

Daily Treasury Outlook

19 October 2021

Highlights

Global: Global risk appetite was reined in by China's growth slowdown and market concerns over inflation and supply side shortages overnight. While the Dow slipped 0.10%, the S&P 500 rose 0.34%, partly lifted by Apple after the unveiling of new Mac laptops, and VIX was nearly flat at 16.31. Natural gas prices retreated amid warmer weather forecasts. UST bonds underperformed amid accelerated market expectations of a more hawkish Fed interest rate trajectory in late 2022, given that the taper is imminent, and the 10-year yield rose slightly to 1.59%. Meanwhile, foreign holdings of UST bonds rose for a fifth straight month by US\$12.8b in August to a record US\$7.56tn, with Japan leading (+US\$9.6b to a record US\$1.32tn) followed by China (-US\$21.3b to US\$1.0tn which is the lowest since 2010). There are US\$48b and US\$45b of 3- and 6-month bills for sale today.

Market watch: Asian markets may be off to a soft start this morning amid the renewed inflation, supply chain and Chinese slowdown concerns. Key to watch would be the BI policy decision due today with no change expected to the BI rate at 3.5%, while the light economic data calendar only comprises of US' September building permits and housing starts. ECB's Rehn, Centeno, Elderson, Panetta, and Lane, as well as BOE's Bailey, Mann and Pill, and Fed's Daly, Barkin, Bostic and Waller are all speaking.

US: Industrial production fell 1.3% mom in September, marking the sharpest dip since February, while the August data was also revised down to -0.1%, which reinforced growth slowdown concerns. The NAHB housing market index rose more than expected from 76 to a 3-month high of 80 in October, as demand remained strong but faced ongoing labour shortages and supply chain disruptions.

CN: The Chinese economy decelerated further to 4.9% yoy in the third quarter from 7.9% yoy in the second quarter. The large part of deceleration was due to the base effect as China is the first major economy recovering from the pandemic in the second half of 2020. On two-year average after adjusting for the pandemic effect, the Chinese economy grew by 4.9% yoy, down from 5.5% in the second quarter. This 0.6% deceleration was mainly attributable to looming event risks including regulatory tightening, Evergrande debt crisis and recent power shortage. We expect China's growth to slow down further to 2-3% in 4Q. For the whole year of 2021, China is expected to grow by about 8-8.5%.

UK: PM Johnson said he is "no Singphobe" and doesn't want to turn away Chinese investments.

Key Market Movements

Equity	Value	% chg
S&P 500	4486.5	0.3%
DJIA	35259	-0.1%
Nikkei 225	29025	-0.1%
SH Comp	3568.1	-0.1%
STI	3173.8	0.0%
Hang Seng	25410	0.3%
KLCI	1606.0	0.5%
	Value	% chg
DXY	93.953	0.0%
USDJPY	114.32	0.1%
EURUSD	1.1610	0.1%
GBPUSD	1.3726	-0.2%
USDIDR	14110	0.2%
USDSGD	1.3493	0.1%
SGDMYR	3.0876	0.1%
	Value	chg (bp)
2Y UST	0.43	3.05
10Y UST	1.60	2.99
2Y SGS	0.70	7.70
10Y SGS	1.73	5.97
3M LIBOR	0.12	0.14
3M SIBOR	0.43	0.00
3M SOR	0.22	0.00
3M SORA	0.14	0.78
3M SOFR	0.05	0.00
	Value	% chg
Brent	84.33	-0.6%
WTI	82.44	0.2%
Gold	1765	-0.2%
Silver	23.19	-0.5%
Palladium	2018	-2.9%
Copper	10196	-0.8%
BCOM	103.62	-1.1%

Source: Bloomberg

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Major Markets

SG: S'pore firms are most worried about rising costs, with 40% of businesses expecting losses for this year, according to a SCCCI survey. In addition, about 60% of the survey respondents also tip two or more years for their businesses to recovery to pre-Covid levels, with tourism, construction and retail among the hardest hit sectors. The STI ended nearly flat at 3173.82 yesterday and may range trade again today. With the global cheapening in yield curves amid heightened inflation concerns, SGS bond yields may continue to edge higher, led by the short tenors.

HK: HKMA announced a list of eligible banks for the launch of cross-boundary Wealth Management Connect Pilot Scheme on 18 Oct. A total of 19 eligible banks have been confirmed with relevant authorities and would be allowed to start providing wealth management products today (19 Oct).

Malaysia: Malaysia's government is said to welcome a proposal for a travel bubble with Indonesia, as a way to boost trade between the two countries. The foreign ministers issued a statement noting that both countries welcome a plan to recognize each other's Covid vaccination certifications. Separately, Malaysia's PM said that he wished to pay an official visit to Indonesia in the near future.

Indonesia: Bank Indonesia is due to announce its MPC decision today. We expect it to keep the policy rate unchanged at 3.5%, in line with market consensus, as the central bank continues to strike a balance between currency stability and helping growth. Separately, Finance Minister Sri Mulyani said in a Bloomberg interview that she sees 2021 budget deficit to come in at 5.3-5.4% of GDP, narrower than an earlier estimate of 5.8%. The same goes for 2022 deficit, which could be potentially lower than the 4.85% of GDP set out in the state budget, due to tax reforms.

Oil: Brent fell 0.6% yesterday to \$84.33, after rising to as high as \$86.04 during Asian and European hours. The \$85 handle remains a strong resistance for Brent and there appears a lack of catalyst for the benchmark crude to break materially higher from this level for now.

