

Daily Treasury Outlook

21 June 2021

Highlights

Global: Markets continue their post-FOMC slump as concerns over rate normalisation continues to keep a lid on risk sentiment. The S&P 500 index fell 1.3% on Friday and clocked four consecutive losses since last Monday to decline 1.9% on the week. US Treasury 10Y yields dropped 1.4bp on the week but have lost 13.7bp since its pre-FOMC close on Wednesday. Meanwhile 3M LIBOR rates rose 1.6bp on the week to 0.13488%, its highest close since late May. A busy week of Fed talk lies ahead, with the key speech being Fed Chair Powell's testimony before Congress tomorrow (SGT Wednesday 2am). Other Fed speakers include Bullard, Kaplan, Williams, Mester, Daly, Bowman, Bostic, Rosengren and Harker – the latter two of which are among the most hawkish in the current FOMC. Further hints of hawkishness may further dampen risk appetite. Separately, the appointment of Ebrahim Raisi as the winner of Iran's latest presidential election has complicated the ongoing US-Iran nuclear deal discussions.

Market watch: Asian markets may open on a cautious tone today following the overnight selloff on Wall Street last Friday. Today's economic calendar comprises of Taiwan's May export orders, New Zealand's credit card spending, US's Chicago Fed Nat Activity Index, South Korea's PPI. ECB's Lagarde is speaking today. For the week ahead, watch for the BoT's central bank decision on Wednesday (likely unchanged at 0.50%), and BoE and BSP on Thursday (both likely static at 0.10% and 2.00% respectively).

UK: Retail sales in May missed expectations by a wide margin, suggesting the virus resurgence is impeding consumption. Headline retail sales fell 1.4% on the month vs expectations of a 1.5% expansion. Core retail sales fell 2.1% on the month vs a 1.4% expansion estimate.

SG: Beginning today, dining-in may resume after a one-month hiatus, but the maximum permissible dining-in group size has been reduced from five to two. Gyms and fitness studios are reopened as well.

Oil: Oil prices rebounded on Friday after its Thursday tumble of 1.8%. Brent touched a high of \$74.96 on Wednesday in intraday trading but has since retraced below the \$74 handle. A possible delay of Iran's return to the oil market, following the appointment of Ebrahim Raisi as the winner of its presidential election, may continue pushing prices higher this week.

Gold: Gold fell a sixth consecutive session on Friday, closing at \$1764.16 to lose 6.0% on the week.

Key Market Movements

Equity	Value	% chg
S&P 500	4166.5	-1.3%
DJIA	33290	-1.6%
Nikkei 225	28964	-0.2%
SH Comp	3525.1	0.0%
STI	3144.2	0.2%
Hang Seng	28801	0.8%
KLCI	1589.1	1.2%
	Value	% chg
DX	92.225	0.4%
USDJPY	110.21	0.0%
EURUSD	1.1864	-0.4%
GBPUSD	1.3810	-0.8%
USDIDR	14375	0.1%
USDSGD	1.3451	0.2%
SGDMYR	3.0868	-0.2%
	Value	chg (bp)
2Y UST	0.25	4.48
10Y UST	1.44	-6.59
2Y SGS	0.38	0.40
10Y SGS	1.47	-1.57
3M LIBOR	0.13	1.00
3M SIBOR	0.43	0.00
3M SOR	0.24	-0.53
3M SORA	0.15	-0.03
3M SOFR	0.01	0.04
	Value	% chg
Brent	73.51	0.6%
WTI	71.64	0.8%
Gold	1764	-0.5%
Silver	25.79	-0.5%
Palladium	2475	-0.9%
Copper	9146	-1.8%
BCOM	90.93	0.9%

Source: Bloomberg

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Major Markets

US: US equities closed sharply lower in Friday's trading session as comments from Fed officials reignited worries over inflation and the possibility of raising interest rates much sooner than expected. The S&P 500 declined 1.31% and the tech heavy Nasdaq fell 0.93%. 10Y UST bond yields closed at 1.44%. Looking ahead, eyes will still be on the Fed as chair Jerome Powell testifies tomorrow before Congress on the outlook of the US economy.

