

Daily Treasury Outlook

15 June 2021

Highlights

Global: Markets remain in their state of flux ahead of the FOMC meeting this week and the lack of key economic releases overnight. 10Y US Treasury yields rose 4.2bp to 1.494%, but found little impetus in driving above the 100D MA of 1.50%. 10Y breakeven Treasury yields rose 2.9bp, which means real yields at -0.877% continued trading range-bound. That has, in turn, capped any further advance in gold prices, which tumbled a further 0.6% to \$1866.18 overnight, although it did decline to as low as \$1844.92 during intraday trading. Similarly, oil continued its upward trend, but retraced more than half of its gains by the end of New York close. US retail sales data tonight might provide a better indicator of US consumer strength, but markets are unlikely to want to take huge bets as the FOMC meeting looms.

Market watch: Asian markets may open on a positive note this morning, following the record close on Wall Street overnight. Today's economic calendar comprises Japan's core machine orders and trade balance, US's retail sales and industrial production, Australia's Westpac leading index, and Philippines' overseas remittance. ECB's Rehn, Pablo, Lane and Panetta are also speaking today.

UK: UK movement restrictions have been extended until 19 July due to a surge in the delta variant.

SG: The latest MAS Survey of Professional Forecasters (SPF) showed economists predicting the Singapore economy will grow 6.5% yoy in 2021, from 5.8% yoy in the March SPF. The survey also showed headline inflation is expected to reach 1.4% yoy, higher than our forecast of 1.2% yoy.

Malaysia: Malaysia's Finance Minister Tengku Zafrul Aziz said that the government is expecting to spend up MYR8bn (USD1.9bn) on fuel and cooking oil subsidies this year, more than double the MYR3.78bn that was originally budgeted. The uptick came because of the spike in global commodity prices. He added that the government remains willing to shoulder the extra burden "for preserving the well-being of the people and the continuity of business, particularly small traders."

Oil: Brent rose 0.2% to close at \$72.86/bbl yesterday, although it retraced more than half its intraday gains after touching a high of \$73.64 during early European trading.

Gold: Gold closed near to its two-week low of \$1866 yesterday, although it declined to as low as \$1845 during intraday trading. Gold has endured two days of sharp losses and a third day of decline today might entrench its downward trend back towards the \$1800 level.

Key Market Movements

Equity	Value	% chg
S&P 500	4255.2	0.2%
DJIA	34394	-0.2%
Nikkei 225	29162	0.7%
SH Comp	3589.7	0.0%
STI	3153.1	-0.2%
Hang Seng	28842	0.0%
KLCI	1582.5	0.5%
	Value	% chg
DXY	90.522	0.0%
USDJPY	110.07	0.4%
EURUSD	1.2120	0.1%
GBPUSD	1.4112	0.0%
USDIDR	14203	0.1%
USDSGD	1.3264	0.0%
SGDMYR	3.1000	-0.2%
	Value	chg (bp)
2Y UST	0.16	1.01
10Y UST	1.49	4.22
2Y SGS	0.34	-0.10
10Y SGS	1.41	1.41
3M LIBOR	0.12	-0.01
3M SIBOR	0.43	0.00
3M SOR	0.20	0.00
3M SORA	0.16	-0.83
3M SOFR	0.01	0.00
	Value	% chg
Brent	72.86	0.2%
WTI	70.88	0.0%
Gold	1866	-0.6%
Silver	27.86	-0.2%
Palladium	2755	-0.8%
Copper	9972	-0.3%
BCOM	94.31	-0.7%

Source: Bloomberg

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Major Markets

US: US equities closed at a record high in yesterday's trading session despite concerns over inflation. The S&P 500 rose 0.18% and the tech heavy Nasdaq surged 0.74%. 10Y UST bond yields rose 4.22bps to close at 1.49%. For the day ahead, investors will turn to reports such as the US retail sales to gauge the health of US consumption.

CN: Despite sporadic outbreak of new delta version of the Covid-19 in Guangzhou, China's mobility on national level was less affected as a result of rapid vaccine rollout. China has administered more than 61 doses per 100 people as of 12 June. Total travel during the 3-day long weekend reached 89.13 million, back to 98.7% of pre-pandemic level.

SG: The STI declined 0.2% yesterday and may trade mixed today ahead of tomorrow night's FOMC meeting. Separately, MAS is planning to auction S\$4.8bn of 28-day bills today.

