

Daily Treasury Outlook

22 October 2021

Highlights

Global: Unstoppable momentum? The S&P 500 gained 0.30% to yet another record high overnight, but the buoyant corporate earnings picture so far was marred by Snap Inc which slumped to drag down tech shares. Intel also slipped on soft guidance. VIX fell to 15.01. The UST bond market stayed under pressure with the 10-year yield rising 4bps to 1.70% and the 5-year yield also up above 1.23% (highest since February 2020) as market players priced in more hawkish FOMC expectations for nearly 50bps of rate hikes by end-2022. Meanwhile, TIPs demand surged with a record US\$19b auction of the 5-year notes. Elsewhere, the clock is ticking for Evergrande who has till tomorrow to pay an US\$83.5m bond coupon, but the company may be seeking a standstill. Separately, Pfizer and BioNTech said a booster vaccine shot restores full protection in a study.

Market watch: Asian markets may be in for a mixed session today as profit-taking may set in ahead of the weekend. Today's economic data calendar comprises Malaysia and Hong Kong's September CPI, Taiwan's unemployment rate, UK' retail sales, S'pore's 3Q21 final URA private home prices, and services and composite PMIs from Europe and US. Fed's Powell and Daly as well as ECB's Villeroy are speaking.

US: Initial jobless claims unexpectedly declined 6k to 290k last week, while Fed's Waller opined that the central bank may have to be "much more aggressive" next year as "there's much more upside risk than I anticipated" for inflation, so the "next few months for me are critical". Meanwhile, the Biden administration warned that climate change would exacerbate global instability.

CN: China's banking and insurance regulator confirmed yesterday that the regulator will support the first-time home buyer via favourable loan to value and mortgage rate. In addition, the regulator also thinks that Evergrande debt crisis has limited impact on Chinese companies' reputation in the offshore market.

UK: BOE's Pill said the rate decision is "live" as the inflation surge is "uncomfortable", but whether to hike is "finely balanced".

SG: The NTUC-SNEF taskforce released 9 recommendations that could provide for temporary unemployment support and more help for PMEs aged above 40 for up to 50% salary support capped at \$3.8k for 6 months for firms that hire them.

Oil: Brent fell 1.4% yesterday, again finding much resistance at the \$85 handle at the moment. A consolidation pattern is gradually starting to emerge for oil at the moment, with Brent possibly stuck in the range of \$80-\$85 in the short term.

Key Market Movements

Equity	Value	% chg
S&P 500	4549.8	0.3%
DJIA	35603	0.0%
Nikkei 225	28709	-1.9%
SH Comp	3594.8	0.2%
STI	3188.5	-0.3%
Hang Seng	26018	-0.5%
KLCI	1591.6	-0.9%
	Value	% chg
DXY	93.770	0.2%
USDJPY	113.99	-0.3%
EURUSD	1.1623	-0.2%
GBPUSD	1.3793	-0.2%
USDIDR	14123	0.3%
USDSGD	1.3474	0.3%
SGDMYR	3.0883	-0.2%
	Value	chg (bp)
2Y UST	0.45	6.91
10Y UST	1.70	4.44
2Y SGS	0.74	-1.00
10Y SGS	1.75	0.00
3M LIBOR	0.13	-0.13
3M SIBOR	0.43	0.00
3M SOR	0.26	0.00
3M SORA	0.15	0.19
3M SOFR	0.05	-0.02
	Value	% chg
Brent	84.61	-1.4%
WTI	82.5	-1.1%
Gold	1783	0.0%
Silver	24.16	-0.6%
Palladium	2018	-2.7%
Copper	9832	-3.5%
BCOM	103.19	-1.9%

Source: Bloomberg

Daily Treasury Outlook

22 October 2021

Major Markets

SG: The STI retreated 0.30% to close at 3188.50 yesterday and may range trade today amid soft market cues. SGS bonds may stay pressured amid the ongoing UST bond market sell-off as investors continue to price in more hawkish expectations for the FOMC.

HK: Hong Kong's jobless rate for the three months ended September fell to 4.5% from 4.7%, the lowest level in 2021. More notably, decrease in unemployment rate was seen in all sectors with construction sector (down 0.6 percentage point to 6.8%), consumption and tourism-related sectors (down 0.2 percentage point to 7.2), as well as entertainment and recreation sectors (down 1.1 percentage point to 2.2%) leading the decline, owing to the gradual economic recovery and the well-contained local epidemic. Going forward, we continue to expect the decline of unemployment rate to slow down as border remains close for the 2H21, while the overall jobless rate to stay above 4% in the near term.

Malaysia: Malaysia's tourism minister, Nancy Shukri, said in a CNBC interview that Malaysia aims to reopen its border to international tourists in November. She added that travellers from Singapore could be some of the first to be let in, noting that she is meeting with Singaporean officials next week to discuss cross-border travel. "We are open to Singapore as long as Singapore is open to us as well," she said.

Indonesia: According to customs data, Indonesia has become China's biggest overseas supplier of coal, with shipment surpassing 21mn tons in September, compared to around 17mn tons in August. Going by Bloomberg tabulation, about two-thirds of China's total coal imports now originate from Indonesia. The uptick in China's demand, coming at a time of its power supply crunch, has pushed Indonesia's benchmark coal price to record levels recently.

