

Daily Treasury Outlook

15 November 2021

Highlights

Global: Finally, COP26 reaches agreement to phase down coal usage to limit the rise of global temperatures to 1.5 degree Celsius, as well as an agreement on global carbon trading, but fell short on financing pledges amongst others. Global risk sentiments were supported on Friday, with the S&P 500 up 0.72% on the back of higher tech and communications services while VIX dipped to 16.29. UST bonds also sold off with the 10-year yield up 2bps to 1.57%. The Fed's taper plan which was announced on 3 November has started with the New York Fed's purchase schedule for 15 Nov – 13 Dec reflecting the slowdown. Meanwhile, usage at the Fed's overnight reverse repo facility fell to US\$1.42tn on Friday, albeit the debt ceiling concerns are starting to re-emerge with T-bills for the 23 and 30 Dec yielding higher than others. US Treasury Secretary Yellen has said that controlling Covid is the key to easing inflation, whilst Fed's Kashkari opined that the central bank should not overreact to elevated inflation that is likely to prove transitory.

Market watch: Asian markets may open on a firm tone this morning. Today's key focus will be the Biden-Xi virtual meeting where they will discuss China and Taiwan issues, but the lifting of tariffs is unlikely. On the data front, watch for China's October data dump for retail sales, industrial output and fixed-asset investments, as well as Thailand's 3Q21 GDP growth estimates (with the Delta variant likely contributing to a 1.3% yoy and 4% qoq contraction), and Indonesia and India's October trade data. ECB's Lagarde, de Cos and Guindos, as well as BOE's Bailey, Haskel, Mann, Saunders and Pill are also speaking. For the week ahead, key to monitor would be US retail sales on Tuesday, US retailers' earnings this week including Walmart also on Tuesday, UK's labour market data due tomorrow too (which may influence the odds of a BOE rate hike in December), RBA minutes tomorrow, and BI and BSP policy decisions on Thursday (likely to be both static at 3.5% and 1.5% respectively).

CN: The US-China relationship returned to the spotlight after both climate delegations found the common ground in Glasgow ahead of the confirmed virtual meeting between President Biden and President Xi on Tuesday morning Asian time. The upcoming virtual meeting between Biden and Xi is likely to focus on common concern such as Taiwan issue, climate cooperation and bilateral trade.

US: President Biden's approval fell to a record low of 41%, with the disapproval rating at 53%, according to a Washington Post/ABC poll. Meanwhile, the Biden administration has rejected Intel's plan to raise production in China due to security concerns.

Key Market Movements

Equity	Value	% chg
S&P 500	4682.9	0.7%
DJIA	36100	0.5%
Nikkei 225	29610	1.1%
SH Comp	3539.1	0.2%
STI	3228.5	-0.3%
Hang Seng	25328	0.3%
KLCI	1531.2	0.8%
	Value	% chg
DXY	95.128	-0.1%
USDJPY	113.89	-0.1%
EURUSD	1.1445	-0.1%
GBPUSD	1.3414	0.3%
USDIDR	14236	-0.2%
USDSGD	1.3526	-0.1%
SGDMYR	3.0784	0.1%
	Value	chg (bp)
2Y UST	0.51	-0.14
10Y UST	1.56	1.20
2Y SGS	0.87	0.80
10Y SGS	1.78	0.00
3M LIBOR	0.16	0.16
3M SIBOR	0.44	0.00
3M SOR	0.30	-1.86
3M SORA	0.15	0.06
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.17	-0.8%
WTI	80.79	-1.0%
Gold	1865	0.1%
Silver	25.32	0.2%
Palladium	2111	2.4%
Copper	9711	0.8%
BCOM	102.80	-0.5%

Source: Bloomberg

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Major Markets

SG: HDB upgrading demand is fuelling condo prices. The STI slipped 0.30% to close at 3228.45 on Friday but may fare better today amid improved post-COP26 sentiments. SGS bonds may take a backseat again with yields likely to track their UST counterparts higher amid the ongoing inflation worries.

Malaysia: Malaysia reported its Q3 GDP data on Friday. At -4.5% yoy, it missed our expectation of a -2.3% print. While private consumption and investment activities slumped more or less in line with expectation due to the pandemic resurgence during the period, exports by the GDP measure fell short of what was suggested by the customs data. With the miss in Q3 data, we now see 2021 growth coming in at 3.2% instead of 3.6% before. For 2022, we see growth picking up somewhat to 5.0%, more conservative than the 5.5-6.5% that the government has in mind.

Indonesia: Indonesia is due to announce its October trade data today. Exports are expected to remain supportive, backed by robust commodities demand, with the market penciling in a growth of 44.37% yoy. Imports are seen ticking up to 55.4% yoy, compared to 40.31% before, as consumption demand improves. Still, trade balance is seen well within a surplus territory of around USD3.85bn, even if thinner than the 4.37bn the month before.

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Bond Market Updates

Market Commentary: Shorter tenors mostly traded 0-4bps higher, belly tenors traded 1bps higher, while longer tenors (with the exception of the 12-year trading 1bps higher) traded 1bps lower on Friday across the SGD swap curve. There were heavy flows in SGD corporates on Friday, with flows in MLTSP 3.725%-PERPs, STRTR 3.75%'25s, OLAMSP 4%'26s, and SINTEC 4.2%-PERPs. UST 10Y Yields traded 1bps higher to 1.56% on Friday as investors digest last Wednesday's higher-than-expected US October's Consumer Price Index (CPI) reading.

