

Daily Treasury Outlook

21 September 2021

Highlights

Global: Another risk off session overnight, as market concerns over Evergrande spread. The S&P 500 traded down more than 2% at one point before closing lower by 1.7%, with weakness seen in retail and media stocks. VIX rose to 25.71. SEC officials also warned about Chinese stocks trading in US markets. Meanwhile, House Democrats will include a suspension of the U.S. debt ceiling in a spending bill needed to stave off a debt ceiling default, but could risk a potential showdown with the Republicans. The deposits at the Fed's overnight repo facility continued to hit a fresh record of US\$1.224 tn and investors have snapped up the 3-month T-bills which cross the debt ceiling crunch dates with yields at 0.025%. Separately, US president Biden is expected to call for the US and China to cooperate on issues like climate change at his speech to the UN General Assembly later today.

Market watch: Taper decision coming up, potentially adding to market angst, but first, Asian markets will face consolidation pressures today amid weak US overnight cues and while awaiting for central bank policy decisions, even though China, South Korea and Taiwan markets remain closed for holidays. First up is BI where market is anticipating no change in its policy settings. Today's economic data calendar comprises of US' building permits, housing starts and 2Q current account balance, and OECD's interim economic outlook. ECB's Guindos is also speaking.

US: The NAHB housing market index unexpectedly edged up from 75 in August to 76 in September.

Canada: PM Trudeau appears likely to retain power in a close election, but may not regain a parliamentary majority.

HK: Hong Kong's property developers reportedly have been required by Chinese government to help tackle the housing supply issue which harms social stability. Rising concerns about regulatory risk extending from various Chinese sectors to Macau's gaming sector and Hong Kong's real estate sector have resulted in a stock market rout in Hong Kong. However, since the property developers have actively helped to increase supply via farmland conversion or donation and participation in land sharing pilot scheme, we may not see a sudden and notable increase in home supply. Therefore, any downward pressure on housing price looks limited in the near term.

SG: The blanket 14-day work-from-home requirement for staff will be relaxed to only if 3 or more employees test positive within a period of 7 consecutive days, while the duration of enforced WFH will also be cut from 14 days to 10 days.

Key Market Movements

Equity	Value	% chg
S&P 500	4357.7	-1.7%
DJIA	33970	-1.8%
Nikkei 225	30500	0.0%
SH Comp	3614.0	0.0%
STI	3041.7	-1.0%
Hang Seng	24099	-3.3%
KLCI	1527.9	-1.3%
	Value	% chg
DXY	93.276	0.1%
USDJPY	109.44	-0.4%
EURUSD	1.1726	0.0%
GBPUSD	1.3657	-0.6%
USDIDR	14243	0.1%
USDSGD	1.3517	0.2%
SGDMYR	3.1003	0.0%
	Value	chg (bp)
2Y UST	0.22	-0.59
10Y UST	1.31	-5.09
2Y SGS	0.36	-0.80
10Y SGS	1.44	-0.34
3M LIBOR	0.12	0.19
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	-0.27
3M SOFR	0.05	0.00
	Value	% chg
Brent	73.92	-1.9%
WTI	70.29	-2.3%
Gold	1764	0.6%
Silver	22.27	-0.5%
Palladium	1885	-6.6%
Copper	9033	-3.0%
BCOM	96.05	-1.5%

Source: Bloomberg

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Major Markets

SG: The STI fell 0.96% to close at 3041.73 yesterday and may extend its losing streak today amid weak market sentiments. SGS bonds are likely to trade higher, but gains may be limited ahead of the issue size announcement for the inaugural 30-year SINGA bond (we are anticipating \$2-3b) and the re-opening of the 20-year SGS (Market Development) bond.

HK: Inflation rate decelerated from 3.7% in July to 1.6% in August, mainly dragged down by a retreat in housing inflation. Moving forward, given a combination of low base effect, mounting external price pressure, the rebound of local consumption and the gradual rebound of private housing rent, CPI growth may top 3% again in September. Having said that, our full year CPI forecast remains unchanged at 1.7% for this year as overall inflation pressure remains contained.

Malaysia: Malaysia's tourism minister, Nancy Shukri, said that the government will look into resuming interstate travel across the country to help boost its domestic tourism sector. The country has set up its first domestic travel bubble in Langkawi, which opened to local tourists last Thursday.

Indonesia: Bank Indonesia is likely to leave its key rate unchanged at 3.50% at its MPC decision today. While the economy is still susceptible to any new pandemic wave given the still relatively low vaccination rate, situations are relatively better now compared to a month or two ago when infection was at peak and strict mobility restrictions were implemented. While BI had previously signaled the next move will more likely be a rate hike, we maintain our view that the benchmark rate will remain at its current level for the remainder of the year.

