

## Daily Treasury Outlook

10 June 2021

### Highlights

**Global:** US equities drifted lower while UST bond yields pushed to March lows ahead of the key US inflation data. The S&P500 declined 0.18%, while VIX rose to 17.89. UST bonds also bull-flattened as inflation concerns waned amid a bond auction which fetched 0.325% and a 2.47x bid-cover, and pushed the 10-year bond yield down further to 1.47% before closing at 1.49% (lowest since early March) as inflation concerns ebbed. The US\$38bn 10-year re-opening also fetched strong demand at 1.497%. The reverse repo facility usage demand surged to a fresh high again, topping US\$500bn for the first time ever at US\$502.9bn. The 3-month LIBOR edged down to 0.1248%. Meanwhile, the Bank of Canada left its key policy rate static at a record low of 0.25% and also maintained its current pace weekly of bond purchases of C\$3bn for now. Separately, G7 nations will deliver at least 1 billion extra Covid doses, with the US pledging 500m doses, to help cover 80% of the world's adult population.

**Market watch:** Asian markets may tread water ahead of ECB's policy decision and US' CPI inflation. ECB is unlikely to rock the boat and will most likely maintain its current pace of asset purchases. Today's economic calendar comprises of Thailand's consumer confidence, Italy's industrial production, US' CPI and initial jobless claims. ECB's Lagarde and BOC's Lane are also speaking.

**US:** President Biden and UK leader Johnson are due to meet today ahead of tomorrow's G7 summit and may commit to resume travel. Meanwhile, US' wholesale inventories rose 0.8% in April.

**UK:** BOE chief economist Haldane opined that the UK economy is going "gangbusters" and warned of a "bad mistake" for monetary policy if central banks do not act.

**SG:** MAS will deploy US\$1.8bn of official foreign reserves for climate-related investments, as part of the US\$2bn Green Investment Programme set up in 2019.

**CN:** China's PPI surged to 9% yoy in May, highest since August 2008, due to rising commodity prices. Given there is no signs of peaking of commodity prices, PPI may face pressure to test higher again. However, China's CPI remained soft up by 1.3% yoy in May. Nevertheless, CPI has been declining on mom basis for three consecutive months due to decline of food prices driven by pork prices. Although base effect is in favor of further rebound of CPI, the persistent downward pressure on pork prices is likely to keep China's CPI well below government target this year. As such, we expect limited impact of inflation on monetary policy setting for now.

**Gold:** Gold fell 0.2% yesterday despite the continued decline in US Treasury yields. We continue to see gold as too rich and expect the correction in gold to continue.

### Key Market Movements

Equity	Value	% chg
S&P 500	4219.6	-0.2%
DJIA	34447	-0.4%
Nikkei 225	28861	-0.4%
SH Comp	3591.4	0.3%
STI	3153.5	-0.4%
Hang Seng	28743	-0.1%
KLCI	1581.5	-0.4%
	Value	% chg
DXY	90.120	0.0%
USDJPY	109.63	0.1%
EURUSD	1.2180	0.1%
GBPUSD	1.4118	-0.3%
USDIDR	14255	0.0%
USDSGD	1.3242	0.0%
SGDMYR	3.1114	0.0%
	Value	chg (bp)
2Y UST	0.15	0.40
10Y UST	1.49	-4.23
2Y SGS	0.34	-0.80
10Y SGS	1.46	-3.08
3M LIBOR	0.13	0.49
3M SIBOR	0.43	0.00
3M SOR	0.24	0.00
3M SORA	0.17	-0.07
3M SOFR	0.01	-0.01
	Value	% chg
Brent	72.22	0.0%
WTI	69.96	-0.1%
Gold	1889	-0.2%
Silver	27.77	0.6%
Palladium	2780	-1.0%
Copper	9979	0.1%
BCOM	94.80	0.0%

Source: Bloomberg

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### Major Markets

**US:** US equities traded largely sideways on Wednesday as markets await the US May CPI due today. The S&P 500 index fell 0.18% and the Nasdaq 100 Composite index declined 0.10%. 10Y UST bond yields slipped 4.23bps to close at 1.49%, following a solid 10-year note auction which drew strong demand. For the day ahead, markets may see heightened volatility as investors will turn towards the CPI report where a firm print is likely to be reported for further market cues.

