jun-04	--	--	-¥1090.0b	--
06/09/2021 19:50	JN	PPI MoM	May	0.50%	--	0.70%	--
06/09/2021 19:50	JN	Foreign Buying Japan Stocks	Jun-04	--	--	¥181.3b	--
06/09/2021 21:00	CH	Money Supply M2 YoY	May	8.10%	--	8.10%	--
06/09/2021 21:00	CH	New Yuan Loans CNY	May	1400.0b	--	1470.0b	--
06/09/2021 21:00	CH	Money Supply M1 YoY	May	5.70%	--	6.20%	--
06/09/2021 21:00	PH	Foreign Reserves	May	--	--	\$107.3b	--
06/09/2021 21:00	CH	Money Supply M0 YoY	May	5.00%	--	5.30%	--
06/09/2021 22:00	VN	Domestic Vehicle Sales YoY	May	--	--	144.20%	--

Source: Bloomberg

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