

Daily Treasury Outlook

15 January 2021

Highlights

Global: US President-elect Biden is planning a \$1.9tn “American Rescue Plan” in fiscal stimulus while Fed chair Powell also signalled that “now is not the time to be talking about exit” from easy monetary policy until inflation is consistently above the 2% target. More importantly, Powell said any bond purchase taper plans will be discussed “well in advance”, putting to rest the recent market speculation about an impending trim of its bond purchase pace. Nevertheless, the US stock market snapped two days of gains with the S&P 500 slipping 0.38%, dragged down by tech and consumer shares, while VIX rose to 23.25. Meanwhile, UST bonds also bear-steepened with the 10-year yield up by 4bps to 1.12% in anticipation of Biden’s fiscal stimulus plan which includes \$1,400 checks. The 3-month LIBOR stood at 0.2256%. Elsewhere, the BOK held its benchmark rate steady at 0.50%.

Market watch: Asian markets may open on a slightly cautious tone this morning, given the soft overnight leads from the US. Today’s economic data calendar comprises US’ retail sales, industrial production, PPI and University of Michigan sentiment index, Indonesia’s December trade balance, UK’s industrial production and monthly GDP estimate, and India’s trade data. ECB’s Visco and Stournaras and Fed’s Kashkari are also speaking. JPMorgan, Citigroup and Wells Fargo are also reporting earnings.

US: Initial jobless claims jumped by 181k to 965k, its biggest weekly increase since last March, suggesting that the labour market was softening under the weight of rising Covid infections. Import prices also surged 0.9% in December due to higher energy prices.

EU: Germany shrank 5.0% in 2020, slightly milder than the record 5.7% contraction in 2009.

Oil: Oil rose yesterday, with Brent closing 0.6% higher to \$56.43/bbl. Optimism over the US stimulus plan sent oil prices higher.

Gold: Gold endured a volatile session yesterday, falling to as low as \$1829.53 but ultimately closing the day flat at \$1846.53. The expansive fiscal policy from Biden’s administration looks to be another supportive factor for gold in the mid-term.

Key Market Movements

Equity	Value	% chg
S&P 500	3795.5	-0.4%
DJIA	30992	-0.2%
Nikkei 225	28698	0.8%
SH Comp	3565.9	-0.9%
STI	3000.0	0.8%
Hang Seng	28497	0.9%
KLCI	1635.7	-0.1%
	Value	% chg
DX	90.239	-0.1%
USDJPY	103.8	-0.1%
EURUSD	1.2155	0.0%
GBPUSD	1.3689	0.4%
USIDR	14059	0.0%
USDSGD	1.3255	-0.1%
SGDMYR	3.0465	-0.3%
	Value	chg (bp)
3M UST	0.07	-0.76
10Y UST	1.13	4.60
1Y SGS	0.33	1.00
10Y SGS	0.96	-0.44
3M LIBOR	0.24	0.75
3M SIBOR	0.41	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	56.42	0.6%
WTI	53.57	1.2%
Gold	1847	0.1%
Silver	25.52	1.2%
Palladium	2411	0.7%
Copper	8009	0.0%
BCOM	81.22	0.7%

Source: Bloomberg

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Major Markets

US: US equities closed in the red on share losses in the tech and consumer discretionary sector. The S&P 500 index fell 0.4% and the Nasdaq 100 Composite index declined 0.1%. President-elect Biden has unveiled his USD1.9tn stimulus package which is more expansive than the last package passed by US Congress. This is likely to be supportive for market sentiment and we think the risk rally remains intact despite the overnight selloff in the US equity market.