**SG:** The STI extended losses by 0.43% to close at 3153.47 yesterday, and may continue to drift ahead of the ECB policy decision and US' inflation cues due later today. With the strong UST bond market rally overnight, SGS bonds are also likely to follow suit.

**HK:** IMF's latest report points out that sound macroeconomic and prudential policies have given Hong Kong important buffers to weather the current slowdown and future shocks. The Fund also noted that Hong Kong's banking sector remains well capitalized and profitable with low NLR ratio while the Linked Exchange Rate System has continued to support financial stability. All the key points mentioned in the report might have been the main reasons behind the strong confidence in Hong Kong's financial system despite the social unrest in 2019 and the Covid-19 outbreak in 2020.

**Indonesia:** Indonesia is ramping up its vaccination efforts by allowing those aged 18 years and older to start getting vaccinated in Jakarta. Previously, the inoculation efforts have centered around priority groups such as health care workers, civil servants and the elderly. The effort to inoculate the elderly is said to have come short, however, with less than 17% of the targeted number of elderly people getting the jab since they became eligible in February.

**Malaysia:** Malaysia's Science Minister, Khairy Jamaluddin, said that the country will begin vaccinating workers in critical economic sectors, especially those which are operating during the lockdown. These sectors include manufacturing, exports, utilities, logistics, transportation and energy. He added that more vaccines will be distributed to Selangor, its most industrialized state.

**Oil:** Brent closed unchanged yesterday, ending the day exactly the same at \$72.22 although it did swing from a high and low of \$72.87 to \$71.82.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with shorter tenors trading at 1-3bps lower. Belly tenors traded 3-4bps lower while longer tenors traded 5-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 627bps. The HY-IG Index Spread widened 8bps to 490bps. There were heavy flows in SGD corporates yesterday, including SUNSP 4.25%-PERPs, KITSP 4.3%-PERPs, KITSP 4.75%-PERPs, STSP 3.3%-PERPs, SUNSP 3.8%-PERPs and UBS 4.85%-PERPs. Despite inflation concerns, the UST 10Y Yields slipped another 4bps to 1.49% on the back of solid demand for the 10-year note auction. The ratio of bids accepted for the auction came in at 2.58 times, compared with a historical average of 2.3 times.

**New Issues:** SA Global Sukuk Ltd. Priced a USD1.0bn 3-year senior unsecured bond at T+65bps, tightening from IPT of T+105bps area, a USD2.0bn 5-year senior unsecured bond at T+85bps, tightening from IPT of T+125bps area, and a USD3.0bn 10-year senior unsecured bond at T+120bps, tightening from IPT of T+160bps. Agricultural Bank of China Ltd/Hong Kong priced a USD500mn 3-year senior unsecured bond at T+45bps, tightening from IPT of T+85bps area, and a USD500mn 5-year senior unsecured bond at T+57bps, tightening from IPT of T+95bps area. Hana Bank priced a USD600mn 5.5-year senior unsecured sustainability bond at T+55bps, tightening from IPT of T+90bps area. LS Finance 2017 Ltd (Guarantor: Lifestyle International Holdings Ltd) priced a USD350mn 5-year bond at 4.8%, tightening from IPT of 5.2% area. Fuyuan Worldwide Limited priced a USD140mn re-tap of its SHDCOM 7%'23s at 7%. F&N Treasury Pte. Ltd. priced a SGD100mn 5-year senior unsecured bond at 2%. Bank of Communications Financial Leasing Co. has arranged investor calls commencing 9 June for its proposed USD sustainability bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.120	0.05%	USD-SGD	1.3242	0.02%
USD-JPY	109.630	0.12%	EUR-SGD	1.6127	0.06%
EUR-USD	1.218	0.06%	JPY-SGD	1.2078	-0.13%
AUD-USD	0.773	-0.14%	GBP-SGD	1.8695	-0.26%
GBP-USD	1.412	-0.28%	AUD-SGD	1.0239	-0.08%
USD-MYR	4.117	-0.10%	NZD-SGD	0.9507	-0.23%
USD-CNY	6.387	-0.21%	CHF-SGD	1.4782	0.13%
USD-IDR	14255	0.01%	SGD-MYR	3.1114	-0.04%
USD-VND	22990	0.11%	SGD-CNY	4.8218	-0.26%

