

## Daily Treasury Outlook

22 June 2021

### Highlights

**Global:** US equities had a strong rally overnight as concerns of a hawkish Fed faded. The S&P 500 surged 1.40%, led by energy, financial and industrial stocks, while VIX fell to 17.89. The UST bond yield curve steepened as front-end rates remain anchored but longer-dated bond yields rebounded with the 10-year back up 5bps to 1.49%. Meanwhile, the 3- and 6-month T-bill auctions were awarded at 0.045% and 0.055%, while the reverse repo facility hit another record high of US\$765.1bn, suggesting that liquidity conditions remained ample despite the recent Fed tweaks. The 3-month LIBOR rose slightly to 0.1379%. Crude oil and gold also rose while the USD snapped its six-day winning streak and Bitcoin sank as China stepped up efforts to clamp down on cryptocurrencies. Fed chair Powell reiterated that “inflation has increased notably in recent months”, but “as these transitory supply effects abate, inflation is expected to drop back towards our longer-run goal”. Williams warned that “there is a great deal of uncertainty about the inflation outlook”, but bottlenecks should subside and bring inflation back down to around 2% in 2022 and 2023, whereas Kaplan favoured tapering asset purchases “sooner rather than later”. Bullard also opined it “appropriate” to start talking about a taper. Elsewhere, China kept its 1-year and 5-year LPR unchanged at 3.85% and 4.65% as expected, while Taiwan’s May exports rose less than expected by 34.5% yoy (April: 42.6% yoy).

**Market watch:** Asian markets are likely to open firmer this morning to latch onto the US optimism while awaiting Fed chair Powell’s testimony to a House Subcommittee later today. Today’s economic data calendar comprises Taiwan’s unemployment rate, HK’s CPI, and US’s existing home sales and Richmond Fed manufacturing index. ECB’s Lane and Schnabel, as well as Fed’s Mester and Daly are also speaking today.

**US:** A bipartisan group of senators said they are moving closer to an agreement on the infrastructure plan.

**EU:** ECB chief Lagarde opined that accelerating US inflation should have only “moderate” impact on the Eurozone whose “underlying price pressures...are likely to remain subdued”.

**SG:** MAS is selling \$5.2bn and \$11bn of 28- and 84-day bills today.

**Oil:** Similar to the reversal trend seen in other markets, oil rebounded strongly during US trading hours. Brent briefly traded below \$73 during European hours yesterday but rallied above \$74.50 by midnight. Further hawkish Fed rhetoric, however, may further rattle risk assets and pressure oil prices lower.

**Gold:** Gold rose 1.1% yesterday to \$1783.27 on the back of a weakened dollar. Gold is currently trading within our fair value range after hovering above said range for six weeks, and we expect the precious metal to trade within a broad range of \$1750 to \$1850 for now.

### Key Market Movements

Equity	Value	% chg
S&P 500	4224.8	1.4%
DJIA	33877	1.8%
Nikkei 225	28011	-3.3%
SH Comp	3529.2	0.1%
STI	3117.9	-0.8%
Hang Seng	28489	-1.1%
KLCI	1572.2	-1.1%
	Value	% chg
DXY	91.899	-0.4%
USDJPY	110.27	0.1%
EURUSD	1.1919	0.5%
GBPUSD	1.3934	0.9%
USDIDR	14428	0.4%
USDSGD	1.3431	-0.1%
SGDMYR	3.0838	-0.1%
	Value	chg (bp)
2Y UST	0.25	0.02
10Y UST	1.49	5.05
2Y SGS	0.41	2.90
10Y SGS	1.47	0.00
3M LIBOR	0.13	0.04
3M SIBOR	0.43	0.00
3M SOR	0.24	0.00
3M SORA	0.15	0.08
3M SOFR	0.01	0.13
	Value	% chg
Brent	74.9	1.9%
WTI	73.66	2.8%
Gold	1783	1.1%
Silver	25.95	0.6%
Palladium	2588	4.6%
Copper	9180	0.4%
BCOM	91.56	0.7%

Source: Bloomberg

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### Major Markets

**US:** US equities surged in yesterday's trading session after last Friday's selloff, shaking off jitters over the Fed's recent hawkish stance. The S&P 500 rose 1.40% and the tech heavy Nasdaq fell 0.79%. 10Y UST bond yields closed at 1.49%. Fed chair Jerome Powell testifies before the US Congress today and could shed more light on the Fed's stance on inflation and rate hikes.

**CN:** China's top economic planning agency, the National Development and Reform Commission launched a joint probe together with the State Administration for Market Regulation to identify abnormal transactions and speculation in Iron Ore. Iron Ore futures closed 7.2% lower on Monday.

**SG:** The STI fell by 0.84% to close at 3117.87 yesterday but should fare better today amid positive overnight signals from Wall Street as well as morning gains by Kospi. With the bear steepening in the UST bond market, SGS bonds may also come under some pressure today.

**HK:** As there has not been any local infection for the fourteenth consecutive day on 21 June, the government has announced further relaxation of the social distancing measures from 24 June.

**Macau:** Health Bureau Director said Macau is planning to discuss with Hong Kong on the feasibility of relaxing the cross-border travel restrictions, such as easing or lifting the mandatory quarantine requirement.

**Malaysia:** Malaysia's UMNO party, which is technically part of the ruling coalition, has called for PM Muhyiddin Yassin to reconvene the parliament within 14 days. In a statement on Monday, UMNO President Ahmad Zahid Hamidi said that the failure to reopen the parliament "as soon as possible" as the King had requested, "would be considered treason and disrespectful of the royal institution."

