

Daily Treasury Outlook

18 June 2021

Highlights

Global: Second thoughts about the hawkish Fed? UST bonds saw its biggest 2-day bull-flattening move since November as traders unwound the 5-30 year steepener trades which narrowed to 116.8bps and the 10-year yield also ended back at 1.50%. Meanwhile, the S&P 500 slipped 0.04% although Nasdaq fared better as investors rotated into tech stocks, while VIX also retreated to 17.75. The 3-month LIBOR edged up to 0.13450% and the USD continued to rise. Meanwhile, the US Securities Industry and Financial Markets Association said it would not recommend a fixed-income market close for the new federal holiday Juneteenth this year. Over in Asia, both CBC and BI kept their policy rates unchanged as expected yesterday.

Market watch: Asian markets may open firmer this morning to latch onto the tech rally while awaiting the BOJ policy decision (likely to be static as well). Today's light economic data calendar comprises only of UK retail sales and Thai foreign reserves.

US: Initial jobless claims rose from 375k to 412k, while the leading index was unchanged at 1.3% in May. The Philadelphia Fed business outlook also slipped slightly from 31.5 in May to 30.7 in June.

UK: The UK saw the highest Covid cases (>11k) yesterday despite 8 in 10 adults having been vaccinated and is considering opening up international travel for vaccinated passengers.

SG: Total employment excluding migrant domestic workers rose 12.2k in 1Q21 after four quarters of decline, surpassing the preliminary estimate of 4.8k, while retrenchments fell for the second consecutive quarter to pre-pandemic levels. The overall, resident and citizen unemployment rates fell to 2.9%, 4.0% and 4.2% respectively in March. Meanwhile, the number of workers on shorter work week or temporary layoff also declined from 8.71k in 4Q20 to 4.02k in 1Q21, and the ratio of jobs vacancies to unemployed individuals rose from 0.75 to 0.96 as well. S'pore slipped to 5th position on the 2021 global competitiveness ranking, likely reflecting the toll exacted by Covid on business efficiency, fiscal position, a fits and starts recovery and long-term population constraints.

Oil: Oil prices fell 1.8% yesterday to \$73.08 as bulls appear to take some profit off the table. The move is seen as technical and does not change our view that oil is still headed for a continued bullish run in the near term.

Gold: Gold continued falling post FOMC, breaking through the \$1800 level decisively and ending at \$1773.50 yesterday. Gold has fallen 6.6% in the past five sessions and is now trading near the mid-point of our fair value range of \$1750-\$1850.

Key Market Movements

Equity	Value	% chg
S&P 500	4221.9	0.0%
DJIA	33823	-0.6%
Nikkei 225	29018	-0.9%
SH Comp	3525.6	0.2%
STI	3138.3	0.0%
Hang Seng	28559	0.4%
KLCI	1570.9	-0.5%
	Value	% chg
DXY	91.889	0.8%
USDJPY	110.21	-0.5%
EURUSD	1.1907	-0.7%
GBPUSD	1.3922	-0.5%
USDIDR	14355	0.8%
USDSGD	1.3422	0.4%
SGDMYR	3.0925	-0.4%
	Value	chg (bp)
2Y UST	0.21	0.41
10Y UST	1.50	-7.14
2Y SGS	0.38	1.60
10Y SGS	1.49	4.77
3M LIBOR	0.12	-0.03
3M SIBOR	0.43	0.00
3M SOR	0.22	0.00
3M SORA	0.15	-0.14
3M SOFR	0.01	0.00
	Value	% chg
Brent	73.08	-1.8%
WTI	71.04	-1.5%
Gold	1774	-2.1%
Silver	25.90	-4.0%
Palladium	2498	-10.8%
Copper	9316	-3.6%
BCOM	90.10	-3.5%

Source: Bloomberg

Daily Treasury Outlook

18 June 2021

Major Markets

US: US equities closed mixed in yesterday's trading session as investors digest the Fed's hawkish stance on inflation and interest rates. The S&P 500 closed 0.04% lower and the tech heavy Nasdaq surged 0.87%. 10Y UST bond yields closed at 1.51%. Looking ahead, investors may keep an eye on commentary from Fed officials for further market cues.

