

## Daily Treasury Outlook

21 October 2021

### Highlights

**Global:** Global risk sentiments remained supported overnight. The S&P 500 rose 0.37% while VIX slipped to 15.49 (lowest since 13 August). Tesla's 3Q profit beat analyst expectations despite supply chain disruptions. UST bonds sold off amid a soft US\$24bn 20-year re-opening which was awarded at 2.10% and tailed at 2.5bps (largest since bond sales resumed last year), and the yield curve steepened as the 10-year bond yield rose to 1.66%. Meanwhile, demand for the Fed's overnight reverse repo rose to the second highest on record at US\$1.494tn while SOFR fell for the first time since March from 0.05% to 0.03% amid the ongoing cash glut and bets on rising US yields. Fed's Quarles voiced his support for a November taper but agreed that currently high inflation is transitory although demand could be further boosted by the additional fiscal programs under discussion and could spark a wage-price spiral. The Fed's Beige Book noted that "outlooks for near-term economic activity remained positive, overall, but some districts noted increased uncertainty and more cautious optimism than in previous months". Elsewhere, China Evergrande Group terminated talks to sell its property-management arm and asked to resume trading for its stocks. Bitcoin hit a record to top US\$66,000.

**Market watch:** Asian markets may trade with a firm tone today, as South Korea's exports rose 36.1% yoy in the first twenty days of October, suggesting momentum remain resilient despite supply chain problems and China's power crunch. Today's economic data calendar comprises US' initial jobless claims, existing home sales and Philadelphia Fed business outlook, and Eurozone's consumer confidence. Fed's Waller and RBA governor Lowe are also speaking.

**CN:** China's Vice Premier Liu He said that property risks are controllable despite individual problems and reasonable funding needs in the property sector are being satisfied. In addition, China's Premier Li Keqiang called for all efforts to ensure coal production and transportation to meet the demand for winter.

**SG:** The Stabilization period measures have been extended for a month till 21 November, with \$640m more in aid for affected industries which will be funded from higher-than-expected government revenues collect to-date with no further draw on past reserves. Meanwhile, COEs for the open category E hit \$85,000 (highest since October 2013), while those for Category B rose to \$80,210 (highest since April 2014).

**Oil:** Oil prices rose yesterday after the US unexpectedly reported a drop in US commercial oil inventories. Brent rose 0.9% to close above \$85 for a second straight day, despite falling to as low as \$83.61 during early US hours. We remain bullish on oil for now.

### Key Market Movements

Equity	Value	% chg
S&P 500	4536.2	0.4%
DJIA	35609	0.4%
Nikkei 225	29256	0.1%
SH Comp	3587.0	-0.2%
STI	3198.1	0.0%
Hang Seng	26136	1.4%
KLCI	1606.3	0.0%
	Value	% chg
DXY	93.558	-0.2%
USDJPY	114.31	-0.1%
EURUSD	1.1651	0.2%
GBPUSD	1.3824	0.2%
USDIDR	14076	0.0%
USDSGD	1.3436	-0.1%
SGDMYR	3.0956	0.0%
	Value	chg (bp)
2Y UST	0.39	-0.99
10Y UST	1.66	1.95
2Y SGS	0.75	0.70
10Y SGS	1.75	2.49
3M LIBOR	0.13	-0.20
3M SIBOR	0.43	0.00
3M SOR	0.28	0.00
3M SORA	0.15	0.24
3M SOFR	0.05	-0.02
	Value	% chg
Brent	85.82	0.9%
WTI	83.42	1.2%
Gold	1782	0.7%
Silver	24.29	2.6%
Palladium	2075	-1.3%
Copper	10186	0.4%
BCOM	105.14	1.2%

Source: Bloomberg

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### Major Markets

**SG:** The STI edged down 0.03% to close at 3198.08 yesterday but may open firmer this morning on positive leads from Wall Street. With the bear-steepening in UST bonds overnight, SGS bonds may remain pressured today. There is an upcoming \$2.5b (with MAS taking \$200m) new 5-year SGS (Market Development) bond auction on 27 October for issue on 1 November.

