OCBC TREASURY RESEARCH

Daily Treasury Outlook

14 May 2021

Highlights

Global: Stocks rebounded overnight after a three-day slide as US initial jobless claims fell to a fresh pandemic low of 473k even though the Producer Price Index rose 0.6% mom (6.2% yoy). The S&P 500 rose 1.22% led by industrial and financial shares even though tech shares lagged (after Tesla suspended payment in Bitcoin). VIX also fell to 23.13 and oil slipped. UST bonds rallied, with the 10-year yield retracing to 1.66% despite a soft 30-year auction. Fed's Waller also opined that the inflation surge is likely to be temporary but may last through 2022.

Market watch: Asia markets may take the positive cue from the US stock market rebound and also open on a firmer tone this morning. Today's economic calendar comprises the final Hong Kong 1Q21 GDP reading, US' retail sales, industrial production, and University of Michigan sentiment index. Fed's Kaplan is also speaking.

HK: The government announced the details of the eight batch of inflation-linked bonds (iBond) with issue size of HK$15-20 billion, a guaranteed minimum interest rate of 2% and a tenor of 3 years. It will be available for subscription from 1 June. The minimum interest rate remains unchanged from the previous batch while the issue size hits record high. We expect this batch of iBond to receive strong response. First, the minimum interest rate is higher than local deposit rates which are set to stay low for some time given flush local and global liquidity. Second, inflation rate is expected to increase moderately along with the improving economic growth outlook. Adding to the inflationary pressure has been the supply chain bottleneck and the external monetary and fiscal stimulus across the global. Lastly, the main purpose of the iBond issuance is to facilitate the development of the retail bond market rather than to finance fiscal deficit.

Macau: Average housing price rebounded by 4.6% mom or 5.8% yoy to MOP98,554 in March. During the same month, housing transaction volume increased 24.8% yoy or 39.4% mom to 499 deals, the highest since last November. New residential mortgage loans also increased by 38.9% mom to MOP2.96 billion in March. As the Lunar New Year effect abated, Macau's housing market regained some steam amid low interest rates and the prospect of scarce home supply. However, we still think the upside of the gambling hub's housing market to be capped. First, housing demand may remain benign as local economic recovery remained slow due to the existing border controls. Second, investment demand has been sluggish due to housing control measures and the suppressed rents amid a sharp decrease in non-resident workers and elevated unemployment rate. Third, end-users have superseded investors as the main players in the housing market. In conclusion, we expect average housing price to grow by up to 5.0% yoy by end of 2021.

Key Market Movements

Equity	Value	% chg
S&P 500	4112.5	1.2%
DJIA	34021	1.3%
Nikkei 225	27448	-2.5%
SH Comp	3429.5	-1.0%
STI	3123.3	0.0%
Hang Seng	27719	-1.8%
KLCI	1582.5	0.0%
	Value	**% chg**
DXY	90.752	0.0%
USDJPY	109.47	-0.2%
EURUSD	1.2081	0.1%
GBPUSD	1.4052	0.0%
USDIDR	14198	0.0%
USDSGD	1.3335	0.0%
SGDMYR	3.0892	-0.6%
	Value	**chg (bp)**
2Y UST	0.15	-1.00
10Y UST	1.66	-3.42
2Y SGS	0.41	0.00
10Y SGS	1.55	0.00
3M LIBOR	0.15	-0.61
3M SIBOR	0.44	0.00
3M SOR	0.28	0.00
3M SORA	0.19	0.00
3M SOFR	0.02	-0.06
	Value	**% chg**
Brent	67.05	-3.3%
WTI	63.82	-3.4%
Gold	1827	0.6%
Silver	27.09	0.3%
Palladium	2865	0.2%
Copper	10342	-1.0%
BCOM	91.70	-2.3%

Source: Bloomberg

Major Markets

US: US equities rebounded last night on share gains in financials, industrials and utilities following the rotation of funds from growth stocks into value stocks. The S&P 500 index rose 1.22% and the Nasdaq 100 Composite index notched a 0.72% gain. 10Y UST bond yields fell 3.42bps to close at 1.66%. For the day ahead, markets are likely to stay volatile and investors will focus on the US April retail sales for further market cues.

SG: The STI declined 0.67% to close at 3123.26 yesterday but is likely to open higher today following the overnight rebound in US stocks on better than expected US jobless claims data. SGS bonds may also trade with a firm tone today.

CN: China's Ministry of Commerce denied yesterday in a press conference that China plans to replace Vice Premier Liu He as its top economic envoy with the US.

Bond Market Updates

Market Commentary: The SGD swap curve remained mostly unchanged yesterday in observance Eid al-Fitr. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 614bps. The HY-IG Index Spread widened 9bps to 472bps. There were heavy flows on Wednesday including in OLAMSP 5.375%-PERPs, STSP 3.3%-PERPs, NTUCSP 3.1%'50s, OLAMSP 4%'26s, MINTSP 3.15%-PERPs and SPHSP 4%-PERPs. 10Y UST Yields fell 4bps to 1.66% despite April's Producer Price Index rising 0.6% m/m in April, compared to the 0.3% estimated by economists.