CN: China's Ministry of Commerce said China's direct investment into Belt and Road countries rose by 13.8% yoy to US\$7.43 billion in the first five months of 2021 outpacing headline growth of 2.6%. In addition, China's economic planning agency NDRC said it will further narrow the negative list for foreign direct investment to further open China's service sector.

SG: The STI fell by 0.04% to close at 3138.31 yesterday but may tread water today while further digesting the FOMC hawkish tilt. With the overnight reprieve seen in the UST bond market, SGS bonds are also likely to see some support emerging today.

HK: Unemployment rate dropped further from 6.4% during February-April to 6.0% during three months to May, reaching a one-year low and beating the market expectations. During the same period, underemployment rate fell notably by 5 percentage point to 2.8%, owing to the gradual economic recovery and the well-contained local epidemic. On a positive note, Hong Kong's vaccination rate has been picking up. Meanwhile, the government will launch the e-consumption vouchers in the near term. More notably, the government reportedly will shorten the hotel quarantine requirement to 7 days for travellers who have been fully vaccinated and passed an antibody test. All these combined may support further economic recovery and in turn boost hiring sentiments. However, some sectors that rely heavily on tourists may not see any strong recovery until the border reopens. As such, though we expect overall jobless rate to fall towards 5% or even below this level in 2H, it may remain far away from the pre-pandemic level of sub-3%.

Malaysia: Malaysia's Prime Minister's Office said that the King's statement on June 16 regarding his wish for the parliament to reconvene as soon as possible has been duly noted and will be followed up by the government. The PMO's statement did not offer any specific timeline or action points that will be in the pipeline, however.

Indonesia: Bank Indonesia announced its decision to keep its policy rate unchanged at 3.5% yesterday, in line with market expectations. Coming right after the Fed's hawkish tilt the day before, the decision also reflects BI's inclination for foreign exchange stability. IDR was impacted by the Fed's move yesterday, weakening by around 0.8% against the USD. Going forward, if global conditions remain unfavourable, it will be hard to imagine BI easing despite a potential weakening in the economy due to Covid resurgence. Indonesia reported more than 12,600 cases yesterday, the highest since February.

Daily Treasury Outlook

18 June 2021

Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday, with shorter tenors trading at 2-8bps higher. Belly tenors traded 7-9bps higher while longer tenors traded 5-7bps higher. There were heavy flows in SGD corporates yesterday, including UOBSP 2.55%-PERPs, KITSP 4.3%-PERPs, STSP 3.3%-PERPs, MINTSP 3.15%-PERPs, SPOST 2.53%'30s, SUNSP 3.8%-PERPs and SUNSP 4.25%-PERPs. Despite a hawkish Fed update, the UST 10Y Yields slipped 7bps to 1.51% amidst a big sell-off in commodities. Meanwhile, initial jobless claims came in at 412,000, higher than the 360,000 expected, possibly aiding the flight back into safe-haven assets that sent yields lower.

New Issues: Mega Wisdom Global Ltd (Guarantors: Fortune Joy Ventures Ltd and Sino-Ocean Capital Holding Ltd) priced a USD500mn 2-year senior unsecured bond at 6.25%, tightening from IPT of 6.5% area. Deqing Construction Development Group Co Ltd priced a USD150mn 3-year senior unsecured bond at 3.6%, tightening from IPT of 4.1% area.

