

## Daily Treasury Outlook

16 September 2021

### Highlights

**Global:** Global sentiments edged up overnight with the UN tipping this year's growth to mark the fastest recovery in almost five decades, notwithstanding China's slowing growth momentum as reflected in the August industrial production and retail sales data. The S&P 500 added 0.85% overnight while VIX fell to 18.18. This was despite the tightening of regulations on Macau casinos which initially weighed on risk appetite. UST bonds also lost ground with the 10-year bond yield up 2bps to 1.30%. Crude oil prices also rose after a larger-than-expected decline in US crude stockpiles. Meanwhile, New Zealand expanded 2.8% qoq in 2Q21, double the pace of 1Q21, but may slow in 3Q21 due to the national lockdown. Separately, Australia is joining anew Indo-Pacific security partnerships with the US and UK that will allow it to acquire nuclear-powered submarines.

**Market watch:** Asian markets may range trade today. Today's economic data calendar comprises of HK's unemployment rate, and US' retail sales, initial jobless claims, and Philadelphia Fed business index. ECB's Lagarde and Rehn are also speaking today.

**US:** US' August industrial production moderated from 0.8% in July to 0.4% mom but was largely contributed to utility output and as Hurricane Ida led to some disruptions. Meanwhile, the House Ways and Means Committee approved US\$2.1 tn of new taxes on corporations and the wealthy, but differences remain with the Senate.

**EU:** ECB's Lane opined that "we have a coherent policy setting" as "our monetary accommodation is strengthening the underlying inflation dynamic" and "it's not a good idea to identify the monetary policy stance with the volume of asset purchases".

**CN:** China's August economic indicators disappointed with consumption missed the forecast by a big margin. Retail sales was the weakest link in August. On two-year average, retail sales growth decelerated to 1.5% yoy from 3.6% yoy in July. The sharp deceleration of retail sales was mainly attributable to the decline of catering sales and weak car sales. Nevertheless, after looking at the industry and sector breakdowns of those major indicators in details. We think the latest disappointed data has not changed the narratives about China's economic fundamental. We will discuss this in a note sent out later.

**SG:** The job vacancy hit a record high of 92.1k in June, bringing the ratio of job vacancies to unemployed persons above 1 for the first time since March 2019 to 1.63x. Meanwhile, the resident employment rose 28.5k in 1H21, while the non-resident employment declined by 32.6k. The overall, resident and citizen unemployment rates fell to 2.7%, 3.5% and 3.7% respectively in June. However, the labour market recovery is tipped to remain uneven across sectors, with a slower recovery for the tourism, aviation-related, F&B and retail trade sectors, especially with the return to P2(HA) measures in July-August.

### Key Market Movements

Equity	Value	% chg
S&P 500	4480.7	0.8%
DJIA	34814	0.7%
Nikkei 225	30512	-0.5%
SH Comp	3656.2	-0.2%
STI	3058.6	-0.7%
Hang Seng	25033	-1.8%
KLCI	1555.3	0.0%
	Value	% chg
DXY	92.548	-0.1%
USDJPY	109.38	-0.3%
EURUSD	1.1817	0.1%
GBPUSD	1.3840	0.2%
USDIDR	14243	0.0%
USDSGD	1.3409	-0.2%
SGDMYR	3.1013	0.2%
	Value	chg (bp)
2Y UST	0.21	0.41
10Y UST	1.30	1.52
2Y SGS	0.36	-1.00
10Y SGS	1.42	-1.85
3M LIBOR	0.12	0.20
3M SIBOR	0.43	0.00
3M SOR	0.20	0.00
3M SORA	0.13	-0.04
3M SOFR	0.05	0.04
	Value	% chg
Brent	75.46	2.5%
WTI	72.61	3.1%
Gold	1794	-0.6%
Silver	23.84	-0.1%
Palladium	2010	1.6%
Copper	9627	2.0%
BCOM	99.58	1.8%

Source: Bloomberg

## Daily Treasury Outlook

16 September 2021

### Major Markets

**SG:** The STI declined 0.71% to close at 3058.61 yesterday and may range trade today. SGS bonds traded firmer yesterday, with yields lower by around 2bps, but may unwind those gains today amid weak leads from the UST bond market.

**CN:** Retail sales was the weakest link in August. On two-year average, retail sales growth decelerated to 1.5% yoy from 3.6% yoy in July. The sharp deceleration of retail sales was mainly attributable to the decline of catering sales and weak car sales. Catering sales fell by 4.5% yoy in August down sharply from growth of 14.3% yoy in July, the first decline in 2021. This is not surprising given the falling mobility as a result of the sporadic delta variant outbreak across more than 15 provinces in early August.