### Equity and Commodity

Index	Value	Net change
DJIA	34,447.14	-152.68
S&P	4,219.55	-7.71
Nasdaq	13,911.75	-13.16
Nikkei 225	28,860.80	-102.76
STI	3,153.47	-13.67
KLCI	1,581.48	-6.48
JCI	6,047.48	48.11
Baltic Dry	2,420.00	-8.00
VIX	17.89	0.82

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.56%	O/N	0.0550	0.06%
2M	-0.3360	-0.34%	1M	0.0770	0.08%
3M	-0.5430	-0.55%	2M	0.1126	0.12%
6M	-0.5160	-0.51%	3M	0.1280	0.12%
9M	-0.1940	-0.20%	6M	0.1546	0.16%
12M	-0.4880	-0.49%	12M	0.2408	0.24%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.34 (-0.01)	0.15(--)
5Y	0.82 (-0.03)	0.75 (-0.02)
10Y	1.46 (-0.03)	1.48 (-0.04)
15Y	1.81 (-0.04)	--
20Y	1.83 (-0.03)	--
30Y	1.85 (-0.03)	2.16 (-0.05)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.06	0.072	0.072
07/28/2021	0.093	0.080	0.080
09/22/2021	0.069	0.074	0.074
11/03/2021	0.083	0.077	0.077
12/15/2021	0.083	0.077	0.077
01/26/2022	0.083	0.077	0.077

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.20	(--)
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)	69.96	-0.13%	Corn (per bushel)	6.908	1.6%
Brent (per barrel)	72.22	0.00%	Soybean (per bushel)	15.625	-1.1%
Heating Oil (per gallon)	212.95	-0.26%	Wheat (per bushel)	6.823	-0.4%
Gasoline (per gallon)	220.25	-0.74%	Crude Palm Oil (MYR/MT)	40.900	-2.2%
Natural Gas (per MMBtu)	3.13	0.03%	Rubber (JPY/KG)	2.480	1.3%

### Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9978.50	0.15%	Gold (per oz)	1888.6	-0.2%
Nickel (per mt)	18136.00	1.08%	Silver (per oz)	27.8	0.6%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/10/2021 05:00	GR	Industrial Production YoY	Apr	--	--	5.50%	--
06/10/2021 07:45	EC	ECB Main Refinancing Rate	Jun-10	0.00%	--	0.00%	--
06/10/2021 07:45	EC	ECB Deposit Facility Rate	Jun-10	-0.50%	--	-0.50%	--
06/10/2021 07:45	EC	ECB Marginal Lending Facility	Jun-10	0.25%	--	0.25%	--
06/10/2021 08:30	US	Initial Jobless Claims	Jun-05	370k	--	385k	--
06/10/2021 08:30	US	CPI MoM	May	0.40%	--	0.80%	--
06/10/2021 08:30	US	CPI Ex Food and Energy MoM	May	0.40%	--	0.90%	--
06/10/2021 08:30	US	CPI YoY	May	4.70%	--	4.20%	--
06/10/2021 08:30	US	Continuing Claims	May-29	3700k	--	3771k	--
06/10/2021 09:45	US	Larger Consumer Comfort	Jun-06	--	--	55.6	--
06/10/2021 14:00	US	Monthly Budget Statement	May	-\$160.0b	--	-\$225.6b	--
06/10/2021 18:30	NZ	REINZ House Sales YoY	May	--	--	419.70%	--
06/10/2021 21:00	CH	Money Supply M2 YoY	May	8.10%	--	8.10%	--
06/10/2021 21:00	CH	New Yuan Loans CNY	May	1400.0b	--	1470.0b	--
06/10/2021 21:00	CH	Money Supply M1 YoY	May	5.70%	--	6.20%	--
06/10/2021 22:00	VN	Domestic Vehicle Sales YoY	May	--	--	144.20%	--

Source: Bloomberg

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