

Daily Treasury Outlook

17 June 2021

Highlights

Global: The start of the end of an era for the FOMC? While the FOMC kept its policy rate unchanged, the overnight reverse repo rate and the IOER were hiked by 5bps to 0.05% and 0.15% respectively. Fed chair Powell indicated that “you can think of this meeting as the talking-about-talking-about meeting” for a taper. In addition, the dots plot now points to 7 and 13 Fed members in favour of a rate hike in 2022 and 2023 respectively (up from 1 and 4 previously), prompting the futures market to fully price in one hike by end of 2022. The S&P 500 pared losses but still ended lower by 0.54% after Powell downplayed the rate hike risk saying that the dots plot should be taken “with a big grain of salt” and opined that any taper will be “orderly, methodical and transparent”. VIX rose to 18.15. UST bonds sold off post-FOMC, led by the belly of the curve with the 2-year yield breaching 20bps for the first time in a year while the 10-year yield rose to 1.58%. The 3-month LIBOR stood at 0.1245% and the USD rose. Meanwhile, the Fed extended its temporary USD liquidity swap lines with 9 central banks including MAS until 31 December 2021. Separately, the US\$579bn infrastructure package has gained bipartisan support.

Market watch: Asian markets may open mixed this morning as investors grapple with the implications of the hawkish FOMC tilt while awaiting rate decisions from CBC and BI (both tipped to be unchanged at 1.125% and 3.50%) due later today. Today's economic calendar comprises HK's unemployment rate, Eurozone's CPI, US's Philadelphia Fed business outlook, initial jobless claims, and leading index. ECB's Villeroy, Lane and Elderson are also speaking.

US: Housing starts rose less than expected by 3.6% mom in May, constrained by lumber costs and materials shortage. Meanwhile, import prices jumped more than expected by 11.3% yoy (1.1% mom) in May.

UK: May inflation unexpectedly hit 2.1% in amid the post-lockdown rebound, breaching the BOE's target, with core CPI also up 2.0% for the 12 months to May.

SG: The timing and scope of re-opening is being reviewed in light of the emergence of a major Covid cluster at Bukit Merah View Market and Food Center. Meanwhile, S'pore's population grew by only 1.1% pa, the slowest since independence.

Gold: Gold fell sharply overnight, declining 2.6% to \$1811.47 after the hawkish FOMC pressured Treasury yields higher and dimming gold's appeal as an inflation hedge. We had highlighted in previous reports that gold may find a support at \$1800. While we may see some technical bounce higher this morning following yesterday's selloff, we maintain our view that gold could begin its long-term downward trend towards \$1500.

Key Market Movements

Equity	Value	% chg
S&P 500	4223.7	-0.5%
DJIA	34034	-0.8%
Nikkei 225	29291	-0.5%
SH Comp	3518.3	-1.1%
STI	3139.6	-1.1%
Hang Seng	28437	-0.7%
KLCI	1578.3	-0.2%
	Value	% chg
DX	91.129	0.7%
USDJPY	110.71	0.6%
EURUSD	1.1995	-1.1%
GBPUSD	1.3988	-0.7%
USDIDR	14238	0.1%
USDSGD	1.3366	0.7%
SGDMYR	3.1043	0.0%
	Value	chg (bp)
2Y UST	0.21	4.22
10Y UST	1.58	8.32
2Y SGS	0.36	1.60
10Y SGS	1.44	2.25
3M LIBOR	0.12	0.68
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.15	-0.27
3M SOFR	0.01	0.00
	Value	% chg
Brent	74.39	0.5%
WTI	72.15	0.0%
Gold	1811	-2.6%
Silver	26.98	-2.5%
Palladium	2800	1.3%
Copper	9667	1.0%
BCOM	93.41	-0.1%

Source: Bloomberg

Daily Treasury Outlook

17 June 2021

Major Markets

US: US equities closed lower on the FOMC's hawkish tilt, although it clawed back most of its losses in late US trading. The S&P 500 declined 0.54% and the tech heavy Nasdaq fell 0.24%. 10Y UST bond yields closed higher at 1.58%. The Fed left interest rates unchanged, but the dot-plot indicated a median expectation of two rate hikes by 2023 from none. Markets will continue to digest the Fed's increasing hawkishness for now while looking for more signs of improvement in the labour market as well as inflationary pressures.