Daily Treasury Outlook

22 October 2021

Bond Market Updates

Market Commentary: Shorter tenors (with the exception of the 1-year and 18M trading 0-1bps higher) traded 2bps lower, belly tenors traded 0-1bps lower, and longer tenors (with the exception of the 10-year and 12-year trading 0-1bps higher) traded 1-2bps lower yesterday across the SGD swap curve. There were light flows SGD corporates yesterday, with flows in STSP 3.3%-PERPs. UST 10Y Yields rose 4bps to 1.70% yesterday amidst a lower-than-expected weekly jobless claims released by the US Department of Labour. Initial jobless claims for the week ending 16 October came in at 290,000, lower than the 300,000 forecasted by economists surveyed by Dow Jones.

New Issues: Zhaoqing Guolian Investment Holdings Co Ltd priced a USD300mn 3-year senior unsecured sustainability bond at 2.68%, tightening from an IPT of 3% area. Industrial & Commercial Bank of China Ltd/Singapore priced a USD1.05bn 3-year senior unsecured green bond at T+30bps, tightening from an IPT of T+70bps area. Meanwhile, Industrial & Commercial Bank of China Ltd/Hong Kong priced a USD1.0bn 5-year senior unsecured green bond at T+45bps, tightening from an IPT of T+85bps area. Far East Horizon Ltd priced a USD300mn 5-year senior unsecured bond at T+320bps, tightening from an IPT of T+340bps area. Huzhou City Investment Development Group Co Ltd priced a USD200mn 5-year senior unsecured bond at 2.95%, tightening from an IPT of 3.25% area. Chongqing Southern New City Industrial Investment Group Co. Ltd. has arranged investor calls commencing 21 October for its proposed USD bond offering.

Daily Treasury Outlook

22 October 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.770	0.23%	USD-SGD	1.3474	0.28%
USD-JPY	113.990	-0.28%	EUR-SGD	1.5660	0.04%
EUR-USD	1.162	-0.24%	JPY-SGD	1.1819	0.59%
AUD-USD	0.747	-0.65%	GBP-SGD	1.8584	0.06%
GBP-USD	1.379	-0.22%	AUD-SGD	1.0060	-0.39%
USD-MYR	4.158	-0.04%	NZD-SGD	0.9643	-0.34%
USD-CNY	6.393	0.00%	CHF-SGD	1.4672	0.34%
USD-IDR	14123	0.33%	SGD-MYR	3.0883	-0.24%
USD-VND	22748	-0.04%	SGD-CNY	4.7491	-0.22%

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	-0.006	0.077	0.077
12/15/2021	-0.030	0.071	0.071
01/26/2022	0.055	0.093	0.093
03/16/2022	0.146	0.115	0.115
05/04/2022	0.339	0.163	0.163
06/15/2022	0.638	0.238	0.238

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.50	-1.63%	Corn (per bushel)	5.323	-1.3%
Brent (per barrel)	84.61	-1.41%	Soybean (per bushel)	12.240	-1.7%
Heating Oil (per gallon)	254.91	-1.67%	Wheat (per bushel)	7.413	-1.1%
Gasoline (per gallon)	248.01	-1.13%	Crude Palm Oil (MYR/MT)	52.090	-1.7%
Natural Gas (per MMBtu)	5.12	-1.06%	Rubber (JPY/KG)	2.249	3.2%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9831.50	-3.48%	Gold (per oz)	1782.9	0.0%
Nickel (per mt)	19930.00	-4.93%	Silver (per oz)	24.2	-0.6%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/22/2021 07:30	JN	Natl CPI YoY	Sep	0.20%	0.20%	-0.40%	--
10/22/2021 08:30	JN	Jibun Bank Japan PMI Mfg	Oct P	--	--	51.50	--
10/22/2021 12:00	MA	CPI YoY	Sep	2.10%	--	2.00%	--
10/22/2021 14:00	UK	Retail Sales Inc Auto Fuel MoM	Sep	0.60%	--	-0.90%	--
10/22/2021 14:00	UK	Retail Sales Ex Auto Fuel MoM	Sep	0.30%	--	-1.20%	--
10/22/2021 14:00	UK	Retail Sales Inc Auto Fuel YoY	Sep	-0.40%	--	0.00%	--
10/22/2021 14:00	UK	Retail Sales Ex Auto Fuel YoY	Sep	-1.60%	--	-0.90%	--
10/22/2021 15:30	GE	Markit/BME Germany Manufacturing PMI	Oct P	56.60	--	58.40	--
10/22/2021 15:30	GE	Markit Germany Services PMI	Oct P	5520.00%	--	5620.00%	--
10/22/2021 16:00	EC	Markit Eurozone Manufacturing PMI	Oct P	57.10	--	58.60	--
10/22/2021 16:00	EC	Markit Eurozone Composite PMI	Oct P	55.20	--	56.20	--
10/22/2021 16:30	UK	Markit UK PMI Manufacturing SA	Oct P	56.00	--	57.10	--
10/22/2021 16:30	HK	CPI Composite YoY	Sep	3.00%	--	1.60%	--
10/22/2021 16:30	UK	Markit/CIPS UK Services PMI	Oct P	54.50	--	55.40	--
10/22/2021 20:30	CA	Retail Sales MoM	Aug	2.00%	--	-0.60%	--
10/22/2021 21:45	US	Markit US Manufacturing PMI	Oct P	60.50	--	60.70	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Herbert Wong***Hong Kong & Macau*herberhtwtong@ocbcwh.com

FX/Rates Strategy

Frances Cheung*Rates Strategist*FrancesCheung@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W