

## Daily Treasury Outlook

18 January 2021

### Highlights

**Global:** US equity markets retreated last Friday on recent economic data weakness (namely retail sales which rose just 0.6% yoy in 2020), slow vaccine progress concerns and bank earnings misses from Citigroup and Wells Fargo. The S&P 500 slipped 0.72% on Friday, dragged down by cyclicals and ExxonMobil was weighed down by news of a regulatory probe, while VIX rose to 24.34. Meanwhile, UST bonds rose in a choppy trading session with the 10-year yield pushing lower to 1.09%. There is also a \$24bn 20-year bond auction this week. The USD rose while oil prices slipped amid the slight de-risking. Meanwhile, the Trump administration had told some Huawei suppliers that their license to sell to the company has been revoked, which could continue to antagonise US-China relations in Trump's final days in the office.

**Market watch:** Asian markets may open on soft note this morning, awaiting China's 4Q20 GDP growth estimates, given that the US markets are closed for Martin Luther King Jr. holiday today. Today's economic data calendar also comprises China's industrial production, retail sales, fixed asset investments. BOE's Bailey is also speaking. For the week ahead, watch for Janet Yellen's confirmation hearing for Treasury Secretary tomorrow, followed by Biden's inauguration as the 46<sup>th</sup> US President on Wednesday (with his speech highlighting his priorities and whether he can get his \$1.9tn stimulus plan passed in quick order, whether through budget reconciliation or otherwise), major central bank meetings including ECB, BOJ, BOC, BNM and BI, China's LPR fixings on Wednesday, and more US earnings (eg. BofA, Goldman Sachs, Morgan Stanley, Netflix, Intel and IBM).

**US:** Retail sales fell 0.7% mom in December, the most since April, suggesting softening consumer demand and flagging the need for additional fiscal stimulus. While factory output rose 0.9% mom in December, the University of Michigan consumer sentiment index also cooled more than expected, declining from 80.7 to 79.2 in January. Producer prices also rose less than expected by 0.3% mom in December. Meanwhile, Fed's Rosengren opined that Biden's \$1.9tn fiscal stimulus is "a big package but I think it's appropriate".

**EU:** Euro-area finance ministers are meeting to discuss the implementation of its recovery fund.

**UK:** The UK is planning to close all travel corridors with the world and require a negative Covid test within 72 hours prior to entry.

**SG:** Singapore's NODX in December surprised to the upside at 6.8% yoy, beating the median consensus of -0.7% yoy and even the most bullish estimate of 1.5% yoy on Bloomberg. This outperformance comes after two disappointing months of NODX contractions in Oct and Nov. With this result, full-year 2020 NODX growth is seen at 4.3% yoy and we expect 2021's growth to moderate to 1-2% yoy.

### Key Market Movements

Equity	Value	% chg
S&P 500	3768.3	-0.7%
DJIA	30814	-0.6%
Nikkei 225	28519	-0.6%
SH Comp	3566.4	0.0%
STI	3004.9	0.2%
Hang Seng	28574	0.3%
KLCI	1627.0	-0.5%
	Value	% chg
DXY	90.772	0.6%
USDJPY	103.85	0.0%
EURUSD	1.2082	-0.6%
GBPUSD	1.3590	-0.7%
USDIDR	14020	-0.3%
USDSGD	1.3297	0.3%
SGDMYR	3.0402	-0.2%
	Value	chg (bp)
3M UST	0.08	0.26
10Y UST	1.08	-4.57
1Y SGS	0.33	0.00
10Y SGS	0.96	-0.45
3M LIBOR	0.23	-1.56
3M SIBOR	0.41	0.00
3M SOR	0.20	0.54
	Value	% chg
Brent	55.1	-2.3%
WTI	52.36	-2.3%
Gold	1828	-1.0%
Silver	24.77	-2.9%
Palladium	2390	-0.9%
Copper	7949	-1.2%
BCOM	80.46	-0.9%

Source: Bloomberg

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### Major Markets

**US:** US equities closed lower last Friday on share losses in the energy and financial sectors. The S&P 500 and the Nasdaq 100 Composite index both declined 0.7%. We think the overnight market sell off is likely to be a technical dip and that the risk rally remains intact. We remain bullish on the US equity market in the near term.