New Issues: There are no new issues for yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.752	0.04%	**USD-SGD**	1.3335	-0.02%
USD-JPY	109.470	-0.18%	**EUR-SGD**	1.6110	0.04%
EUR-USD	1.208	0.07%	**JPY-SGD**	1.2183	0.20%
AUD-USD	0.773	0.06%	**GBP-SGD**	1.8739	-0.03%
GBP-USD	1.405	-0.01%	**AUD-SGD**	1.0305	0.02%
USD-MYR	4.125	0.19%	**NZD-SGD**	0.9574	0.27%
USD-CNY	6.452	-0.07%	**CHF-SGD**	1.4717	0.31%
USD-IDR	14198	0.00%	**SGD-MYR**	3.0892	-0.57%
USD-VND	23042	-0.07%	**SGD-CNY**	4.8359	-0.17%

Equity and Commodity

Index	Value	Net change
DJIA	34,021.45	433.79
S&P	4,112.50	49.46
Nasdaq	13,124.99	93.31
Nikkei 225	27,448.01	-699.50
STI	3,123.26	-21.01
KLCI	1,582.52	4.88
JCI	5,938.35	-37.44
Baltic Dry	3,139.00	-115.00
VIX	23.13	-4.46

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5520	-0.55%	**O/N**	0.0600	0.06%
2M	-0.3360	-0.34%	**1M**	0.0981	0.09%
3M	-0.5390	-0.53%	**2M**	0.1285	0.13%
6M	-0.5130	-0.51%	**3M**	0.1541	0.16%
9M	-0.1940	-0.20%	**6M**	0.1901	0.19%
12M	-0.4800	-0.48%	**12M**	0.2644	0.27%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.41 (-0.01)	0.15(--)
5Y	0.79 (--)	0.83 (-0.04)
10Y	1.55 (--)	1.66 (-0.03)
15Y	1.88 (-0.01)	--
20Y	1.93 (--)	--
30Y	1.92 (--)	2.4 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.08	0.081	0.081
07/28/2021	0.085	0.082	0.082
09/22/2021	0.075	0.08	0.08
11/03/2021	0.065	0.077	0.077
12/15/2021	0.085	0.082	0.082
01/26/2022	0.085	0.082	0.082

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.90	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	63.82	-3.42%	Corn (per bushel)	7.190	-5.1%
Brent (per barrel)	67.05	-3.27%	Soybean (per bushel)	16.123	-2.9%
Heating Oil (per gallon)	200.09	-3.31%	Wheat (per bushel)	7.265	-3.7%
Gasoline (per gallon)	209.53	-3.04%	Crude Palm Oil (MYR/MT)	48.000	0.3%
Natural Gas (per MMBtu)	2.97	0.13%	Rubber (JPY/KG)	2.574	-0.8%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10342.00	-0.99%	Gold (per oz)	1826.7	0.6%
Nickel (per mt)	17323.00	-2.66%	Silver (per oz)	27.1	0.3%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
05/14/2021 06:30	NZ	BusinessNZ Manufacturing PMI	Apr	--	--	63.6	--
05/14/2021 07:50	JN	Money Stock M2 YoY	Apr	9.40%	--	9.50%	--
05/14/2021 07:50	JN	Money Stock M3 YoY	Apr	7.90%	--	8.00%	--
05/14/2021 09:00	PH	BoP Overall	Apr	--	--	-$73m	--
05/14/2021 11:30	IN	Exports YoY	Apr	--	--	60.30%	--
05/14/2021 14:30	IN	Wholesale Prices YoY	Apr	9.50%	--	7.39%	--
05/14/2021 15:30	TH	Foreign Reserves	May-07	--	--	$250.4b	--
05/14/2021 16:30	HK	GDP YoY	1Q F	7.80%	--	7.80%	--
05/14/2021 20:30	US	Retail Sales Advance MoM	Apr	1.00%	--	9.80%	--
05/14/2021 20:30	US	Import Price Index MoM	Apr	0.60%	--	1.20%	--
05/14/2021 20:30	CA	Manufacturing Sales MoM	Mar	3.50%	--	-1.60%	--
05/14/2021 20:30	US	Retail Sales Ex Auto MoM	Apr	0.60%	--	8.40%	--
05/14/2021 20:30	US	Retail Sales Ex Auto and Gas	Apr	0.30%	--	8.20%	--
05/14/2021 21:15	US	Industrial Production MoM	Apr	1.00%	--	1.40%	--
05/14/2021 21:15	US	Capacity Utilization	Apr	75.00%	--	74.40%	--
05/14/2021 22:00	US	U. of Mich. Sentiment	May P	90.2	--	88.3	--

Source:Bloomberg

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