

## Daily Treasury Outlook

16 November 2021

### Highlights

**Global:** In check - the S&P 500 closed flat overnight, with Tesla approaching bear market territory, while VIX rose to 16.49 in a choppy session. UST bonds were sold off, with the 10-year yield up 6 bps to 1.63% ahead of the 20-year bond auction and the yield curve bear-steepening amid the IG bond supply rush before the holiday season. The Biden-Xi virtual summit kicks off today, but market players are not holding their breath for a breakthrough for now. Meanwhile, China's industrial output and retail sales expanded more than expected in October, but its property market remained the weakest link. Elsewhere, the Japanese economy contracted more than expected by an annualised 3.0% (-0.8% qoq) in 3Q21, following 2Q's revised 1.5% growth, making a stimulus package to be unveiled by PM Kishida later this week highly anticipated.

**Market watch:** Asian markets are likely to tread water if not consolidate today amid weak market cues. Today's economic data calendar comprises Hong Kong's October unemployment, UK's jobless claims and ILO unemployment rate, Eurozone's 3Q21 GDP growth, and US' October retail sales, industrial production, and NAHB housing market index. RBA governor Lowe, Fed's Bullard, Barkin, Bostic, George and Daly, as well as ECB's Lagarde are also speaking. Walmart is also reporting earnings.

**CN:** China's key October economic data surprised on the upside. On two-year average adjusting for pandemic effect, industrial production rebounded to 5.2% yoy in October from 5% yoy in September despite concerns about power shortage. The rebound of industrial production was mainly attributable to three factors including supportive external demand, strong high-tech manufacturing and swift move to boost energy supply. The reacceleration of retail sales despite weak car sales and sporadic outbreak of delta variant showed that domestic demand remains resilient, which will provide the floor to the growth in 4Q.

**US:** Senate Banking chairman Brown said to expect an imminent announcement about President Biden's Fed chair pick.

**EU:** ECB's Lagarde reiterated that elevated inflation should fade next year and pushed back on tightening policy calls, saying that price pressures should normalise as supply bottlenecks unwind. As such, she opined that rate hike conditions are "very unlikely" to be met in 2022.

**UK:** BOE governor Bailey warned that he is "very uneasy about the inflation situation", while indicating that BOE officials did not promise a November rate hike. Meanwhile, Saunders, who had voted to hike rates at the recent BOE policy meeting, opined there is no risk of a wage-price spiral.

### Key Market Movements

Equity	Value	% chg
S&P 500	4682.8	0.0%
DJIA	36087	0.0%
Nikkei 225	29777	0.6%
SH Comp	3533.3	-0.2%
STI	3240.6	0.4%
Hang Seng	25391	0.2%
KLCI	1522.3	-0.6%
	Value	% chg
DXY	95.407	0.3%
USDJPY	114.12	0.2%
EURUSD	1.1368	-0.7%
GBPUSD	1.3416	0.0%
USDIDR	14213	-0.2%
USDSGD	1.3533	0.1%
SGDMYR	3.0807	0.1%
	Value	chg (bp)
2Y UST	0.52	0.42
10Y UST	1.61	5.32
2Y SGS	0.86	-1.30
10Y SGS	1.76	-2.27
3M LIBOR	0.16	-0.10
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
3M SORA	0.15	0.31
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.05	-0.1%
WTI	80.88	0.1%
Gold	1863	-0.1%
Silver	25.06	-1.0%
Palladium	2153	2.0%
Copper	9673	-0.4%
BCOM	103.16	0.3%

Source: Bloomberg

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### Major Markets

**SG:** S'pore is expanding its VTL to five more countries, namely India and Indonesia from 29 November, and Qatar, Saudi Arabia and the UAE from 6 December. Dining concessions to allow vaccinated household members to dine in groups of five at hawker centres and coffee shops starting from end of this month.

The STI fell 0.38% to close at 3240.58 yesterday and may consolidate further today. SGS bonds are likely to trade lower again today given the UST bond market sell-off overnight.

**CN:** Property market softened further with all major indicators pointed towards further deceleration of the property sector. Although there is sign that China is moving towards containing the tail risk in the property market, property market is unlikely to turn around in the near term due to weak sentiment. Land acquisition declined by 24.2% yoy indicating a weak prospect.

Infrastructure investment disappointed slowing down to 1% yoy from 1.5% yoy. Although the issuance of local government bond in October put a brake on further deceleration of aggregate social financing growth, the weak infrastructure investment and surge of fiscal deposit showed the cautious fiscal expenditure. On positive note, given China has rolled out big projects gradually, we expect infrastructure investment to reaccelerate in 2022.

The slowdown in both property investment and infrastructure investment was partially offset by still resilient manufacturing investment, which grew by more than 14% yoy in October.

**Malaysia:** Malaysia's state of Malacca has reportedly seen an increase of up to 57% in the number of Covid-19 hospitalizations in the past week, as the state gears up for its election on Nov 20th. The uptick came as election campaigns entered its second week and has raised concerns about the availability of hospital beds, which see 77% utilization rate thus far.

**Indonesia:** Indonesia posted another month of favourable trade numbers due to commodities uplift. Exports grew at a faster pace of 53.35% yoy in October, compared to 47.6% in the prior month. In particular, exports to China ballooned to 107.5% yoy, marking a big uptick that is reflective of a spike in coal shipment due to power crunch-related pickup in demand. Although imports did grow sizably, by 51% yoy during the period, trade balance remained in the surplus territory of USD5.73bn.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower yesterday, with shorter tenors trading 0-2bps lower, belly tenors trading 2-3bps lower, and longer tenors trading 1-2bps lower. UST 10Y Yields traded higher by 5bps to 1.61% yesterday as the market repositions itself following last week's higher-than-expected CPI reading. Investors will be watching tomorrow's October Retail Sales release by the US Census Bureau.

