OCBC TREASURY RESEARCH

Daily Treasury Outlook

9 November 2021

Highlights

Global: US equity markets extended gains overnight, with the S&P 500 up 0.09% to notch its longest winning streak since 2017 amid investor optimism about the economy and earnings after Congress passed the US$1 trillion infrastructure bill, albeit Tesla slipped after Musk's Twitter poll. UST bonds, however, slipped, with the 10-year yield back up 4bps to 1.5% and demand was soft at the 3-year note auction which fetched 0.75% and bid-cover ratio of 2.33x, although the 30-year TIPS yield hit a record low. The Fed's Financial Stability Report sounded a note of caution, warning that risk assets remain "vulnerable to significant declines", an emerging threat from Stablecoins and China's commercial real estate, as well as "difficult to predict" volatility amid social media-influenced trading frenzies. Meanwhile, Fed rhetoric also gave mixed signals about the policy direction, with Clarida opining that the central bank remains "a ways away from considering raising interest rates" until end-2022 but Bullard suggested that two hikes next year may be necessary. Separately, Bowman warned about rising housing prices, while Randal Quarles will step down at the end-Dec. Elsewhere, ECB's Lagarde also opined confidence that "the current higher inflation is transitory" while Lane reiterated that monetary policy tightening could be "counter-productive" as an energy price shock could simultaneously raise headline inflation but exert downward pressure on underlying inflation.

Market watch: Asian markets are likely to open on an upbeat tone this morning. Today's economic data calendar comprises of Malaysia's industrial production, Japan's Eco Watchers survey, Eurozone/Germany's ZEW survey, and US' NFIB small business optimism and PPI. Fed's Powell, Bullard, Daly and Kashkari, ECB's Lagarde, Knot, Panetta and Schnabel, and BOE's Bailey and Broadbent are also speaking.

CN: China's central bank announced to roll out a new carbon reduction supporting tool. There are three important features of this tool. First, qualified financial institutions can apply for the funding from the PBoC after the loans for carbon reduction are made. The embedded flexibility is similar to the relending tool PBoC provided in the beginning of the pandemic. Second, the 1-year funding cost is only at 1.75% much lower than that of 1-year MLF. Third, there is no specified quota of this facility. Overall, the flexible nature of this tool will play a role of structural easing, which could support risk sentiment in China.

SG: S'pore will extend the VTL with flights to KL, as well as Finland and Sweden from 29 Nov, while fully vaccinated people from the same household can dine out in groups of 5 from tomorrow.

Oil: Brent rose 0.8% yesterday to $83.43 after sinking to a low of $80.54 last Thursday. The rebound came after OPEC resisted calls to increase oil production at its meeting concluded last Thursday. We expect oil to remain range bound from $80-$85 in the near term.

Key Market Movements

Equity	Value	% chg
S&P 500	4701.7	0.1%
DJIA	36432	0.3%
Nikkei 225	29507	-0.4%
SH Comp	3498.6	0.2%
STI	3263.9	0.7%
Hang Seng	24764	-0.4%
KLCI	1535.4	0.2%
	Value	**% chg**
DXY	94.049	-0.3%
USDJPY	113.23	-0.2%
EURUSD	1.1587	0.2%
GBPUSD	1.3563	0.5%
USDIDR	14258	-0.5%
USDSGD	1.3476	-0.2%
SGDMYR	3.0792	0.2%
	Value	**chg (bp)**
2Y UST	0.44	4.18
10Y UST	1.49	3.84
2Y SGS	0.80	-2.20
10Y SGS	1.72	-4.54
3M LIBOR	0.14	-0.16
3M SIBOR	0.43	0.00
3M SOR	0.27	0.00
3M SORA	0.15	-0.35
3M SOFR	0.05	0.00
	Value	**% chg**
Brent	83.43	0.8%
WTI	81.93	0.8%
Gold	1824	0.3%
Silver	24.46	1.2%
Palladium	2077	1.8%
Copper	9518	0.0%
BCOM	102.78	0.0%

Source: Bloomberg

Major Markets

SG: The STI added 0.66% to close at 3263.90 yesterday and may gain further today on the back of the extended rally in Wall Street. SGS bonds are likely to tread lower today given the UST bond market retreated overnight.

Malaysia: Malaysia and Singapore will allow quarantine-free travel for fully vaccinated travellers between KL International Airport and Changi Airport, starting from Nov 29th. It is Malaysia's first announced vaccinated travel lane, although the country has plans to reopen to foreign visitors in steps from Nov 15th with a sandbox bubble in Langkawi. Separately, Malaysia is said to be in talks with Australia about a similar reopening.

Indonesia: Bank Indonesia said that its survey shows that consumer confidence has bounced to its highest level since March 2020, with a reading of 113.4 in October compared to 95.5 in the previous month. Spending improvement is seen in all sectors, with the survey also indicating that consumers remain optimistic about the economic conditions for the next 6 months.

Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading 0-2bps lower, and belly and longer tenors trading 3-5bps lower. There were mostly light flows in SGD corporates yesterday. UST 10Y Yields traded 4bps higher to 1.49% yesterday as investors repositioned their portfolio ahead of Tuesday's producer price index (PPI) and Wednesday's consumer price index (CPI) release.