Indonesia: Bank Indonesia's Governor Perry Warjiyo told the parliament that BI rate is "already low" after six rate cuts. The focus will likely remain on pushing down bank lending rates for new loans. He noted that interest on loans has only eased 59bps yoy as of March, compared to 174bps drop in bank's deposit rates, in the parliamentary hearing. The comment came as BI is entering into a two-day MPC meeting before announcing its decision on Thursday. We expect it to keep the policy rate on hold at 3.5%.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday, with shorter tenors trading at 0-2bps higher. Belly tenors traded 2bps higher while longer tenors traded 0-1bps higher and the 30yr traded more than 2bps higher. There were heavy flows in SGD corporates yesterday, including MINTSP 3.15%-PERPs, STSP 3.3%-PERPs, KITSP 4.3%-PERPs, SUNSP 4.25%-PERPs, LREIT 4.2%-PERPs, STANLN 5.375%-PERPs and SUNSP 3.8%-PERPs. UST 10Y Yields advanced 4bps to 1.5% as investors closely watch the central banks' views on inflation amidst the FOMC meeting happening this week which will provide updates and more clarity to economic policies.

New Issues: There were no new issues yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.522	-0.04%	USD-SGD	1.3264	0.03%
USD-JPY	110.070	0.37%	EUR-SGD	1.6076	0.14%
EUR-USD	1.212	0.09%	JPY-SGD	1.2050	-0.33%
AUD-USD	0.771	0.05%	GBP-SGD	1.8718	0.08%
GBP-USD	1.411	0.04%	AUD-SGD	1.0229	0.10%
USD-MYR	4.114	0.13%	NZD-SGD	0.9474	0.23%
USD-CNY	6.399	0.09%	CHF-SGD	1.4746	-0.13%
USD-IDR	14203	0.10%	SGD-MYR	3.1000	-0.21%
USD-VND	22998	0.24%	SGD-CNY	4.8239	0.03%

Equity and Commodity

Index	Value	Net change
DJIA	34,393.75	-85.85
S&P	4,255.15	7.71
Nasdaq	14,174.14	104.72
Nikkei 225	29,161.80	213.07
STI	3,153.14	-4.83
KLCI	1,582.46	7.30
JCI	6,080.38	-15.11
Baltic Dry	2,857.00	188.00
VIX	16.39	0.74

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 (--)	0.16 (--)
5Y	0.79 (+0.01)	0.78 (+0.04)
10Y	1.41 (+0.01)	1.49 (+0.04)
15Y	1.75 (+0.01)	--
20Y	1.79 (+0.01)	--
30Y	1.82 (+0.01)	2.18 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.099	0.082	0.082
07/28/2021	0.121	0.087	0.087
09/22/2021	0.121	0.087	0.087
11/03/2021	0.121	0.087	0.087
12/15/2021	0.092	0.08	0.08
01/26/2022	0.101	0.082	0.082

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)	70.88	-0.04%	Corn (per bushel)	6.593	-3.7%
Brent (per barrel)	72.86	0.23%	Soybean (per bushel)	14.723	-2.4%
Heating Oil (per gallon)	211.16	-0.43%	Wheat (per bushel)	6.745	-0.9%
Gasoline (per gallon)	217.12	-0.68%	Crude Palm Oil (MYR/MT)	35.590	-7.8%
Natural Gas (per MMBtu)	3.35	1.70%	Rubber (JPY/KG)	2.471	0.7%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9971.50	-0.32%	Gold (per oz)	1866.2	-0.6%
Nickel (per mt)	18480.00	1.39%	Silver (per oz)	27.9	-0.2%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/15/2021 00:30	JN	Tertiary Industry Index MoM	Apr	-0.60%	--	1.10%	--
06/15/2021 02:00	UK	Jobless Claims Change	May	--	--	-15.1k	--
06/15/2021 02:00	UK	ILO Unemployment Rate 3Mths	Apr	4.70%	--	4.80%	--
06/15/2021 02:00	GE	CPI YoY	May F	2.50%	--	2.50%	--
06/15/2021 02:00	GE	CPI MoM	May F	0.50%	--	0.50%	--
06/15/2021 02:00	UK	Claimant Count Rate	May	--	--	7.20%	--
06/15/2021 02:45	FR	CPI YoY	May F	1.40%	--	1.40%	--
06/15/2021 07:30	IN	Exports YoY	May	--	--	195.70%	--
06/15/2021 08:15	CA	Housing Starts	May	277.5k	--	268.6k	--
06/15/2021 08:30	US	Retail Sales Advance MoM	May	-0.60%	--	0.00%	--
06/15/2021 08:30	US	PPI Final Demand MoM	May	0.50%	--	0.60%	--
06/15/2021 08:30	US	Empire Manufacturing	Jun	22.0	--	24.3	--
06/15/2021 09:15	US	Industrial Production MoM	May	0.60%	--	0.70%	0.50%
06/15/2021 19:50	JN	Core Machine Orders MoM	Apr	2.50%	--	3.70%	--
06/15/2021 20:30	AU	Westpac Leading Index MoM	May	--	--	0.20%	--
06/15/2021 21:00	PH	Overseas Remittances YoY	Apr	19.30%	--	4.90%	--

Source: Bloomberg

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