CN: China's central bank balance sheet expanded by CNY460 billion to CNY32.69 trillion, the first expansion since January 2021. It was mainly supported by the increase in claims on other depository institutions, which increased by CNY469.7 billion unexpectedly despite PBoC's cautious open market operation. This indicates that PBoC may provide the funding support to the real economy via relending. From a liquidity perspective, the unexpected rapid expansion of PBoC's claims on other depository institutions helped alleviate the concerns about the falling excessive reserve in China's banking system.

SG: The STI rose 0.2% on Friday but the continued selloff on Wall Street may continue to pressure the benchmark equity index lower. Near-term support is expected at the 3,100 level.

HK: Hong Kong reportedly will shorten the hotel quarantine requirement to 7 days for travelers who have been fully vaccinated and passed an antibody test. However, there is no further details such as the effective date of the relaxation. Elsewhere, Hong Kong announced details of the HK\$5000 e-consumption vouchers. The Consumption Voucher Scheme will be open for registration from 4 July with the first instalment to be distributed as early as on 1 August. Despite the substitution effect, we expect this will help to boost local consumption in especially during the summer holidays and promotion season. The Financial Secretary expects the consumption voucher scheme to provide a 0.7% buffer for GDP in 2021.

Macau: Visitor arrivals increased by 5268.3% yoy and 9% mom to 866,063 in May amid the Labor Day holiday. However, total visitor arrivals were still down 74.5% from May 2019. Moving into June, the recovery may have slowed down amid the virus resurgence in some parts of China including Guangdong province which resulted in a tightening of Macau's travel restrictions on tourists from these places. Notably, visitors from Guangdong province took up 58% of Macau's total Mainland visitors in May. On a positive note, owing to the mass testing and rapid vaccination rate, China's Covid-19 infections have subsided. As such, the impact on Macau's tourism and gaming sectors may be transitory. That said, unless the border fully and safely reopens, we may not see the number of visitor arrivals returning to the pre-pandemic levels.

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Malaysia: Malaysia's PM Muhyiddin Yassin said that his government's target of reaching herd immunity as projected by the National Recovery Plan can be completed as scheduled, given the increase in vaccine supplies from major producers. Under the plan, the country is supposed to see 10% of its population fully vaccinated and cases coming below 4000 before it can move on to the Phase 2 of the lockdown, where more businesses are allowed to operate. Daily cases have stayed above 5000 thus far, with the latest print of 5293 announced on Sunday.

Indonesia: Indonesia's capital city of Jakarta posted a record-high daily cases of Covid-19, with 4895 new cases on Saturday, the highest since the pandemic began in March 2020 in Indonesia. Its governor said that the capacity of hospitals treating the disease has been reduced considerably recently due to the case surge. Friday saw the national tally coming in at nearly 13000 cases, the highest since late January. There was also a report about how more than 350 doctors and medical workers have caught Covid-19 despite being vaccinated with Sinovac, with dozens having been hospitalized.

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Bond Market Updates

Market Commentary: The SGD swap curve flattened last Friday, with shorter tenors trading 1-3bps higher while belly tenors traded flattish to 1bps lower and longer tenors traded 3-4bps lower. There were heavy flows in SGD corporates on Friday, including UOBSP 2.55%-PERPs, MAGIC 3.5%-PERPs, STSP 3.3%-PERPs, STANLN 5.375%-PERPs, MINTSP 3.15%-PERPs and CPIPGR 5.8%-PERPs. UST 10Y Yields slipped 7bps to 1.44% while short-term yields gained after the Fed update, reflecting expectations for the Fed to gradually increase short-term rates with growth slowing over the long-term.