**CN:** China's economic planning agency NDRC has rolled out a few measures covering the areas of quantity, price and administrative controls. Coal mines in China will operate at full capacity to achieve daily output of at least 12 million tons. According to the NDRC, daily output of coal has reached 11.6 million tons on 18 Oct. Coal inventories will also be ramped up in power plants to a minimum required level before 15 Nov. Coal inventories at power plants nationwide have been increased by 9 million tons to 88 million tons which can be used for 16 days. China also rolled out more interventions in coal prices. Effective from Tuesday, coal prices from the coal mines in Shanxi Province, Shaanxi Province and Inner Mongolia are required to cut prices by CNY100 per ton. In addition, the Zhengzhou Commodity Exchange also announced on Wednesday that it will set a transaction limit on thermal coal futures. The National Energy Administration also approved the construction of three new mines in Guansu Province.

**HK:** A total of 180 transactions in Northbound (15.38million yuan) and 128 transactions in Southbound (17.73million yuan) were recorded on the first day of the Wealth Management Connect program. Most banks noted that mainland clients mainly preferred multi asset tracking fund products, while Hong Kong investors preferred onshore bonds and other investment products. Given the fact that local media continues to report increasing demand from customers to open bank accounts, this marks as great success of this program and may further enhance the Hong Kong's status as an international asset management center.

**Malaysia:** Concerns over supply shortages in Malaysia helped to push palm oil prices to record high. Futures for January delivery for the CPO climbed to a record high level of MYR5066/ton yesterday, posting a rally of as much as 40% year-to-date. Earlier in the week, Malaysia's Palm Oil Board said that it expects the CPO prices to average MYR4100/ton this year due to lower supply, adding that production in Jan-Sep period has declined to the lowest level since 2017.

**Indonesia:** Indonesia's capital city of Jakarta has loosened its social restrictions further, as Covid-19 cases continued to stabilize, with just 106 new cases reported on Tuesday, for instance. As it transitions from Phase 3 to Phase 2 PPKM measures, the provincial government announced that more businesses can operate with higher capacity than before. For instance, gyms can now have a maximum capacity of 50%, vs. 25% before.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded mostly higher yesterday, with shorter tenors trading 1-3bps lower, belly tenors trading 1-6bps higher, and longer tenors trading 3-5bps higher. There were light flows SGD corporates yesterday. UST 10Y Yields rose 2bps to 1.66% yesterday amidst strong corporate earnings and a weak 20-year UST auction. As Federal Reserve officials indicate in the last FOMC that they were closely watching growth metrics, recent surprises in retail sales and strong corporate earnings could influence the Fed to potentially taper by the end of the year.

**New Issues:** TSMC Arizona Corp (Guarantor: Taiwan Semiconductor Manufacturing Co.) priced a USD1.25bn 5-year senior unsecured bond at T+60bps, tightening from an IPT of T+85bps area, a USD1.25 10-year senior unsecured bond at T+90bps, tightening from an IPT of T+115bps area, a USD1.0bn 20-year senior unsecured bond at T+110bps, tightening from an IPT of T+135bps area, and a USD1.0bn 30-year senior unsecured bond at T+120bps, tightening from an IPT of T+145bps area. Indofood CBP Sukses Makmur Tbk PT priced a USD600mn 10.5-year senior unsecured bond at T+190bps, tightening from an IPT of T+220bps area, and a USD400mn 30.5-year senior unsecured bond at T+270bps, tightening from an IPT of T+300bps area. Hualu International Finance (BVI) Ltd (Guarantor: Hualu Holdings Co Ltd) priced a USD300mn 5-year senior unsecured bond at 2.2%, tightening from an IPT of 2.8% area. Mega Wisdom Global Ltd (Guarantors: Fortune Joy Ventures Ltd and Sino-Ocean Capital Holding Ltd) priced a USD350mn 1-year senior unsecured bond at 6%, tightening from an IPT of 6.375% area. Hunan Xiangjiang New Area Development Group Co Ltd priced a USD330mn 5-year senior unsecured bond at 2.65%, tightening from an IPT of 3% area. Muang Thai Life Assurance Public Company Limited priced a USD400mn 15.25NC5.25 subordinated bond at T+240bps, tightening from an IPT of T+2.75bps area. Huzhou City Investment Development Group Co., Ltd has arranged investor calls commencing 20 October for its proposed USD bond offering. Far East Horizon Limited has arranged investor calls commencing 20 October for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.558	-0.19%	USD-SGD	1.3436	-0.10%
USD-JPY	114.310	-0.06%	EUR-SGD	1.5653	0.04%
EUR-USD	1.165	0.15%	JPY-SGD	1.1750	-0.08%
AUD-USD	0.752	0.56%	GBP-SGD	1.8573	0.09%
GBP-USD	1.382	0.20%	AUD-SGD	1.0099	0.47%
USD-MYR	4.160	-0.24%	NZD-SGD	0.9676	0.57%
USD-CNY	6.393	0.16%	CHF-SGD	1.4622	0.35%
USD-IDR	14076	-0.24%	SGD-MYR	3.0956	0.04%
USD-VND	22758	0.02%	SGD-CNY	4.7594	0.27%

