

Daily Treasury Outlook

22 January 2021

Highlights

Global: The pen is mightier than the sword – US President Biden signed more executive orders including his national strategy to combat the Covid crisis (while warning of another 100k deaths over the next month) and stabilizing the supply chain for critical medical supplies. That said, Republican leader Mitch McConnell has threatened to delay the Senate agreement over filibuster (which requires 60 votes to pass legislation) while negotiating a power-sharing arrangement. The S&P 500 added a mild 0.03% to a fresh high, with Nasdaq, the star performer led by tech shares again, rose 0.55% while VIX sank to 21.32. UST bonds bear-steepened yesterday with the 10-year yield back up to 1.11%, taking the lead from declines in bunds after the ECB said it may not fully utilise its EUR1.85tn pandemic emergency bond purchase program which was interpreted as a slightly hawkish hint. Breakeven inflation rates for TIPS rose further beyond 2.16%. USD slipped while Bitcoin also tumbled up to 11.3% to slide below \$31k. Meanwhile, ECB, BOJ and BI were static as expected, preferring to stay in wait-and-see mode for now.

Market watch: Asian markets may soften slightly today, as rising global Covid cases may cast a shadow over recent market euphoria and major central banks appear to be content to wait-and-see rather than deploy additional policy easing. Today's economic data calendar comprises UK's retail sales, Taiwan's unemployment rate, Malaysia's CPI, services and composite PMIs from Europe and US, as well as US' existing home sales.

US: Initial jobless claims eased to 900k, down from a revised 926k in the previous week. Meanwhile, both housing starts and building permits rose more than expected by 5.8% and 4.5% mom in December. Separately, Treasury Secretary-designate Yellen promised to work with members of Congress to fast-track tax increases on corporations and wealthy Americans, put "effective pressure on countries that are intervening in the foreign exchange market to gain a trade advantage". She reiterated there would not be an immediate lifting of tariffs on China but would use the "full array of tools" to counter China's "abusive economic practices".

EU: ECB's Lagarde warned that the GDP decline in the fourth quarter will travel into the first quarter this year, suggesting a double-dip recession, but economic risks may be less pronounced going ahead.

JP: BOJ downgraded its near-term outlook due to strong downward pressure on services spending with the additional emergency measures, but suggested a slightly more upbeat outlook for the new fiscal year at 3.9% from 3.6% previously.

SG: Singapore is considering tightening measures ahead of the CNY festive season after more community cases, according to Minister Lawrence Wong.

Key Market Movements

Equity	Value	% chg
S&P 500	3853.1	0.0%
DJIA	31176	0.0%
Nikkei 225	28757	0.8%
SH Comp	3621.3	1.1%
STI	3017.2	0.6%
Hang Seng	29928	-0.1%
KLCI	1594.8	-0.4%
	Value	% chg
DXY	90.131	-0.4%
USDJPY	103.5	0.0%
EURUSD	1.2164	0.5%
GBPUSD	1.3733	0.6%
USIDR	14000	-0.2%
USDSGD	1.3228	-0.2%
SGDMYR	3.0447	-0.1%
	Value	chg (bp)
3M UST	0.07	-0.25
10Y UST	1.11	2.56
1Y SGS	0.34	0.00
10Y SGS	1.03	-0.64
3M LIBOR	0.22	-0.13
3M SIBOR	0.41	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	56.1	0.0%
WTI	53.13	-0.3%
Gold	1870	-0.1%
Silver	25.94	0.4%
Palladium	2370	-0.2%
Copper	8045	0.0%
BCOM	80.29	0.0%

Source: Bloomberg

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Major Markets

US: US equities closed higher on tech share gains. The S&P 500 index rose 0.03% and the Nasdaq 100 Composite index notched a 0.55% gain. US President Biden has unveiled his national Covid plan which focuses on accelerating testing, vaccine rollouts and reopenings. This is likely to be supportive for the US equity market and we expect the risk rally to be intact in the near term.

CN: China's Commerce Ministry said yesterday that China is ready to sign more free trade agreements with other nations. Meanwhile, China also holds a positive attitude toward the idea of joining the CPTPP. Elsewhere, China has injected a net CNY248 billion via 7-day reverse repo.

SG: The STI extended gains by 0.61% to close at 3017.15 yesterday, but may consolidate ahead of the weekend on the potential prospects of tightening Covid measures again. Morning leads from Nikkei and Kospi are also negative. SGS bonds are likely to trade under pressure today, following the bear-steepening bias in the UST market overnight.

HK: CPI fell for the sixth consecutive month by 0.7% yoy in December 2020, partially due to the large amount of electricity charges subsidy provided by the government during the month. Netting out the effects of all the one-off relief measures, the inflation still moderated from 0.3% in November to 0.0% December. This indicates that the subdued inflationary pressure may also be attributed to the high base associated with the pork shortage in 2019, the lowered prices of meals bought outside of home amid virus resurgence and social distancing measures, as well as the declining housing rental. In the near term, price pressures may remain subdued due to virus resurgence at home and abroad, ongoing social distancing measures and the relief measures. In the medium term, the government may unwind the stimulus measures gradually should the economy start to regain steam. Coupled with low base effect, overall inflation may rebound to around 1.5% in 2021 after printing 0.3% in 2020.

Malaysia: Malaysia is due to announce its inflation print today, whereby the market is expecting some relative uptick to -1.3% yoy for the December data, compared to -1.7% yoy in November. While the inflation prints are likely to stay subdued overall due to soft demand conditions, the recent uptick in commodity prices is receiving more attention from policymakers. Already, BNM appears to pay more attention to it in the latest MPC statement.