Daily Treasury Outlook

18 June 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.889	0.83%	USD-SGD	1.3422	0.42%
USD-JPY	110.210	-0.45%	EUR-SGD	1.5982	-0.31%
EUR-USD	1.191	-0.73%	JPY-SGD	1.2181	0.89%
AUD-USD	0.755	-0.76%	GBP-SGD	1.8686	-0.04%
GBP-USD	1.392	-0.47%	AUD-SGD	1.0135	-0.35%
USD-MYR	4.140	0.55%	NZD-SGD	0.9408	-0.17%
USD-CNY	6.448	0.79%	CHF-SGD	1.4623	-0.58%
USD-IDR	14355	0.82%	SGD-MYR	3.0925	-0.38%
USD-VND	22964	0.00%	SGD-CNY	4.8051	-0.38%

Equity and Commodity

Index	Value	Net change
DJIA	33,823.45	-210.22
S&P	4,221.86	-1.84
Nasdaq	14,161.35	121.67
Nikkei 225	29,018.33	-272.68
STI	3,138.31	-1.26
KLCI	1,570.86	-7.46
JCI	6,068.45	-10.12
Baltic Dry	3,025.00	81.00
VIX	17.75	-0.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5470	-0.55%	0/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	0.38 (+0.02)	0.21(-)
5Y	0.85 (+0.03)	0.88 (-0.01)
10Y	1.49 (+0.05)	1.58 (-0.07)
15Y	1.84 (+0.06)	--
20Y	1.85 (+0.04)	--
30Y	1.83 (-0.01)	2.21 (-0.11)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
07/28/2021	-0.011	0.095	0.095
09/22/2021	-0.011	0.095	0.095
11/03/2021	0	0.098	0.098
12/15/2021	-0.002	0.097	0.097
01/26/2022	-0.001	0.098	0.098
03/16/2022	0.04	0.108	0.108

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.04	-1.54%	Corn (per bushel)	6.330	-5.9%
Brent (per barrel)	73.08	-1.76%	Soybean (per bushel)	13.298	-8.2%
Heating Oil (per gallon)	206.68	-1.74%	Wheat (per bushel)	6.390	-3.6%
Gasoline (per gallon)	213.42	-1.02%	Crude Palm Oil (MYR/MT)	35.490	-0.5%
Natural Gas (per MMBtu)	3.25	0.06%	Rubber (JPY/KG)	2.437	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9315.50	-3.64%	Gold (per oz)	1773.5	-2.1%
Nickel (per mt)	17174.00	-2.69%	Silver (per oz)	25.9	-4.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/18/2021 02:00	UK	Retail Sales Inc Auto Fuel MoM	May	1.50%	--	9.20%	--
06/18/2021 02:00	UK	Retail Sales Ex Auto Fuel MoM	May	1.40%	--	9.00%	--
06/18/2021 02:00	UK	Retail Sales Inc Auto Fuel YoY	May	29.30%	--	42.40%	--
06/18/2021 02:00	UK	Retail Sales Ex Auto Fuel YoY	May	27.10%	--	37.70%	--
06/18/2021 02:00	GE	PPI MoM	May	0.70%	--	0.80%	--
06/18/2021 02:00	GE	PPI YoY	May	6.40%	--	5.20%	--
06/18/2021 02:45	FR	Wages QoQ	1Q F	--	--	0.50%	--
06/18/2021 03:30	TH	Foreign Reserves	Jun-11	--	--	\$251.6b	--
06/18/2021 03:30	TH	Forward Contracts	Jun-11	--	--	\$31.8b	--
06/18/2021 04:00	EC	ECB Current Account SA	Apr	--	--	17.8b	--
06/18/2021 04:30	GR	Current Account Balance	Apr	--	--	-1462m	--
06/18/2021 04:30	UK	BoE/TNS Inflation Next 12 Mths	May	--	--	2.70%	--
06/18/2021 20:00	JN	BOJ Policy Balance Rate	Jun-18	-0.10%	--	-0.10%	--
06/18/2021 21:00	PH	BoP Overall	May	--	--	\$2614m	--
06/18/2021 21:00	CH	FX Net Settlement - Clients CNY	May	--	--	-7.5b	--
06/18/2021 22:00	TH	Car Sales	May	--	--	58132	--

Source: Bloomberg

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