

Daily Treasury Outlook

17 November 2021

Highlights

Global: Buoyant US retail sales which rose 1.7% in October, the most in eight months and beating market expectations. This lifted optimism about the US consumer health. The S&P 500 added 0.39% to hit another record overnight, with Home Depot among the gainers whilst Walmart slipped on margin concerns despite lifting its outlook. VIX fell to 16.37. UST bonds had a choppy session, with the 10-year yield ending at 1.63% even as Treasury Secretary Yellen warning that there isn't a "great deal of time" left for borrowing past 3 December and risk a government default if they failed to lift the debt ceiling by 15 December. Meanwhile, Fed's Bullard also called for the "committee to go in a more hawkish direction in the next couple of meetings so we are managing the risk of inflation appropriately" and also suggested allowing "runoff of the balance sheet at the end of the taper instead of waiting on that decision for a while". Adding to the optimism was Daly who opined that if there isn't another virus surge, "it's a different conversation" by June or July. The usage of the Fed's reverse repo facility also surged US\$75.2bn to US\$1.467tn in its largest one-day spike since 29 October, while the rush for corporate funding ahead of the year-end has started. Separately, the Biden-Xi virtual summit discussed global energy supplies, Taiwan, and journalists' visas. US president Biden will also announce his Fed chair pick imminently within the next four days.

Market watch: Asian markets are likely to open on a firm tone this morning. Today's economic data calendar comprises of Eurozone's CPI, UK's CPI/PPI/RPI, S'pore's COE, and US' building permits and housing starts. Fed's Williams, Bowman, Mester, Waller, Daly, Evans and Bostic, as well as ECB's Schnabel and BOE's Mann are also speaking.

CN: Our biggest takeaway from the Biden Xi virtual meeting is on Taiwan issue. President Xi's comments that China has the patience is a positive gesture which may remove the imminent risk of escalation to direct conflict. Although both Liu He and Yellen attended the talk, there is very limited coverage on trade and tariff issue. However, we think it is still possible for market to see partial removal of tariff in the coming months.

SG: NODX growth accelerated to 17.9% yoy (4.2% mom sa), beating market expectations in its 11th consecutive month of expansion, aided by non-electronics exports (18.9% versus 11.4% previously), namely from non-monetary gold, specialised machinery and petrochemicals, while electronics NODX also grew 14.9% yoy amid robust semiconductor demand. NODX to the 7 of the top 10 markets also rose on stronger demand, led by China, Malaysia and Taiwan, whereas NODX to Thailand, US and HK slipped. The STI slipped 0.05% to close at 3238.80 yesterday but may trade higher today. SGS bonds are likely to consolidate amid the improvement in risk appetite.

Key Market Movements

Equity	Value	% chg
S&P 500	4700.9	0.4%
DJIA	36142	0.2%
Nikkei 225	29808	0.1%
SH Comp	3521.8	-0.3%
STI	3238.8	-0.1%
Hang Seng	25714	1.3%
KLCI	1522.9	0.0%
	Value	% chg
DXY	95.915	0.5%
USDJPY	114.82	0.6%
EURUSD	1.1320	-0.4%
GBPUSD	1.3430	0.1%
USDIDR	14222	0.1%
USDSGD	1.3569	0.3%
SGDMYR	3.0782	-0.1%
	Value	chg (bp)
2Y UST	0.52	0.22
10Y UST	1.63	1.90
2Y SGS	0.88	1.70
10Y SGS	1.80	3.89
3M LIBOR	0.16	0.29
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
3M SORA	0.15	0.07
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.43	0.5%
WTI	80.76	-0.1%
Gold	1851	-0.7%
Silver	24.83	-0.9%
Palladium	2162	0.4%
Copper	9673	0.0%
BCOM	103.34	0.2%

Source: Bloomberg

Daily Treasury Outlook

17 November 2021

Major Markets

HK: Hong Kong's unemployment rate fell for the ninth consecutive months from the peak of 7.2% in the three-month period to February to 4.3% for the three months to October. During the same period, underemployment rate also decreased 0.2 percentage point to 1.9%. On a more positive note, decrease in unemployment rate was seen in almost all sectors with manufacturing sector (down 0.4 percentage point to 1.4%), construction sector (down 0.3 percentage point to 5.2%) as well as Retail, accommodation and food services sectors (down 0.6 percentage points to 1.8%) leading the decline, owing to the well-contained local epidemic and the supported from the e-consumption voucher scheme. Looking ahead, we expect the jobless rate to stay above 4% for the rest of 2021, considering frozen tourism may continue put a constraint for recovery in both economy and labour market.