SG: The STI fell by 1.11% to close at 3139.57 yesterday and may consolidate further today amid hawkish FOMC expectations. With the UST bond sell-off overnight, SGS bonds are also likely to see some pressure and yields may reprice higher today.

Malaysia: Malaysia's King issued a statement yesterday urging the parliament to reconvene as soon as possible, noting that it is an important platform to discuss public spending and measures to fight Covid. The statement came after the King met with the country's royal leaders from various states, following his meetings with all major political parties. It added that there is no need to extend the state of emergency beyond the Aug 1 deadline.

Indonesia: Bank Indonesia is due to announce its MPC decision today. We expect the central bank to hold its policy rate unchanged at 3.5%. The governor had hinted as much earlier this week in a parliamentary hearing, stating that the interest rate is "already low" at this current rate. Given the recent uptick in Covid-19 cases and the potential impact on economic growth, it would be useful to gauge whether BI expresses any inclination to ease rates should the situation turn unexpectedly worse, although the Fed's new hawkish stance will complicate things.

Oil: Oil continued rising, gaining 0.5% to \$74.39 and brushing off the hawkishness from the FOMC meeting overnight. Early Asian trading this morning has seen oil retraced below \$74, but we think any pullback could be shallow and temporary.

Daily Treasury Outlook

17 June 2021

Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday, with shorter tenors trading at 1-2bps higher. Belly tenors traded 2-3bps higher while longer tenors traded 2-4bps higher. There were heavy flows in mostly SGD perpetuals yesterday, including UOBSP 2.55%-PERPs, AIA 2.9%-PERPs, LREIT 4.2%-PERPs, KITSP 4.3%-PERPs, OLAMSP 4%'26s and STSP 3.3%-PERPs. UST 10Y Yields advanced 9bps to 1.58% against the backdrop of a more hawkish stance by the Federal Reserve as they inch towards tapering asset purchases. Meanwhile, the dot plot also showed that central bankers expect rate hikes in 2023, a year ahead of prior estimates.

New Issues: Gajah Tunggal Tbk PT (Guarantors: Prima Sentra Megah PT and Filamendo Sakti PT) priced a USD175mn 5NC2 bond at 9.375%. Wipro IT Services LLC (Guarantor: Wipro Ltd) priced a USD750mn 5-year guaranteed senior unsecured at T+80bps, tightening from IPT of T+110bps area. Fantasia Holdings Group Company Ltd. priced a USD200mn 3-year secured bond at 12.5%. eHi Car Services Ltd priced a USD450mn 3.5-year senior unsecured bond at 8%. Sino-Ocean Capital Holding Ltd. has arranged investor calls commencing 16 June for its proposed USD bond offering.

Daily Treasury Outlook

17 June 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.129	0.65%	USD-SGD	1.3366	0.67%
USD-JPY	110.710	0.57%	EUR-SGD	1.6032	-0.43%
EUR-USD	1.200	-1.08%	JPY-SGD	1.2073	0.12%
AUD-USD	0.761	-1.00%	GBP-SGD	1.8694	-0.02%
GBP-USD	1.399	-0.67%	AUD-SGD	1.0171	-0.34%
USD-MYR	4.117	-0.01%	NZD-SGD	0.9424	-0.31%
USD-CNY	6.398	-0.13%	CHF-SGD	1.4709	-0.45%
USD-IDR	14238	0.09%	SGD-MYR	3.1043	-0.01%
USD-VND	22963	0.05%	SGD-CNY	4.8232	-0.03%

