

Daily Treasury Outlook

11 June 2021

Highlights

Global: US May CPI data firmly beat expectations, coming in at 5.0% yoy vs 4.7% yoy expected, triggering heightened expectations that the Fed may be on an accelerated pace to begin its tapering plans. Core CPI also came in better than expected at 3.8% yoy vs 3.5% yoy expected, suggesting inflationary pressures are not limited to just higher costs of gasoline. 10Y Treasury breakeven yields jumped 4.5bps on the release of the CPI report, retracing back to its highs seen on Wednesday. There are arguments that the strong CPI numbers would likely continue to be transitory, as seen in the particularly large increase in used car prices (7.3% m/m) relative to new car prices (1.6% m/m). There are, however, growing signs that there are firming prices in discretionary consumption, especially in apparel prices (1.2% m/m vs 0.3% m/m prior). We continue to expect the strong trends in US consumer prices to continue, which will likely fuel increased market chatter of the Fed accelerating its reduction of asset purchases. Elsewhere, the ECB has renewed its commitment to increase its PEPP net purchases over the coming quarter as it seeks to anchor economic recovery in the shared currency bloc.

Market watch: Asian markets may open on a firm tone this morning tracking the positive cues from Wall Street overnight. Today's economic calendar comprises industrial production data from India, Malaysia and UK, US's U. of Michigan sentiment, Thailand's foreign reserve and New Zealand's Reinz house sales. BOE's Bailey, Ramsden and Cunliffe, UK PM Sunak as well as ECB's Holzmann and Knot are also speaking today.

US: May CPI firmly beat expectations, coming in at 5.0% yoy vs 4.7% yoy expected. Core CPI was also firm at 3.8% yoy vs 3.5% yoy expected. Meanwhile, initial jobless claims came in slightly higher than expected at 376k vs 370k expected, but still recorded its sixth consecutive decline.

EU: The ECB remained steadfast in its commitment to accelerate bond buying in the coming quarter, even though ECB Chief Lagarde acknowledged for the first time since 2018 that risks to the Eurozone's economic growth are "broadly balanced".

SG: Singapore will be easing the current heightened Covid movement restrictions in two phases. From next Monday, permissible group sizes will be raised to five from the current two, while operating capacities of selected attractions will be raised to 50% from 25%. From 21 June, dining-in at restaurants can resume, as well as live performances and gym classes. Work from home remains the default.

Key Market Movements

Equity	Value	% chg
S&P 500	4239.2	0.5%
DJIA	34466	0.1%
Nikkei 225	28959	0.3%
SH Comp	3610.9	0.5%
STI	3162.5	0.3%
Hang Seng	28739	0.0%
KLCI	1579.9	-0.1%
	Value	% chg
DXY	90.075	0.0%
USDJPY	109.33	-0.3%
EURUSD	1.2170	-0.1%
GBPUSD	1.4177	0.4%
USDIDR	14248	0.0%
USDSGD	1.324	0.0%
SGDMYR	3.1086	-0.1%
	Value	chg (bp)
2Y UST	0.14	-1.19
10Y UST	1.43	-5.90
2Y SGS	0.35	0.30
10Y SGS	1.43	-2.43
3M LIBOR	0.12	-0.33
3M SIBOR	0.43	0.00
3M SOR	0.22	0.00
3M SORA	0.17	-0.14
3M SOFR	0.01	0.00
	Value	% chg
Brent	72.52	0.4%
WTI	70.29	0.5%
Gold	1899	0.5%
Silver	27.99	0.8%
Palladium	2779	0.0%
Copper	9890	-0.9%
BCOM	95.03	0.2%

Source: Bloomberg

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Major Markets

US: US equities closed higher last night with the S&P 500 index rising 0.47% and the Nasdaq 100 Composite index notching a 0.78% gain. 10Y UST bond yields slid 5.90bps to close at 1.43%. For today, markets will continue to focus on US economic data while keeping a lookout for Fed commentaries on the US economic recovery.

