

## Daily Treasury Outlook

22 November 2021

### Highlights

**Global:** Global market sentiments may have started to waver on Friday amid concerns of another Covid winter wave for Europe after Austria announced a lockdown which was met with protests, whilst Fed officials like Clarida warned that the Fed may have to adjust the taper pace in December as 4Q21 growth is likely to be very strong. His faster taper pace remarks were also echoed by Waller. The S&P 500 fell 0.14%, while VIX rose to 17.91 on Friday. UST bonds traded mixed on Friday, with hawkish Fed speak flattening the yield curve and pushing the 10-year bond yield down 4 bps to 1.54%. Oil and gold prices also fell. Meanwhile, China's Foreign Exchange Committee has urged banks to limit speculation after the CNY hit a 6-year high, whereas a PBOC adviser warned that China could enter a period of "quasi-stagflation". Elsewhere, Japan and the US could announce a joint release of crude oil reserves, according to a Yomiuri report.

**Market watch:** Asian markets may open on a mixed tone this morning amid mounting market headwinds, as investors await China's 1- and 5-year LPR fixings which are likely to be unchanged at 3.85% and 4.65% respectively. Today's economic data calendar comprises of Thailand's October trade data, Malaysia's foreign reserves, Taiwan's export orders and unemployment, Hong Kong's CPI, Macau's visitor arrivals, and US' existing home sales. ECB's Holzmann, de Cos, and Guindos are also speaking. For the US Thanksgiving holiday-shortened trading week ahead, watch for President Biden's pick for Fed chair (will it be Powell or Brainard?) which may come before Thanksgiving holiday on Thursday, PMI data for the US and Eurozone on Tuesday (with rising costs and supply chain bottlenecks as key challenges), RBNZ and BOK policy decisions (will it be 25 or 50bps hike for the RBNZ from the current 0.5% official cash rate on Wednesday and another 25bps hike to 1.0% for the BOK on Thursday?), and FOMC minutes on Thursday.

**CN:** On monetary policy, PBoC tweaked its language to enhance stability of credit growth. On property market, although PBoC reiterated not to use property market as short-term stimulus tool, it will work together with respective regulators and local government to ensure healthy development of property market and protect the legitimate consumer rights of property buyers. Those two changes implied the increasing chance of marginal structural easing in the coming months.

**EU:** Germany may consider tightening Covid curbs amid rising infections across Europe. The German IFO index to be released on Wednesday may reflect the new Covid infections, supply chain disruptions and political flux with continued coalition talks.

**UK:** BOE governor Bailey argued that the "proximate cause of many of these inflation issues is on the supply side, and monetary policy isn't going to solve those directly".

### Key Market Movements

Equity	Value	% chg
S&P 500	4698.0	-0.1%
DJIA	35602	-0.7%
Nikkei 225	29746	0.5%
SH Comp	3560.4	1.1%
STI	3232.3	-0.1%
Hang Seng	25050	-1.1%
KLCI	1525.5	0.1%
	Value	% chg
DXY	96.031	0.5%
USDJPY	113.99	-0.2%
EURUSD	1.1290	-0.7%
GBPUSD	1.3451	-0.3%
USDIDR	14238	0.1%
USDSGD	1.3613	0.4%
SGDMYR	3.0727	-0.2%
	Value	chg (bp)
2Y UST	0.51	0.46
10Y UST	1.55	-3.93
2Y SGS	0.87	0.80
10Y SGS	1.78	0.35
3M LIBOR	0.16	0.21
3M SIBOR	0.44	0.00
3M SOR	0.33	0.21
3M SORA	0.16	0.11
3M SOFR	0.05	0.00
	Value	% chg
Brent	78.89	-2.9%
WTI	75.94	-3.2%
Gold	1846	-0.7%
Silver	24.62	-0.8%
Palladium	2061	-3.6%
Copper	9647	2.2%
BCOM	102.31	-0.2%

Source: Bloomberg

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### Major Markets

**SG:** Easing of rules for dining-in group sizes start today. Meanwhile, BTO applications have surged 70% last year.

The STI slipped 0.14% to close at 3232.34 on Friday and may consolidate further today. SGS bonds may be better bid amid the tilt to risk-off sentiments in the interim, but with the approaching year-end holidays, market trading activity may also start to wind down.

**Malaysia:** Malaysia's state of Malacca held an election over the weekend which saw the ruling party UMNO winning by a large margin against its rivals. UMNO led its Barisan Nasional coalition to win 21 seats, allowing it the control of the 28-seat state parliament. Rival alliance, Pakatan Harapan, won 5 seats while the Perikatan Nasional garnered 2 seats. While the state is small one - the second smallest by land size after Perlis - the win by BN would nonetheless heightened expectation of a similarly strong performance in the federal election that is likely to take place next year.

**Indonesia:** Bank Indonesia's Deputy Governor Dody Budi Waluyo said that the central bank wants to see inflation accelerating above 2% as it reflects how supply meets growing demand. CPI has been hovering below the central bank's 2-4% target, and BI is reportedly not happy with it because it means that demand is still weak. Separately, Indonesia reported a current account surplus, which surged to a record-high of USD4.5bn, in Q3 due to commodities-bolstered trade.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded higher on Friday, with shorter, belly, and longer tenors trading 1-2bps higher. UST 10Y Yields traded 4bps lower to 1.55% on Friday amidst higher COVID-19 cases in Europe which has led to lockdown concerns and investors bracing themselves for US President Biden's pick for the Fed Reserve Chairman role as its current chairman Jerome Powell's term ends in February 2022. While Fed Chairman Jerome Powell is largely expected to be renominated, President Biden has also interviewed Fed Governor Lael Brainard for the job, who is currently viewed as more dovish than the incumbent chairman.

