

Daily Treasury Outlook

10 September 2021

Highlights

Global: The ECB is set to slow its pace of PEPP asset purchases beginning Q4, although Chief Christine Lagarde claimed this should not be viewed as a tapering act. The decision to par back emergency bond purchases was a unanimous decision, with Lagarde saying they would have rather done it earlier than later in December. Both the refinancing rate and the deposit facility rate were left unchanged at 0.00% and -0.50% respectively. This move means the US Federal Reserve remains one of the few major banks that has yet to pull back on its asset purchase programs from last year's pandemic support programs. Elsewhere, both the Fed's Bowman and Bostic said they expect tapering to commence this year.

Market watch: Asian markets are likely to open lower today on overnight Wall Street weakness. Today's economic calendar comprises of UK and Malaysia industrial production, UK trade balance, New Zealand house sales, Canada unemployment rate, US wholesale inventories, Thailand foreign reserves and Germany CPI. Several officials from the ECB will be speaking today, including Villeroy, Lagarde, Elderson and Rehn.

US: Initial jobless claims last week fell to a new pandemic low of 310k, beating expectations of 335k.

SG: Singapore will begin its month-long pilot program of easing movement restrictions for migrant workers, in the country's latest move to a new normal.

CN: China's CPI in August decelerated further to 0.8% yoy from 1% yoy in July. However, PPI accelerated to 9.5% yoy in August from 9% in July. On sequential basis, China's CPI rose by 0.1% month-on-month, down from 0.3% mom in July. For breakdown, CPI food prices rose by 0.8% mom while non-food prices fell by 0.1% mom. The rise of food prices led by increase of vegetable and egg prices due to floods was partially offset by the decline of non-food prices due to falling oil prices and travel related costs as a result of sporadic outbreak of delta variant in August. Core CPI decelerated to 1.2% yoy in August from 1.3% yoy in July. China's PPI hit the highest level since August 2008 due to rising raw material prices. PPI rose by 0.7% mom, mainly driven by raw material prices for production, which grew by 0.9% mom while raw material prices for living was flat. Looking ahead, China's CPI is expected to stay low in September due to base effect. However, PPI may test higher further as commodity prices remained elevated.

Oil: Brent fell 1.6% overnight on news that China released oil barrels from its reserves in July.

Gold: Gold rose 0.3% to close at \$1794.58 yesterday, ending the day below the \$1800 level for the third consecutive day.

Key Market Movements

| Equity | Value | % chg |
|------------|--------|----------|
| S&P 500 | 4493.3 | -0.5% |
| DJIA | 34879 | -0.4% |
| Nikkei 225 | 30008 | -0.6% |
| SH Comp | 3693.1 | 0.5% |
| STI | 3071.7 | 0.1% |
| Hang Seng | 25716 | -2.3% |
| KLCI | 1578.9 | -1.2% |
| | Value | % chg |
| DXY | 92.479 | -0.2% |
| USDJPY | 109.72 | -0.5% |
| EURUSD | 1.1825 | 0.1% |
| GBPUSD | 1.3837 | 0.5% |
| USDIDR | 14253 | 0.0% |
| USDSGD | 1.3428 | -0.2% |
| SGDMYR | 3.0875 | 0.0% |
| | Value | chg (bp) |
| 2Y UST | 0.21 | -0.38 |
| 10Y UST | 1.30 | -4.05 |
| 2Y SGS | 0.35 | -0.20 |
| 10Y SGS | 1.40 | -2.39 |
| 3M LIBOR | 0.12 | -0.03 |
| 3M SIBOR | 0.43 | 0.00 |
| 3M SOR | 0.21 | 0.00 |
| 3M SORA | 0.13 | 0.03 |
| 3M SOFR | 0.05 | 0.04 |
| | Value | % chg |
| Brent | 71.45 | -1.6% |
| WTI | 68.14 | -1.7% |
| Gold | 1795 | 0.3% |
| Silver | 24.04 | 0.4% |
| Palladium | 2180 | -3.2% |
| Copper | 9388 | 1.5% |
| BCOM | 96.57 | -0.1% |

Source: Bloomberg

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Major Markets

SG: The STI gained 0.1% yesterday but may see profit-taking ahead of the weekend on the back of consecutive losses from Wall Street.

