

Daily Treasury Outlook

20 September 2021

Highlights

Global: Global risk sentiments paused ahead of the key FOMC meeting later this week where Fed Powell may announce a taper of its bond purchase program as well as update the dots plot. US Treasury Secretary Yellen also warned that Congressional failure to raise the federal debt ceiling would trigger a default that could roil the US economy into a recession and could emerge permanently weaker. This could come in October when extraordinary borrowing measures under the US\$28.4 tn debt limit runs out. The S&P 500 slipped 0.91% on Friday, while VIX rose to 20.81. UST bonds also declined, with the 10-year yield up to 1.37% while the 5-year bond yield also rose 4 bps to 0.88% (highest since 2 July). Meanwhile, China's CSRC vice-chairman Fang has cited national security, data privacy and the need to reduce social anxiety as reasons for the crackdown on tech, education and gaming companies. In addition, China's Evergrande will face a liquidity test on Thursday when two bonds mature. Elsewhere, the spat between Australia and France over the AUKUS alliance continues.

Market watch: Asian markets are likely off to a soft start this morning, following weak Friday market cues from the US, coupled with many North Asian markets (Japan, China, South Korea and Taiwan) also closed for Mid-Autumn Festival holidays. Today's economic data only comprises of HK's CPI and US' NAHB housing market index. ECB's Schnabel and Villeroy are also speaking. Canada is also holding its federal election today. The week ahead promises to be a very busy one, with RBA policy minutes and BI policy decision (likely to be unchanged) due tomorrow. The UN General Assembly also meets tomorrow, with expanding vaccine access and combating climate change likely to dominate the agenda, albeit Russia's Putin and China's Xi Jinping will be absent. Apart from the FOMC policy decision on Wednesday (where we see the recent cooling of inflationary pressure, but offset by the stronger than expected retail sales, unlikely to derail plans to proceed with the taper by the end of the year, but uncertainties also revolve around whether 3 more Fed officials would turn more hawkish and tilt the first rate hike to 2022 instead of 2023, as well as the interest rate trajectory for 2024 where another 3-4 rate hikes is plausible), there are also the BOJ (likely to be static, but may downgrade its economic assessment) on Wednesday, BOE (where a split vote on tightening is likely) on Thursday, SNB, Riksbank and Norges Bank. Fed chair Powell, Clarida and Bowman are also speaking on Friday.

CN: The development of Evergrande debt crisis is expected to continue to dominate China headline. From macro perspective, two things we pay more attention to include company's off-balance sheet liability as well as possible contagion via its related financial institutions as well as suppliers. With more focus shifting to Evergrande, the size of off-balance sheet liability is likely to be uncovered gradually. Whether it will exceed the net assets of more than CNY300 billion in its balance sheet will be the key.

Key Market Movements

Equity	Value	% chg
S&P 500	4433.0	-0.9%
DJIA	34585	-0.5%
Nikkei 225	30500	0.6%
SH Comp	3614.0	0.2%
STI	3071.2	0.2%
Hang Seng	24921	1.0%
KLCI	1548.5	-0.4%
	Value	% chg
DXY	93.195	0.3%
USDJPY	109.93	0.2%
EURUSD	1.1725	-0.4%
GBPUSD	1.3741	-0.4%
USDIDR	14223	-0.2%
USDSGD	1.3485	0.3%
SGDMYR	3.1010	0.0%
	Value	chg (bp)
2Y UST	0.22	0.24
10Y UST	1.36	2.38
2Y SGS	0.37	0.50
10Y SGS	1.44	1.19
3M LIBOR	0.12	0.20
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	0.02
3M SOFR	0.05	0.00
	Value	% chg
Brent	75.34	-0.4%
WTI	71.97	-0.9%
Gold	1754	0.0%
Silver	22.39	-2.3%
Palladium	2017	-0.9%
Copper	9312	-0.6%
BCOM	97.55	-1.1%

Source: Bloomberg

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Major Markets

SG: There were 1,012 new Covid cases yesterday, the highest since April 2020. MAS will announce the issue sizes for the inaugural 30-year SGS (Infrastructure) bond and the re-opening of the 2-year SGS (Market Development) bond tomorrow.

The STI added 0.22% to close at 3071.23 on Friday but is set to consolidate today amid weak market sentiments. SGS bonds are likely to trade with a supportive tone amid the slight risk-off tone, but gains are likely to be limited ahead of tomorrow's SGS issue size announcements.

US: The University of Michigan sentiment index rose from 70.3 in August to 71.0 in September but fell short of market expectations.

UK: Former BOE chief economist Haldane has been named the head of a new taskforce to "level" up the country through raising living standards and public service.

HK: Top government Covid adviser said the city will not consider changing its zero-tolerance Covid-19 strategy until the vaccination rate reaches 80% to 90%. However, as of 17th September, the share of people partially vaccinated against Covid-19 only reached 58.1%. This suggests that the bar for border reopening remains high. The ongoing border controls reinforce our view that Hong Kong's economic growth in 2H21 driven mainly by local consumption and investment may not be so strong. We hold onto our view that GDP growth will print 6% in 2021. Elsewhere, the US' Treasury Department sanctions seven Hong Kong-based companies over Iran, which indicates that the city remains a proxy battleground for US-China relationship. On a positive note, the HKEX started to seek feedback on proposals to create a listing framework for SPACs in Hong Kong. This may provide new impetus for HK's IPO market.

Malaysia: Malaysia's Health Minister Khairy Jamaluddin said that the government will administer booster shots of the Covid-19 vaccine to groups that are vulnerable to infection, starting in October. These would include senior citizens with comorbidities such as chronic health problems, as well as front-liners and those living and working at long-term care centers.

