

Daily Treasury Outlook

17 September 2021

Highlights

Global: Global risk appetite paused ahead of today's quarterly "triple witching" where futures and options on equity indices expire, even though US retail sales surprisingly rose 0.7% in August after a July decline which proved private consumption to be fairly resilient to the current Delta surge. Meanwhile, US' initial jobless claims also rose slightly by 20k to 332k, partly contributed by the layoffs associated with Hurricane Ida. The S&P 500 slipped 0.16% overnight, while VIX rose to 18.69. UST bonds also traded lower, with the 10-year bond yield up 4bps to 1.34%. Meanwhile, China has applied to join the CPTPP, but needs the agreement of all 11 members. Separately, the ECB has refuted a FT news report that quoted Lane that "the euro area will reach 2% inflation soon after the end of the ECB's projection horizon" and that "a lift-off of interest rates could come already in 2023".

Market watch: Asian markets may open sideways and tread water today, as investors weigh the better than expected US retail sales data with concerns over China's Evergrande Group. Today's economic data calendar comprises of UK's August retail sales, Eurozone's CPI and US' University of Michigan sentiment index for September.

SG: August NODX moderated more than expected from 12.7% yoy (-0.9% mom sa) in July to just 2.7% yoy (-3.6% mom sa) in August, the slowest since November 2020, but was attributed to the high base last year. The 3.6% mom sa decline also marked the second straight month of contraction on a month-on-month basis and also the fourth contraction in five months. Electronics exports improved from 15.0% yoy to 16.7% yoy in August, but non-electronics exports declined by 1.4% yoy, dragged down by non-monetary gold, food preparations and pharmaceuticals.

CN: China's Ministry of Commerce confirmed that China has officially submitted its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Malaysia: Malaysia's PM Ismail Sabri said that private companies may reopen their offices at full capacity if 80% of their staff have completed their vaccinations. The rule would apply to states in Phase 2 of the National Recovery Plan, which includes the Klang Valley area. The announcement is seen as part of the government's plan to prepare the nation for an endemic phase of the virus.

Key Market Movements

Equity	Value	% chg
S&P 500	4473.8	-0.2%
DJIA	34751	-0.2%
Nikkei 225	30323	-0.6%
SH Comp	3607.1	-1.3%
STI	3064.5	0.2%
Hang Seng	24668	-1.5%
KLCI	1555.3	0.0%
	Value	% chg
DXY	92.932	0.4%
USDJPY	109.73	0.3%
EURUSD	1.1767	-0.4%
GBPUSD	1.3795	-0.3%
USDIDR	14253	0.1%
USDSGD	1.3449	0.3%
SGDMYR	3.1006	0.0%
	Value	chg (bp)
2Y UST	0.22	0.82
10Y UST	1.34	3.90
2Y SGS	0.36	0.40
10Y SGS	1.43	1.19
3M LIBOR	0.12	0.20
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	0.02
3M SOFR	0.05	0.00
	Value	% chg
Brent	75.67	0.3%
WTI	72.61	0.0%
Gold	1754	-2.2%
Silver	22.91	-3.9%
Palladium	2035	1.3%
Copper	9367	-2.7%
BCOM	98.59	-1.0%

Source: Bloomberg

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Major Markets

SG: The STI added 0.19% to close at 3064.54 yesterday and may tread water today. With UST bond yields rising by 1-4bps overnight, and this may add pressure to SGS bond yields which already sold off 1-2bps yesterday. Market players are awaiting the issue size announcement of the upcoming inaugural 30-year SGS (Infrastructure) and re-opening of the 2-year SGS (Market Development) bonds on 21 September for auction on 28 September.

HK: Unemployment rate for the three months to August fell faster than expected for the sixth consecutive three-month period to 4.7%, the lowest since 1Q 2020. This is mainly attributable to the well-contained local epidemic which allows economic activities to resume normalcy. Supported by the e-consumption voucher, the unemployment rates of the retail sector and the accommodation services sector also dropped by 0.4 and 0.5 percentage point respectively from the preceding three-month period. However, the unemployment rate of F&B services activities remained unchanged. Since the unemployment rate of the hardest-hit sectors is still higher than the pre-pandemic level, there is further room for improvement on the back of rebounding local consumption. However, without border reopening, the recovery is likely to be constrained. As such, we expect the decline of unemployment rate to slow down and the overall jobless rate to stay above 4% in the near term.

Indonesia: President Jokowi announced that he had ordered for the infrastructure projects for the new capital city in East Kalimantan to continue. Although he expects the new capital to be up and running within 15 to 20 years, some basic facilities could be operational as early as 2024. The President noted that the work will only use existing infrastructure projects budget and will avoid diverting any funds from the pandemic recovery programs. The whole project is estimated to cost some Rp 466 trillion (US\$32.7 billion), where only 19% will come from the state budget, with the remainder to come from the private sector and foreign investors.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday with shorter tenors trading 0-1bps higher, belly tenors trading 2-3bps higher, and longer tenors trading 2-4bps higher. There were moderate flows in SGD Corporates yesterday, with flows in KREITS 3.15%-PERPs, ARTSP 3.07%-PERPs, and SPHRSP 4.1%-PERPs. UST 10Y Yields rose 3bps to 1.34% yesterday amidst higher-than-expected August retail sales and weekly jobless claims. Retail sales increased by 0.7% m/m, exceeding expectations that it would decline by 0.8% m/m. Separately, initial jobless claims rose to 332,000, also exceeding estimates of 320,000 forecasted by Dow Jones.