HK: The government reportedly will hold the launch ceremony for wealth management connect today. Details of the connect scheme will be unveiled soon while the connect scheme will be launched 30 days after the details are announced. Still, banks need to get approval from HKMA before starting to sell products via the wealth management connect. As such, the scheme may only be launched in November at the earliest. Notably, due to the persistent border control, remote account opening may be available for the prospective investors across the border. This initiative may set the basis for future cross-border investment such as insurance connect, etc.

Macau: The city will allow non-residents from Hong Kong who have got permits to stay, work or study in Macau to enter. These visitors will be subject to 14-day quarantine. Application will start from 15th Sep. This together with HK's Come2HK scheme may pave way for further border reopening between the two cities.

Malaysia: Bank Negara Malaysia kept its OPR unchanged at 1.75%, as expected by the market. We had expected a cut on account of Q3 weakness and a less certain outlook ahead. Even though the central bank pointed out the risks to growth remained tilted to the downside, it does not appear to have laid the ground for easing anytime soon.

Indonesia: Bank Indonesia released the results of a retail survey which signalled that retail sales in August remained on a contractionary mode, albeit at a slower pace of 0.1% yoy compared to a contraction of 2.9% yoy in July. The relative improvement was driven by a more positive development in motor vehicles and F&B categories.

Daily Treasury Outlook

10 September 2021

Bond Market Updates

Market Commentary: The SGD swap curve traded mostly lower yesterday with shorter and belly tenors trading 0-1bps lower, and longer tenors 1-2bps lower. There were heavy flows in SGD Corporates yesterday, with flows in KREITS 3.15%-PERPs, MAPLSP 3.7%-PERPs, and HSBC 4.7%-PERPs. UST 10Y Yields fell 4bps to 1.30% yesterday amidst the ECB announcing the slowing down of its EUR80bn monthly bond purchase program and lower-than-expected US weekly initial jobless claims. Economists polled by Dow Jones had forecasted unemployment claims to hit 335,000, while actual numbers came in slightly lower than 310,000.

New Issues: Sands China Ltd priced a USD700mn 5-year senior unsecured bond at T+155bps, tightening from an IPT of T+190bps area, a USD650mn 7-year senior unsecured bond at T+180bps, tightening from an IPT of T+215bps area, and a USD600mn 10-year senior unsecured bond at T+195bps, tightening from an IPT of T+230bps area. CMB International Leasing Management Ltd (Keepwell provider: CMB Financial Leasing Co. Ltd) priced a USD600mn 3-year senior unsecured green bond at T+88bps, tightening from an IPT of T+130bps area, and a USD300mn 5-year senior unsecured green bond at T+105bps, tightening from an IPT of T+150bps area. CMS International Gemstone Ltd (Guarantor: China Merchants Securities International Co Ltd) priced a USD500mn 3-year senior unsecured bond at T+86bps, tightening from an IPT of T+130bps area.

Daily Treasury Outlook

10 September 2021

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 92.479 | -0.19% | USD-SGD | 1.3428 | -0.22% |
| USD-JPY | 109.720 | -0.48% | EUR-SGD | 1.5880 | -0.14% |
| EUR-USD | 1.183 | 0.08% | JPY-SGD | 1.2241 | 0.29% |
| AUD-USD | 0.737 | 0.04% | GBP-SGD | 1.8583 | 0.26% |
| GBP-USD | 1.384 | 0.48% | AUD-SGD | 0.9895 | -0.18% |
| USD-MYR | 4.149 | -0.07% | NZD-SGD | 0.9548 | -0.06% |
| USD-CNY | 6.455 | -0.10% | CHF-SGD | 1.4652 | 0.38% |
| USD-IDR | 14253 | 0.00% | SGD-MYR | 3.0875 | -0.05% |
| USD-VND | 22761 | 0.04% | SGD-CNY | 4.8062 | 0.15% |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 34,879.38 | -151.69 |
| S&P | 4,493.28 | -20.79 |
| Nasdaq | 15,248.25 | -38.39 |
| Nikkei 225 | 30,008.19 | -173.02 |
| STI | 3,071.70 | 2.76 |
| KLCI | 1,578.89 | -18.74 |
| JCI | 6,068.22 | 42.20 |
| Baltic Dry | 3,833.00 | 176.00 |
| VIX | 18.80 | 0.84 |

