

Daily Treasury Outlook

20 October 2021

Highlights

Global: Squid Game rule - Netflix posted strong results and tipped another 8.5 million subscribers in the fourth quarter. US market sentiments were supported overnight, with the S&P 500 up 0.74% amid healthy gains in J&J, Facebook, Microsoft and Walmart, and VIX was lower at 15.70. UST bonds traded mixed, with the yield curve re-steepening as front-end bonds outperformed whereas longer-dated bonds came under pressure with the 10-year yield up 4bps to 1.64% as Fed's Waller warned that "If monthly prints of inflation continue to run high through the remainder of this year, a more aggressive policy response than just tapering may well be warranted in 2022". In addition, Fed's Barkin also opined that US labour market shortages could outlast the Covid pandemic and limit growth. Meanwhile, the IMF has cut Asia's 2021 growth forecast from 7.6% to 6.6%, citing fresh Covid infections, supply chain disruptions and inflation pressures, but upgraded its 2022 forecast from 5.3% to 5.7% amid vaccination progress. Elsewhere, China sold a USD4bn of USD bonds in Hong Kong for the fifth straight year, albeit the size was smaller than last year's USD6bn.

Market watch: Asian markets may open a tad firmer this morning, while investors await China's 1- and 5-year LPR fixings and new home prices.

Today's economic data calendar also comprises UK's CPI/RPI/PPI, Taiwan's export orders, S'pore's COE tender results, Eurozone's CPI, US' MBA mortgage applications, and Fed's Beige Book. ECB's Villeroy, Elderson, Holzmann, as well as Fed's Bostic, Kashkari, Evans, Bullard and Quarles are also speaking. Earnings season continues with AT&T, Barclays and Tesla due later this week.

US: Housing starts unexpectedly fell 1.6% to a one-year low of 1.555m units in September, while building permits also declined 7.7% mom in August to 1.59m.

CN: CNY breached the key supporting line of 6.4 yesterday riding on the retracement of broad dollar. In addition, RMB index also extended its gain standing firmly above 100. This shows that RMB has strengthened against its major trading partners despite the looming event risks domestically. RMB's fast appreciation recently in the absence of news of partial removal of tariff has caught market by surprise. Although the fundamental picture remains supportive such as sizable goods trade surplus and ongoing portfolio inflow, we will take a more cautious tone not to chase RMB appreciation near 6.35 level.

SG: The EMA is establishing standby fuel facilities that gencos can draw upon to ensure reliable electricity supply amid the global energy crunch.

Oil: Brent finally closed above \$85 overnight, rising 0.9% on the day to end at \$85.08. Bullish momentum on the oil complex remains strong and we expect it to continue rallying in the near term.

Key Market Movements

Equity	Value	% chg
S&P 500	4519.6	0.7%
DJIA	35457	0.6%
Nikkei 225	29216	0.7%
SH Comp	3593.2	0.7%
STI	3199.0	0.8%
Hang Seng	25787	1.5%
KLCI	1606.0	0.0%
	Value	% chg
DXY	93.734	-0.2%
USDJPY	114.38	0.1%
EURUSD	1.1633	0.2%
GBPUSD	1.3797	0.5%
USDIDR	14076	-0.2%
USDSGD	1.345	-0.3%
SGDMYR	3.0943	0.2%
	Value	chg (bp)
2Y UST	0.40	-3.01
10Y UST	1.64	3.70
2Y SGS	0.74	3.80
10Y SGS	1.72	-0.45
3M LIBOR	0.13	0.79
3M SIBOR	0.43	0.00
3M SOR	0.25	0.00
3M SORA	0.15	0.15
3M SOFR	0.05	0.00
	Value	% chg
Brent	85.08	0.9%
WTI	82.96	0.6%
Gold	1769	0.3%
Silver	23.67	2.0%
Palladium	2102	4.1%
Copper	10150	-0.5%
BCOM	103.91	0.3%

Source: Bloomberg

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Major Markets

SG: The STI gained 0.79% to close at 3199.01 yesterday and may attempt to trade higher today amid positive overnight cues from Wall Street. Longer-dated SGS bonds are likely to still face pressure amid the current inflation anxieties.

Malaysia: Malaysia's government is planning to impose penalties on civil servants if they fail to complete the Covid-19 vaccination. Under a new immunisation policy which takes effect from Nov 1, those who work in the federal government departments could face disciplinary action or even termination of service if they refuse to get vaccinated. Almost 98% of civil servants have been fully inoculated. Some of the remaining civil servants have registered for the shots, but 1.6% or around 17,000 of the government employees have yet to act accordingly.

Indonesia: Bank Indonesia kept its policy rate unchanged at 3.5% as widely expected yesterday. The central bank also noted that it is unlikely to shift its rate for another year, with the domestic inflation seen to be tame due to the potential output gap. BI also noted that it expects to see a current account surplus in Q3. For the year as a whole, current account will be in a mild deficit of 0-0.8% of GDP, narrower than the 0.6-1.4% that was previously forecast.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly lower yesterday, with shorter tenors (with the exception of the 3-year tenor trading 1bps higher) trading 0-1bps lower, belly tenors trading 1-4bps lower, and longer tenors trading 0-2bps lower. There were heavy flows in SGD Corporates yesterday, with flows in FPLSP 3.95%-PERPs, CAPLSP 3.65%-PERPs, STANLN 5.375%-PERPs, and UOBSP 2.55%-PERPs. UST 10Y Yields rose 4bps to 1.64% yesterday as investors reposition their portfolio following last week's better-than-expected retail sales numbers. Separately, Federal Reserve Governor Christopher Waller mentioned that the US central bank should start to taper its USD120 billion bond-buyback program next month, adding that this is not an indication of when rate hikes would begin.