New Issues: Industrial & Commercial Bank of China Ltd priced a USD6.16bn perpNC5 Additional Tier 1 capital bond at 3.2%, tightening from an IPT of 3.65% area. Pinghu State-Owned Assets Holding Group Co priced a USD300mn 3-year senior unsecured bond at 2.2%, tightening from an IPT of 2.65% area. Bank Negara Indonesia Persero Tbk PT priced a USD600mn perpNC5.5 Additional Tier 1 capital bond at 4.3%, tightening from an IPT of 4.7% area. Beijing Environment (BVI) International Co. (Guarantor: Beijing Environment Sanitation Engineering Group Co Ltd) priced a USD230mn 3-year senior unsecured green bond at 1.65%, tightening from an IPT of 2.05% area. AYC Finance Ltd (Guarantor: Ayala Corp) priced a USD400mn perpNC5 senior unsecured bond at 3.9%, tightening from an IPT of 4.3% area. Frasers Property AHL Limited (Guarantor: Frasers Property Ltd) priced a SGD200mn 7-year senior unsecured sustainability bond at 3%, tightening from an IPT of 3.25% area. Chengdu Aerotropolis City Development Group Co. Ltd has arranged investor calls commencing 16 September for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.932	0.41%	USD-SGD	1.3449	0.30%
USD-JPY	109.730	0.32%	EUR-SGD	1.5825	-0.12%
EUR-USD	1.177	-0.42%	JPY-SGD	1.2260	0.01%
AUD-USD	0.729	-0.56%	GBP-SGD	1.8555	-0.02%
GBP-USD	1.380	-0.33%	AUD-SGD	0.9811	-0.22%
USD-MYR	4.158	-0.12%	NZD-SGD	0.9517	-0.16%
USD-CNY	6.458	0.39%	CHF-SGD	1.4502	-0.51%
USD-IDR	14253	0.07%	SGD-MYR	3.1006	-0.02%
USD-VND	22758	0.00%	SGD-CNY	4.7980	0.04%

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%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	#N/A Connection	#N/A Connection	#N/A Connection
11/03/2021	#N/A Connection	#N/A Connection	#N/A Connection
12/15/2021	#N/A Connection	#N/A Connection	#N/A Connection
01/26/2022	#N/A Connection	#N/A Connection	#N/A Connection
03/16/2022	#N/A Connection	#N/A Connection	#N/A Connection
05/04/2022	#N/A Connection	#N/A Connection	#N/A Connection

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.61	0.00%	Corn (per bushel)	5.295	-0.7%
Brent (per barrel)	75.67	0.28%	Soybean (per bushel)	12.960	0.1%
Heating Oil (per gallon)	221.10	0.26%	Wheat (per bushel)	7.130	0.1%
Gasoline (per gallon)	218.12	-1.15%	Crude Palm Oil (MYR/MT)	47.000	1.5%
Natural Gas (per MMBtu)	5.34	-2.29%	Rubber (JPY/KG)	1.920	-0.1%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9366.50	-2.71%	Gold (per oz)	1753.8	-2.2%
Nickel (per mt)	19401.00	-3.07%	Silver (per oz)	22.9	-3.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/17/2021 04:00	US Net Long-term TIC Flows	Jul	--	\$2.0b	\$110.9b
09/17/2021 04:00	US Total Net TIC Flows	Jul	--	\$126.0b	\$31.5b
09/17/2021 06:30	NZ BusinessNZ Manufacturing PMI	Aug	--	40.10	62.60
09/17/2021 08:30	SI Non-oil Domestic Exports YoY	Aug	8.50%	--	12.70%
09/17/2021 08:30	SI Non-oil Domestic Exports SA MoM	Aug	2.40%	--	-0.90%
09/17/2021 08:30	SI Electronic Exports YoY	Aug	8.00%	--	15.00%
09/17/2021 14:00	UK Retail Sales Inc Auto Fuel MoM	Aug	0.50%	--	-2.50%
09/17/2021 14:00	UK Retail Sales Ex Auto Fuel MoM	Aug	0.80%	--	-2.40%
09/17/2021 14:00	UK Retail Sales Inc Auto Fuel YoY	Aug	0.03	--	0.02
09/17/2021 14:00	UK Retail Sales Ex Auto Fuel YoY	Aug	2.50%	--	1.80%
09/17/2021 15:30	TH Foreign Reserves	Sep-10	--	--	\$252.5b
09/17/2021 17:00	EC CPI MoM	Aug F	0.40%	--	0.40%
09/17/2021 17:00	EC CPI Core YoY	Aug F	1.60%	--	1.60%
09/17/2021 17:00	MB CPI EU Harmonized YoY	Aug	--	--	0.30%
09/17/2021 17:00	EC CPI YoY	Aug F	3.00%	--	2.20%
09/17/2021 22:00	US U. of Mich. Sentiment	Sep P	72.00	--	2.20%

Source: Bloomberg

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