

Daily Treasury Outlook

19 January 2021

Highlights

Global: With the US equity markets out for holiday yesterday, market was notably excited by China's stronger-than-expected 6.5% yoy for 4Q20 and 2.3% yoy prints for 2020 GDP growth, but market attention will turn to Biden's presidential inauguration and his policy inclinations. European equity bourses eked out small gains overnight, but European corporate debt risk widened amid the spread of Covid infections in the region and the political uncertainties in Italy ahead of a crucial Senate vote today after Italian PM Conte secured the lower house confidence vote yesterday.

Market watch: Asian markets may tread water today, awaiting fresh market leads. Key market focus will be the confirmation hearing for Janet Yellen as US Treasury Secretary, as she prepares to "act big" amid the softening US economic momentum. Today's economic data calendar is relatively slow with only German ZEW survey and final December CPI data.

UK: Finance Minister Sunak is weighing plans to boost welfare payments including one-off bonuses of up to GBP1000.

SG: DPM Heng said the government is paying "close attention" to the local property market to "continue to enable young Singaporeans to own their homes". Meanwhile, Education minister Lawrence Wong warned that "additional" measures are being considered with the rising Covid cases. Singapore also plans to vaccinate 37k frontline aviation and maritime workers against Covid over the next two months. The Shangri-La Dialogue will also resume this year in Singapore.

Malaysia: PM Muhyiddin Yassin announced a new aid package worth MYR15bn (~1.1% of GDP) yesterday, to help cushion the economic impact from recent MCO re-imposition. It includes cash support to the poor, tax breaks and wage subsidies. There was little detail in terms of how the outlay will be financed, even though the PM did mention that it would come from budget reallocation, suggesting that any net addition in spending - and hence potential uptick in deficit - might be limited.

Oil: Brent fell again on Monday, dipping 0.6% to close below \$55/bbl for the first time in seven sessions. A resurgence of the coronavirus in Asia has prompted traders to take some risk off oil's blistering start to the year. This current dip in prices is likely a technical dip, in our view, and we expect Brent to continue its rally through the year.

Gold: Gold continues to trade around its 200-day moving average levels. The precious metal fell to a low of \$1805/oz yesterday, but eventually rallied to close at \$1841.

Key Market Movements

Equity	Value	% chg
S&P 500	3768.3	0.0%
DJIA	30814	0.0%
Nikkei 225	28242	-1.0%
SH Comp	3596.2	0.8%
STI	2990.4	-0.5%
Hang Seng	28863	1.0%
KLCI	1609.5	-1.1%
	Value	% chg
DXY	90.765	0.0%
USDJPY	103.69	-0.2%
EURUSD	1.2077	0.0%
GBPUSD	1.3587	0.0%
USIDR	14070	0.4%
USDSGD	1.3313	0.1%
SGDMYR	3.0375	-0.1%
	Value	chg (bp)
3M UST	0.08	0.00
10Y UST	1.08	0.00
1Y SGS	0.33	0.10
10Y SGS	0.95	-0.64
3M LIBOR	0.22	-0.23
3M SIBOR	0.41	0.00
3M SOR	0.20	0.00
	Value	% chg
Brent	54.75	-0.6%
WTI	52.36	0.0%
Gold	1841	0.7%
Silver	25.35	2.4%
Palladium	2372	-0.7%
Copper	7972	0.3%
BCOM	80.46	0.0%

Source: Bloomberg

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Major Markets

US: US market were closed for holiday yesterday. We expect US equities to maintain its bullish tilt in the near term ahead of Yellen's US treasury secretary nomination and Biden's presidential inauguration this week.

CN: China's GDP surprised on the upside with 4Q GDP growth accelerated to 6.5%. For the first time, China's economic size reached 100 trillion RMB. Industrial activity in December remained strong although retail sales growth disappointed. Although the recent lockdown in some cities ahead of Chinese New Year holiday may affect consumption outlook, the recent resurgence of virus may also yield unexpected boost to China's industry sector. As some migrant workers have decided not to travel back to their hometown for Chinese New Year due to concerns about the virus, this may give factories room to restart their post CNY operations earlier than usual to meet the strong external demand. As such, we think the strong industrial output is likely to continue in the new year, which will further underpin China's growth despite rising uncertainty about consumption.

SG: The STI extended declines by 0.48% to close at 2990.40 yesterday and may meander further today. The SGS bond market may remain on the defensive today after yields mostly traded 1-2bps firmer yesterday with the exception of the 10-year tenor. Market is awaiting the announcement of the issue size for the 30-year re-opening that will kickstart the 2021 bond issuance calendar.

HK: Southbound equity inflows refreshed record high of HK\$22.97 billion on 18 January, suggesting that the appeal of HK equity to Mainland Investors remains strong probably due to the attractive valuation. On the other hand, as the local pandemic situation worsens, the government is set to extend the social distancing measures which will expire on 20 January. Amid ongoing containment measures, the Financial Secretary Paul Chan noted that the unemployment rate for 4Q 2020 is posed to break the 16-year high seen lately. That said, regarding the 2021/22 Budget, Chan pointed out that he will try to strike the balance between supporting the imminent needs of the society during this difficult time and preparing for the future in advance. Also notable is that the government announced to earmark HK\$2.79 billion to rescue Ocean Park and extend the repayment date of the previous bailout of HK\$5.4 billion to 2059. Taken all together, it reinforces our view that any upcoming relief measures will be targeted rather than broad-based.