New Issues: Jinan HI-Tech International Cayman Investment Development Co Ltd priced a USD170mn 3-year senior unsecured bond at 2.5%, tightening from IPT of 3% area

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.225	0.37%	USD-SGD	1.3451	0.22%
USD-JPY	110.210	0.00%	EUR-SGD	1.5952	-0.19%
EUR-USD	1.186	-0.36%	JPY-SGD	1.2202	0.17%
AUD-USD	0.748	-0.97%	GBP-SGD	1.8565	-0.65%
GBP-USD	1.381	-0.80%	AUD-SGD	1.0054	-0.80%
USD-MYR	4.140	0.00%	NZD-SGD	0.9328	-0.85%
USD-CNY	6.453	0.07%	CHF-SGD	1.4597	-0.18%
USD-IDR	14375	0.14%	SGD-MYR	3.0868	-0.18%
USD-VND	23010	0.20%	SGD-CNY	4.7960	-0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5480	-0.56%	O/N	0.0805	0.06%
2M	-0.3360	-0.34%	1M	0.0910	0.09%
3M	-0.5440	-0.54%	2M	0.1185	0.11%
6M	-0.5130	-0.51%	3M	0.1349	0.13%
9M	-0.1940	-0.20%	6M	0.1563	0.16%
12M	-0.4850	-0.49%	12M	0.2401	0.25%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
07/28/2021	-0.022	0.093	0.093
09/22/2021	-0.022	0.093	0.093
11/03/2021	0	0.098	0.098
12/15/2021	0.017	0.102	0.102
01/26/2022	0.018	0.103	0.103
03/16/2022	0.099	0.123	0.123

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	71.64	0.84%	Corn (per bushel)	6.553	3.5%
Brent (per barrel)	73.51	0.59%	Soybean (per bushel)	13.960	5.0%
Heating Oil (per gallon)	209.32	1.28%	Wheat (per bushel)	6.628	3.7%
Gasoline (per gallon)	216.83	1.60%	Crude Palm Oil (MYR/MT)	35.930	1.2%
Natural Gas (per MMBtu)	3.22	-1.17%	Rubber (JPY/KG)	2.431	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9145.50	-1.82%	Gold (per oz)	1764.2	-0.5%
Nickel (per mt)	17154.00	-0.12%	Silver (per oz)	25.8	-0.5%

Equity and Commodity

Index	Value	Net change
DJIA	33,290.08	-533.37
S&P	4,166.45	-55.41
Nasdaq	14,030.38	-130.97
Nikkei 225	28,964.08	-54.25
STI	3,144.16	5.85
KLCI	1,589.05	18.19
JCI	6,007.12	-61.33
Baltic Dry	3,218.00	-49.00
VIX	20.70	2.95

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.38 (-)	0.25 (-)
5Y	0.84 (-0.01)	0.87 (-0.01)
10Y	1.47 (-0.02)	1.44 (-0.07)
15Y	1.82 (-0.02)	--
20Y	1.83 (-0.02)	--
30Y	1.83 (-0.01)	2.01 (-0.08)

Financial Spread (bps)

Value	Change	
EURIBOR-OIS	-6.28	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/21/2021 04:00	TA Export Orders YoY	May	42.10%	--	42.60%
06/21/2021 08:00	CA Bloomberg Nanos Confidence	Jun-18	--	--	66
06/21/2021 08:30	US Chicago Fed Nat Activity Index	May	0.7	--	0.24
06/21/2021 17:00	SK PPI YoY	May	--	--	5.60%
06/21/2021 17:00	NZ Westpac Consumer Confidence	2Q	--	--	105.2
06/21/2021 19:30	AU VZ Roy Morgan Weekly Consumer Confidence Ind	Jun-20	--	--	111
06/21/2021 20:00	SK Department Store Sales YoY	May	--	--	34.50%
06/21/2021 20:00	SK Discount Store Sales YoY	May	--	--	-2.80%
06/21/2021 20:00	SK Retail Sales YoY	May	--	--	13.70%
06/21/2021 21:00	PH BoP Overall	May	--	--	\$2614m
06/21/2021 21:30	AU Weekly Payroll Jobs and Wages in Australia (for June 5)				
06/21/2021 22:00	TH Car Sales	May	--	--	58132
06/21/2021 23:00	NZ Credit Card Spending YoY	May	--	--	87.40%
06/21/2021 23:00	NZ Credit Card Spending MoM	May	--	--	2.70%

Source: Bloomberg

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