CN: China's export and import growth beat market expectation in December. Export in dollar term grew by 18.1% yoy while imports grew by 6.5% yoy. As such, China's trade surplus in December rose further to a record of US\$78.17 billion from US\$75.4 billion in December. China's exports to G3 economies remained strong. Exports to US continued to increase by 34.5% after hitting a record of US\$51.97 billion in absolute term in November 2020. In addition, exports to EU and Japan also rose by 4.33% yoy and 8.23% respectively. Trend of supply chain shift continues as China's exports to ASEAN remains strong. China's exports to ASEAN accelerated to 18.37% yoy. In addition, China's trade surplus with Vietnam reached a record of US\$35.33 billion in 2020, a sign of increasingly supply chain collaboration between China and Vietnam.

SG: The STI added 0.76% to close at 3000.00 yesterday but is likely to range trade today. The SGS bond market will be under pressure to trace the bear-steepening bias in the UST market overnight.

Malaysia: Malaysia's opposition leader Anwar Ibrahim said yesterday that federal lawmakers should write to appeal to the King to rescind the emergency declaration made on Tuesday, and for Parliament to convene as soon as possible. In a letter to MPs, the president of opposition Parti Keadilan Rakyat (PKR) asked them to write in so Parliament may be convened before the end of the month to discuss the emergency and the pandemic crisis.

Indonesia: Indonesia is due to report its Dec 2020 trade numbers today. Exports are seen to grow by 6.2% by market consensus, decelerating from 9.5% of the prior month. Meanwhile, imports are seen to continue shrinking, at a growth rate of -13% yoy, albeit milder than the -17.5% yoy of November. Trade balance is expected to remain hefty at USD2.47bn, similar to USD2.61bn of the month before.

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Bond Market Updates

Market Commentary: The SGD swap slightly fell yesterday, with belly tenors trading 0-2bps lower and longer tenors trading 2-3bps lower, except for the 20-year which traded within range. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 681bps. The HY-IG Index Spread tightened 10bps to 531bps. There were very minimal flows in SGD corporates yesterday. 10Y UST gained 5bps to 1.13% after Federal Reserve Chairman Jerome Powell indicated that the Fed will allow inflation to rise above its target of 2% and a report that President-elect Joe Biden will soon announce a USD1.9tr stimulus package.

New Issues: TaiChen Development (BVI) Limited (Guarantor: Longjitaihe Property Co., Ltd) priced a USD100mn 364-day bond at 12.5%, tightening from IPT of 12.9% area. Wheelock MTN (BVI) Limited (Guarantor: Wheelock and Company Limited) priced a USD500mn 5-year bond at T+190bps, tightening from IPT of T+230bps area. Sunkwan Properties Group Limited priced a USD185mn 364-day bond at 13.5%. BOC Aviation Ltd priced a USD400mn 5-year bond at T+150bps, tightening from IPT of T+180bps area. Huafa 2020 I Co Ltd (Guarantor: Zhuhai Huafa Group Co Ltd) priced a USD150mn re-tap of its ZHHFGR 2.8%'25s at 3.1%, tightening from IPT of 3.5% area. Guangxi Financial Investment Group Co., Ltd. (Guarantor: Guangxi Investment Group Co., Ltd.) priced a USD100mn re-tap of its GXFING 3.6%'23s at 4.7%. Hanhui International Ltd. (Guarantor: Shandong Guohui Investment Co.,) has mandated banks for a possible USD bond offering. SK Battery America Inc. has arranged investor calls commencing 14 January for its proposed USD bond offering. Korea Southern Power Co., Ltd has arranged investor calls commencing 19 January for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.239	-0.13%	USD-SGD	1.3255	-0.12%
USD-JPY	103.800	-0.09%	EUR-SGD	1.6108	-0.15%
EUR-USD	1.216	-0.02%	JPY-SGD	1.2759	-0.13%
AUD-USD	0.778	0.58%	GBP-SGD	1.8139	0.20%
GBP-USD	1.369	0.37%	AUD-SGD	1.0302	0.38%
USD-MYR	4.037	-0.16%	NZD-SGD	0.9566	0.41%
USD-CNY	6.475	0.10%	CHF-SGD	1.4913	-0.25%
USD-IDR	14059	-0.01%	SGD-MYR	3.0465	-0.27%
USD-VND	23055	-0.04%	SGD-CNY	4.8773	-0.09%