**New Issues:** Rongshi International Finance Ltd (Guarantor: State Development & Investment Corp., Ltd.) priced a USD300mn 5-year senior unsecured bond at T+75bps, tightening from an IPT of T+125bps area. Heze City Investment Holdings International Co. (Guarantor: Heze City Investment Holdings Group Co., Ltd.) priced a USD119mn 364-Day senior unsecured bond at 4.55%, tightening from an IPT of 5.3% area. Yichang High-Tech Investment Development Co Ltd priced a USD100mn 3-year senior unsecured bond at 5%, tightening from an IPT of 5.1% area. Westpac Banking Corp priced a USD1.75bn 5-year covered bond at MS+45bps, tightening from an IPT of MS+46bps area. DBS Group Holdings Ltd has mandated banks for its proposed USD bond offering. Renesas Electronics Corporation has mandated banks for its proposed USD bond offering. Jinan Hi-Tech Holding Group Co., Ltd. has mandated banks for its proposed USD bond offering. China Great Wall AMC (International) Holdings Co. has arranged investor calls commencing 15 November for its proposed USD bond offering. The Government of the Hong Kong Special Administrative Region of the People's Republic of China has arranged investor calls commencing 15 November for its proposed USD bond offering. Shaoxing Shangyu Urban Construction Group Co. 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	95.407	0.29%	USD-SGD	1.3533	0.05%
USD-JPY	114.120	0.20%	EUR-SGD	1.5384	-0.59%
EUR-USD	1.137	-0.67%	JPY-SGD	1.1856	-0.15%
AUD-USD	0.735	0.20%	GBP-SGD	1.8153	0.06%
GBP-USD	1.342	0.01%	AUD-SGD	0.9942	0.26%
USD-MYR	4.162	-0.08%	NZD-SGD	0.9538	0.15%
USD-CNY	6.383	0.05%	CHF-SGD	1.4628	-0.35%
USD-IDR	14213	-0.16%	SGD-MYR	3.0807	0.07%
USD-VND	22649	0.02%	SGD-CNY	4.7216	0.06%

### Equity and Commodity

Index	Value	Net change
DJIA	36,087.45	-12.86
S&P	4,682.80	-0.05
Nasdaq	15,853.85	-7.11
Nikkei 225	29,776.80	166.83
STI	3,240.58	12.13
KLCI	1,522.34	-8.88
JCI	6,616.03	-35.02
Baltic Dry	3,630.00	-178.00
VIX	16.49	0.20

### 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%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.86 (-0.01)	0.48(--)
5Y	1.41 (-0.02)	1.25 (+0.03)
10Y	1.76 (-0.02)	1.56 (+0.05)
15Y	1.97 (-0.01)	--
20Y	2.06 (--)	--
30Y	2.02 (-0.01)	1.96 (+0.07)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	0.013	0.082	0.082
01/26/2022	0.037	0.087	0.087
03/16/2022	0.209	0.131	0.131
05/04/2022	0.435	0.187	0.187
06/15/2022	0.839	0.288	0.288
07/27/2022	1.127	0.36	0.36

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	uesting Data...	(--)
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)	80.88	0.11%	Corn (per bushel)	5.765	-0.1%
Brent (per barrel)	82.05	-0.15%	Soybean (per bushel)	12.573	1.9%
Heating Oil (per gallon)	239.81	-0.23%	Wheat (per bushel)	8.263	1.1%
Gasoline (per gallon)	232.88	0.75%	Crude Palm Oil (MYR/MT)	53.900	-0.3%
Natural Gas (per MMBtu)	5.02	4.72%	Rubber (JPY/KG)	2.133	0.4%

### Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9673.00	-0.39%	Gold (per oz)	1862.8	-0.1%
Nickel (per mt)	19594.00	-1.93%	Silver (per oz)	25.1	-1.0%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/16/2021 10:00	NZ	Non Resident Bond Holdings	Oct	--	--	54.20%	--
11/16/2021 12:30	JN	Tertiary Industry Index MoM	Sep	0.80%	--	-1.70%	--
11/16/2021 15:00	UK	Jobless Claims Change	Oct	--	--	-51.1k	--
11/16/2021 15:00	UK	ILO Unemployment Rate 3Mths	Sep	4.40%	--	4.50%	--
11/16/2021 15:00	UK	Claimant Count Rate	Oct	--	--	5.20%	--
11/16/2021 15:00	UK	Average Weekly Earnings 3M/YoY	Sep	5.60%	--	7.20%	--
11/16/2021 16:30	HK	Unemployment Rate SA	Oct	4.40%	--	4.50%	--
11/16/2021 18:00	EC	GDP SA QoQ	3Q P	2.20%	--	2.20%	--
11/16/2021 18:00	EC	GDP SA YoY	3Q P	3.70%	--	3.70%	--
11/16/2021 21:15	CA	Housing Starts	Oct	255.0k	--	251.2k	--
11/16/2021 21:30	US	Retail Sales Advance MoM	Oct	1.50%	--	0.70%	--
11/16/2021 21:30	US	Import Price Index MoM	Oct	1.00%	--	0.40%	--
11/16/2021 21:30	US	Retail Sales Ex Auto MoM	Oct	1.00%	--	0.80%	--
11/16/2021 21:30	US	Retail Sales Ex Auto and Gas	Oct	0.70%	--	0.70%	--
11/16/2021 22:15	US	Industrial Production MoM	Oct	0.90%	--	-1.30%	--
11/16/2021 22:15	US	Capacity Utilization	Oct	75.90%	--	75.20%	--

Source: Bloomberg

## Treasury Research & Strategy

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