

Daily Treasury Outlook

20 January 2021

Highlights

Global: US equity markets closed higher overnight in anticipation of the Biden administration and Janet Yellen at the helm of the Treasury. During her confirmation hearing for Treasury Secretary, Janet Yellen said she would not pursue a weak USD, but argued that aid for the unemployed and small businesses gives the “biggest bang for the buck”. In addition, she also hinted at the possible issuance of 50-year bonds while sounding tough on China’s “abusive” trade practices on IP theft, product dumping and illegal subsidies. The S&P 500 gained 0.8%, with Netflix adding 8.5m subscribers to cross 200 million whereas Goldman and BofA earnings were mixed. Meanwhile, VIX retreated to 23.24 overnight and UST bonds traded in a range with the 10-year bond yield hugging 1.09% despite an initial knee-jerk reaction to Yellen’s hints of adding a 50-year bond. Elsewhere, the IEA cut its 2021 global oil demand forecast by 600k barrels a day, indicating that “it will take more time for oil demand to recover fully as renewed lockdowns in a number of countries weigh on fuel sales”. In Asia, Hong Kong’s HSI hit a 20-month high amid strong Chinese capital inflows.

Market watch: Asian markets are likely to open on a firm tone this morning, but will likely trade in a range awaiting Biden’s inauguration today. Key market focus will be the BNM and BOC policy decisions where we lean towards a 25bp rate cut to 1.50% for the former and no change at 0.25% for the latter, as well as China’s 1- and 5-year LPR fixings which are likely to be held steady. Today’s economic data calendar comprises UK’s CPI/RPI/PPI, S’pore’s COE tender, Eurozone’s CPI, and US’ NAHB housing market index.

US: Trump’s final day in office saw the US declare China is committing genocide and crimes against humanity.

EU: German Chancellor Merkel is holding talks on a possible extension of the national lockdown to 15 February and is considering curfews. Meanwhile, Italian PM Conte has survived a confidence vote in Senate as well.

SG: Singapore will defer re-opening nightclubs and karaoke bars.

Oil: Oil prices rose yesterday, with Brent adding 2.1% to close above \$55/bbl once more. Expectations of more fiscal aid from the incoming Biden administration boosted prices despite the latest IEA report showing a 600kbp decline in Q1 oil consumption.

Key Market Movements

Equity	Value	% chg
S&P 500	3798.9	0.8%
DJIA	30931	0.4%
Nikkei 225	28633	1.4%
SH Comp	3566.4	-0.8%
STI	2995.9	0.2%
Hang Seng	29642	2.7%
KLCI	1601.9	-0.5%
	Value	% chg
DX	90.498	-0.3%
USDJPY	103.9	0.2%
EURUSD	1.2129	0.4%
GBPUSD	1.3630	0.3%
USIDR	14065	0.0%
USDSGD	1.3294	-0.1%
SGDMYR	3.0447	0.2%
	Value	chg (bp)
3M UST	0.07	-0.51
10Y UST	1.09	0.51
1Y SGS	0.33	0.00
10Y SGS	0.97	2.24
3M LIBOR	0.22	0.06
3M SIBOR	0.41	0.00
3M SOR	0.20	0.00
	Value	% chg
Brent	55.9	2.1%
WTI	52.98	1.2%
Gold	1840	-0.1%
Silver	25.22	-0.5%
Palladium	2363	-0.4%
Copper	7972	0.0%
BCOM	80.05	-0.5%

Source: Bloomberg

Daily Treasury Outlook

20 January 2021

Major Markets

US: US equities closed higher on small caps and tech share gains. The S&P 500 index rose 0.8% and the Nasdaq 100 Composite index notched a 1.5% gain. Market sentiment was elevated on rising hopes for more fiscal stimulus, following Yellen's endorsement in the Senate hearing yesterday. This is likely to be supportive for the risk rally and we remain bullish on the US equity market in the near term ahead of Biden's presidential inauguration later today.

CN: China's Commerce Ministry said that China's online shopping rose by 14.8% yoy in 2020 to CNY9.8 trillion, accounting for about 24.9% of total retail sales. In addition, the latest survey from the central bank showed that 23.1% residents expect housing prices to rise in the first quarter of 2021 while only 11.4% expects the property price to go down.