Macau: Government delivered the 2022 Policy address on Nov 16. Key takeaways include:

- 1) Government income plunged by 13.6% yoy to MOP64.8 billion for the first eight month of this year
- 2) Economic recovery remains uncertain as visitor arrivals remain far below the pre-pandemic level of 40 million from January to August.
- 3) The government will earmark MOP18.3billion for the 2022 budget under the government's investment and development expenditure plan while maintained several of social supportive measures such as annual cash handout, which remain at MOP 10,000 for permanent residents and MOP6000 for non-permanent residents, and health vouchers at MOP 600 for permanent residents.
- 4) There will be revisions to gaming laws, but the system currently in place would allow licenses to be extended if expire in June.

Malaysia: Malaysia's EPF said that about 6.1mn of its members have less than MYR10,000 in their accounts, and out of that, about 3.6mn have less than MYR1,000. The Finance Ministry said that the dwindling EPF savings is even more worrying among the bumiputra. Going by their numbers, among bumiputra contributors, 78% are estimated to have withdrawn their money from EPF savings, with about 4.4mn or 54% members having less than MYR10,000 in their accounts.

Indonesia: The Indonesian Trade Union Confederation is reportedly planning strikes involving as many as 2mn workers in more than 100,000 companies starting today, to demand the government to revoke the minimum wage regulation. A Bloomberg report quoted the president of the union as saying that the strikes are aimed at disrupting production. A nationwide strike has also been planned for Dec 6-8, involving 65 labour unions in 30 provinces, reportedly.

Daily Treasury Outlook

17 November 2021

Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with shorter tenors trading 2-5bps higher, belly tenors trading 6-7bps higher, and longer tenors trading 7-10bps higher. UST 10Y Yields traded 2bps higher to 1.63% yesterday amidst a higher-than-expected retail sales reading released by the US Census Bureau. October's retail sales figures came in at 1.7% m/m, higher than the 1.4% consensus forecasted by economists and is the highest reading in seven months.

New Issues: DBS Group Holdings Ltd priced a USD700mn 3-year senior unsecured bond at T+30bps, tightening from an IPT of T+50bps area and a USD300mn 3-year senior unsecured floating-rate bond at SOFR+30bps. China Great Wall International Holdings V Ltd (Guarantor: China Great Wall AMC International Holdings Co Ltd) priced a USD300mn 5-year senior unsecured bond at T+175bps, tightening from an IPT of T+215bps area. Shangyu Urban Construction Hong Kong Co Ltd (Guarantor: Shaoxing Shangyu Urban Construction Group Co Ltd) priced a USD240mn 5-year senior unsecured sustainability bond at 3.3%, tightening from an IPT of 3.7% area. Yancoal International Resources Development Co. Limited (Guarantor: Yanzhou Coal Mining Co Ltd) priced a USD300mn 3-year senior unsecured bond at 2.9%, tightening from an IPT of 3.25% area. Temasek Financial IV Pte Ltd (Guarantor: Temasek Holdings Pte Ltd) priced an institutional tranche of SGD250mn 5-year senior unsecured bond at 1.8%, tightening from an IPT of 1.86% area, and the company is looking to raise another SGD100mn from a retail tranche. Olam International Limited priced a SGD125mn re-tap of its 5.375%-PERP. Housing & Development Board priced a SGD1.0bn 5-year senior unsecured bond at 1.645%. Export-Import Bank of Malaysia Bhd has arranged investor calls commencing 17 November for its proposed USD bond offering.