Equity and Commodity

Index	Value	Net change
DJIA	34,033.67	-265.66
S&P	4,223.70	-22.89
Nasdaq	14,039.68	-33.18
Nikkei 225	29,291.01	-150.29
STI	3,139.57	-35.30
KLCI	1,578.32	-3.05
JCI	6,078.57	-10.47
Baltic Dry	3,025.00	81.00
VIX	18.15	1.13

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5470	-0.55%	O/N	0.0561	0.06%
2M	-0.3360	-0.34%	1M	0.0818	0.07%
3M	-0.5420	-0.55%	2M	0.1090	0.10%
6M	-0.5220	-0.52%	3M	0.1248	0.12%
9M	-0.1940	-0.20%	6M	0.1526	0.15%
12M	-0.4880	-0.49%	12M	0.2333	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (+0.02)	0.21(-)
5Y	0.81 (+0.01)	0.9 (+0.11)
10Y	1.44 (+0.02)	1.58 (+0.08)
15Y	1.78 (+0.02)	--
20Y	1.81 (+0.02)	--
30Y	1.85 (+0.01)	2.21 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
07/28/2021	0	0.098	0.098
09/22/2021	0.000	0.098	0.098
11/03/2021	0	0.098	0.098
12/15/2021	0	0.098	0.098
01/26/2022	0	0.098	0.098
03/16/2022	0.01	0.1	0.1

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	-6.20	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.15	0.04%	Corn (per bushel)	6.730	0.8%
Brent (per barrel)	74.39	0.54%	Soybean (per bushel)	14.485	-1.2%
Heating Oil (per gallon)	210.34	-0.42%	Wheat (per bushel)	6.628	0.2%
Gasoline (per gallon)	215.62	-0.66%	Crude Palm Oil (MYR/MT)	35.660	0.2%
Natural Gas (per MMBtu)	3.25	0.34%	Rubber (JPY/KG)	2.451	-1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9667.00	1.02%	Gold (per oz)	1811.5	-2.6%
Nickel (per mt)	17649.00	-0.51%	Silver (per oz)	27.0	-2.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/17/2021 00:00	JN	Tokyo Condominiums for Sale YoY	May	--	--	204.50%	--
06/17/2021 03:20	ID	Bank Indonesia 7D Reverse Repo	Jun-17	3.50%	--	3.50%	--
06/17/2021 04:30	HK	Unemployment Rate SA	May	6.20%	--	6.40%	--
06/17/2021 05:00	EC	CPI YoY	May F	2.00%	--	1.60%	1.60%
06/17/2021 05:00	EC	CPI MoM	May F	0.30%	--	0.30%	--
06/17/2021 05:00	EC	CPI Core YoY	May F	0.90%	--	0.90%	--
06/17/2021 08:30	US	Initial Jobless Claims	Jun-12	360k	--	376k	--
06/17/2021 08:30	US	Philadelphia Fed Business Outlook	Jun	30.5	--	31.5	--
06/17/2021 08:30	US	Continuing Claims	Jun-05	3425k	--	3499k	--
06/17/2021 08:30	CA	Int'l Securities Transactions	Apr	--	--	3.25b	--
06/17/2021 09:45	US	Langer Consumer Comfort	Jun-13	--	--	55.4	--
06/17/2021 10:00	US	Leading Index	May	1.30%	--	1.60%	--
06/17/2021 19:30	JN	Natl CPI YoY	May	-0.20%	--	-0.40%	--
06/17/2021 19:30	JN	Natl CPI Ex Fresh Food YoY	May	0.00%	--	-0.10%	--
06/17/2021 21:00	TA	CBC Benchmark Interest Rate	Jun-17	1.13%	--	1.13%	--
06/17/2021 21:00	PH	BoP Overall	May	--	--	\$2614m	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia
WellianWiranto@ocbc.com

Howie Lee

Thailand & Commodities
HowieLee@ocbc.com

Carie Li

Hong Kong & Macau
carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau
herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist
FrancesCheung@ocbc.com

Terence Wu

FX Strategist
TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst
ZhiQiSeow@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