Equity and Commodity

Index	Value	Net change
DJIA	30,991.52	-68.95
S&P	3,795.54	-14.30
Nasdaq	13,112.64	-16.31
Nikkei 225	28,698.26	241.67
STI	3,000.00	22.49
KLCI	1,635.71	-0.98
JCI	6,428.32	-6.89
Baltic Dry	1,856.00	7.00
VIX	23.25	1.04

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5630	-0.55%	O/N	0.0860	0.09%
2M	-0.3360	-0.34%	1M	0.1265	0.13%
3M	-0.5450	-0.55%	2M	0.1808	0.19%
6M	-0.5270	-0.53%	3M	0.2413	0.23%
9M	-0.1940	-0.20%	6M	0.2479	0.25%
12M	-0.4980	-0.51%	12M	0.3263	0.33%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-0.01)	0.14(--)
5Y	0.47 (-)	0.48 (+0.01)
10Y	0.96 (-)	1.13 (+0.05)
15Y	1.2 (+0.01)	--
20Y	1.25 (-)	--
30Y	1.29 (-)	1.87 (+0.06)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.029	-2.9	0.082	0.082
03/17/2021	-0.071	-4.2	0.072	0.072
04/28/2021	-0.069	0.2	0.072	0.072
06/16/2021	-0.068	0.1	0.073	0.073
07/28/2021	-0.089	-2.1	0.067	0.067
09/22/2021	-0.041	4.8	0.079	0.079

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.20	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.08
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.57	1.25%	Corn (per bushel)	5.343	1.9%
Brent (per barrel)	56.42	0.64%	Soybean (per bushel)	14.365	1.8%
Heating Oil (per gallon)	161.94	1.28%	Wheat (per bushel)	6.700	1.4%
Gasoline (per gallon)	155.39	0.33%	Crude Palm Oil (MYR/MT)	37.320	-4.0%
Natural Gas (per MMBtu)	2.67	-2.24%	Rubber (JPY/KG)	3.010	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8009.00	0.42%	Gold (per oz)	1846.5	0.1%
Nickel (per mt)	17678.00	0.06%	Silver (per oz)	25.5	1.2%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/15/2021 SK	BoK 7-Day Repo Rate	Jan-15	0.5%	--	0.5%
01/15/2021 12:00 ID	Exports YoY	Dec	6.20%	--	9.54%
01/15/2021 12:30 JN	Tertiary Industry Index MoM	Nov	0.3%	--	1.0%
01/15/2021 15:00 UK	Industrial Production MoM	Nov	0.5%	--	1.3%
01/15/2021 15:00 UK	Manufacturing Production MoM	Nov	1.0%	--	1.7%
01/15/2021 15:00 UK	Trade Balance GBP/Mn	Nov	-£1700m	--	-£1738m
01/15/2021 15:00 UK	Industrial Production YoY	Nov	-4.2%	--	-5.5%
01/15/2021 15:00 UK	Visible Trade Balance GBP/Mn	Nov	-£11400m	--	-£11999m
01/15/2021 15:30 TH	Foreign Reserves	Jan-08	--	--	\$257.8b
01/15/2021 19:30 IN	Exports YoY	Dec	--	--	-8.7%
01/15/2021 21:30 US	Retail Sales Advance MoM	Dec	0.0%	--	-1.1%
01/15/2021 21:30 US	PPI Final Demand MoM	Dec	0.4%	--	0.1%
01/15/2021 21:30 US	Empire Manufacturing	Jan	6.0	--	4.9
01/15/2021 21:30 US	PPI Final Demand YoY	Dec	0.8%	--	0.8%
01/15/2021 22:15 US	Industrial Production MoM	Dec	0.5%	--	0.4%
01/15/2021 23:00 US	U. of Mich. Sentiment	Jan P	79.5	--	80.7

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**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.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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