New Issues: Summer Spring Project Ltd. (Guarantor: Changde Economic Construction Investment Group Co Ltd) priced a USD68mn 364-Day senior unsecured bond at 5%. Heze City Investment Holdings Group Co. has mandated banks for its proposed USD bond offering. Sinochem Hong Kong (Group) Company Ltd has arranged investor calls commencing 15 November for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.128	-0.05%	USD-SGD	1.3526	-0.12%
USD-JPY	113.890	-0.15%	EUR-SGD	1.5475	-0.21%
EUR-USD	1.145	-0.05%	JPY-SGD	1.1874	0.02%
AUD-USD	0.733	0.52%	GBP-SGD	1.8143	0.19%
GBP-USD	1.341	0.31%	AUD-SGD	0.9916	0.38%
USD-MYR	4.165	-0.13%	NZD-SGD	0.9524	0.14%
USD-CNY	6.380	-0.18%	CHF-SGD	1.4679	-0.16%
USD-IDR	14236	-0.19%	SGD-MYR	3.0784	0.10%
USD-VND	22645	-0.05%	SGD-CNY	4.7188	-0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.56%	O/N	0.0695	0.07%
2M	-0.3360	-0.34%	1M	0.0870	0.09%
3M	-0.5560	-0.55%	2M	0.1008	0.10%
6M	-0.5360	-0.53%	3M	0.1286	0.14%
9M	-0.1940	-0.20%	6M	0.1796	0.18%
12M	-0.4730	-0.47%	12M	0.3323	0.32%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.016	0.076	0.076
01/26/2022	0.032	0.087	0.087
03/16/2022	0.204	0.131	0.131
05/04/2022	0.441	0.19	0.19
06/15/2022	0.854	0.293	0.293
07/27/2022	1.142	0.365	0.365

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.79	-0.98%	Corn (per bushel)	5.773	1.4%
Brent (per barrel)	82.17	-0.84%	Soybean (per bushel)	12.340	1.8%
Heating Oil (per gallon)	240.37	-1.77%	Wheat (per bushel)	8.170	0.6%
Gasoline (per gallon)	231.14	-0.28%	Crude Palm Oil (MYR/MT)	54.050	0.8%
Natural Gas (per MMBtu)	4.79	-6.95%	Rubber (JPY/KG)	2.125	1.5%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9711.00	0.80%	Gold (per oz)	1864.9	0.1%
Nickel (per mt)	19979.00	1.11%	Silver (per oz)	25.3	0.2%

Equity and Commodity

Index	Value	Net change
DJIA	36,100.31	179.08
S&P	4,682.85	33.58
Nasdaq	15,860.96	156.68
Nikkei 225	29,609.97	332.11
STI	3,228.45	-9.62
KLCI	1,531.22	12.37
JCI	6,651.05	-40.29
Baltic Dry	3,630.00	-178.00
VIX	16.29	-1.37

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (+0.01)	0.48(--)
5Y	1.42 (+0.03)	1.22 (+0.01)
10Y	1.78 (--)	1.56 (+0.01)
15Y	1.98 (--)	--
20Y	2.06 (--)	--
30Y	2.03 (--)	1.96 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	uesting Data...	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/15/2021 07:50	JN	GDP SA QoQ	3Q P	-0.20%	-0.80%	0.50%	0.40%
11/15/2021 07:50	JN	GDP Annualized SA QoQ	3Q P	-0.01	-3.00%	1.90%	1.50%
11/15/2021 07:50	JN	GDP Deflator YoY	3Q P	-1.20%	-1.10%	-1.10%	--
11/15/2021 08:01	UK	Rightmove House Prices MoM	Nov	--	--	0.02	--
11/15/2021 10:00	CH	Industrial Production YoY	Oct	3.00%	--	3.10%	--
11/15/2021 10:00	CH	Retail Sales YoY	Oct	3.70%	--	4.40%	--
11/15/2021 10:00	CH	Industrial Production YTD YoY	Oct	10.80%	--	0.12	--
11/15/2021 10:30	TH	GDP YoY	3Q	-1.30%	--	7.50%	--
11/15/2021 12:00	ID	Exports YoY	Oct	44.37%	--	47.64%	--
11/15/2021 12:30	JN	Industrial Production MoM	Sep F	--	--	-5.40%	--
11/15/2021 12:30	JN	Industrial Production YoY	Sep F	--	--	-2.30%	--
11/15/2021 12:30	JN	Capacity Utilization MoM	Sep	--	--	-3.90%	--
11/15/2021 14:30	IN	Wholesale Prices YoY	Oct	11.14%	--	10.66%	--
11/15/2021 19:30	IN	Exports YoY	Oct	--	--	22.60%	--
11/15/2021 21:30	US	Empire Manufacturing	Nov	22.00	--	19.80	--
11/15/2021 21:30	CA	Manufacturing Sales MoM	Sep	-3.10%	--	0.50%	--

Source: Bloomberg

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