**Indonesia:** Indonesia announced the largest one-day jump in Covid-19 cases on Monday. As many as 14,536 new infection were reported, higher than the peak daily case in January, putting the total number of confirmed cases to more than 2mn since the pandemic began. The surge is posing a challenge to the country's healthcare system, with the hospital capacity in Jakarta reportedly at about 80% full. The capital city has seen cases of more than 5000 recently.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear flattened yesterday, with shorter tenors trading at 1-6bps higher. Belly tenors traded 3-4bps higher while longer tenors traded 0-1bps lower. There were moderate flows in SGD corporates yesterday, including UOBSP 2.55%-PERPs and OLAMSP 4%'26s. Hitting an intraday low of 1.35%, UST 10Y Yields rebounded and gained 5bps to 1.49% as investors continue to position following a Fed policy update last week that sounded more hawkish than expected.

**New Issues:** Hopson Development Holdings Ltd priced a USD250mn 2.5-year senior unsecured bond at 6.8%, tightening from IPT of 7.1% area. Hangzhou Fuyang City Construction Investment Group Co., Ltd. has mandated banks for its proposed USD bond offering. The Government of Mongolia has mandated banks for its proposed USD bond offering. RHB Bank Bhd has arranged investor calls commencing 21 June for its proposed USD bond offering. BOCOM International Holdings Co. has arranged investor calls commencing 21 June for its proposed USD bond offering. China Oil & Gas Group Ltd. has arranged investor calls commencing 21 June for its proposed USD bond offering. Beijing Construction Engineering Group Co. has arranged investor calls commencing 22 June for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.899	-0.35%	USD-SGD	1.3431	-0.15%
USD-JPY	110.270	0.05%	EUR-SGD	1.6010	0.36%
EUR-USD	1.192	0.46%	JPY-SGD	1.2164	-0.31%
AUD-USD	0.754	0.75%	GBP-SGD	1.8715	0.81%
GBP-USD	1.393	0.90%	AUD-SGD	1.0123	0.69%
USD-MYR	4.147	0.17%	NZD-SGD	0.9380	0.56%
USD-CNY	6.467	0.21%	CHF-SGD	1.4627	0.21%
USD-IDR	14428	0.37%	SGD-MYR	3.0838	-0.10%
USD-VND	23016	0.03%	SGD-CNY	4.8115	0.32%

## Equity and Commodity

Index	Value	Net change
DJIA	33,876.97	586.89
S&P	4,224.79	58.34
Nasdaq	14,141.48	111.10
Nikkei 225	28,010.93	-953.15
STI	3,117.87	-26.29
KLCI	1,572.24	-16.81
JCI	5,996.25	-10.87
Baltic Dry	3,218.00	-49.00
VIX	17.89	-2.81

## 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%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.41 (+0.03)	0.25(--)
5Y	0.87 (+0.03)	0.89 (+0.01)
10Y	1.47 (--)	1.49 (+0.05)
15Y	1.81 (-0.01)	--
20Y	1.82 (-0.01)	--
30Y	1.81 (-0.02)	2.11 (+0.1)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
07/28/2021	0	0.098	0.098
09/22/2021	-0.005	0.096	0.096
11/03/2021	0.001	0.098	0.098
12/15/2021	0.009	0.1	0.1
01/26/2022	0.02	0.103	0.103
03/16/2022	0.101	0.123	0.123

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.28	(--)
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)	73.66	2.82%	Corn (per bushel)	6.593	0.6%
Brent (per barrel)	74.90	1.89%	Soybean (per bushel)	14.150	1.4%
Heating Oil (per gallon)	212.68	1.61%	Wheat (per bushel)	6.615	-0.2%
Gasoline (per gallon)	219.69	1.32%	Crude Palm Oil (MYR/MT)	35.650	-0.8%
Natural Gas (per MMBtu)	3.19	-0.75%	Rubber (JPY/KG)	2.408	-0.9%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9180.00	0.38%	Gold (per oz)	1783.3	1.1%
Nickel (per mt)	17450.00	1.73%	Silver (per oz)	26.0	0.6%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/22/2021 02:00	JN	Machine Tool Orders YoY	May F	--	--	140.70%	--
06/22/2021 02:00	UK	PSNB ex Banking Groups	May	25.5b	--	31.7b	--
06/22/2021 03:00	MA	Foreign Reserves	Jun-15	--	--	\$110.9b	--
06/22/2021 04:00	TA	Unemployment Rate	May	3.71%	--	3.71%	--
06/22/2021 04:30	HK	CPI Composite YoY	May	1.10%	--	0.70%	--
06/22/2021 10:00	US	Existing Home Sales	May	5.71m	--	5.85m	--
06/22/2021 10:00	EC	Consumer Confidence	Jun A	-3.4	--	-5.1	--
06/22/2021 10:00	US	Richmond Fed Manufact. Index	Jun	18	--	18	--
06/22/2021 20:30	JN	Jibun Bank Japan PMI Mfg	Jun P	--	--	53	--
06/22/2021 20:30	JN	Jibun Bank Japan PMI Services	Jun P	--	--	46.5	--
06/22/2021 20:30	JN	Jibun Bank Japan PMI Composite	Jun P	--	--	48.8	--
06/22/2021 21:00	PH	BoP Overall	May	--	--	\$2614m	--
06/22/2021 21:00	PH	Budget Balance PHP	May	--	--	-44.4b	--
06/22/2021 23:30	TH	Customs Exports YoY	May	33.50%	--	13.09%	--
06/22/2021 23:30	TH	Customs Imports YoY	May	53.40%	--	29.79%	--
06/22/2021 23:30	TH	Customs Trade Balance	May	\$1038m	--	\$182m	--

Source: Bloomberg

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