

Daily Treasury Outlook

16 June 2021

Highlights

Global: Risk sentiment was dampened by the soft US retail sales numbers, which came in at -1.3% m/m vs expectations of a 0.8% decline. The S&P 500 index fell 0.2% while 10Y Treasury yields stayed almost constant, rising 0.2bp amid wild fluctuations. Commodities continued its rally, with Brent now nearing the \$75 handle while gold continued its decline. All eyes will be on the FOMC meeting tonight, where markets eagerly await any shift in dovish rhetoric from the Fed.

Market watch: Asian markets may open on a lower note this morning, following declines on Wall Street overnight. Today's economic calendar comprises US's MBA mortgage application and housing starts, Australia's unemployment rate and employment change, Singapore's NODX, UK's CPI and New Zealand's 1Q21 GDP. FOMC meeting due later, likely to keep the Fed fund rate unchanged at 0.00-0.25%, but watch for hints of tapering and a potential shift upwards in the 2023 dot-plot. ECB's Elderson and Guindos, BOC's Macklem, and RBA's Lowe are also speaking today.

US: Retail sales in May declined 1.3% m/m, lower than expectations of a 0.8% dip. Excluding auto sales, retail sales fell 0.7% m/m vs expectations of a 0.4% gain. Producer prices continued to rise in May, rising 0.8% m/m and beating expectations of a 0.5% increase.

CN: China's central bank fully rolled over its maturing CNY200 billion 1-year MLF keeping its interest rate unchanged for 15 months. However, the amount is slightly lower than some expected due to falling excessive reserve in June. This showed that PBoC is likely to continue its cautious stance over liquidity management to strike the delicate balance between economic recovery and containing financial risk.

Oil: Brent rose 1.6% yesterday and closed at \$73.99. Early Asian trading this morning has seen it trade above the \$74 handle. We remain bullish on oil through the rest of 2021.

Gold: Gold continued its downward slide, falling 0.4% on the day to cap three consecutive days of losses. We expect gold to possibly find a bottom at \$1800.

Malaysia: Malaysia's government has approved the emergency use of two single-dose Covid-19 vaccines, which are provided by CanSino and J&J. The latter is procured for Malaysia via the global Covax initiative. The authorities have also cleared the use of Pfizer/BioNTech's vaccine for those aged 12 years and older. The broader authorization of more vaccines is expected to help boost the country's inoculation drive. Malaysia posted its highest daily vaccination rate on Monday, with nearly 198k doses that day.

Key Market Movements

Equity	Value	% chg
S&P 500	4246.6	-0.2%
DJIA	34299	-0.3%
Nikkei 225	29441	1.0%
SH Comp	3556.6	-0.9%
STI	3174.9	0.7%
Hang Seng	28639	-0.7%
KLCI	1581.4	-0.1%
	Value	% chg
DXY	90.536	0.0%
USDJPY	110.08	0.0%
EURUSD	1.2126	0.0%
GBPUSD	1.4083	-0.2%
USDIDR	14225	0.2%
USDSGD	1.3277	0.1%
SGDMYR	3.1045	0.1%
	Value	chg (bp)
2Y UST	0.16	0.60
10Y UST	1.49	-0.18
2Y SGS	0.35	0.40
10Y SGS	1.42	1.04
3M LIBOR	0.12	-0.09
3M SIBOR	0.43	0.00
3M SOR	0.20	0.00
3M SORA	0.15	-0.31
3M SOFR	0.01	0.00
	Value	% chg
Brent	73.99	1.6%
WTI	72.12	1.7%
Gold	1859	-0.4%
Silver	27.66	-0.7%
Palladium	2765	0.4%
Copper	9570	-4.0%
BCOM	93.54	-0.8%

Source: Bloomberg

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Major Markets

US: US equities retreated from records in yesterday's trading session as investors await tonight's FOMC meeting. The S&P 500 declined 0.20% and the tech heavy Nasdaq fell 0.71%. 10Y UST bond yields closed flat. For the day ahead, the FOMC will be at the center of attention as investors look to statements on interest rates following higher than estimated inflation numbers last month.

SG: The STI rose 0.7% yesterday but may trade with muted volatility today ahead of the FOMC meeting tonight.

Indonesia: Indonesia reported May trade data which continued to paint a broadly encouraging picture on the trade flows. Exports grew by 58.74%yoy, in line with expectations and higher than 52.02% of April. Meanwhile, imports grew by 68.68%yoy, higher than the 65% that was expected. Trade balance remained in surplus, at USD2.36bn.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday, with shorter tenors trading at 1-2bps higher. Belly and longer tenors traded 0-1bps higher. Though, the 30Y traded at 1bps lower. There were heavy flows in SGD corporates yesterday, including KITSP 4.3%-PERPs, HSBC 5%-PERPs, AIA 2.9%-PERPs, LREIT 4.2%-PERPs and UBS 4.85%-PERPs. UST 10Y Yields remained mostly unchanged at 1.49% as investors await for upcoming monetary policy updates from the FOMC meeting. Meanwhile, producer prices rose 0.8% for May, ahead of a Dow Jones estimate of 0.6%, showing a higher-than-expected wholesale inflation.

