

## Daily Treasury Outlook

14 October 2021

### Highlights

**Global:** Global sentiments remained choppy amid a Fed intent on an imminent taper and higher than expected US inflation print of 5.4% yoy, which suggested that price pressures were broadening. The FOMC minutes revealed that participants generally assessed that, provided that the economic recovery remained broadly on track, a gradual tapering process that concluded around the middle of next year would likely be appropriate," and had discussed trimming the purchases by \$10 bn and MBS by US\$5 bn a month, albeit "several" participants preferred a faster pace. More importantly, the minutes flagged that if the taper decision happens at the November 2-3 FOMC meeting, then it could start in mid-November or mid-December. The S&P 500 added 0.30% while VIX slipped to 18.64. JP Morgan reported healthy earnings but closed lower on loan growth concerns. Meanwhile, UST bonds bull-flattened, with the 10-year yield back down to 1.54% amid a US\$24 bn 30-year bond auction that saw primary dealers being awarded a record low share of 12.3%.

**Market watch:** Asian markets are likely to range trade today, while investors await China's inflation readings and also TSMC's guidance on the chip shortage which could potentially impact manufacturing centres in the region amid the current supply chain challenges. The economic data calendar comprises India's wholesale prices, US' initial jobless claims and PPI. Fed's Bullard, Bostic, Barkin, Daly and Harker, ECB's Elderson and Knot, BOE's Cunliffe, Tenreyro, Mann and Catherine are also speaking. Bank of America, Morgan Stanley, Wells Fargo and Citigroup are also reporting earnings.

**SG:** 3Q21 GDP rose 6.5% yoy (0.8% qoq sa). MAS slightly raised the slope of the S\$NEER policy band from zero previously with no change to width and level. There is no change to the official 2021 GDP growth forecast of 6-7% and 2022 headline and core CPI is tipped at 1.5-2.5% and 1-2% respectively.

**CN:** China's total trade hit another record high in September as exports beat expectation on the back of resilient demand from advanced economies. China's trade surplus with the US hit record high of US\$42 billion. China's resilient exports to the US despite tariff served as a good basis for the partial removal of tariff. Domestically, China's credit expansion in September surprised on the downside. Other than high base effect, the deceleration of aggregate social financing growth in September was also attributable to three factors including weak demand, softening direct financing activities and behind the curve issuance of local government special bond.

**US:** Most of the US\$480 bn of US debt ceiling increase has already been earmarked for use, which means that even when it is passed, it will offer little increase in near-term bill supply.

### Key Market Movements

Equity	Value	% chg
S&P 500	4363.8	0.3%
DJIA	34378	0.0%
Nikkei 225	28140	-0.3%
SH Comp	3561.8	0.4%
STI	3156.4	1.4%
Hang Seng	24963	0.0%
KLCI	1600.4	1.0%
	Value	% chg
DXY	94.080	-0.5%
USDJPY	113.25	-0.3%
EURUSD	1.1594	0.6%
GBPUSD	1.3659	0.5%
USDIDR	14218	0.0%
USDSGD	1.3517	-0.4%
SGDMYR	3.0750	0.1%
	Value	chg (bp)
2Y UST	0.36	2.01
10Y UST	1.54	-4.01
2Y SGS	0.59	-1.50
10Y SGS	1.70	-4.17
3M LIBOR	0.13	0.50
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	0.11
3M SOFR	0.05	0.00
	Value	% chg
Brent	83.18	-0.3%
WTI	80.44	-0.2%
Gold	1793	1.9%
Silver	23.09	2.3%
Palladium	2111	3.0%
Copper	9651	2.0%
BCOM	103.28	0.5%

Source: Bloomberg

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### Major Markets

**SG:** The STI gained 1.43% to close at 3156.42 yesterday. SGS bonds may also see some relief with the overnight bull-flattening in the UST bond market despite the Fed's intention to taper.

