

Daily Treasury Outlook

9 September 2021

Highlights

Global: US equities fell a third straight day while Treasury bonds saw buying interest, as it increasingly appears markets are tilting towards risk aversion following the disappointing US nonfarm payrolls last Friday. The S&P 500 index fell 0.1%, largely led lower by tech and materials, while defensive sectors such as utilities and consumer staples were the top gainers. US data showed job openings in July swelling to a new record high of 10.9 million vacancies, highlighting staffing shortages that could contribute to wage-push inflation from increased hiring friction. Meanwhile, NY Fed president John Williams has thrown his weight behind the start of tapering by 2021 even though he believes there is much room for improvement in the labour market. Elsewhere, the Bank of Canada noted that it will keep a closer eye on “transitory” inflation.

Market watch: Asian markets are likely to tread cautiously today as the market awaits central bank decisions from the ECB and the BNM. Today’s economic calendar comprises of Japan and China M2 money supply, Vietnam domestic vehicle sales, Philippines exports, China CPI and PPI and US initial jobless claims. BNM will be releasing its overnight policy with consensus stating a hold at 1.75% while the ECB will be reporting its main refinancing rate, deposit facility rate and marginal lending facility, consensus estimates are holds at 0.00%, -0.50% and 0.25% respectively. Fed officials Daly, Williams, Kaplan, and Evans will also be speaking today.

US: NY Fed President John Williams said he “wants to see more improvement (towards maximum employment) before I am ready to declare the test of substantial further progress being met” but stuck to his belief on beginning tapering this year by adding “assuming the economy continues to improve as I anticipate, it could be appropriate to start reducing the pace of asset purchases this year.”

EU: The ECB policy meeting tonight will be keenly watched for reduction in its PEPP asset purchase, given the recent slew of hawkish comments from ECB officials including Philip Lane.

CA: The Bank of Canada pointed to “moderate” wage increases to date and well-anchored “medium-term inflation expectations”, in an acknowledgement that transitory forces of inflation may be more entrenched than previously expected. It also noted factors driving inflation “are expected to be transitory”, a slight shift from its previous statement of “are transitory”. There were no changes to its policy rate (0.25%) and its pace of asset purchases (C\$2bn).

Oil: Brent gained 1.3% to \$72.60 overnight, remaining locked in a wide consolidation range of \$70-\$75.

Gold: Gold further declined yesterday, dropping 0.3% to close at \$1789.26 – the second consecutive day that it has closed below the \$1800 level.

Key Market Movements

Equity	Value	% chg
S&P 500	4514.1	-0.1%
DJIA	35031	-0.2%
Nikkei 225	30181	0.9%
SH Comp	3675.2	0.0%
STI	3068.9	-1.3%
Hang Seng	26321	-0.1%
KLCI	1597.6	0.9%
	Value	% chg
DXY	92.653	0.2%
USDJPY	110.25	0.0%
EURUSD	1.1816	-0.2%
GBPUSD	1.3771	-0.1%
USDIDR	14253	0.3%
USDSGD	1.3457	0.0%
SGDMYR	3.0889	-0.1%
	Value	chg (bp)
2Y UST	0.22	-0.39
10Y UST	1.34	-3.56
2Y SGS	0.35	-0.30
10Y SGS	1.43	-0.22
3M LIBOR	0.12	0.14
3M SIBOR	0.43	0.00
3M SOR	0.20	0.00
3M SORA	0.13	0.12
3M SOFR	0.05	0.04
	Value	% chg
Brent	72.6	1.3%
WTI	69.3	1.4%
Gold	1789	-0.3%
Silver	23.95	-1.5%
Palladium	2253	-5.1%
Copper	9249	-1.1%
BCOM	96.69	0.9%

Source: Bloomberg

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Major Markets

SG: The STI fell 1.3% yesterday and may see further losses today, following the weakness on Wall Street.

CN: China's economic planning agency NDRC said it is working with Commerce Ministry to unveil a new negative list, due by the end of 2021, to further open both manufacturing sector and service sector to foreign investors. Elsewhere, China's foreign ministry spokesperson said opening up is China's basic national policy that will never waiver.

HK: The Chief Executive Carrie Lam hinted that the Shenzhen government will issue the first China's local government bond in Hong Kong next month. This will help to improve the yield curve of RMB bonds in Hong Kong, support RMB internationalization and promote the collaboration among the Greater Bay Area. Elsewhere, HKEX reportedly will consult the market on the feasibility of a Hong Kong SPAC framework as early as this month.

Malaysia: Malaysia's central bank is due to announce its MPC decision today, with the market expecting the central bank to keep its OPR on hold at 1.75%. We think there is a chance that BNM might trim rate by 25bps, however, due to the lingering impact of the pandemic resurgence as well as potentially slower global growth that might impact exports more markedly.

