

## Daily Treasury Outlook

18 October 2021

### Highlights

**Global:** Global risk sentiments were supported into last Friday amid strong US earnings results from Goldman Sachs, Charles Schwab and Alcoa Corp, as well as strong US retail sales data (+0.7% mom) which reassured markets that consumption remained healthy ahead of the Christmas season notwithstanding the Delta variant. However, more news report of port congestions that may exacerbate supply-chain shortages ahead. The S&P 500 rose 0.75% on Friday, notching its biggest weekly gain, while VIX eased to 16.30 on Friday. UST bonds fell as crude oil prices surged above US\$83 per barrel (highest since 2014), contributing to hawkish fears, and pushed the 10-year yield up 6bps to 1.57%. Meanwhile, PBOC governor Yi Gang opined that they can contain the Evergrande risk as its liabilities are spread across “hundreds” of entities with “not much concentration” and will resolve the situation based on “market-oriented and rule-of-law principles”. Elsewhere, New Zealand’s inflation jumped to a decade high of 4.9% in 2Q21, reinforcing hawkish RBNZ expectations for the November meeting. Adding to the recent inflation fears was BOE governor Bailey’s warning that they have to act to curb inflation.

**Market watch:** Asian markets are likely to start this week on a firm tone this morning, while awaiting China’s 3Q GDP growth (market consensus forecast: 5.0% yoy and 0.4% qoq sa, which is a slowdown from 2Q’s 7.9% yoy and 1.3% qoq sa) and other key data including retail sales, industrial production and jobless rate due later this morning. Today’s economic data calendar also comprises US’ NAHB housing market index and September industrial production. Fed’s Quarles and Kashkari and BOE’s Cunliffe are also speaking today. RBA minutes are also due. For this week, watch for China’s NPC Standing Committee meeting (with a review of anti-monopoly regulations) starting tomorrow and property prices and 1- and 5-year loan prime rates on Wednesday, Fed’s Beige Book on Thursday, and Fed chair Powell speaking at a panel discussion on Friday. US earnings results also continue with AT&T, Barclays, J&J, Netflix (after the roaring success of Squid Game), and Tesla.

**US:** The University of Michigan consumer sentiment slipped from 72.8 in September to 71.4 in October due to the Delta variant, supply-chain shortages and reduced labour force participation rates.

**CN:** PBoC is less concerned about the Evergrande debt crisis. PBoC official said the financial liabilities of Evergrade are less than one third of its total liabilities. On positive note, PBoC and China’s banking and insurance regulators have conducted sharing sessions with financial institutions at the end of September to correct some misinterpretations of recent credit policies to developers to avoid overreaction of financial institutions.

### Key Market Movements

Equity	Value	% chg
S&P 500	4471.4	0.7%
DJIA	35295	1.1%
Nikkei 225	29069	1.8%
SH Comp	3572.4	0.4%
STI	3173.9	0.3%
Hang Seng	25331	1.5%
KLCI	1598.3	0.4%
	Value	% chg
DXY	93.937	0.0%
USDJPY	114.22	0.5%
EURUSD	1.1601	0.0%
GBPUSD	1.3751	0.6%
USDIDR	14075	-0.3%
USDSGD	1.3483	0.0%
SGDMYR	3.0842	0.1%
	Value	chg (bp)
2Y UST	0.39	3.47
10Y UST	1.57	5.96
2Y SGS	0.63	2.90
10Y SGS	1.67	0.79
3M LIBOR	0.12	-0.15
3M SIBOR	0.43	0.00
3M SOR	0.22	2.03
3M SORA	0.14	0.15
3M SOFR	0.05	0.00
	Value	% chg
Brent	84.86	1.0%
WTI	82.28	1.2%
Gold	1768	-1.6%
Silver	23.31	-0.9%
Palladium	2078	-2.6%
Copper	10281	3.0%
BCOM	104.73	0.3%

Source: Bloomberg

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**EU:** ECB's Lagarde opined that "inflation is largely transitory" but will pay "very close attention" to wage negotiations and other potential second-round effects that could drive prices higher more permanently. She reiterated that monetary policy will continue to support the economy to stabilise inflation at the 2% target over the medium term and the ECB is committed to preserving favourable financing conditions.

**Oil:** Brent briefly crossed the \$85 handle on Friday, but ultimately closed at \$84.86 to clock a weekly gain of 3.0%. This is the eighth consecutive week that crude oil has registered weekly gains, signalling strong bullish momentum behind this rally. It remains to be seen if Brent can materially break higher from \$85.

**Gold:** Gold continues to consolidate in a broad range of \$1750-\$1800. Friday saw sharp profit-taking activity in the gold market, as prices dipped 1.6% to erase gains made across mid-week. We expect this consolidation pattern to continue as markets weigh between inflation concerns and an increasingly hawkish Federal Reserve.

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### Major Markets

**SG:** NODX rose 12.3% yoy (1.2% mom sa) in September, versus August's 2.7% yoy, marking its 10th straight month of expansion, aided by a 14.4% increase in electronics exports while non-electronics exports also reversed a 1.4% yoy decline to increase by 11.7% (mainly due to improved performances by pharmaceuticals and petrochemicals).

**Malaysia:** Malaysia's Health Minister Khairy Jamaluddin said that the government plans to dish out doses of discomfort to those without valid reasons to refuse a Covid-19 vaccination. He added that the painful points will go beyond just being unable to dine in at restaurants or enter shopping centres, according to the Straits Times. These measures may include making those who refuse to get vaccinated do regular tests that they have to pay for.