**CN:** China's total trade hit a record high of US\$544.7 billion in September. The demand from advanced economies for Chinese goods remained strong partially due to replacement demand as a result of pause of supply chain shift amid the global spread of delta variants. China's exports growth to the US accelerated to 30.56% with exports in absolute term hit a record of US\$57.4 billion. In addition, China's trade surplus with the US also hit record high of US\$42 billion. China's resilient exports to the US despite tariff served as a good basis for the partial removal of tariff.

The deceleration of import growth was mainly attributable to base effect and rising commodity prices. China's imports of electronic integrated circuit hit a record high of US\$41.36 billion, a sign of China's ongoing stock-up of chips amid global chip shortage and uncertain geopolitical relationship. However, import growth of EIC decelerated to 11.47% from 20-30% growth range for the first eight months due to relative high base last year. In addition, China's demand for crude oil and iron ore remained weak with imports of crude oil and iron ore by volume fell by 15.3% yoy and 11.9% yoy respectively in September probably due to elevated price.

New Yuan loan increased by CNY1.66 trillion in September. The weaker than expected loan creation was mainly due to slower than expected medium to long term loan expansion, which increased only by CNY1.16 trillion, CNY542 billion short of the level in September 2020. For breakdown, medium to long term loan to household sectors increased by CNY466 billion, CNY169 billion short of the level during the same period last year while medium to long term loan to corporate sector only increased by CNY694.8 billion, CNY373.2 billion short of the level in September 2020. The latest loan data showed that recent regulatory tightening across the different sectors may have dampened demand from both household sector and corporate sector for credit.

On direct financing, new equity financing increased by CNY77.1 billion, down from CNY147.8 billion in August while financing from corporate bond issuance increased by 140 billion, down from CNY434 billion in August.

Financing from local government bond issuance increased by CNY814.2 billion, down from 973.8 billion in August. As of end September, the pace of aggregate local government bond issuance was way behind the curve.

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**Malaysia:** Bank Negara Malaysia said that the country's banks have limited exposure to Chinese developers, adding that any fallout from the debt woes facing the country's property industry will be manageable. According to the central bank, Malaysian banks "have limited direct exposure domestically or through their overseas operations to the real estate in China," as relayed by Bloomberg.

**Indonesia:** President Jokowi reportedly said that the government plans to eventually stop all exports of crude palm oil from Indonesia, to push for the shipment of only value-added products. There are similar plans to ban the exports of raw bauxite, as well. The Antara report added that the government needs to have the boldness to stop exports of raw materials despite potential lawsuits at the WTO, and he said there is a need to prepare international lawyers in anticipation of any legal action.

**Oil:** Oil prices continue to retrace, with Brent slipping another 0.3% yesterday to close at \$83.18 yesterday. We expect oil to possibly consolidate around the \$80-\$85 range in the short term.

**Gold:** Gold prices jumped 1.9% yesterday after stronger-than-expected US CPI data sparked further concerns of sustained inflationary pressures.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull flattened yesterday, with shorter tenors trading 1-3bps lower, belly tenors trading 3-5bps lower, and longer tenors trading 7-9bps lower. There were heavy flows in SGD Corporates yesterday, with flows in MAPLSP 3.95%-PERPs, MAPLSP 3.7%-PERPs, CS 5.675%-PERPs, STANLN 5.375%-PERPs, and ESRCAY 5.65%-PERPs. UST 10Y Yields fell 4bps to 1.54% yesterday amidst the release of a slightly higher-than-expected US September consumer price index ("CPI") reading and September's FOMC minutes. The US Department of Labour announced that September's CPI reading came in at 5.4% y/y, slightly higher than the 5.3% y/y number forecasted by economists. Additionally, CPI also rose 0.4% m/m, slightly higher than the 0.3% Dow Jones estimate. Separately, the FOMC minutes showed that Fed officials generally agreed that they should begin tapering in either mid-November or in December.

