

Daily Treasury Outlook

15 October 2021

Highlights

Global: Both equities and Treasury bonds advanced yesterday, with the S&P 500 posting its best daily gain of 1.7% in seven months. Treasury yields extended their decline and 10Y yields settled at 1.51% overnight. Banks generally posted better than expected Q3 earnings results yesterday, with Morgan Stanley, Citi and BofA all beating expectations, in addition to JP Morgan's strong results the day before. There were also more hawkish comments from Fed officials overnight, with Bowman saying she is "very comfortable" with a November taper while Bullard - typically the most dovish of the FOMC - said tapering should be concluded early in case quicker rate hikes are needed.

Market watch: With strong showing from the US market overnight, Asian markets are likely to open higher in the interim. Today's economic calendar comprises of New Zealand's manufacturing PMI, France's CPI, Indonesia's exports and trade balance, US retail sales, University of Michigan's Consumer Sentiment Index and Thailand's foreign reserves. Fed's Barkin, Bullard, Daly, Harker, and Logan will be speaking today. BOE's Cunliffe will also be speaking today.

CN: The gap between PPI and CPI widened further to a fresh high. This implies further pressure on profitability in the downstream sectors. Although CPI is unlikely to be the constraint to policy making this year, the prolonged widening gap between PPI and CPI may argue for more policy supports to SMEs which are facing margin squeeze due to rising raw material prices. As such, we think there is the room for China to cut RRR further to support SMEs echoing their supports in early July.

US: Initial jobless claims fell to 293k last week, beating expectations of 320k and lower than the prior week's print of 329k.

SG: The STI rose 0.3% yesterday and may see firmer buying interest today on a strong Wall Street performance overnight.

MY: Malaysia's government has completed a study into the proposed high-speed rail project linking Kuala Lumpur with Iskandar Puteri in Johor, according to the Economic Minister Mustapa Mohamed. He added that the study will be submitted to the cabinet. The new plan came after the proposed high-speed rail line to connect KL with Singapore was scrapped altogether earlier this year, after being postponed twice.

Oil: Brent closed at \$84 overnight - its highest yet in the current rally - as it continues on its searing hot run. Brent traded as high as \$84.50 in intraday movements.

Gold: Gold rose again yesterday and briefly tested the \$1800 level before closing at \$1792.97.

Key Market Movements

Equity	Value	% chg
S&P 500	4438.3	1.7%
DJIA	34913	1.6%
Nikkei 225	28551	1.5%
SH Comp	3558.3	-0.1%
STI	3164.9	0.3%
Hang Seng	24963	0.0%
KLCI	1592.5	-0.5%
	Value	% chg
DXY	93.956	-0.1%
USDJPY	113.68	0.4%
EURUSD	1.1597	0.0%
GBPUSD	1.3673	0.1%
USDIDR	14118	-0.7%
USDSGD	1.3488	-0.2%
SGDMYR	3.0814	0.2%
	Value	chg (bp)
2Y UST	0.36	0.22
10Y UST	1.51	-2.61
2Y SGS	0.60	0.70
10Y SGS	1.66	-4.15
3M LIBOR	0.12	-0.30
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	0.12
3M SOFR	0.05	0.00
	Value	% chg
Brent	84	1.0%
WTI	81.31	1.1%
Gold	1796	0.2%
Silver	23.52	1.8%
Palladium	2133	1.0%
Copper	9984	3.5%
BCOM	104.41	1.1%

Source: Bloomberg

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Major Markets

Indonesia: In a video meeting with Indonesia's Coordinating Minister Luhut Pandjaitan, China's foreign minister had reportedly said that China is willing to work with Indonesia on Covid-19 vaccine research and development to find an "upgraded version" of the vaccine. The report added that China supports Indonesia's drive to build regional vaccine production hubs.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly traded lower yesterday, with shorter tenors (with the exception of the 1-year and 1.5-year trading 1bps higher) trading 0-3bps lower, belly tenors trading 3-5bps lower, and longer tenors trading 5-7bps lower. There were light flows in SGD Corporates yesterday, with flows in FPLSP 3.95%-PERPs. UST 10Y Yields fell 3bps to 1.51% yesterday amidst the release of a slightly lower-than-expected September producer price index ("PPI") reading and weekly jobless claims. The PPI increased 0.5% m/m, slightly lower than the Dow Jones estimate of 0.6%. Additionally, initial jobless claims for the week ended 9 October totalled 293,000, lower than the forecasted number of 318,000.