CN: China's credit expansion continued to moderate in May. Aggregate social financing increased by CNY1.92 trillion, short of market expectation. The growth of stock of social financing decelerated to 11.0% from 11.7% in April, lowest since February 2020. This indicated that China is exiting pandemic era credit stimulus. Broad money supply M2 accelerated slightly to 8.3% from 8.1% although M1 slowed further to 6.1% from 6.2%. Balance sheet lending remained resilient on the back of medium to long term loan growth. This showed that demand for credit remained strong. The outlook of China's credit growth will still largely hinge on government policy, which will adjust the supply side factors.

SG: The STI rose 0.3% yesterday and may see further gains this morning on the back of gains in Wall Street overnight.

Malaysia: Malaysia's King continued his rounds of meetings with political leaders across the spectrum for the second day yesterday. Yesterday saw former PM Mahathir Mohamad in the list, apart from leaders of UMNO, PAS and Warisan. The series of meetings came as opposition politicians started to argue more forcefully for the need for parliamentary checks and balances to curb the pandemic uptick.

Indonesia: Indonesia's government is now planning to start offering Covid-19 vaccines to all adults in June, an extension of the move for the capital city Jakarta that was reported earlier. The task force said that as many as 141.3mn of the general public will be offered the shots as early as this month or early July. President Jokowi had called for an acceleration of the vaccination program, to deliver 1mn shots a day starting this month.

Oil: Oil prices rose yesterday, with Brent registering a 0.4% gain to close at a fresh 18-month high of \$72.52. As reiterated previously, we continue to maintain our bullish calls on oil prices in the near-term.

Gold: Gold rose 0.5% on the day to \$1898.51 on the back of the stronger than expected US CPI print, but still failed to close above the \$1900 resistance level even during intraday trading yesterday.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with shorter tenors trading at 0-1bps lower. Belly tenors traded 1-3bps 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 widened 26bps to 652bps. The HY-IG Index Spread widened 26bps to 516bps. There were heavy flows in SGD corporates yesterday, including ESRCAY 5.65%-PERPs, SUNSP 4.25%-PERPs, KITSP 4.3%-PERPs, SUNSP 3.8%-PERPs and STSP 3.3%-PERPs. Despite a jump of 5% in the consumer price index, the UST 10Y Yields slipped another 6bps to 1.43% as the strength in the CPI was largely driven by categories that have been heavily disrupted and remain under pressure from supply chain disruptions, supporting the idea that the spike in inflation is transitory.

New Issues: Bocom Leasing Management Hong Kong Co Ltd priced a USD500mn 3-year senior unsecured sustainability at T+92bps, tightening from IPT of T+135bps area. Hyundai Capital America priced a USD1.0bn 3-year senior unsecured bond at T+60bps, tightening from IPT of T+85bps area, a USD850mn 5-year senior unsecured bond at T+82bps, tightening from IPT of T+105bps area, and a USD850mn 7-year senior unsecured bond at T+97bps, tightening from IPT of T+125bps area. PCPD Capital Ltd priced a USD100mn re-tap of its PCPDC 5.125%'26s at 5.125%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.075	-0.05%	USD-SGD	1.3240	-0.02%
USD-JPY	109.330	-0.27%	EUR-SGD	1.6116	-0.07%
EUR-USD	1.217	-0.08%	JPY-SGD	1.2113	0.29%
AUD-USD	0.775	0.30%	GBP-SGD	1.8772	0.41%
GBP-USD	1.418	0.42%	AUD-SGD	1.0265	0.25%
USD-MYR	4.121	0.10%	NZD-SGD	0.9527	0.21%
USD-CNY	6.393	0.09%	CHF-SGD	1.4801	0.13%
USD-IDR	14248	-0.05%	SGD-MYR	3.1086	-0.09%
USD-VND	22962	-0.12%	SGD-CNY	4.8262	0.09%