SG: The STI added 0.18% but fell short of regaining the 3000 handle to close at 2995.92 yesterday, albeit it may have better luck today. The SGS bond market may also tread sideways while awaiting the announcement of the issue size for the 30-year re-opening that will mark the start of the 2021 bond issuance calendar.

HK: The turnover of Hong Kong stock market surged to the record high as of 19 Jan 2021, 32.9% of which was contributed by the turnover of stock connect program. In comparison to the stock market frenzy, the real economy continued to show signs of weakness. Unemployment rate surged to 16-year high of 6.6% in 4Q 2020, due to the expiry of Employment Support Scheme in November, the fourth wave of Covid-19 which started in late November, and the stringent social distancing measures. Going ahead, with the social distancing measures remaining in place and virus concerns continuing to disrupt economic activities, the hardest-hit sectors may remain mired in the doldrums. On the other hand, the size of the relief measures will likely be much smaller than before. Hong Kong's Chief Carrie Lam noted that the government has not plan to roll out unemployment benefit, but may consider lowering the requirements for Working Family Allowance Scheme. As such, we expect the overall unemployment rate to edge higher towards 7% in the coming months before retracing lower on the back of vaccine-induced economic recovery.

Malaysia: Bank Negara Malaysia is due to announce its latest MPC decision today. While the market appears split on whether BNM would hold or cut rate further, we are in the latter camp. While there are indeed pockets of strength in the recent recovery, including on the exports front, the recent re-imposition of MCO presents an upfront downside risk that cannot be ignored. The challenge presented by the coronavirus scourge is especially clear now that the government has announced a broadening of the full-scale MCO restriction order to all states, except Sarawak.

Daily Treasury Outlook

20 January 2021

Indonesia: Indonesia is reportedly finalizing its choice for the head of the new sovereign wealth fund. Bloomberg reported that Pandu Sjahrir of Indies Capital Partners Pte is among the shortlist of a handful of candidates that are being considered to lead the Indonesian Investment Authority. Among the other candidates under consideration are reportedly Pertamina's Arief Budiman, Indika Energy's Arsjad Rasjid and CIMB Niaga's Tigor Siahaan as well as Rizal Gozali who is the head of Credit Suisse Indonesia.

Daily Treasury Outlook

20 January 2021

Bond Market Updates

Market Commentary: The SGD swap bear steepened yesterday, with shorter tenors trading 1-2bps higher and belly tenors trading 2-3bps higher. Longer tenors traded 4-5bps higher except for the 15-year which traded 3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 147bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 664bps. The HY-IG Index Spread tightened 2bps to 517bps. There were very minimal flows in SGD corporates yesterday. 10Y UST remained mostly unchanged at 1.09% after U.S. Treasury secretary nominee Janet Yellen urged for tax cuts enacted in 2017 to be repealed. Breakeven rates on the 10-year Treasury Inflation-Protected Securities rose to a two-year high of 2.11%.

New Issues: SK Battery America Inc (Guarantor: SK Innovation Co Ltd) priced a USD300mn 3-year bond at T+150bps, tightening from IPT of T+195bps area and a USD700mn 5-year bond at T+175bps, tightening from IPT of T+220bps area. CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd) priced a USD1bn 3-year bond at T+142.5bps, tightening from IPT of T+180bps area and a USD500mn 5-year bond at T+155bps, tightening from IPT of T+200bps area. Kaisa Group Holdings Ltd priced a USD300mn re-tap of its KAISAG 10.875%'23s at 9.85%, tightening from IPT of 10.2% area. BOC Aviation Ltd priced a USD100mn re-tap of its BOCAVI 1.75%'26s at T+150bps. The Lao People's Democratic Republic has arranged investor calls commencing 19 January for its proposed USD bond offering. Woori Bank has arranged investor calls commencing 20 January for its proposed USD bond offering.