Indonesia: Bank Indonesia opted to keep its policy rate unchanged at 3.75% yesterday. It painted a sanguine outlook, talking about brightening growth outlook globally and domestically, despite ongoing downside risks. Still, it left the door open for rate cuts by pointing out that inflation should remain relatively subdued and portfolio inflows should remain strong - a good mix of environment for easing if necessary.

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Gold: Gold prices were virtually unchanged yesterday, staying close to the \$1870 level. The rise in Treasury yields, which rose to as high as 1.121% yesterday, capped a lid on gold's advance.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly fell yesterday, with belly tenors trading 2-3bps lower and longer tenors trading 2-3bps lower. There were very minimal flows in SGD corporates yesterday. 10Y UST gained 3bps to 1.11% on the back of the announcement of future auctions for USD60bn of two-year notes, USD61bn of five-year notes and USD62bn of seven-year notes. The inflation breakeven rate for 10-year Treasury Inflation-Protected Securities jumped to 2.17% after Thursday's USD15bn auction.

New Issues: Power Finance Corp Ltd priced a USD500mn 10-year bond at 3.35%, tightening from IPT of 3.75% area. Sunac China Holdings Ltd priced a USD600mn 3.25NC2 bond at 5.95%, tightening from IPT of 6.5% area and a USD500mn 5NC3 bond at 6.5%, tightening from IPT of 7.05% area. Seaspac Corp priced a USD200mn 3-year sustainability-linked bond at 6.5%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.131	-0.38%	USD-SGD	1.3228	-0.15%
USD-JPY	103.500	-0.04%	EUR-SGD	1.6088	0.31%
EUR-USD	1.216	0.48%	JPY-SGD	1.2777	-0.14%
AUD-USD	0.776	0.22%	GBP-SGD	1.8165	0.40%
GBP-USD	1.373	0.58%	AUD-SGD	1.0268	0.05%
USD-MYR	4.029	-0.36%	NZD-SGD	0.9547	0.49%
USD-CNY	6.462	-0.06%	CHF-SGD	1.4938	0.32%
USD-IDR	14000	-0.25%	SGD-MYR	3.0447	-0.14%
USD-VND	23073	-0.02%	SGD-CNY	4.8874	0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5590	-0.56%	O/N	0.0866	0.09%
2M	-0.3360	-0.34%	1M	0.1285	0.13%
3M	-0.5430	-0.55%	2M	0.1694	0.17%
6M	-0.5320	-0.53%	3M	0.2224	0.22%
9M	-0.1940	-0.20%	6M	0.2379	0.24%
12M	-0.5060	-0.50%	12M	0.3173	0.31%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.052	-5.2	0.077	0.077
03/17/2021	-0.061	-1	0.075	0.075
04/28/2021	-0.082	-2	0.07	0.07
06/16/2021	-0.096	-1.5	0.066	0.066
07/28/2021	-0.112	-1.5	0.063	0.063
09/22/2021	-0.083	2.9	0.07	0.07
11/03/2021	-0.092	-0.9	0.067	0.067

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.13	-0.21%	Corn (per bushel)	5.243	0.4%
Brent (per barrel)	56.10	0.04%	Soybean (per bushel)	13.703	0.1%
Heating Oil (per gallon)	160.06	0.01%	Wheat (per bushel)	6.608	-1.0%
Gasoline (per gallon)	154.79	0.26%	Crude Palm Oil (MYR/MT)	35.510	2.3%
Natural Gas (per MMBtu)	2.49	-1.89%	Rubber (JPY/KG)	3.380	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8021.50	-0.29%	Gold (per oz)	1870.0	-0.1%
Nickel (per mt)	18395.00	0.95%	Silver (per oz)	25.9	0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/22/2021 05:45	NZ CPI YoY	4Q 1.10%	1.40%	1.40%	--
01/22/2021 07:30	JN Natl CPI YoY	Dec -1.30%	-1.20%	-0.90%	--
01/22/2021 08:30	AU Retail Sales MoM	Dec P -1.50%	--	7.10%	--
01/22/2021 08:30	JN Jibun Bank Japan PMI Mfg	Jan P --	--	50	--
01/22/2021 11:30	TH Customs Exports YoY	Dec -1.35%	--	-3.65%	--
01/22/2021 12:00	MA CPI YoY	Dec -1.30%	--	-1.70%	--
01/22/2021 15:00	UK Retail Sales Inc Auto Fuel MoM	Dec 1.30%	--	-3.80%	--
01/22/2021 15:00	UK Retail Sales Ex Auto Fuel MoM	Dec 1.00%	--	-2.60%	--
01/22/2021 15:00	UK Retail Sales Inc Auto Fuel YoY	Dec 4.0%	--	2.4%	--
01/22/2021 15:30	TH Foreign Reserves	Jan-15 --	--	\$257.1b	--
01/22/2021 16:30	GE Markit/BME Germany Manufacturing PMI	Jan P 57.2	--	58.3	--
01/22/2021 17:00	EC Markit Eurozone Manufacturing PMI	Jan P 54.4	--	55.2	--
01/22/2021 17:30	UK Markit UK PMI Manufacturing SA	Jan P 53.6	--	57.5	--
01/22/2021 21:30	CA Retail Sales MoM	Nov 0.00%	--	0.40%	--
01/22/2021 22:45	US Markit US Manufacturing PMI	Jan P 56.5	--	57.1	--
01/22/2021 23:00	US Existing Home Sales	Dec 6.56m	--	6.69m	--

Source: Bloomberg

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