**New Issues:** Jiangning Jingkai Overseas Investment Co Ltd (Keepwell and EIPU provider: Nanjing Jiangning Economic and Technological Development Group Corporation Ltd) priced a USD210mn 364-Day bond at 2.9%. Nanyang Technological University priced a SGD650mn 15-year senior unsecured sustainability-linked bond at 2.185%, tightening from an IPG of 2.35% area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.080	-0.46%	USD-SGD	1.3517	-0.41%
USD-JPY	113.250	-0.32%	EUR-SGD	1.5672	0.17%
EUR-USD	1.159	0.56%	JPY-SGD	1.1933	-0.08%
AUD-USD	0.738	0.39%	GBP-SGD	1.8463	0.13%
GBP-USD	1.366	0.52%	AUD-SGD	0.9973	0.00%
USD-MYR	4.160	-0.11%	NZD-SGD	0.9413	0.07%
USD-CNY	6.428	-0.32%	CHF-SGD	1.4628	0.34%
USD-IDR	14218	0.00%	SGD-MYR	3.0750	0.07%
USD-VND	22751	0.01%	SGD-CNY	4.7526	-0.04%

### Equity and Commodity

Index	Value	Net change
DJIA	34,377.81	-0.53
S&P	4,363.80	13.15
Nasdaq	14,571.63	105.71
Nikkei 225	28,140.28	-90.33
STI	3,156.42	44.37
KLCI	1,600.38	16.47
JCI	6,536.90	50.64
Baltic Dry	5,526.00	-124.00
VIX	18.64	-1.21

### 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	0.59 (-0.02)	0.35(--)
5Y	1.08 (-0.01)	1.07(--)
10Y	1.7 (-0.04)	1.63 (-0.04)
15Y	2.05 (-0.03)	--
20Y	2.12 (-0.02)	--
30Y	2.05 (-0.04)	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	0.076	0.098	0.098
05/04/2022	0.167	0.12	0.12
06/15/2022	0.347	0.166	0.166

### 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)	80.44	-0.25%	Corn (per bushel)	5.123	-2.0%
Brent (per barrel)	83.18	-0.29%	Soybean (per bushel)	11.953	-0.3%
Heating Oil (per gallon)	252.11	0.44%	Wheat (per bushel)	7.188	-2.1%
Gasoline (per gallon)	240.55	0.95%	Crude Palm Oil (MYR/MT)	52.590	3.2%
Natural Gas (per MMBtu)	5.59	1.54%	Rubber (JPY/KG)	2.080	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9651.00	1.97%	Gold (per oz)	1793.0	1.9%
Nickel (per mt)	18918.00	-0.32%	Silver (per oz)	23.1	2.3%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/14/2021 04:00	NZ	REINZ House Sales YoY	Sep	--	-37.90%	-26.50%	--
10/14/2021 08:00	SI	GDP YoY	3Q A	6.60%	6.50%	14.70%	15.20%
10/14/2021 08:30	AU	Unemployment Rate	Sep	4.80%	--	4.50%	--
10/14/2021 08:30	AU	Employment Change	Sep	-110.0k	--	-146.3k	--
10/14/2021 08:30	AU	Participation Rate	Sep	64.70%	--	65.20%	--
10/14/2021 09:30	CH	CPI YoY	Sep	0.80%	--	0.80%	--
10/14/2021 09:30	CH	PPI YoY	Sep	0.11	--	0.10	--
10/14/2021 12:30	JN	Industrial Production MoM	Aug F	--	--	-3.20%	--
10/14/2021 12:30	JN	Industrial Production YoY	Aug F	--	--	9.30%	--
10/14/2021 12:30	JN	Capacity Utilization MoM	Aug	--	--	-3.40%	--
10/14/2021 20:30	US	Initial Jobless Claims	Oct-09	320k	--	326k	--
10/14/2021 20:30	US	PPI Final Demand MoM	Sep	0.60%	--	0.70%	--
10/14/2021 20:30	US	Continuing Claims	Oct-02	2670k	--	2714k	--
10/14/2021 20:30	US	PPI Final Demand YoY	Sep	8.70%	--	8.30%	--
10/14/2021 20:30	CA	Manufacturing Sales MoM	Aug	0.30%	--	-1.50%	--
10/14/2021 21:45	US	Larger Consumer Comfort	Oct-10	--	--	53.40	--

Source: Bloomberg

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