Indonesia: Indonesia may allow foreign tourists to start returning to Bali in October, if its declining Covid-19 case count can be sustained, coordinating minister Luhut Pandjaitan said on Friday. Luhut noted that confirmed cases had dropped by 94.5% since its peak in mid-July, with the latest daily positivity rate falling below the 5% mark. More than 21% of the targeted 208 million Indonesians have been fully vaccinated, while 38% have received their first shot.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher on Friday with shorter tenors trading 1-2bps higher, belly tenors trading 2-3bps higher, and longer tenors trading 1-3bps higher. There were heavy flows in SGD Corporates on Friday, with flows in FPLSP 3%'28s, VRTVEN 3.3%'28s, WINGTP 4.35%-PERPs, OLAMSP 5.375%-PERPs, and UBS 4.85%-PERPs. UST 10Y Yields rose 2bps to 1.36% on Friday as investors prepare for the FOMC meeting this week, with the Fed expected to update the market on its plans to taper its monthly USD120 billion bond buyback program.

New Issues: Chengdu Aerotropolis City Development Group Co priced a USD300mn 3-year senior unsecured bond at 2.8%, tightening from an IPT of 3.4% area. Weifang Urban Construction & Development Investment Group Co Ltd priced a USD400mn 3-year senior unsecured bond at 2.6%, tightening from an IPT of 3.3% area. Yieldking Investment Ltd (Guarantor: Sichuan Development International Holding Co Ltd) priced a USD100mn re-tap of its SIDEVE 2.8%'26s bond at 2.5%. Dat Xanh Group JSC has arranged investor calls commencing 16 September for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.195	0.28%	USD-SGD	1.3485	0.27%
USD-JPY	109.930	0.18%	EUR-SGD	1.5811	-0.09%
EUR-USD	1.173	-0.36%	JPY-SGD	1.2265	0.04%
AUD-USD	0.727	-0.37%	GBP-SGD	1.8533	-0.12%
GBP-USD	1.374	-0.39%	AUD-SGD	0.9816	0.05%
USD-MYR	4.172	0.32%	NZD-SGD	0.9496	-0.22%
USD-CNY	6.466	0.13%	CHF-SGD	1.4469	-0.23%
USD-IDR	14223	-0.21%	SGD-MYR	3.1010	0.01%
USD-VND	22769	0.05%	SGD-CNY	4.7969	-0.02%

Equity and Commodity

Index	Value	Net change
DJIA	34,584.88	-166.44
S&P	4,432.99	-40.76
Nasdaq	15,043.97	-137.95
Nikkei 225	30,500.05	176.71
STI	3,071.23	6.69
KLCI	1,548.51	-6.75
JCI	6,133.25	23.30
Baltic Dry	3,833.00	176.00
VIX	20.81	2.12

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.37 (+0.01)	0.22(--)
5Y	0.8 (--)	0.86 (+0.02)
10Y	1.44 (+0.01)	1.24 (+0.02)
15Y	1.74 (+0.01)	--
20Y	1.88 (+0.01)	--
30Y	1.89 (--)	1.87 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	0.02	0.082	0.082
11/03/2021	0.020	0.082	0.082
12/15/2021	0.01	0.08	0.08
01/26/2022	0	0.077	0.077
03/16/2022	0.016	0.081	0.081
05/04/2022	0.022	0.083	0.083

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
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)	71.97	-0.88%	Corn (per bushel)	5.273	-0.4%
Brent (per barrel)	75.34	-0.44%	Soybean (per bushel)	12.840	-0.9%
Heating Oil (per gallon)	220.91	-0.09%	Wheat (per bushel)	7.088	-0.6%
Gasoline (per gallon)	217.13	-0.45%	Crude Palm Oil (MYR/MT)	45.180	-3.9%
Natural Gas (per MMBtu)	5.11	-4.31%	Rubber (JPY/KG)	1.945	1.3%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9312.00	-0.58%	Gold (per oz)	1754.3	0.0%
Nickel (per mt)	19358.00	-0.22%	Silver (per oz)	22.4	-2.3%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/20/2021 06:30	NZ	Performance Services Index	Aug	--	35.60	57.90	55.90
09/20/2021 07:01	UK	Rightmove House Prices MoM	Sep	--	0.30%	-0.30%	--
09/20/2021 07:01	UK	Rightmove House Prices YoY	Sep	--	5.80%	5.60%	--
09/20/2021 09:00	PH	BoP Overall	Aug	--	--	\$642m	--
09/20/2021 09:00	TH	Car Sales	Aug	--	--	52442.00	--
09/20/2021 12:00	PK	SBP Rate Decision (Target)	Sep-20	7.00%	--	7.00%	--
09/20/2021 14:00	GE	PPI MoM	Aug	0.80%	--	1.90%	--
09/20/2021 14:00	GE	PPI YoY	Aug	11.10%	--	10.40%	--
09/20/2021 15:00	IR	Consumer Confidence Index	Sep	--	--	86.50	--
09/20/2021 15:00	LN	Current Account Balance	2Q	--	--	0.5b	--
09/20/2021 16:30	HK	CPI Composite YoY	Aug	1.60%	--	3.70%	--
09/20/2021 20:00	CA	Bloomberg Nanos Confidence	Sep-17	--	--	61.20	--
09/20/2021 20:30	CA	Teranet/National Bank HPI MoM	Aug	--	--	2.00%	--
09/20/2021 20:30	CA	Teranet/National Bank HPI YoY	Aug	--	--	17.80%	--
09/20/2021 20:30	CA	Teranet/National Bank HP Index	Aug	--	--	281.67	--
09/20/2021 22:00	US	NAHB Housing Market Index	Sep	74.00	--	75.00	--

Source: Bloomberg

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