

Daily Treasury Outlook

13 October 2021

Highlights

Global: US stock markets fluctuated ahead of the start of earnings season (starting with JPMorgan tonight) and US inflation data that are due later today. The IMF also shaved its global growth forecast from 6% to 5.7% for 2021 but kept its 2022 forecast at 4.9%. The S&P 500 fell 0.24% overnight while VIX also declined to 19.85. UST bonds were better supported as investors took the US\$38b of 10-year note auction at 1.584% (lower than expected for the sixth time) and the US\$42b 6-month bills was taken at 0.055% with a bid-cover of 3.99x, while the USD was little changed. Note Fed's Clarida opined that conditions have "all but been met" with high inflation and a robust labour market, whilst Bostic saw price pressures arising from supply-chain disruptions broadening to more parts of the US economy rather than being transitory but he is still comfortable with starting the taper in November. Meanwhile, Apple is tipped to cut its iPhone 13 production targets for 2021 by up to 10 million units due to chip shortages. Elsewhere, China's Sinic Holdings Group Co is the latest to warn of an imminent default.

Market watch: Asian markets may also tread water today ahead of the US earnings season and key US CPI data. Today's economic data calendar comprises of China's September trade data, UK's August trade balance, Germany's CPI, Eurozone's industrial production, and US' September CPI and mortgage applications. Besides the FOMC minutes which will also be released, BOE's Cunliffe, Fed's Brainard and RBA's Debelle are also speaking today.

IMF: The IMF trimmed its 2021 growth forecast for US to 6% (previously 7%) and China to 8% (previously 8.1%) but raised the Euro area outlook to 5%.

US: House speaker Nancy Pelosi hinted that Biden's economic stimulus plan will be scaled back.

CN: China officially announced the plan to reform its electricity pricing mechanism. The fluctuation range for market-based electricity prices will be increased to 20% from the benchmark price from previously 10% ceiling and 15% floor. In addition, for energy intensive industries, the 20% fluctuation cap will be removed. China's economic planning agency NDRC expects no direct impact on CPI as electricity price to residential areas and agriculture remained stable. However, it expects the reform will create upward pressure on PPI. This means the gap between PPI and CPI will remain elevated which will further press the profitability in the downstream. This is a good case to argue for more RRR cut to support SMEs.

SG: The 3Q21 GDP growth estimate (our forecast: 6.4% yoy and 1.1% qoq sa) and the MAS MPS decision (our call: no change to monetary policy settings) are due at 8am tomorrow.

Key Market Movements

Equity	Value	% chg
S&P 500	4350.7	-0.2%
DJIA	34378	-0.3%
Nikkei 225	28231	-0.9%
SH Comp	3546.9	-1.2%
STI	3112.1	0.0%
Hang Seng	24963	-1.4%
KLCI	1583.9	0.8%
	Value	% chg
DXY	94.516	0.2%
USDJPY	113.61	0.3%
EURUSD	1.1530	-0.2%
GBPUSD	1.3588	-0.1%
USDIDR	14218	0.1%
USDSGD	1.3572	0.2%
SGDMYR	3.0728	-0.2%
	Value	chg (bp)
2Y UST	0.34	2.01
10Y UST	1.58	-3.49
2Y SGS	0.60	-1.00
10Y SGS	1.74	-1.81
3M LIBOR	0.12	0.06
3M SIBOR	0.43	0.00
3M SOR	0.20	0.00
3M SORA	0.13	0.06
3M SOFR	0.05	0.00
	Value	% chg
Brent	83.42	-0.3%
WTI	80.64	0.1%
Gold	1760	0.3%
Silver	22.56	-0.1%
Palladium	2049	-3.1%
Copper	9465	-0.8%
BCOM	102.73	0.0%

Source: Bloomberg

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Major Markets

SG: The STI ended down 0.05% at 3112.05 yesterday and may range trade today. SGS bonds are likely to be supported in the interim.

Malaysia: Malaysia's parliament unanimously passed a windfall tax bill yesterday. The bill amends existing provisions under the previous 1992 law and made amendments to improve the administration of the windfall profit levy through the provision of remission. The government noted, however, that it has no plans to impose a windfall tax on companies making extraordinary profit during the pandemic, including rubber gloves manufacturers, noting that the latter had made contributions of up to MYR400mn to disaster fund to help fight the pandemic.

Indonesia: Indonesia's automotive association said that the domestic auto sales were 84,113 units in September, marking a 73% surge in year-on-year growth terms. It is also higher than the 83,319 units sold in August. Overall, the uptick signals a tentative return of domestic consumer confidence in Indonesia as it inches towards normalcy after the recent pandemic resurgence.

Oil: Brent lost 0.3% yesterday to \$83.42. Similar to the prior day, the market is suggesting it remains wary of trading above \$85 in the time being.

Gold: Gold remains locked in a tight consolidation range of \$1750-\$1770. We remain bearish in the long term and expect any break from this range to be on the downside, given the growing hawkishness of the Fed.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with shorter and belly tenors trading 1-2bps lower, and longer tenors trading 2-3bps lower. There were moderate flows in SGD Corporates yesterday, with flows in STANLN 5.375%-PERPs and OUECT 3.95%'26s. UST 10Y Yields fell 3bps to 1.58% yesterday as investors repositioned their portfolio ahead of the September consumer price index ("CPI") set to be released today. Markets will be closely watching the CPI reading as it could influence when the Fed decides to taper its USD120 billion bond-buyback program.