The recent sluggish car sales could be the cause for concern, This could be the result of both chip shortage and weaker consumer sentiment. Retail sales excluding car sales increased by 3.6% yoy, better than 2.5% headline growth.

The deceleration of industrial production was partially attributable to sharp decline of car production as a result of chip shortage. Auto production fell by 12.6% yoy. On positive note, high-tech manufacturing production accelerated to 18.3% yoy in August, highest since the data was published in 2018. In addition, pharmaceutical production reaccelerated to 32.9% yoy, second highest in record. This shows that China's production is likely to continue to receive support from China's domestic drive towards technology self-sufficient and external demand due to resurgence of Covid-19 globally.

**HK:** Southbound bond connect will be launched next Friday with annual aggregate quota of RMB500 billion and daily quota of RMB20 billion. Though the HKMA's official clarifies that all bonds sold in Hong Kong will be available under the new connect scheme, the continuous increase in foreign investors' holding of China's onshore bonds indicates that onshore bonds are sufficiently attractive at this juncture. Having said that, China's onshore investors may not only search for yield but also try to diversify the portfolio with offshore assets. As such, we expect some interests in the southbound bond connect. Also notable is that the new connect scheme will become a new source of offshore RMB liquidity, bring in new participants to offshore RMB bond market and prompt China's onshore investors to strengthen the ability of cross-border capital flows and foreign exchange risk management. Furthermore, this may provide a channel to digest the abundant onshore USD liquidity and in turn ease the upward pressure on RMB. If offshore bonds can be used for repo in onshore market, the appeal may increase further. In conclusion, the new connect scheme would undoubtedly be helpful to promote RMB internationalization in the longer term.

## Daily Treasury Outlook

16 September 2021

**Macau:** The government said they would kick start a 45-day public consultation on 15th September regarding the revision to Macau's gambling laws. Since 2014, China's anti-corruption campaign had hit Macau's gaming sector hard with the share of VIP gaming revenue in total gaming revenue falling to 43.9% in 3Q 2019 from 60.9% in 4Q 2014. Recently, amid Covid-19 outbreak and China's crackdown on cross-border gambling, gaming revenue plunged further while the share of VIP gaming revenue in total gaming revenue also dropped further to record low of 33.5% in 2Q 2021. The upcoming revamp of gambling laws indicates that China will tighten the grip on the sector in order to crack down on money laundering. There may be three implications. First, even if border reopens fully and safely, the gaming revenue may not necessarily return to the pre-pandemic level of over MOP20 billion per month given the shrinking VIP segment. Second, Macau's GDP may not easily return to the pre-pandemic level either as it takes time for economic diversification. Third, as gaming sector is the main employer in Macau, the labour market may take some time for full recovery as well.

**Indonesia:** Indonesia reported an encouraging set of August trade prints yesterday, with exports growing by over 64% yoy, compared to estimates of 36% increase, on the back of big upticks in commodity shipments. Trade balance came in at a record-high surplus of \$4.74bn. Overall, the trade prints present a signal that the economic recovery may start to take root again in Indonesia, coming out of the latest pandemic resurgence.

## Daily Treasury Outlook

16 September 2021

### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower yesterday with shorter tenors trading 1-2bps lower, belly tenors trading 3-4bps lower, and longer tenors trading 3-5bps lower. There were heavy flows in SGD Corporates yesterday, with flows in OLAMSP 4%'26s, CS 5.675%-PERPs, AIA 2.9%-PERPs, MAPLSP 3.7%-PERPs, and UOBSP 2.55%-PERPs. UST 10Y Yields rose 2bps to 1.30% yesterday as investors absorb the lower-than-expected consumer price index reading released yesterday. The lower inflation reading may provide further impetus to the Fed's tapering plans as it seeks to reduce its monthly bond-buyback purchases by the end of the year.

**New Issues:** JSW Steel Ltd priced a USD500mn 5-year senior unsecured bond at 3.95%, tightening from an IPT of 4.375% area, and a USD500mn 10-year senior unsecured sustainability-linked bond at 5.05%, tightening from an IPT of 5.5% area. Trafigura Group Pte Ltd priced a USD400mn perpNC6 subordinated bond at 5.875%, tightening from an IPT of 6.25% area. Korea Electric Power Corp priced a USD300mn 5-year senior unsecured green bond at T+40bps, tightening from an IPT of T+75bps area. Jinan Urban Construction International Investment Co Ltd (Guarantor: Jinan City Construction Group Ltd Co) priced a USD305mn 5-year senior unsecured bond at 2.4%, tightening from an IPT of 3% area. Bangkok Bank PCL priced a USD1.0bn 15NC10 Tier 2 subordinated bond at T+215bps, tightening from an IPT of T+250bps area. Keppel REIT MTN Pte Ltd priced a SGD150mn 7-year senior unsecured bond at 2.07%. AYC Finance Ltd has arranged investor calls commencing 15 September for its proposed USD bond offering. Pinghu State-Owned Assets Holding Group Co has arranged investor calls commencing 15 September for its proposed USD bond offering. Beijing Environment Sanitation Engineering Group Co., Ltd has arranged investor calls commencing 15 September for its proposed USD bond offering.