**CN:** For the first time in six months, PBoC did not fully roll over the maturing MLF and TMLF. The CNY500 billion MLF injection last week was short of the aggregate of maturing CNY300 billion MLF and CNY240.5 billion targeted MLF. The net withdrawal of long-term liquidity was mainly attributable to the recent decline of NCD issuance yield, which has been below the MLF rate since the beginning of 2021. This shows PBoC will continue to play its balancing game although its deputy Governor reiterated that there is no urgency for U-turn of monetary policy in the latest press conference. PBoC believes its current interest rate and reserve requirement ratio are appropriate. The borrowing cost for enterprise has fallen by 51bps in 2019 to 4.61%, lowest in record. The magnitude of decline is also bigger than that of LPR. This suggests that there is no urgency for PBoC to change its monetary policy.

**SG:** The STI declined 0.23% to close at 3004.87 on Friday and may consolidate further today amid weak Friday cues from Wall Street. The SGS bond market may see some reprieve today amid the slight risk-off tone emerging in the UST market.

**HK:** The total bankruptcy petitions presented increased 6.6% yoy to a four-year high of 8693 in 2020. The total compulsory winding-up petitions presented also rose 7.2% yoy to a four-year high of 449 last year. Still, the number may have been underestimated as the public administration sectors sometimes only offered limited services amid work from home arrangement. As the Employment Support Scheme ended in November and the government has imposed stringent social distancing measures to contain virus since late November, the business conditions may remain sluggish in the near term while the jobless rate may edge higher in the coming months. In other words, the number of bankruptcies may go up further in 1H 2021.

**Malaysia:** Market will be looking out for central bank action in Malaysia, if there's any, this week. Bank Negara is slated to announce its MPC decision on Wednesday. We see a good chance that the central bank will cut its OPR by 25bps this week, due to renewed downside risks to the economy, coming not just from global lockdowns but also domestic MCO and state of emergency.

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**Indonesia:** Indonesia reported better-than-expected trade figures for Dec 2020 on Friday. Exports came in at 14.63%yoy growth compared to 6.2% that market expected and better than 9.4% of the previous month, with continued strength in shipment to China. Imports shrank by a lot less than expected, with growth rate of -0.47% yoy compared to -12.96% expected with some uptick in the demand for intermediate goods and consumer goods.

**Oil:** Oil slid on Friday, with Brent falling 2.3% to \$55.10/bb. This is likely a technical dip, in our opinion, and we expect oil to continue its rally through 2021.

**Gold:** Gold fell 1% on Friday, closing last Friday at \$1828.45/oz, as the rising dollar added further selling pressure on the precious metal. The rising dollar may add further bearishness to gold in the short-term.

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### Bond Market Updates

**Market Commentary:** The SGD swap traded mostly flat last Friday (with the exception of the one-day and one-year trading 7bps and 1bps higher respectively). The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 149bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 669bps. The HY-IG Index Spread tightened 12bps to 519bps. Flows in SGD corporates were heavy, with flows in OLAMSP 5.375%-PERPs, SIASP 3.13%'27s, SRENVX 3.125%'35s, CS 5.625%-PERPs, F 4.125%'24s and SOCGEN 6.125%-PERPs. 10Y UST fell 5bps to 1.08% after the Commerce Department reported a greater-than-expected 0.7% fall in retail sales in December and details about Biden's American Rescue Plan were unveiled.