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Bond Market Updates

Market Commentary: The Singapore swap curve traded mix yesterday, with shorter tenors (1-4 years) mostly traded 0-1bps lower, belly tenors traded 0-1bps higher, the 10 to 15-year traded 1bps lower though the 20-year and 30-year traded 1bps higher. There were heavy flows in SGD Corporates yesterday, with flows in AAREIT 5.375%-PERPs, CS 5.675%-PERPs, OLAMSP 4%'26s, MAPLSP 3.7%-PERPs, SOCGEN 6.125%-PERPs, and KREITS 3.15%-PERPs. UST 10Y Yields fell 5bps to 1.31% yesterday as investors reposition their portfolio with less risky assets amidst uncertainty in the financial system. With another FOMC meeting set to begin today and some fears of market contagion surrounding China's Evergrande Group, UST yields are expected to be more volatile in coming days.

New Issues: Panther Ventures Ltd (Guarantor: CK Assets Holdings Limited) priced a SGD300mn perp NC3 senior bond at 3.38%, tightening from an IPT of 3.625% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.276	0.09%	USD-SGD	1.3517	0.24%
USD-JPY	109.440	-0.45%	EUR-SGD	1.5849	0.24%
EUR-USD	1.173	0.01%	JPY-SGD	1.2365	0.82%
AUD-USD	0.725	-0.18%	GBP-SGD	1.8460	-0.39%
GBP-USD	1.366	-0.61%	AUD-SGD	0.9805	-0.11%
USD-MYR	4.193	0.52%	NZD-SGD	0.9496	0.00%
USD-CNY	6.466	0.13%	CHF-SGD	1.4572	0.71%
USD-IDR	14243	0.14%	SGD-MYR	3.1003	-0.02%
USD-VND	22773	0.02%	SGD-CNY	4.7868	-0.21%

Equity and Commodity

Index	Value	Net change
DJIA	33,970.47	-614.41
S&P	4,357.73	-75.26
Nasdaq	14,713.90	-330.07
Nikkei 225	30,500.05	176.71
STI	3,041.73	-29.50
KLCI	1,527.89	-20.62
JCI	6,076.32	-56.93
Baltic Dry	3,833.00	176.00
VIX	25.71	4.90

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	0.36 (-0.01)	0.22(--)
5Y	0.79 (-0.01)	0.82 (-0.04)
10Y	1.44 (--)	1.24 (-0.05)
15Y	1.74 (--)	--
20Y	1.88 (--)	--
30Y	1.89 (--)	1.87 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.007	0.077	0.077
11/03/2021	0.015	0.083	0.083
12/15/2021	-0.017	0.075	0.075
01/26/2022	-0.007	0.077	0.077
03/16/2022	-0.007	0.077	0.077
05/04/2022	-0.007	0.077	0.077

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)	70.29	-2.33%	Corn (per bushel)	5.218	-1.0%
Brent (per barrel)	73.92	-1.88%	Soybean (per bushel)	12.625	-1.7%
Heating Oil (per gallon)	215.90	-2.27%	Wheat (per bushel)	7.008	-1.1%
Gasoline (per gallon)	211.52	-2.58%	Crude Palm Oil (MYR/MT)	44.430	-1.7%
Natural Gas (per MMBtu)	4.99	-2.35%	Rubber (JPY/KG)	1.945	1.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9033.00	-3.00%	Gold (per oz)	1764.2	0.6%
Nickel (per mt)	19056.00	-1.56%	Silver (per oz)	22.3	-0.5%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/21/2021 05:00	NZ	Westpac Consumer Confidence	3Q	--	102.70	107.10	--
09/21/2021 07:30	AU	IZ Roy Morgan Weekly Consumer Confidence Inc	Sep-19	--	103.30	103.10	--
09/21/2021 11:00	NZ	Credit Card Spending YoY	Aug	--	--	6.90%	--
09/21/2021 11:00	NZ	Credit Card Spending MoM	Aug	--	--	-0.60%	--
09/21/2021 14:00	JN	Machine Tool Orders YoY	Aug F	--	--	86.20%	--
09/21/2021 14:00	UK	PSNB ex Banking Groups	Aug	15.6b	--	10.4b	--
09/21/2021 14:00	UK	Public Finances (PSNCR)	Aug	--	--	-2.3b	--
09/21/2021 14:00	UK	Public Sector Net Borrowing	Aug	14.6b	--	9.6b	--
09/21/2021 15:20	ID	Bank Indonesia 7D Reverse Repo	Sep-21	3.50%	--	3.50%	--
09/21/2021 18:00	UK	CBI Trends Total Orders	Sep	16.00	--	18.00	--
09/21/2021 18:00	UK	CBI Trends Selling Prices	Sep	43.00	--	43.00	--
09/21/2021 20:30	US	Current Account Balance	2Q	-\$190.8b	--	-\$195.7b	--
09/21/2021 20:30	US	Building Permits	Aug	1600k	--	1635k	1630k
09/21/2021 20:30	US	Housing Starts MoM	Aug	1.00%	--	-7.00%	--
09/21/2021 20:30	US	Building Permits MoM	Aug	-1.80%	--	2.60%	2.30%
09/21/2021 20:30	US	Housing Starts	Aug	1550k	--	1534k	--

Source: Bloomberg

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