Copper: Prices of copper closed above \$10,000/mt last Friday and continued to do so yesterday, ending the session at \$10,196/mt. This is the first time since mid-June that copper is trading above the \$10,000 level. We remain long-term bullish on copper.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly bear flattened yesterday, with shorter and belly tenors trading 7-11bps higher, and longer tenors trading 4-7bps higher. There were moderate flows in SGD Corporates yesterday, with flows in KITSP 4.3%-PERPs, STANLN 5.375%-PERPs, and SOCGEN 6.125%-PERPs. UST 10Y Yields rose 3bps to 1.60% yesterday amidst a rise in the NAHB Housing Market Index by 4 points to 80, indicating some improvement in homebuilder sentiment in the single-family housing market despite ongoing supply chain problems.

New Issues: ASB Bank Ltd priced a USD700mn 5-year senior unsecured bond at T+55bps, tightening from an IPT of T+80bps area, and a USD500mn 10-year senior unsecured bond at T+90bps, tightening from an IPT of T+105bps area. Korea Development Bank/The priced a USD700mn 3.25-year senior unsecured green bond at T+15bps, tightening from an IPT of T+40bps area, a USD500mn 5.5-year senior unsecured bond at T+30bps, tightening from an IPT of T+55bps area, and a USD300mn 10-year senior unsecured bond at T+45bps, tightening from an IPT of T+70bps area. IOI Investment (L) Berhad has arranged investor calls commencing 18 October for its proposed USD bond offering. PT Indofood CBP Sukses Makmur Tbk has arranged investor calls commencing 18 October for its proposed USD bond offering. Muang Thai Life Assurance Public Company Limited has arranged investor calls commencing 18 October for its proposed USD bond offering. Hualu Holdings Co. has arranged investor calls commencing 18 October for its proposed USD bond offering. The People's Republic of China 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	93.953	0.02%	USD-SGD	1.3493	0.07%
USD-JPY	114.320	0.09%	EUR-SGD	1.5666	0.15%
EUR-USD	1.161	0.08%	JPY-SGD	1.1804	0.03%
AUD-USD	0.741	-0.13%	GBP-SGD	1.8523	-0.06%
GBP-USD	1.373	-0.18%	AUD-SGD	1.0000	-0.05%
USD-MYR	4.170	0.29%	NZD-SGD	0.9560	0.26%
USD-CNY	6.430	-0.09%	CHF-SGD	1.4606	-0.01%
USD-IDR	14110	0.25%	SGD-MYR	3.0876	0.11%
USD-VND	22758	0.04%	SGD-CNY	4.7645	-0.21%

Equity and Commodity

Index	Value	Net change
DJIA	35,258.61	-36.15
S&P	4,486.46	15.09
Nasdaq	15,021.81	124.47
Nikkei 225	29,025.46	-43.17
STI	3,173.82	-0.09
KLCI	1,605.97	7.69
JCI	6,658.77	25.43
Baltic Dry	5,526.00	-124.00
VIX	16.31	0.01

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	0.7 (+0.08)	0.35(--)
5Y	1.21 (+0.11)	1.17 (+0.04)
10Y	1.73 (+0.06)	1.63 (+0.03)
15Y	2.08 (+0.06)	--
20Y	2.15 (+0.06)	--
30Y	2.07 (+0.06)	2.17 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.006	0.077	0.077
12/15/2021	-0.011	0.076	0.076
01/26/2022	0.055	0.093	0.093
03/16/2022	0.136	0.113	0.113
05/04/2022	0.25	0.141	0.141
06/15/2022	0.504	0.205	0.205

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)	82.44	0.19%	Corn (per bushel)	5.328	1.3%
Brent (per barrel)	84.33	-0.62%	Soybean (per bushel)	12.215	0.3%
Heating Oil (per gallon)	254.92	-0.95%	Wheat (per bushel)	7.363	0.3%
Gasoline (per gallon)	248.66	0.01%	Crude Palm Oil (MYR/MT)	51.750	0.3%
Natural Gas (per MMBtu)	4.99	-7.78%	Rubber (JPY/KG)	2.087	-0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10196.00	-0.83%	Gold (per oz)	1764.9	-0.2%
Nickel (per mt)	19997.00	-0.11%	Silver (per oz)	23.2	-0.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/19/2021 04:00	US	Net Long-term TIC Flows	Aug	--	\$79.3b	\$2.0b	--
10/19/2021 04:00	US	Total Net TIC Flows	Aug	--	\$91.0b	\$126.0b	\$164.1b
10/19/2021 06:30	AU	ANZ Roy Morgan Consumer Confidence	Oct-17	--	107.00	105.60	--
10/19/2021 08:30	AU	RBA Minutes of Oct. Policy Meeting					
10/18/2021 09:00	TH	Car Sales	Sep	--	--	42176.00	--
10/18/2021 09:00	SL	Imports YoY	Aug	--	--	32.20%	--
10/19/2021 09:00	CH	FDI YTD YoY CNY	Sep	--	--	22.30%	--
10/19/2021 15:20	ID	Bank Indonesia 7D Reverse Repo	Oct-19	3.50%	--	3.50%	--
10/19/2021 16:00	SP	Trade Balance	Aug	--	--	-1597m	--
10/19/2021 17:00	EC	Construction Output MoM	Aug	--	--	0.10%	--
10/19/2021 17:00	EC	Construction Output YoY	Aug	--	--	3.30%	--
10/19/2021 20:30	US	Building Permits	Sep	1680k	--	1728k	1721k
10/19/2021 20:30	US	Housing Starts MoM	Sep	-0.20%	--	3.90%	--
10/19/2021 20:30	US	Building Permits MoM	Sep	-2.40%	--	6.00%	5.60%
10/19/2021 20:30	US	Housing Starts	Sep	1613k	--	1615k	--

Source: Bloomberg

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