**New Issues:** Yueyang Construction & Investment Group Co. priced a USD220mn 5-year senior unsecured bond at 3.48%, tightening from an IPT of 3.5% area. Taizhou State-Owned Assets Investment Group Co. (SBLC provider: Bank of Ningbo Taizhou Branch) priced a USD90mn 3-year senior unsecured credit-enhanced bond at 2.02%, tightening from an IPT of 2.35% area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.031	0.51%	USD-SGD	1.3613	0.37%
USD-JPY	113.990	-0.24%	EUR-SGD	1.5369	-0.36%
EUR-USD	1.129	-0.71%	JPY-SGD	1.1940	0.59%
AUD-USD	0.724	-0.58%	GBP-SGD	1.8315	0.05%
GBP-USD	1.345	-0.32%	AUD-SGD	0.9848	-0.21%
USD-MYR	4.183	0.03%	NZD-SGD	0.9533	-0.27%
USD-CNY	6.387	0.02%	CHF-SGD	1.4656	0.02%
USD-IDR	14238	0.07%	SGD-MYR	3.0727	-0.18%
USD-VND	22650	-0.03%	SGD-CNY	4.6962	-0.11%

## Equity and Commodity

Index	Value	Net change
DJIA	35,601.98	-268.97
S&P	4,697.96	-6.58
Nasdaq	16,057.44	63.73
Nikkei 225	29,745.87	147.21
STI	3,232.34	-4.68
KLCI	1,525.54	1.75
JCI	6,720.26	83.79
Baltic Dry	2,591.00	-168.00
VIX	17.91	0.32

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5630	-0.57%	O/N	0.0743	0.08%
2M	-0.3360	-0.34%	1M	0.0889	0.09%
3M	-0.5580	-0.56%	2M	0.1246	0.12%
6M	-0.5300	-0.53%	3M	0.1600	0.16%
9M	-0.1940	-0.20%	6M	0.2278	0.23%
12M	-0.4840	-0.48%	12M	0.3991	0.39%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (+0.01)	0.5(--)
5Y	1.45 (+0.02)	1.22(--)
10Y	1.78 (--)	1.59 (-0.04)
15Y	2 (+0.01)	--
20Y	2.1 (+0.01)	--
30Y	2.05 (+0.01)	1.98 (-0.06)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.016	0.081	0.081
01/26/2022	0.032	0.093	0.093
03/16/2022	0.204	0.136	0.136
05/04/2022	0.487	0.206	0.206
06/15/2022	0.849	0.297	0.297
07/27/2022	1.172	0.377	0.377

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-7.10	(--)
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)	76.10	-3.68%	Corn (per bushel)	5.708	-0.4%
Brent (per barrel)	78.89	-2.89%	Soybean (per bushel)	12.633	-0.2%
Heating Oil (per gallon)	229.34	-3.80%	Wheat (per bushel)	8.230	0.4%
Gasoline (per gallon)	221.19	-3.59%	Crude Palm Oil (MYR/MT)	54.370	-0.2%
Natural Gas (per MMBtu)	5.07	3.33%	Rubber (JPY/KG)	2.177	3.2%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9646.50	2.17%	Gold (per oz)	1845.7	-0.7%
Nickel (per mt)	20044.00	2.06%	Silver (per oz)	24.6	-0.8%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/22/2021 08:00	SK	Retail Sales YoY	Oct	--	--	8.20%	--
11/22/2021 08:00	SK	Exports 20 Days YoY	Nov	--	27.60%	36.10%	--
11/22/2021 08:00	SK	Imports 20 Days YoY	Nov	--	41.90%	48.00%	--
11/22/2021 09:30	CH	1-Year Loan Prime Rate	Nov-22	3.85%	--	3.85%	--
11/22/2021 09:30	CH	5-Year Loan Prime Rate	Nov-22	4.65%	--	4.65%	--
11/22/2021 10:30	TH	Customs Exports YoY	Oct	15.50%	--	17.10%	--
11/22/2021 10:30	TH	Customs Imports YoY	Oct	30.50%	--	30.30%	--
11/22/2021 10:30	TH	Customs Trade Balance	Oct	\$100m	--	\$610m	--
11/22/2021 15:00	MA	Foreign Reserves	Nov-15	--	--	\$116.1b	--
11/22/2021 16:00	TA	Unemployment Rate	Oct	3.80%	--	3.92%	--
11/22/2021 16:30	HK	CPI Composite YoY	Oct	1.80%	--	1.40%	--
11/22/2021 21:00	CA	Bloomberg Nanos Confidence	Nov-19	--	--	59.70	--
11/22/2021 21:30	US	Chicago Fed Nat Activity Index	Oct	10.00%	--	-13.00%	--
11/22/2021 23:00	EC	Consumer Confidence	Nov A	-5.50	--	-4.80	--
11/22/2021 23:00	US	Existing Home Sales MoM	Oct	-1.80%	--	7.00%	--
11/22/2021 23:00	US	Existing Home Sales	Oct	6.18m	--	6.29m	--

Source: Bloomberg

## Treasury Research & Strategy

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