## Daily Treasury Outlook

16 September 2021

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.548	-0.08%	USD-SGD	1.3409	-0.22%
USD-JPY	109.380	-0.28%	EUR-SGD	1.5844	-0.11%
EUR-USD	1.182	0.12%	JPY-SGD	1.2259	0.07%
AUD-USD	0.733	0.18%	GBP-SGD	1.8558	0.01%
GBP-USD	1.384	0.22%	AUD-SGD	0.9833	-0.03%
USD-MYR	4.158	-0.12%	NZD-SGD	0.9532	-0.07%
USD-CNY	6.433	-0.09%	CHF-SGD	1.4577	-0.16%
USD-IDR	14243	-0.04%	SGD-MYR	3.1013	0.19%
USD-VND	22759	0.02%	SGD-CNY	4.7959	-0.05%

## Equity and Commodity

Index	Value	Net change
DJIA	34,814.39	236.82
S&P	4,480.70	37.65
Nasdaq	15,161.53	123.77
Nikkei 225	30,511.71	-158.39
STI	3,058.61	-21.76
KLCI	1,555.26	-0.25
JCI	6,110.23	-18.87
Baltic Dry	3,833.00	176.00
VIX	18.18	-1.28

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (-0.01)	0.22(--)
5Y	0.79 (-0.01)	0.8 (+0.01)
10Y	1.42 (-0.02)	1.24 (+0.02)
15Y	1.71 (-0.02)	--
20Y	1.86 (-0.02)	--
30Y	1.88 (-0.02)	1.87(--)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.007	0.077	0.077
11/03/2021	0.015	0.083	0.083
12/15/2021	0.002	0.08	0.08
01/26/2022	-0.007	0.077	0.077
03/16/2022	-0.007	0.077	0.077
05/04/2022	0.016	0.083	0.083

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.05
------	------

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.61	3.05%	Corn (per bushel)	5.335	2.5%
Brent (per barrel)	75.46	2.53%	Soybean (per bushel)	12.945	0.9%
Heating Oil (per gallon)	220.53	2.04%	Wheat (per bushel)	7.123	1.6%
Gasoline (per gallon)	220.66	1.57%	Crude Palm Oil (MYR/MT)	45.670	2.2%
Natural Gas (per MMBtu)	5.46	3.80%	Rubber (JPY/KG)	1.949	1.1%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9627.00	1.96%	Gold (per oz)	1794.1	-0.6%
Nickel (per mt)	20016.00	2.00%	Silver (per oz)	23.8	-0.1%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/16/2021 06:45	NZ	GDP SA QoQ	2Q	1.10%	2.80%	1.60%	1.40%
09/16/2021 06:45	NZ	GDP YoY	2Q	16.10%	17.40%	2.40%	2.90%
09/16/2021 07:50	JN	Trade Balance	Aug	¥2.9b	--	¥441.0b	--
09/16/2021 09:30	AU	Unemployment Rate	Aug	5.00%	--	4.60%	--
09/16/2021 09:30	AU	Employment Change	Aug	-80.0k	--	2.2k	--
09/16/2021 09:30	AU	Participation Rate	Aug	65.70%	--	66.00%	--
09/16/2021 16:30	HK	Unemployment Rate SA	Aug	4.90%	--	5.00%	--
09/16/2021 20:15	CA	Housing Starts	Aug	266.5k	--	272.2k	--
09/16/2021 20:30	US	Retail Sales Advance MoM	Aug	-0.70%	--	-1.10%	--
09/16/2021 20:30	US	Philadelphia Fed Business Outlook	Sep	19.00	--	19.40	--
09/16/2021 20:30	US	Continuing Claims	Sep-04	2740k	--	2783k	--
09/16/2021 20:30	US	Retail Sales Ex Auto MoM	Aug	0.00%	--	-0.40%	--
09/16/2021 20:30	CA	Wholesale Trade Sales MoM	Jul	-2.00%	--	-0.80%	--
09/16/2021 20:30	US	Retail Sales Ex Auto and Gas	Aug	0.00%	--	-0.70%	--
09/16/2021 20:30	US	Initial Jobless Claims	Sep-11	323k	--	310k	--
09/16/2021 21:45	US	Larger Consumer Comfort	Sep-12	--	--	57.90	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Howie Lee***Thailand & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)**Herbert Wong***Hong Kong & Macau*[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)

### FX/Rates Strategy

**Frances Cheung***Rates Strategist*[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W