New Issues: WLB Asset II C Pte has mandated banks for its proposed USD bond offering. International Container Terminal Services Inc. has arranged investor calls commencing 08 November for its proposed USD bond offering. SF Holding Co. has arranged investor calls commencing 08 November for its proposed USD bond offering. Wuhan Financial Holdings (Group) Co., Ltd. has arranged investor calls commencing 08 November for its proposed USD bond offering. CNCB (Hong Kong) Investment Ltd. has arranged investor calls commencing 08 November for its proposed USD bond offering. AVIC International Holding Corporation has arranged investor calls commencing 08 November for its proposed USD bond offering. Zhengzhou Metro Group Co., Ltd. has arranged investor calls commencing 08 November for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.049	-0.29%	**USD-SGD**	1.3476	-0.19%
USD-JPY	113.230	-0.16%	**EUR-SGD**	1.5614	-0.03%
EUR-USD	1.159	0.17%	**JPY-SGD**	1.1902	-0.02%
AUD-USD	0.742	0.31%	**GBP-SGD**	1.8278	0.31%
GBP-USD	1.356	0.48%	**AUD-SGD**	1.0004	0.13%
USD-MYR	4.154	-0.11%	**NZD-SGD**	0.9658	0.49%
USD-CNY	6.393	-0.10%	**CHF-SGD**	1.4753	-0.30%
USD-IDR	14258	-0.49%	**SGD-MYR**	3.0792	0.18%
USD-VND	22658	-0.18%	**SGD-CNY**	4.7456	0.18%

Equity and Commodity

Index	Value	Net change
DJIA	36,432.22	104.27
S&P	4,701.70	4.17
Nasdaq	15,982.36	10.77
Nikkei 225	29,507.05	-104.52
STI	3,263.90	21.56
KLCI	1,535.41	3.68
JCI	6,632.30	50.51
Baltic Dry	3,630.00	-178.00
VIX	17.22	0.74

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	0.8 (-0.02)	0.48(--)
5Y	1.31 (-0.03)	1.12 (+0.06)
10Y	1.72 (-0.05)	1.56 (+0.04)
15Y	1.96 (-0.08)	--
20Y	2.03 (-0.06)	--
30Y	1.99 (-0.03)	1.96 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
Meeting	#Hikes/Cuts	Implied Rate	Implied Rate
12/15/2021	-0.008	0.077	0.077
01/26/2022	0.016	0.082	0.082
03/16/2022	0.107	0.105	0.105
05/04/2022	0.3	0.153	0.153
06/15/2022	0.624	0.235	0.235

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	uesting Data...	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	81.93	0.81%	Corn (per bushel)	5.515	-0.3%
Brent (per barrel)	83.43	0.83%	Soybean (per bushel)	11.780	-1.2%
Heating Oil (per gallon)	246.71	0.47%	Wheat (per bushel)	7.680	0.2%
Gasoline (per gallon)	232.22	0.06%	Crude Palm Oil (MYR/MT)	53.290	0.2%
Natural Gas (per MMBtu)	5.43	-1.61%	Rubber (JPY/KG)	2.096	0.9%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9518.00	0.84%	Gold (per oz)	1824.2	0.3%
Nickel (per mt)	19434.00	1.53%	Silver (per oz)	24.5	1.2%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/09/2021 18:00	GE	ZEW Survey Expectations	Nov	20.00	--	22.30	--
11/09/2021 04:30	AU	NAB Business Confidence	Oct	--	21.00	13.00	10.00
11/09/2021 04:30	AU	NAB Business Conditions	Oct	--	11.00	5.00	--
11/09/2021 07:30	JN	Labor Cash Earnings YoY	Sep	0.60%	0.20%	0.70%	0.60%
11/09/2021 07:50	JN	BoP Current Account Balance	Sep	¥1052.3b	¥1033.7b	¥1665.6b	¥1503.0b
11/09/2021 07:50	JN	Trade Balance BoP Basis	Sep	-¥358.7b	-¥229.9b	-¥372.4b	--
11/09/2021 10:00	PH	GDP YoY	3Q	4.90%	--	11.80%	12.00%
11/09/2021 10:00	CH	Money Supply M1 YoY	Oct	3.30%	--	3.70%	--
11/09/2021 12:00	MA	Industrial Production YoY	Sep	1.70%	--	-0.70%	--
11/09/2021 18:00	GE	ZEW Survey Current Situation	Nov	1830%	--	2160%	--
11/09/2021 18:00	EC	ZEW Survey Expectations	Nov	--	--	21.00	--
11/09/2021 19:00	US	NFIB Small Business Optimism	Oct	99.50	--	99.10	--
11/09/2021 21:30	US	PPI Final Demand MoM	Oct	0.60%	--	0.50%	--
11/09/2021 21:30	US	PPI Final Demand YoY	Oct	8.60%	--	8.60%	--
11/09/2021 21:30	US	PPI Ex Food and Energy MoM	Oct	0.50%	--	0.20%	--
11/09/2021 21:30	US	PPI Ex Food and Energy YoY	Oct	6.80%	--	6.80%	--

Source:Bloomberg

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