Daily Treasury Outlook

17 November 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.915	0.53%	USD-SGD	1.3569	0.27%
USD-JPY	114.820	0.61%	EUR-SGD	1.5359	-0.16%
EUR-USD	1.132	-0.42%	JPY-SGD	1.1817	-0.33%
AUD-USD	0.730	-0.60%	GBP-SGD	1.8221	0.37%
GBP-USD	1.343	0.10%	AUD-SGD	0.9910	-0.32%
USD-MYR	4.167	0.13%	NZD-SGD	0.9488	-0.52%
USD-CNY	6.393	0.15%	CHF-SGD	1.4585	-0.29%
USD-IDR	14222	0.06%	SGD-MYR	3.0782	-0.08%
USD-VND	22646	-0.01%	SGD-CNY	4.7154	-0.13%

Equity and Commodity

Index	Value	Net change
DJIA	36,142.22	54.77
S&P	4,700.90	18.10
Nasdaq	15,973.86	120.01
Nikkei 225	29,808.12	31.32
STI	3,238.80	-1.78
KLCI	1,522.89	0.55
JCI	6,651.21	35.18
Baltic Dry	3,630.00	-178.00
VIX	16.37	-0.12

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	0.88 (+0.02)	0.48(--)
5Y	1.44 (+0.03)	1.27 (+0.01)
10Y	1.8 (+0.04)	1.56 (+0.02)
15Y	2.02 (+0.05)	--
20Y	2.1 (+0.04)	--
30Y	2.06 (+0.04)	1.96 (+0.03)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.057	0.076	0.076
01/26/2022	-0.010	0.087	0.087
03/16/2022	0.163	0.131	0.131
05/04/2022	0.389	0.187	0.187
06/15/2022	0.773	0.283	0.283
07/27/2022	1.06	0.355	0.355

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	1.05	(--)
TED	35.36	--

Secured Overnight Fin. Rate

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

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	80.76	-0.15%	Corn (per bushel)	5.710	-1.0%
Brent (per barrel)	82.43	0.46%	Soybean (per bushel)	12.513	-0.5%
Heating Oil (per gallon)	243.09	1.37%	Wheat (per bushel)	8.103	-1.9%
Gasoline (per gallon)	234.97	0.90%	Crude Palm Oil (MYR/MT)	52.450	-2.7%
Natural Gas (per MMBtu)	5.18	3.19%	Rubber (JPY/KG)	2.111	-1.0%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9673.00	-0.39%	Gold (per oz)	1850.6	-0.7%
Nickel (per mt)	19594.00	-1.93%	Silver (per oz)	24.8	-0.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/17/2021 05:00	US Net Long-term TIC Flows	Sep	--	\$26.3b	\$79.3b
11/17/2021 07:30	AU Westpac Leading Index MoM	Oct	--	0.16%	-0.02%
11/17/2021 07:50	JN Core Machine Orders MoM	Sep	1.50%	0.00%	-2.40%
11/17/2021 07:50	JN Trade Balance	Oct	-¥320.0b	-¥67.4b	-¥622.8b
11/17/2021 07:50	JN Core Machine Orders YoY	Sep	17.60%	12.50%	17.00%
11/17/2021 08:30	SI Non-oil Domestic Exports YoY	Oct	15.10%	--	12.30%
11/17/2021 15:00	UK CPI YoY	Oct	3.90%	--	3.10%
11/17/2021 15:00	UK CPI Core YoY	Oct	3.10%	--	2.90%
11/17/2021 15:00	UK RPI MoM	Oct	0.80%	--	0.40%
11/17/2021 15:00	UK RPI YoY	Oct	5.70%	--	4.90%
11/17/2021 18:00	EC CPI YoY	Oct F	4.00%	--	3.40%
11/17/2021 18:00	EC CPI MoM	Oct F	0.80%	--	0.80%
11/17/2021 20:00	US MBA Mortgage Applications	Nov-12	--	--	5.50%
11/17/2021 21:30	CA CPI YoY	Oct	4.70%	--	4.40%
11/17/2021 21:30	US Housing Starts	Oct	1579k	--	1555k
11/17/2021 21:30	CA CPI NSA MoM	Oct	0.70%	--	0.20%

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**Herbert Wong***Hong Kong & Macau*herberthtwong@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

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