New Issues: People's Republic of China Ministry of Finance priced a USD1bn 3-year senior unsecured bond at T+6bps, tightening from an IPT of T+35bps area, a USD1.5bn 5-year senior unsecured bond at T+12bps, tightening from an IPT of T+45bps area, a USD1bn 10-year senior unsecured bond at T+23bps, tightening from an IPT of T+55bps area, and a USD500mn 30-year senior unsecured bond at T+53bps, tightening from an IPT of T+85bps area. Chengdu Hi-tech Investment Group Co Ltd priced a USD300mn 5-year senior unsecured bond at 2.7%, tightening from an IPT of 3% area. KB Securities Co. has arranged investor calls commencing 20 October for its proposed USD bond offering. Taiwan Semiconductor Manufacturing Company Limited has arranged investor calls commencing 19 October for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.734	-0.23%	USD-SGD	1.3450	-0.32%
USD-JPY	114.380	0.05%	EUR-SGD	1.5647	-0.12%
EUR-USD	1.163	0.20%	JPY-SGD	1.1759	-0.38%
AUD-USD	0.747	0.85%	GBP-SGD	1.8557	0.18%
GBP-USD	1.380	0.52%	AUD-SGD	1.0052	0.52%
USD-MYR	4.170	0.29%	NZD-SGD	0.9621	0.64%
USD-CNY	6.383	-0.73%	CHF-SGD	1.4571	-0.24%
USD-IDR	14076	-0.24%	SGD-MYR	3.0943	0.22%
USD-VND	22753	-0.02%	SGD-CNY	4.7466	-0.38%

Equity and Commodity

Index	Value	Net change
DJIA	35,457.31	198.70
S&P	4,519.63	33.17
Nasdaq	15,129.09	107.28
Nikkei 225	29,215.52	190.06
STI	3,199.01	25.19
KLCI	1,605.97	7.69
JCI	6,656.00	-2.77
Baltic Dry	5,526.00	-124.00
VIX	15.70	-0.61

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	0.74 (+0.04)	0.35(--)
5Y	1.23 (+0.03)	1.16 (-0.01)
10Y	1.72 (--)	1.63 (+0.04)
15Y	2.08 (--)	--
20Y	2.15 (--)	--
30Y	2.06 (-0.01)	2.17 (+0.05)

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	0.505	0.202	0.202

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)	82.96	0.63%	Corn (per bushel)	5.303	-0.5%
Brent (per barrel)	85.08	0.89%	Soybean (per bushel)	12.280	0.5%
Heating Oil (per gallon)	256.07	0.45%	Wheat (per bushel)	7.360	0.0%
Gasoline (per gallon)	247.55	-0.45%	Crude Palm Oil (MYR/MT)	51.750	0.3%
Natural Gas (per MMBtu)	5.09	1.98%	Rubber (JPY/KG)	2.170	4.0%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10149.50	-0.46%	Gold (per oz)	1769.3	0.3%
Nickel (per mt)	20050.00	0.27%	Silver (per oz)	23.7	2.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/20/2021 07:30	AU	Westpac Leading Index MoM	Sep	--	-0.02%	-0.27%	--
10/20/2021 07:50	JN	Trade Balance	Sep	-¥530.4b	-¥622.8b	-¥635.4b	-¥637.2b
10/20/2021 07:50	JN	Trade Balance Adjusted	Sep	-¥586.4b	-¥624.8b	-¥271.8b	-¥336.7b
10/20/2021 14:00	UK	CPI YoY	Sep	3.20%	--	3.20%	--
10/20/2021 14:00	UK	CPI MoM	Sep	0.40%	--	0.70%	--
10/20/2021 14:00	UK	CPI Core YoY	Sep	3.00%	--	3.10%	--
10/20/2021 14:00	UK	RPI MoM	Sep	0.20%	--	0.60%	--
10/20/2021 14:00	UK	RPI YoY	Sep	4.70%	--	4.80%	--
10/20/2021 14:00	UK	Retail Price Index	Sep	308.10	--	307.40	--
10/20/2021 16:00	SI	Automobile COE Open Bid Cat B	Oct-20	--	--	70200.00	--
10/20/2021 17:00	EC	CPI YoY	Sep F	3.40%	--	3.00%	3.00%
10/20/2021 17:00	EC	CPI MoM	Sep F	0.50%	--	0.50%	--
10/20/2021 17:00	EC	CPI Core YoY	Sep F	1.90%	--	1.90%	--
10/20/2021 19:00	US	MBA Mortgage Applications	Oct-15	--	--	0.20%	--
10/20/2021 20:30	CA	CPI YoY	Sep	4.30%	--	4.10%	--
10/20/2021 20:30	CA	CPI NSA MoM	Sep	0.20%	--	0.20%	--

Source: Bloomberg

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