

Daily Treasury Outlook

14 June 2021

Highlights

Global: All eyes will be on the FOMC meeting this week. The Fed will most likely stick to its accommodative monetary policy stance in this month's meeting, but the markets will be keenly watching out for hints of tapering or a shift in dovish tone from FOMC officials, especially with regards to the number of dissents. There are also expectations that the 2023 dot-plot in this month's projections will reflect a lift-off in the key benchmark rate (vs static in the March projection). Fed Chair Powell will also likely continue reiterating the committee's stance that inflationary pressures are likely "transitory". In the days following the soft US nonfarm payrolls, US economic data in the past week has largely come in stronger than expected, including jobs openings, consumer inflation and consumer sentiment. The final piece of the jigsaw, therefore, appears to be the labour market, whose seemingly slow recovery is probably the key hurdle in the Fed's attempt to normalise its monetary environment. Elsewhere, the G7 meeting over the weekend saw US President Biden pushing his allies to counter China's influence, including the proposal of an infrastructure program to counter China's Belt and Road initiative, but that was pushed back by Germany and France.

Market watch: Asian markets are likely to open on a firmer tone this morning amid positive Friday cues from US markets. Today's economic calendar comprises India's CPI and wholesale prices, Philippines's overseas remittances, New Zealand's REINZ house sales, Canada's manufacturing sales, and industrial production from Japan and Eurozone. ECB's Pablo and Schnabel are speaking today. For the week ahead, watch for CBC and FOMC meeting on Wednesday (both likely unchanged, but investors will be on the lookout for taper talks and rate hike schedule for the latter), BI and BOJ policy decision on Thursday where both are also likely static at 3.50% and -0.10% respectively.

US: The University of Michigan sentiment rose to 86.4 in June, beating expectations of 84.2 and a rebound from May's 82.9.

Oil: Brent rose another 0.2% last week to cap a weekly gain of 1.1%. Since breaking past the \$70 hurdle at the start of the month, oil has only seen two days of losses. The bullish momentum remains strong and we expect another week of gains for the energy complex this week, especially if risk sentiment continues to be bolstered by an accommodative FOMC on Thursday.

Gold: Gold fell 1.1% on Friday to \$1877.53, after the \$1900 resistance proved too much for the precious metal to overcome. Despite the recent decline, at current inputs we still see gold's valuation as too rich and see a fair value range of \$1750-\$1850.

Key Market Movements

Equity	Value	% chg
S&P 500	4247.4	0.2%
DJIA	34480	0.0%
Nikkei 225	28949	0.0%
SH Comp	3589.7	-0.6%
STI	3158.0	-0.1%
Hang Seng	28842	0.4%
KLCI	1575.2	-0.3%
	Value	% chg
DXY	90.555	0.5%
USDJPY	109.66	0.3%
EURUSD	1.2109	-0.5%
GBPUSD	1.4107	-0.5%
USDIDR	14189	-0.4%
USDSGD	1.326	0.2%
SGDMYR	3.1064	-0.1%
	Value	chg (bp)
2Y UST	0.15	0.40
10Y UST	1.45	2.00
2Y SGS	0.34	-0.20
10Y SGS	1.39	-3.95
3M LIBOR	0.12	-0.58
3M SIBOR	0.43	0.01
3M SOR	0.20	-0.68
3M SORA	0.16	-0.09
3M SOFR	0.01	0.00
	Value	% chg
Brent	72.69	0.2%
WTI	70.91	0.9%
Gold	1878	-1.1%
Silver	27.92	-0.3%
Palladium	2777	-0.1%
Copper	10004	1.1%
BCOM	94.99	0.0%

Source: Bloomberg

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Major Markets

US: US equities advanced last Friday with the S&P 500 index rising 0.19% and the Nasdaq 100 Composite index notching a 0.35% gain. 10Y UST bond yields rose 2bps to close at 1.45%. For the week ahead, investors will look forward to the FOMC meeting for hints on tapering plans and rate hike schedules to better gauge the Fed's future policy direction.

CN: Although China criticized the innovation and competition bill passed by the US Senate last Tuesday is full of Cold War mentality and Chinese embassy in London said that world orders not ruled by small numbers of countries in reaction G7 meeting, **the communication between China and US seems to have improved.** Following Thursday's conversation between China's Commerce Minister Wang Wentao and US Commerce Secretary Gina Raimondo on trade and investment, China's director of the Central Foreign Affairs Commission also held a talk with US Secretary of State Anthony Blinken last Friday.

SG: The STI fell 0.1% on Friday but is likely to inch higher today following Friday's positive close on Wall Street. MAS has also sold \$1bn of 10-year floating notes last Friday, with a bid-cover ratio of 4.48.

Macau: Average housing price rose 5.2% mom or 6% yoy to MOP103,653/square meter in April. During the same month, housing transaction volume grew for the fourth consecutive month and was up by 20.7% yoy to 584 deals. As the two pillar industries including gaming and tourism continued to regain momentum, the housing market also gained further steam. However, recent virus resurgence in China in particular Guangdong province may have slowed down the recovery of Macau's two crucial industries and therefore hit housing market demand. Besides, since the government plans to divide the residential market into five tiers, including social housing, economic housing, "sandwich class" housing, elderly housing and private housing, the demand for private homes may be diverted in the longer term. In conclusion, we hold onto our view that average housing price may grow by up to 5% yoy as of end-2021 depending on the economic recovery pace.

Malaysia: Malaysia's government has extended its MCO 3.0 lockdown by another two weeks to June 28, as new Covid-19 cases do not appear to come down sustainably just yet. The most stringent part of the lockdown, called Phase 1 which sees most business activities banned, was originally scheduled to end on June 14. The announcement came after 6849 new cases were reported on Friday, higher than the 5000 daily cases that the Defense Minister said was the threshold for reopening.