### 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%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.017	0.072	0.072
12/15/2021	-0.020	0.071	0.071
01/26/2022	0.045	0.087	0.087
03/16/2022	0.126	0.108	0.108
05/04/2022	0.263	0.142	0.142
06/15/2022	0.484	0.197	0.197

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.87	1.10%	Corn (per bushel)	5.393	1.7%
Brent (per barrel)	85.82	0.87%	Soybean (per bushel)	12.455	1.4%
Heating Oil (per gallon)	259.23	1.23%	Wheat (per bushel)	7.493	1.8%
Gasoline (per gallon)	250.84	1.33%	Crude Palm Oil (MYR/MT)	53.000	2.4%
Natural Gas (per MMBtu)	5.17	1.61%	Rubber (JPY/KG)	2.180	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	10185.50	0.35%	Gold (per oz)	1782.1	0.7%
Nickel (per mt)	20963.00	4.55%	Silver (per oz)	24.3	2.6%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/21/2021 05:00	SK	PPI YoY	Sep	--	7.50%	7.30%	7.40%
10/21/2021 07:50	JN	Japan Buying Foreign Bonds	Oct-15	--	¥1221.3b	¥139.8b	¥140.8b
10/21/2021 07:50	JN	Foreign Buying Japan Stocks	Oct-15	--	¥960.1b	¥1013.5b	¥1015.6b
10/21/2021 08:30	AU	NAB Business Confidence	3Q	--	--	17.00	--
10/21/2021 10:00	NZ	Credit Card Spending YoY	Sep	--	--	-6.30%	--
10/21/2021 12:30	NE	Consumer Spending YoY	Aug	--	--	4.80%	--
10/21/2021 14:00	JN	Machine Tool Orders YoY	Sep F	--	--	71.90%	--
10/21/2021 14:00	UK	PSNB ex Banking Groups	Sep	22.6b	--	20.0b	--
10/21/2021 16:30	HK	Unemployment Rate SA	Sep	4.60%	--	4.70%	--
10/21/2021 20:30	US	Philadelphia Fed Business Outlook	Oct	\$25.00	--	\$30.70	--
10/21/2021 20:30	US	Continuing Claims	Oct-09	2548k	--	2593k	--
10/21/2021 21:45	US	Langer Consumer Comfort	Oct-17	--	--	51.20	--
10/21/2021 22:00	US	Existing Home Sales	Sep	6.09m	--	5.88m	--
10/21/2021 22:00	US	Leading Index	Sep	0.40%	--	0.90%	--
10/21/2021 22:00	EC	Consumer Confidence	Oct A	-5.00	--	-4.00	--
10/21/2021 20:30	US	Initial Jobless Claims	Oct-16	297k	--	293k	--

Source: Bloomberg

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