New Issues: ANZ New Zealand (Int'l) Limited (Guarantor: ANZ Bank New Zealand Ltd) priced a USD1.0bn 5-year senior unsecured bond at T+50bps, tightening from IPT of T+75bps area. Macquarie Group Ltd priced a USD950mn 6.25NC5.25 senior unsecured bond at T+85bps, tightening from IPT of T+105bps area, a USD300mn 6.25NC5.25 senior unsecured FRN at SOFR+92bps, tightening from IPT of SOFR equivalent area, and a USD1.0bn 11NC10 T+120bps, tightening from IPT of T+140bps area. China Aoyuan Group Ltd priced a USD200mn 3NC2 senior bond at 8.25%. United Overseas Bank Limited priced a SGD600mn AT1 PerpNC7 at 2.55%, tightening from IPG of 2.85% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.536	0.02%	USD-SGD	1.3277	0.10%
USD-JPY	110.080	0.01%	EUR-SGD	1.6101	0.16%
EUR-USD	1.213	0.05%	JPY-SGD	1.2058	0.07%
AUD-USD	0.769	-0.32%	GBP-SGD	1.8698	-0.11%
GBP-USD	1.408	-0.21%	AUD-SGD	1.0206	-0.22%
USD-MYR	4.117	0.08%	NZD-SGD	0.9453	-0.22%
USD-CNY	6.406	0.12%	CHF-SGD	1.4775	0.20%
USD-IDR	14225	0.15%	SGD-MYR	3.1045	0.15%
USD-VND	22951	-0.20%	SGD-CNY	4.8245	0.01%

Equity and Commodity

Index	Value	Net change
DJIA	34,299.33	-94.42
S&P	4,246.59	-8.56
Nasdaq	14,072.86	-101.28
Nikkei 225	29,441.30	279.50
STI	3,174.87	21.73
KLCI	1,581.37	-1.09
JCI	6,089.04	8.65
Baltic Dry	2,944.00	87.00
VIX	17.02	0.63

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5500	-0.55%	O/N	0.0554	0.06%
2M	-0.3360	-0.34%	1M	0.0746	0.07%
3M	-0.5460	-0.55%	2M	0.1026	0.10%
6M	-0.5220	-0.52%	3M	0.1180	0.12%
9M	-0.1940	-0.20%	6M	0.1504	0.15%
12M	-0.4880	-0.49%	12M	0.2375	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.35 (--)	0.16(--)
5Y	0.8 (+0.01)	0.78(--)
10Y	1.42 (+0.01)	1.49 (0)
15Y	1.76 (+0.01)	--
20Y	1.79 (+0.01)	--
30Y	1.83 (+0.01)	2.19(--)

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	0.121	0.087	0.087
01/26/2022	0.121	0.087	0.087

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)	72.12	1.75%	Corn (per bushel)	6.675	1.3%
Brent (per barrel)	73.99	1.55%	Soybean (per bushel)	14.658	-0.4%
Heating Oil (per gallon)	211.23	0.03%	Wheat (per bushel)	6.615	-1.9%
Gasoline (per gallon)	217.05	-0.03%	Crude Palm Oil (MYR/MT)	35.590	0.0%
Natural Gas (per MMBtu)	3.24	-3.34%	Rubber (JPY/KG)	2.479	0.3%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9569.50	-4.03%	Gold (per oz)	1859.0	-0.4%
Nickel (per mt)	17739.00	-4.01%	Silver (per oz)	27.7	-0.7%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/16/2021 02:00	UK CPI YoY	May 1.80%	--	1.50%	--
06/16/2021 02:00	UK CPI MoM	May 0.30%	--	0.60%	--
06/16/2021 02:00	UK CPI Core YoY	May 1.50%	--	1.30%	--
06/16/2021 03:00	CH Industrial Production YoY	May 9.20%	--	9.80%	--
06/16/2021 03:00	CH Retail Sales YoY	May 14.00%	--	17.70%	--
06/16/2021 07:00	US MBA Mortgage Applications	Jun-11 --	--	-3.10%	--
06/16/2021 08:30	CA CPI YoY	May 3.50%	--	3.40%	--
06/16/2021 08:30	US Housing Starts	May 1630k	--	1569k	--
06/16/2021 08:30	CA CPI NSA MoM	May 0.40%	--	0.50%	--
06/16/2021 14:00	US FOMC Rate Decision (Upper Bound)	Jun-16 0.25%	--	0.25%	--
06/16/2021 18:45	NZ GDP SA QoQ	1Q 0.50%	--	-1.00%	--
06/16/2021 20:30	SI Non-oil Domestic Exports YoY	May 16.00%	--	6.00%	--
06/16/2021 21:00	PH Overseas Remittances YoY	Apr 19.30%	12.70%	4.90%	--
06/16/2021 21:30	AU Unemployment Rate	May 5.50%	--	5.50%	--
06/16/2021 21:30	AU Employment Change	May 30.0k	--	-30.6k	--
06/16/2021 21:30	AU Participation Rate	May 66.10%	--	66.00%	--

Source: Bloomberg

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