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Indonesia: Indonesia's government has extended its luxury tax break for cars with smaller engines, as it continues to see the need to boost consumer demand amidst ongoing pandemic resurgence risk. The government will continue to impose 0% tax on new cars with engine capacity of up to 1500cc until August, and cover half of the taxes from September to December. Earlier rounds of tax incentives have seen car sales rising by 73% yoy in March.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly bull-flattened last Friday. Belly tenors traded 4-6bps lower while longer tenors traded 6-7bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 135bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 649bps. The HY-IG Index Spread tightened 4bps to 514bps. Flows in SGD corporates were heavy, with flows in LREIT 4.2%-PERPs, AIA 2.9%-PERPs, KITSP 4.3%-PERPs, SUNSP 3.8%-PERPs, STSP 3.3%-PERPs, KITSP 4.75%-PERPs and OLAMSP 4%'26s. Despite dipping to a three-month low of 1.43% early in the session, UST 10Y Yields recovered to gain 2bps from Thursday's close to 1.45% by the end of the day as the market deemed any spike in inflation to be transitory.

New Issues: There were no new issues or mandates last Friday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.555	0.53%	USD-SGD	1.3260	0.15%
USD-JPY	109.660	0.30%	EUR-SGD	1.6054	-0.38%
EUR-USD	1.211	-0.50%	JPY-SGD	1.2090	-0.19%
AUD-USD	0.771	-0.59%	GBP-SGD	1.8703	-0.37%
GBP-USD	1.411	-0.49%	AUD-SGD	1.0219	-0.45%
USD-MYR	4.109	-0.30%	NZD-SGD	0.9452	-0.79%
USD-CNY	6.399	0.09%	CHF-SGD	1.4765	-0.24%
USD-IDR	14189	-0.41%	SGD-MYR	3.1064	-0.07%
USD-VND	22944	-0.08%	SGD-CNY	4.8225	-0.08%

Equity and Commodity

Index	Value	Net change
DJIA	34,479.60	13.36
S&P	4,247.44	8.26
Nasdaq	14,069.42	49.09
Nikkei 225	28,948.73	-9.83
STI	3,157.97	-4.53
KLCI	1,575.16	-4.74
JCI	6,095.50	-12.04
Baltic Dry	2,857.00	188.00
VIX	15.65	-0.45

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5510	-0.55%	O/N	0.0554	0.06%
2M	-0.3360	-0.34%	1M	0.0729	0.07%
3M	-0.5480	-0.55%	2M	0.1035	0.10%
6M	-0.5210	-0.52%	3M	0.1189	0.12%
9M	-0.1940	-0.20%	6M	0.1525	0.15%
12M	-0.4890	-0.49%	12M	0.2394	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.34 (--)	0.15 (--)
5Y	0.78 (-0.03)	0.74 (+0.03)
10Y	1.39 (-0.04)	1.45 (+0.02)
15Y	1.74 (-0.04)	--
20Y	1.77 (-0.04)	--
30Y	1.81 (-0.03)	2.14 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.062	0.072	0.072
07/28/2021	0.084	0.077	0.077
09/22/2021	0.094	0.08	0.08
11/03/2021	0.082	0.077	0.077
12/15/2021	0.084	0.078	0.078
01/26/2022	0.094	0.08	0.08

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.53	(--)
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)	70.91	0.88%	Corn (per bushel)	6.845	-2.1%
Brent (per barrel)	72.69	0.23%	Soybean (per bushel)	15.085	-2.3%
Heating Oil (per gallon)	212.07	-1.06%	Wheat (per bushel)	6.808	-0.4%
Gasoline (per gallon)	218.61	-1.18%	Crude Palm Oil (MYR/MT)	38.590	-4.7%
Natural Gas (per MMBtu)	3.30	4.67%	Rubber (JPY/KG)	2.455	-0.6%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10003.50	1.15%	Gold (per oz)	1877.5	-1.1%
Nickel (per mt)	18227.00	-0.31%	Silver (per oz)	27.9	-0.3%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/14/2021 00:30	JN	Industrial Production MoM	Apr F	--	--	2.50%	--
06/14/2021 00:30	JN	Industrial Production YoY	Apr F	--	--	15.40%	--
06/14/2021 00:30	JN	Capacity Utilization MoM	Apr	--	--	5.60%	--
06/14/2021 02:30	IN	Wholesale Prices YoY	May	13.35%	--	10.49%	--
06/14/2021 05:00	EC	Industrial Production SA MoM	Apr	0.40%	--	0.10%	--
06/14/2021 05:00	EC	Industrial Production WDA YoY	Apr	37.40%	--	10.90%	--
06/14/2021 08:00	IN	CPI YoY	May	5.40%	--	4.29%	--
06/14/2021 08:00	CA	Bloomberg Nanos Confidence	Jun-11	--	--	65.9	--
06/14/2021 08:30	CA	Manufacturing Sales MoM	Apr	--	--	3.50%	--
06/14/2021 17:00	NZ	REINZ House Sales YoY	May	--	--	419.70%	--
06/14/2021 18:45	NZ	Food Prices MoM	May	--	--	1.10%	--
06/14/2021 21:00	PH	Overseas Remittances YoY	Apr	21.10%	--	4.90%	--
06/14/2021 21:00	PH	Overseas Workers Remittances	Apr	\$2530m	--	\$2514m	--
06/14/2021 21:00	PH	Foreign Reserves	May	--	--	\$107.3b	\$107.7b
06/14/2021 21:00	CH	Foreign Direct Investment YoY CNY	May	--	--	4.60%	--
06/14/2021 21:30	AU	House Price Index YoY	1Q	7.80%	--	3.60%	--

Source: Bloomberg

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