**New Issues:** Jiayuan International Group Ltd priced a USD300mn 2.5-year bond at 13.5%, tightening from IPT of 13.85% area. Hanhui International Ltd (Guarantor: Shandong Guohui Investment Co Ltd) priced a USD240mn 5-year bond at 3.15%, tightening from IPT of 3.5% area. Rudong County Jinxin Traffic Engineering Construction Investment Co. Ltd. priced a USD150mn 3-year bond at 2.8%, tightening from IPT of 3.1% area. China Aoyuan Group Ltd priced a USD188mn 1-year bond at 4.2%. Longchuang Group Ltd. (Guarantor: Hong Kong Liuteng International Ltd.) priced a USD97mn 364-day bond at 2.75%. PT Indonesia Infrastructure Finance has arranged investor calls commencing 18 January for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.772	0.59%	USD-SGD	1.3297	0.32%
USD-JPY	103.850	0.05%	EUR-SGD	1.6070	-0.24%
EUR-USD	1.208	-0.60%	JPY-SGD	1.2808	0.38%
AUD-USD	0.770	-0.96%	GBP-SGD	1.8074	-0.36%
GBP-USD	1.359	-0.72%	AUD-SGD	1.0241	-0.59%
USD-MYR	4.037	0.01%	NZD-SGD	0.9486	-0.84%
USD-CNY	6.481	0.10%	CHF-SGD	1.4930	0.11%
USD-IDR	14020	-0.28%	SGD-MYR	3.0402	-0.21%
USD-VND	23067	0.05%	SGD-CNY	4.8705	-0.14%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5570	-0.56%	O/N	0.0866	0.09%
2M	-0.3360	-0.34%	1M	0.1295	0.13%
3M	-0.5520	-0.55%	2M	0.1659	0.17%
6M	-0.5320	-0.53%	3M	0.2234	0.23%
9M	-0.1940	-0.20%	6M	0.2481	0.25%
12M	-0.5080	-0.51%	12M	0.3226	0.33%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.029	-2.9	0.082	0.082
03/17/2021	-0.071	-4.2	0.072	0.072
04/28/2021	-0.069	0.2	0.072	0.072
06/16/2021	-0.068	0.1	0.073	0.073
07/28/2021	-0.089	-2.1	0.067	0.067
09/22/2021	-0.079	1	0.07	0.07

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.36	-2.26%	Corn (per bushel)	5.315	-0.5%
Brent (per barrel)	55.10	-2.34%	Soybean (per bushel)	14.168	-1.4%
Heating Oil (per gallon)	159.29	-1.64%	Wheat (per bushel)	6.755	0.8%
Gasoline (per gallon)	152.84	-1.64%	Crude Palm Oil (MYR/MT)	38.150	2.2%
Natural Gas (per MMBtu)	2.74	2.66%	Rubber (JPY/KG)	3.135	4.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	7949.00	-1.24%	Gold (per oz)	1828.5	-1.0%
Nickel (per mt)	18007.00	-1.50%	Silver (per oz)	24.8	-2.9%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/18/2021 08:00	UK Rightmove House Prices MoM	Jan	--	-0.6%	--
01/18/2021 08:00	UK Rightmove House Prices YoY	Jan	--	6.6%	--
01/18/2021 08:30	SI Non-oil Domestic Exports YoY	Dec	-0.7%	-4.9%	--
01/18/2021 08:30	SI Non-oil Domestic Exports SA MoM	Dec	3.5%	3.8%	--
01/18/2021 10:00	CH GDP YoY	4Q	6.20%	4.90%	--
01/18/2021 10:00	CH Industrial Production YoY	Dec	6.9%	7.0%	--
01/18/2021 10:00	CH Retail Sales YoY	Dec	5.50%	5.00%	--
01/18/2021 10:00	CH Industrial Production YTD YoY	Dec	2.7%	2.3%	--
01/18/2021 10:00	CH GDP YTD YoY	4Q	2.1%	0.7%	--
01/18/2021 10:00	CH Fixed Assets Ex Rural YTD YoY	Dec	3.2%	2.6%	--
01/18/2021 10:00	CH Retail Sales YTD YoY	Dec	-3.9%	-4.8%	--
01/18/2021 12:30	JN Industrial Production YoY	Nov F	--	-3.4%	--
01/18/2021 12:30	JN Capacity Utilization MoM	Nov	--	6.0%	--
01/18/2021 12:30	JN Industrial Production MoM	Nov F	--	0.0%	--
01/18/2021 21:15	CA Housing Starts	Dec	230.0k	246.0k	--

Source: Bloomberg

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