Daily Treasury Outlook

20 January 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.498	-0.29%	USD-SGD	1.3294	-0.14%
USD-JPY	103.900	0.20%	EUR-SGD	1.6123	0.29%
EUR-USD	1.213	0.43%	JPY-SGD	1.2790	-0.37%
AUD-USD	0.770	0.18%	GBP-SGD	1.8119	0.18%
GBP-USD	1.363	0.32%	AUD-SGD	1.0228	0.03%
USD-MYR	4.050	-0.04%	NZD-SGD	0.9469	0.04%
USD-CNY	6.479	-0.21%	CHF-SGD	1.4955	0.08%
USD-IDR	14065	-0.04%	SGD-MYR	3.0447	0.24%
USD-VND	23061	-0.04%	SGD-CNY	4.8754	-0.03%

Equity and Commodity

Index	Value	Net change
DJIA	30,930.52	116.26
S&P	3,798.91	30.66
Nasdaq	13,197.18	198.68
Nikkei 225	28,633.46	391.25
STI	2,995.92	5.52
KLCI	1,601.88	-7.64
JCI	6,321.86	-67.98
Baltic Dry	1,740.00	-14.00
VIX	23.24	-1.10

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5670	-0.56%	O/N	0.0866	0.09%
2M	-0.3360	-0.34%	1M	0.1309	0.13%
3M	-0.5530	-0.55%	2M	0.1701	0.17%
6M	-0.5330	-0.53%	3M	0.2240	0.22%
9M	-0.1940	-0.20%	6M	0.2358	0.25%
12M	-0.5030	-0.51%	12M	0.3124	0.32%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.29 (+0.03)	0.13(--)
5Y	0.5 (+0.02)	0.45(--)
10Y	0.97 (+0.02)	1.09 (+0.01)
15Y	1.25 (+0.03)	--
20Y	1.3 (+0.03)	--
30Y	1.32 (+0.04)	1.83(--)

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	-0.073	-0.4	0.071	0.071
07/28/2021	-0.089	-1.6	0.067	0.067
09/22/2021	-0.079	1	0.07	0.07

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-7.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.08
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.98	1.18%	Corn (per bushel)	5.260	-1.0%
Brent (per barrel)	55.90	2.10%	Soybean (per bushel)	13.858	-2.2%
Heating Oil (per gallon)	159.87	0.36%	Wheat (per bushel)	6.723	-0.5%
Gasoline (per gallon)	153.81	0.63%	Crude Palm Oil (MYR/MT)	35.060	-3.7%
Natural Gas (per MMBtu)	2.55	-6.98%	Rubber (JPY/KG)	3.237	0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7971.50	0.28%	Gold (per oz)	1840.3	-0.1%
Nickel (per mt)	18056.00	0.27%	Silver (per oz)	25.2	-0.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/20/2021 05:00	US Net Long-term TIC Flows	Nov	--	\$149.2b	\$51.9b
01/20/2021 07:30	AU Westpac Consumer Conf SA MoM	Jan	--	-4.50%	4.10%
01/20/2021 15:00	UK CPI YoY	Dec	0.5%	--	0.30%
01/20/2021 15:00	UK CPI MoM	Dec	0.20%	--	-0.10%
01/20/2021 15:00	MA BNM Overnight Policy Rate	43831	1.75%	--	1.75%
01/20/2021 15:00	UK CPI Core YoY	Dec	1.30%	--	1.10%
01/20/2021 15:00	UK RPI MoM	Dec	0.60%	--	-0.30%
01/20/2021 15:00	UK RPI YoY	Dec	1.20%	--	0.90%
01/20/2021 15:00	UK Retail Price Index	Dec	295.3	--	293.5
01/20/2021 16:00	TA Export Orders YoY	Dec	30.40%	--	29.70%
01/20/2021 18:00	EC CPI YoY	Dec F	-0.30%	--	-0.30%
01/20/2021 18:00	EC CPI MoM	Dec F	0.30%	--	0.30%
01/20/2021 20:00	US MBA Mortgage Applications	42005	--	--	16.70%
01/20/2021 21:30	CA CPI YoY	Dec	1.0%	--	1.00%
01/20/2021 21:30	CA CPI NSA MoM	Dec	0.10%	--	0.10%
01/20/2021 23:00	CA Bank of Canada Rate Decision	Jan-20	0.3%	--	0.25%

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).