Macau: For the gaming sector, VIP revenue and mass-market revenue surged by 225.8% qoq and 503.7% qoq respectively in 4Q 2020, owing to the relaxation of travel restrictions on Mainlanders. The percentage share of VIP revenue in gross gaming revenue dropped to a record low of 34.9% in 4Q as China has tightened the grip on capital outflows associated with gaming activities. Since the policy risk remains a drag on the high-roller demand, the recovery of gaming sector looks set to remain slow.

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Indonesia: It appears to have been a challenging start to the year for Indonesia, with a multitude of natural disasters across the vast country. Even as the country is dealing with an earthquake in the Sulawesi city of Mamuju and surrounding areas, it has had to counter massive floods in parts of Kalimantan as well. While the broad economic damage is not significant in purely economic terms, the sense of being under siege by various challenges amid ongoing pandemic fight is acute.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly fell yesterday, with shorter tenors trading 1bps lower, belly tenors trading 1-2bps lower and longer tenors trading 2-3bps lower. There were very minimal glows in SGD corporates yesterday. As the US market was closed on Monday to observe Martin Luther King Jr. Day, 10Y UST remained unchanged at 1.08%.

New Issues: Sinic Holdings Group Co Ltd priced a USD250mn 364-day bond at 9.125%, tightening from IPT of 9.5% area. Ronshine China Holdings Ltd priced a USD300mn 4NC2 bond at 7.1%, tightening from IPT of 7.45% area. FEC Finance Ltd (Guarantor: Far East Consortium International Limited) priced a USD235mn 3-year bond at 5.1%, tightening from IPT of 5.375% area. Xinyuan Real Estate Co Ltd priced a USD170mn 3NP2 bond at 14%. Aspiat Treasury Pte. Ltd. priced a SGD75mn 3-year bond at 6.15%. SJM Holdings Limited has arranged investor calls commencing 18 January for its proposed USD bond offering. Mongolian Mortgage Corporation HFC LLC 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	90.765	-0.01%	USD-SGD	1.3313	0.12%
USD-JPY	103.690	-0.15%	EUR-SGD	1.6077	0.04%
EUR-USD	1.208	-0.04%	JPY-SGD	1.2838	0.23%
AUD-USD	0.768	-0.29%	GBP-SGD	1.8086	0.07%
GBP-USD	1.359	-0.02%	AUD-SGD	1.0225	-0.16%
USD-MYR	4.052	0.37%	NZD-SGD	0.9465	-0.22%
USD-CNY	6.493	0.18%	CHF-SGD	1.4943	0.09%
USD-IDR	14070	0.36%	SGD-MYR	3.0375	-0.09%
USD-VND	23070	0.01%	SGD-CNY	4.8767	0.13%

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	-0.06	2.9	0.075	0.075

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)	54.75	-0.64%	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)	36.390	-4.6%
Natural Gas (per MMBtu)	2.74	2.66%	Rubber (JPY/KG)	3.235	3.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7971.50	0.28%	Gold (per oz)	1841.3	0.7%
Nickel (per mt)	18056.00	0.27%	Silver (per oz)	25.4	2.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/19/2021 15:00	GE CPI YoY	Dec F -0.3%	--	-0.3%	--
01/19/2021 15:00	GE CPI MoM	Dec F 0.5%	--	0.5%	--
01/19/2021 15:00	GE CPI EU Harmonized YoY	Dec F -0.7%	--	-0.7%	--
01/19/2021 15:00	GE CPI EU Harmonized MoM	Dec F 0.6%	--	0.6%	--
01/19/2021 15:00	EC EU27 New Car Registrations	Dec --	--	-12.0%	--
01/19/2021 16:30	HK Unemployment Rate SA	Dec 6.4%	--	6.3%	--
01/19/2021 17:00	EC ECB Current Account SA	Nov --	--	26.6b	--
01/19/2021 17:30	SA Mining Production YoY	Nov -5.0%	--	-6.3%	--
01/19/2021 18:00	GE ZEW Survey Current Situation	Jan -68.3	--	-66.5	--
01/19/2021 18:00	GE ZEW Survey Expectations	Jan 59.4	--	55	--
01/19/2021 18:00	EC ZEW Survey Expectations	Jan --	--	54.4	--
01/19/2021 18:00	EC Construction Output MoM	Nov --	--	0.5%	--
01/19/2021 18:00	EC Construction Output YoY	Nov --	--	-1.4%	--
01/19/2021 21:30	CA Manufacturing Sales MoM	Nov -0.4%	--	0.3%	--
01/19/2021 21:30	CA Wholesale Trade Sales MoM	Nov 1.0%	--	1.0%	--

Source: Bloomberg

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