New Issues: Export-Import Bank of Korea priced a USD1.0bn 7-year senior unsecured green bond at T+35bps, tightening from an IPT of T+60bps area. Hana Bank priced a USD300mn perpNC5 AT1 subordinated sustainability bond at 3.5%. Eastern Creation II Investment Holdings Ltd (Guarantor: Beijing Infrastructure Investment Co Ltd) priced a USD400mn 3-year senior unsecured bond at T+75bps, tightening from an IPT of T+115bps area. Zhuji Development Ltd (Guarantor: Zhuji State-owned Assets Management Co Ltd) priced a USD520mn 3-year senior unsecured bond at 3.2%, tightening from an IPT of 3.5%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.516	0.21%	USD-SGD	1.3572	0.16%
USD-JPY	113.610	0.26%	EUR-SGD	1.5645	-0.05%
EUR-USD	1.153	-0.19%	JPY-SGD	1.1942	-0.13%
AUD-USD	0.735	-0.01%	GBP-SGD	1.8439	0.09%
GBP-USD	1.359	-0.05%	AUD-SGD	0.9973	0.17%
USD-MYR	4.165	-0.14%	NZD-SGD	0.9406	0.04%
USD-CNY	6.449	-0.03%	CHF-SGD	1.4578	-0.20%
USD-IDR	14218	0.07%	SGD-MYR	3.0728	-0.25%
USD-VND	22748	-0.04%	SGD-CNY	4.7544	-0.24%

Equity and Commodity

Index	Value	Net change
DJIA	34,378.34	-117.72
S&P	4,350.65	-10.54
Nasdaq	14,465.92	-20.28
Nikkei 225	28,230.61	-267.59
STI	3,112.05	-1.44
KLCI	1,583.91	13.09
JCI	6,486.27	26.57
Baltic Dry	5,526.00	-124.00
VIX	19.85	-0.15

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5610	-0.56%	O/N	0.0726	0.07%
2M	-0.3360	-0.34%	1M	0.0836	0.09%
3M	-0.5480	-0.55%	2M	0.1054	0.11%
6M	-0.5180	-0.53%	3M	0.1211	0.12%
9M	-0.1940	-0.20%	6M	0.1565	0.16%
12M	-0.4820	-0.48%	12M	0.2470	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.6 (-0.01)	0.35(--)
5Y	1.09 (-0.02)	1.07 (+0.01)
10Y	1.74 (-0.02)	1.63 (-0.03)
15Y	2.08 (-0.01)	--
20Y	2.14 (-0.01)	--
30Y	2.09 (-0.01)	2.17 (-0.07)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.006	0.077	0.077
12/15/2021	-0.007	0.077	0.077
01/26/2022	0.015	0.082	0.082
03/16/2022	0.035	0.087	0.087
05/04/2022	0.101	0.104	0.104
06/15/2022	0.28	0.149	0.149

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.50	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.64	0.15%	Corn (per bushel)	5.225	-2.0%
Brent (per barrel)	83.42	-0.27%	Soybean (per bushel)	11.983	-2.4%
Heating Oil (per gallon)	251.00	-0.20%	Wheat (per bushel)	7.340	0.3%
Gasoline (per gallon)	238.29	0.21%	Crude Palm Oil (MYR/MT)	50.960	-1.1%
Natural Gas (per MMBtu)	5.51	2.99%	Rubber (JPY/KG)	2.092	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9465.00	-0.82%	Gold (per oz)	1760.2	0.3%
Nickel (per mt)	18978.00	-0.74%	Silver (per oz)	22.6	-0.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/13/2021 05:45	NZ	Food Prices MoM	Sep	--	0.50%	0.30%	--
10/13/2021 07:00	SK	Unemployment rate SA	Sep	3.00%	3.00%	2.80%	--
10/13/2021 07:30	AU	Westpac Consumer Conf SA MoM	Oct	--	-1.50%	2.00%	--
10/13/2021 07:50	JN	Core Machine Orders MoM	Aug	1.40%	-2.40%	0.90%	--
10/13/2021 07:50	JN	Money Stock M2 YoY	Sep	4.30%	4.20%	4.70%	--
10/13/2021 08:00	NZ	ANZ Business Confidence	Oct P	--	-8.60	-7.20	--
10/13/2021 09:00	CH	Trade Balance	Sep	\$45.00b	--	\$58.34b	\$58.33b
10/13/2021 09:00	CH	Exports YoY	Sep	21.50%	--	25.60%	--
10/13/2021 14:00	UK	Industrial Production MoM	Aug	0.20%	--	1.20%	--
10/13/2021 14:00	GE	CPI YoY	Sep F	4.10%	--	4.10%	--
10/13/2021 14:00	UK	Manufacturing Production MoM	Aug	0.00%	--	0.00%	--
10/13/2021 14:00	GE	CPI MoM	Sep F	0.00%	--	0.00%	--
10/13/2021 14:00	GE	CPI EU Harmonized YoY	Sep F	4.10%	--	4.10%	--
10/13/2021 19:00	US	MBA Mortgage Applications	Oct-08	--	--	-6.90%	--
10/13/2021 20:30	US	CPI Ex Food and Energy MoM	Sep	0.20%	--	0.10%	--
10/13/2021 20:30	US	CPI MoM	Sep	0.30%	--	0.30%	--

Source: Bloomberg

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