**Indonesia:** Indonesia's President Jokowi ordered a moratorium on license issuance for fintech lending, due to concerns about illegal businesses that have saddled people and firms with high-interest loans. As much as IDR260tn (~USD18.5bn) of loans have reportedly been extended to more than 68mn people thus far from the fintech lending sector. There are 107 fintech lending companies registered with the FSA so far, according to Bloomberg.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded higher on Friday, with shorter tenors trading 3-6bps lower, and belly and longer tenors trading 5-6bps higher. There were moderate flows in SGD Corporates on Friday, with flows in KITSP 4.3%-PERPs, STANLN 5.375%-PERPs, and SOCGEN 6.125%-PERPs. UST 10Y Yields rose 6bps to 1.57% on Friday after the release of a better-than-expected September retail sales report by the Census Bureau. While the Dow Jones estimate showed a consensus of -0.2% m/m, retail sales came in hot for the month of September at 0.7% m/m.

**New Issues:** Chengdu Hi-Tech Investment Group Co has arranged investor calls commencing 18 October for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.937	-0.02%	USD-SGD	1.3483	-0.04%
USD-JPY	114.220	0.48%	EUR-SGD	1.5642	0.01%
EUR-USD	1.160	0.03%	JPY-SGD	1.1800	-0.52%
AUD-USD	0.742	0.07%	GBP-SGD	1.8534	0.51%
GBP-USD	1.375	0.57%	AUD-SGD	1.0005	0.03%
USD-MYR	4.158	0.08%	NZD-SGD	0.9535	0.48%
USD-CNY	6.436	-0.06%	CHF-SGD	1.4608	0.05%
USD-IDR	14075	-0.30%	SGD-MYR	3.0842	0.09%
USD-VND	22749	-0.01%	SGD-CNY	4.7743	0.02%

## Equity and Commodity

Index	Value	Net change
DJIA	35,294.76	382.20
S&P	4,471.37	33.11
Nasdaq	14,897.34	73.91
Nikkei 225	29,068.63	517.70
STI	3,173.91	9.05
KLCI	1,598.28	5.76
JCI	6,633.34	7.22
Baltic Dry	5,526.00	-124.00
VIX	16.30	-0.56

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5610	-0.56%	O/N	0.0726	0.07%
2M	-0.3360	-0.34%	1M	0.0836	0.09%
3M	-0.5480	-0.55%	2M	0.1054	0.11%
6M	-0.5180	-0.53%	3M	0.1211	0.12%
9M	-0.1940	-0.20%	6M	0.1565	0.16%
12M	-0.4820	-0.48%	12M	0.2470	0.24%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.63 (+0.03)	0.35(--)
5Y	1.1 (+0.03)	1.13 (+0.08)
10Y	1.67 (+0.01)	1.63 (+0.06)
15Y	2.01 (+0.01)	--
20Y	2.09 (+0.01)	--
30Y	2.01 (--)	2.17 (+0.03)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	0.006	0.078	0.078
12/15/2021	0.001	0.076	0.076
01/26/2022	0.045	0.087	0.087
03/16/2022	0.126	0.108	0.108
05/04/2022	0.24	0.136	0.136
06/15/2022	0.489	0.198	0.198

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.50	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.05
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.28	1.19%	Corn (per bushel)	5.258	1.7%
Brent (per barrel)	84.86	1.02%	Soybean (per bushel)	12.178	1.0%
Heating Oil (per gallon)	257.37	0.48%	Wheat (per bushel)	7.340	1.3%
Gasoline (per gallon)	248.64	2.11%	Crude Palm Oil (MYR/MT)	51.600	0.0%
Natural Gas (per MMBtu)	5.41	-4.87%	Rubber (JPY/KG)	2.103	0.4%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10281.00	2.97%	Gold (per oz)	1767.6	-1.6%
Nickel (per mt)	20020.00	3.76%	Silver (per oz)	23.3	-0.9%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/18/2021 05:45	NZ	CPI QoQ	3Q	1.50%	2.20%	1.30%	--
10/18/2021 05:45	NZ	CPI YoY	3Q	4.20%	4.90%	3.30%	--
10/18/2021 07:01	UK	Rightmove House Prices MoM	Oct	--	1.80%	0.30%	--
10/18/2021 07:01	UK	Rightmove House Prices YoY	Oct	--	6.50%	5.80%	--
10/18/2021 08:30	SI	Non-oil Domestic Exports YoY	Sep	8.70%	--	0.03	--
10/18/2021 08:30	SI	Non-oil Domestic Exports SA MoM	Sep	1.70%	--	-3.60%	--
10/18/2021 10:00	CH	GDP YoY	3Q	5.00%	--	7.90%	--
10/18/2021 10:00	CH	Industrial Production YoY	Sep	3.80%	--	5.30%	--
10/18/2021 10:00	CH	Retail Sales YoY	Sep	3.50%	--	2.50%	--
10/18/2021 10:00	CH	Industrial Production YTD YoY	Sep	0.12	--	0.13	--
10/18/2021 10:00	CH	GDP YTD YoY	3Q	0.10	--	0.13	--
10/18/2021 10:00	CH	Fixed Assets Ex Rural YTD YoY	Sep	7.80%	--	8.90%	--
10/18/2021 10:00	CH	Retail Sales YTD YoY	Sep	16.30%	--	18.10%	--
10/18/2021 20:15	CA	Housing Starts	Sep	256.5k	--	260.2k	--
10/18/2021 21:15	US	Industrial Production MoM	Sep	0.20%	--	0.40%	--
10/18/2021 21:15	US	Capacity Utilization	Sep	76.50%	--	76.40%	--

Source: Bloomberg

## Treasury Research & Strategy

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