New Issues: There were no issuances yesterday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.956	-0.13%	USD-SGD	1.3488	-0.21%
USD-JPY	113.680	0.38%	EUR-SGD	1.5640	-0.20%
EUR-USD	1.160	0.03%	JPY-SGD	1.1862	-0.59%
AUD-USD	0.742	0.50%	GBP-SGD	1.8440	-0.12%
GBP-USD	1.367	0.10%	AUD-SGD	1.0002	0.29%
USD-MYR	4.154	-0.14%	NZD-SGD	0.9489	0.81%
USD-CNY	6.440	0.18%	CHF-SGD	1.4601	-0.18%
USD-IDR	14118	-0.70%	SGD-MYR	3.0814	0.21%
USD-VND	22751	0.00%	SGD-CNY	4.7734	0.44%

Equity and Commodity

Index	Value	Net change
DJIA	34,912.56	534.75
S&P	4,438.26	74.46
Nasdaq	14,823.43	251.80
Nikkei 225	28,550.93	410.65
STI	3,164.86	8.44
KLCI	1,592.52	-7.86
JCI	6,626.11	89.21
Baltic Dry	5,526.00	-124.00
VIX	16.86	-1.78

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	0.6 (+0.01)	0.35(--)
5Y	1.07 (-0.01)	1.05 (-0.02)
10Y	1.66 (-0.04)	1.63 (-0.03)
15Y	2 (-0.05)	--
20Y	2.08 (-0.04)	--
30Y	2 (-0.05)	2.17 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	0.006	0.078	0.078
12/15/2021	0.003	0.077	0.077
01/26/2022	0.025	0.082	0.082
03/16/2022	0.086	0.098	0.098
05/04/2022	0.177	0.12	0.12
06/15/2022	0.376	0.17	0.17

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)	81.31	1.08%	Corn (per bushel)	5.168	0.9%
Brent (per barrel)	84.00	0.99%	Soybean (per bushel)	12.063	0.9%
Heating Oil (per gallon)	256.14	1.60%	Wheat (per bushel)	7.248	0.8%
Gasoline (per gallon)	243.50	1.23%	Crude Palm Oil (MYR/MT)	51.600	-1.9%
Natural Gas (per MMBtu)	5.69	1.74%	Rubber (JPY/KG)	2.095	0.7%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9984.00	3.45%	Gold (per oz)	1795.9	0.2%
Nickel (per mt)	19294.00	1.99%	Silver (per oz)	23.5	1.8%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/15/2021 05:30	NZ	BusinessNZ Manufacturing PMI	Sep	--	51.40	40.10	39.70
10/15/2021 10:00	ID	Exports YoY	Sep	51.29%	--	64.10%	--
10/15/2021 10:00	ID	Trade Balance	Sep	\$3865m	--	\$4740m	--
10/15/2021 10:00	ID	Imports YoY	Sep	49.75%	--	55.26%	--
10/15/2021 12:30	JN	Tertiary Industry Index MoM	Aug	-1.20%	--	-0.60%	--
10/15/2021 14:00	EC	EU27 New Car Registrations	Sep	--	--	-19.10%	--
10/15/2021 14:45	FR	CPI EU Harmonized YoY	Sep F	2.70%	--	2.70%	--
10/15/2021 14:45	FR	CPI EU Harmonized MoM	Sep F	-0.20%	--	-0.20%	--
10/15/2021 15:30	TH	Foreign Reserves	Oct-08	--	--	\$245.3b	--
10/15/2021 20:30	US	Retail Sales Advance MoM	Sep	-0.20%	--	0.70%	--
10/15/2021 20:30	US	Empire Manufacturing	Oct	25.00	--	34.30	--
10/15/2021 20:30	US	Import Price Index MoM	Sep	0.60%	--	-0.30%	--
10/15/2021 20:30	US	Retail Sales Ex Auto MoM	Sep	0.50%	--	1.80%	--
10/15/2021 20:30	CA	Wholesale Trade Sales MoM	Aug	0.50%	--	-2.10%	--
10/15/2021 20:30	US	Retail Sales Ex Auto and Gas	Sep	0.40%	--	2.00%	--
10/15/2021 22:00	US	U. of Mich. Sentiment	Oct P	73.10	--	72.80	--

Source: Bloomberg

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