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% |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 0.35 (--) | 0.22 (--) |
| 5Y | 0.8 (-0.02) | 0.79 (-0.02) |
| 10Y | 1.4 (-0.02) | 1.24 (-0.04) |
| 15Y | 1.7 (-0.02) | -- |
| 20Y | 1.87 (-0.01) | -- |
| 30Y | 1.87 (-0.01) | 1.87 (-0.06) |

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 |

Financial Spread (bps)

| | Value | Change |
|-------------|-------|--------|
| EURIBOR-OIS | -6.00 | (--) |
| TED | 35.36 | -- |

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 0.05 |
|------|------|

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 68.14 | -1.67% | Corn (per bushel) | 4.960 | -0.5% |
| Brent (per barrel) | 71.45 | -1.58% | Soybean (per bushel) | 12.588 | -0.9% |
| Heating Oil (per gallon) | 211.37 | -1.06% | Wheat (per bushel) | 6.815 | -2.4% |
| Gasoline (per gallon) | 209.97 | -1.52% | Crude Palm Oil (MYR/MT) | 46.500 | -1.5% |
| Natural Gas (per MMBtu) | 5.03 | 2.38% | Rubber (JPY/KG) | 1.851 | -1.9% |

Base Metals

| | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|----------|-------|-----------------|---------|-------|
| Copper (per mt) | 9387.50 | 1.50% | Gold (per oz) | 1794.6 | 0.3% |
| Nickel (per mt) | 20190.00 | 2.42% | Silver (per oz) | 24.0 | 0.4% |

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|------------------------------|--------|---------|--------|----------|---------|
| 09/10/2021 05:00 | NZ | REINZ House Sales YoY | Aug | -- | -- | -11.70% | -- |
| 09/09/2021 09:00 | CH | Money Supply M2 YoY | Aug | 0.08 | -- | 0.08 | -- |
| 09/10/2021 12:00 | MA | Industrial Production YoY | Jul | -0.01 | -- | 1.40% | -- |
| 09/10/2021 14:00 | UK | Industrial Production MoM | Jul | 0.40% | -- | -0.70% | -- |
| 09/10/2021 14:00 | GE | CPI YoY | Aug F | 3.90% | -- | 3.90% | -- |
| 09/10/2021 14:00 | UK | Manufacturing Production MoM | Jul | 0.10% | -- | 0.00 | -- |
| 09/10/2021 14:00 | GE | CPI MoM | Aug F | 0.00% | -- | 0.00% | -- |
| 09/10/2021 14:00 | GE | CPI EU Harmonized YoY | Aug F | 3.40% | -- | 3.40% | -- |
| 09/10/2021 14:00 | UK | Trade Balance GBP/Mn | Jul | -£1600m | -- | -£2514m | -- |
| 09/10/2021 14:00 | GE | CPI EU Harmonized MoM | Aug F | 0.00 | -- | 0.10% | -- |
| 09/10/2021 14:00 | UK | Industrial Production YoY | Jul | 0.03 | -- | 8.30% | -- |
| 09/10/2021 15:30 | TH | Foreign Reserves | Sep-03 | -- | -- | \$250.8b | -- |
| 09/10/2021 20:30 | CA | Unemployment Rate | Aug | 7.30% | -- | 7.50% | -- |
| 09/10/2021 20:30 | US | PPI Final Demand MoM | Aug | 0.60% | -- | 1.00% | -- |
| 09/10/2021 20:30 | CA | Net Change in Employment | Aug | 67.5k | -- | 94.0k | -- |
| 09/10/2021 22:00 | US | Wholesale Inventories MoM | Jul F | 0.01 | -- | 0.60% | -- |

Source: Bloomberg

Treasury Research & Strategy

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