Equity and Commodity

Index	Value	Net change
DJIA	34,466.24	19.10
S&P	4,239.18	19.63
Nasdaq	14,020.33	108.58
Nikkei 225	28,958.56	97.76
STI	3,162.50	9.03
KLCI	1,579.90	-1.58
JCI	6,107.54	60.06
Baltic Dry	2,481.00	61.00
VIX	16.10	-1.79

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5470	-0.55%	O/N	0.0546	0.06%
2M	-0.3360	-0.34%	1M	0.0746	0.08%
3M	-0.5420	-0.54%	2M	0.1061	0.11%
6M	-0.5180	-0.52%	3M	0.1248	0.13%
9M	-0.1940	-0.20%	6M	0.1569	0.15%
12M	-0.4850	-0.49%	12M	0.2409	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.35 (--)	0.15 (--)
5Y	0.81 (-0.01)	0.71 (-0.04)
10Y	1.43 (-0.02)	1.44 (-0.06)
15Y	1.78 (-0.03)	--
20Y	1.81 (-0.02)	--
30Y	1.84 (-0.01)	2.14 (-0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.058	0.071	0.071
07/28/2021	0.102	0.082	0.082
09/22/2021	0.102	0.082	0.082
11/03/2021	0.08	0.077	0.077
12/15/2021	0.083	0.078	0.078
01/26/2022	0.082	0.077	0.077

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.90	(--)
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)	70.29	0.47%	Corn (per bushel)	6.990	1.2%
Brent (per barrel)	72.52	0.42%	Soybean (per bushel)	15.440	-1.2%
Heating Oil (per gallon)	214.34	0.65%	Wheat (per bushel)	6.838	0.2%
Gasoline (per gallon)	221.22	0.44%	Crude Palm Oil (MYR/MT)	40.500	-1.0%
Natural Gas (per MMBtu)	3.15	0.64%	Rubber (JPY/KG)	2.469	-0.4%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9890.00	-0.89%	Gold (per oz)	1898.5	0.5%
Nickel (per mt)	18283.00	0.81%	Silver (per oz)	28.0	0.8%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/11/2021 00:00	MA	Industrial Production YoY	Apr	48.60%	--	9.30%	--
06/11/2021 02:00	UK	Industrial Production MoM	Apr	1.20%	--	1.80%	--
06/11/2021 02:00	UK	Manufacturing Production MoM	Apr	1.50%	--	2.10%	--
06/11/2021 02:00	UK	Trade Balance GBP/Mn	Apr	-£2250m	--	-£1966m	--
06/11/2021 02:00	UK	Industrial Production YoY	Apr	30.70%	--	3.60%	--
06/11/2021 02:00	UK	Visible Trade Balance GBP/Mn	Apr	-£11800m	--	-£11710m	--
06/11/2021 02:00	UK	Manufacturing Production YoY	Apr	42.20%	--	4.80%	--
06/11/2021 02:00	UK	Trade Balance Non EU GBP/Mn	Apr	--	--	-£6548m	--
06/11/2021 03:30	TH	Foreign Reserves	Jun-04	--	--	\$251.9b	--
06/11/2021 08:00	IN	Industrial Production YoY	Apr	120.00%	--	22.40%	--
06/11/2021 10:00	US	U. of Mich. Sentiment	Jun P	84.2	--	82.9	--
06/11/2021 18:30	NZ	REINZ House Sales YoY	May	--	--	419.70%	--
06/11/2021 21:00	CH	Money Supply M2 YoY	May	8.10%	--	8.10%	--
06/11/2021 21:00	CH	New Yuan Loans CNY	May	1400.0b	--	1470.0b	--
06/11/2021 21:00	PH	BoP Overall	May	--	--	\$2614m	--
06/11/2021 22:00	VN	Domestic Vehicle Sales YoY	May	--	--	144.20%	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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