Indonesia: Indonesia's consumer confidence appears to have suffered further drop in August. According to a survey by Bank Indonesia, the August reading fell to 77.3 from 80.2 in July, marking another month in which it went below the 100-breakeven level, and the lowest print in 16 years. Going by the details, consumers had been growing more cautious due to job availability and pay concerns. However, respondents express more optimism that the business activity would pick up in the next 6 months as vaccination picks up and infections come down.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday with shorter and belly tenors trading 0-2bps higher, and longer tenors 1-3bps higher. There were heavy flows in SGD Corporates yesterday, with flows in MAPLSP 3.7%-PERPs, KREITS 3.15%-PERPs, UOBSP 2.55%-PERPs, AIA 2.9%-PERPs, CS 5.675%-PERPs, KEPSP 3%'26s, TEMASE 2.8%'71s. UST 10Y Yields fell 3bps to 1.34% yesterday amidst the release of the Jobs Opening and Labour Turnover Survey showing job vacancies outnumbering the unemployed in July and hawkish comments from top Fed official James Bullard. He mentioned that the Federal Reserve should not deviate from their current tapering timeline despite weaker-than-expected economic data as of recent.

New Issues: GF Financial Holdings BVI Ltd (Keepwell provider: GF Holdings (Hong Kong) Corp, SBLC provider: Nanyang Commercial Bank) priced a USD300mn 3-year senior unsecured bond at T+73bps, tightening from an IPT of T+115 area. SMC Global Power Holdings Corp priced a USD150mn re-tap of its SMCGL 5.45 PERP at 100.125, tightening from an IPT of 100.00 area. CCBL Cayman 1 Corp Ltd (Guarantor: CCB Leasing International Corp DAC) priced a USD400mn 5-year senior unsecured bond at T+90bps, tightening from an IPT of T+140bps area. Commonwealth Bank of Australia priced a USD500mn 4.75-year senior unsecured floating rate bond at SOFR+52bps, a USD1.2bn 4.75-year senior unsecured bond at T+38bps, tightening from an IPT of T+60bps area, and a USD800mn 10-year senior unsecured bond at T+65bps, tightening from an IPT of T+85bps area. China Merchants Securities International Co has arranged investor calls commencing 08 September for its proposed USD bond offering. Industrial Bank of Korea has arranged investor calls commencing 09 September for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.653	0.15%	USD-SGD	1.3457	-0.03%
USD-JPY	110.250	-0.03%	EUR-SGD	1.5902	-0.21%
EUR-USD	1.182	-0.20%	JPY-SGD	1.2206	0.02%
AUD-USD	0.737	-0.28%	GBP-SGD	1.8534	-0.13%
GBP-USD	1.377	-0.11%	AUD-SGD	0.9913	-0.31%
USD-MYR	4.151	-0.10%	NZD-SGD	0.9554	-0.04%
USD-CNY	6.462	-0.08%	CHF-SGD	1.4597	-0.28%
USD-IDR	14253	0.28%	SGD-MYR	3.0889	-0.15%
USD-VND	22752	0.00%	SGD-CNY	4.7991	-0.13%

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%

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	-0.001	0.077	0.077
01/26/2022	0	0.077	0.077
03/16/2022	0	0.077	0.077
05/04/2022	0.023	0.083	0.083

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.30	1.39%	Corn (per bushel)	4.983	0.5%
Brent (per barrel)	72.60	1.27%	Soybean (per bushel)	12.708	0.2%
Heating Oil (per gallon)	213.64	0.70%	Wheat (per bushel)	6.983	-1.5%
Gasoline (per gallon)	213.21	0.10%	Crude Palm Oil (MYR/MT)	47.200	2.1%
Natural Gas (per MMBtu)	4.91	7.57%	Rubber (JPY/KG)	1.887	-2.5%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9249.00	-1.09%	Gold (per oz)	1789.3	-0.3%
Nickel (per mt)	19713.00	1.06%	Silver (per oz)	23.9	-1.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/09/2021 07:50	JN	Money Stock M2 YoY	Aug	4.60%	4.70%	5.20%	5.30%
09/09/2021 07:50	JN	Money Stock M3 YoY	Aug	4.10%	4.20%	4.60%	4.60%
09/08/2021 08:00	VN	Domestic Vehicle Sales YoY	Aug	--	--	-38.10%	--
09/09/2021 09:00	CH	Money Supply M2 YoY	Aug	8.40%	--	8.30%	--
09/09/2021 09:00	CH	New Yuan Loans CNY	Aug	1400.0b	--	1080.0b	--
09/09/2021 09:00	PH	Exports YoY	Jul	15.60%	--	17.60%	--
09/09/2021 09:00	PH	Trade Balance	Jul	-\$2950m	--	-\$2826m	--
09/09/2021 09:30	CH	CPI YoY	Aug	1.00%	--	1.00%	--
09/09/2021 09:30	CH	PPI YoY	Aug	9.00%	--	9.00%	--
09/09/2021 14:00	JN	Machine Tool Orders YoY	Aug P	--	--	93.40%	--
09/09/2021 15:00	MA	BNM Overnight Policy Rate	Sep-09	1.75%	--	1.75%	--
09/09/2021 19:45	EC	ECB Main Refinancing Rate	Sep-09	0.00%	--	0.00%	--
09/09/2021 19:45	EC	ECB Deposit Facility Rate	Sep-09	-0.50%	--	-0.50%	--
09/09/2021 19:45	EC	ECB Marginal Lending Facility	Sep-09	0.25%	--	0.25%	--
09/09/2021 20:30	US	Continuing Claims	Aug-28	2730k	--	2748k	--
09/09/2021 20:30	US	Initial Jobless Claims	Sep-04	335k	--	340k	--

Source: Bloomberg

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