

## Daily Treasury Outlook

23 September 2021

### Highlights

**Global:** Global market reaction was relatively well-behaved overnight, suggesting a tinge of scepticism to the Fed chair Powell's statement that the taper would start before the year is out, possibly as early as the next meeting on 2-3 November, and that the start of rate hikes would be after the taper is done sometime around the middle of next year. The FOMC had unanimously kept its policy settings unchanged, but the dots plot showed a slightly more hawkish trajectory with a median of 0.25% (previously 0.125%) in 2022, while the 2023 and 2024 median forecasts were at 1.0% and 1.75% respectively. The FOMC statement noted that if progress continues broadly as expected, then a moderation in the pace of asset purchases may soon be warranted. The S&P 500 closed higher for the first session in five days by 0.95% in its largest jump since July, while VIX eased to 20.87. The UST bond yield curve also flattened post FOMC, with shorter-dated tenors falling more, albeit the 10-year yield fell 2bps to 1.30%. Meanwhile, the BOJ kept its policy settings static yesterday as well, while Brazil's central bank hiked rates by 100bps to 6.25%.

**Market watch:** Asian markets may heave a sigh of relief as FOMC did not surprise too much and as Evergrande concerns ebbed with a report that the Chinese government is planning to restructure the company into three entities backed by state-owned enterprises. Key to watch today would be the other central bank decisions including the BOE (where a split vote is likely), BSP (likely unchanged at 2% despite elevated inflation prints), CBC (also likely static at 1.125%) and SNB. Japan's market is closed today. The economic data calendar comprises of Thai trade, S'pore's August CPI, Malaysia's foreign reserves, HK's 2Q current account balance, Europe/UK/US PMIs, and US' initial jobless claims and leading index. ECB's Elderson is also speaking.

**CN:** PBoC injected CNY120 billion liquidity via 7-day reverse repo and 14-day reverse repo yesterday. The recent restart of 14-day reverse repo mainly covers quarter-end liquidity needs rather than because of Evergrande crisis. Judging by the prior examples in previous credit events such as Baoshang bank issue in 2019 and SOE default in 2020, PBoC tended to be more reactive rather than pre-emptive. We don't think market should expect much from PBoC at the current stage as PBoC can still take comfort from still stable money market.

**US:** The FOMC revised its 2022 inflation forecast up from 2.1% to 2.2%, but kept the 2023 forecast at 2.2%, in line with its inflation is transitory story. Meanwhile, the existing home sales fell 2.0% in August amid tight supply.

**EU:** ECB's Muller opined that the central bank may lift its regular asset purchases once the PEPP ends. Meanwhile, the IFO cut its 2021 GDP growth forecast from 3.3% to 2.5%, while lifting 2022 forecast up from 4.3% to 5.1%.

### Key Market Movements

Equity	Value	% chg
S&P 500	4395.6	1.0%
DJIA	34258	1.0%
Nikkei 225	29639	-0.7%
SH Comp	3628.5	0.4%
STI	3048.1	-0.5%
Hang Seng	24222	0.0%
KLCI	1529.0	-0.1%
	Value	% chg
DXY	93.462	0.3%
USDJPY	109.78	0.5%
EURUSD	1.1687	-0.3%
GBPUSD	1.3622	-0.3%
USDIDR	14243	0.0%
USDSGD	1.3534	0.1%
SGDMYR	3.0996	0.0%
	Value	chg (bp)
2Y UST	0.24	2.24
10Y UST	1.30	-2.20
2Y SGS	0.38	1.20
10Y SGS	1.44	0.64
3M LIBOR	0.13	0.30
3M SIBOR	0.43	0.00
3M SOR	0.23	0.00
3M SORA	0.13	-0.03
3M SOFR	0.05	0.00
	Value	% chg
Brent	76.19	2.5%
WTI	72.23	2.5%
Gold	1768	-0.4%
Silver	22.70	0.9%
Palladium	2028	6.2%
Copper	9286	3.5%
BCOM	97.15	1.4%

Source: Bloomberg

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### Major Markets

**SG:** August headline and core CPI probably rose 2.1% yoy (0.2% mom nsa) and 0.9% yoy respectively. The STI fell 0.49% to close at 3048.05 yesterday and may range trade today. SGS bonds are likely sidelined as investors position for the upcoming inaugural 30-year SINGA and the 20-year re-opening auctions next week.

**Malaysia:** Malaysia's Deputy Finance Minister Yamani Hafez Musa said that the government is considering the imposition of capital gains tax and a one-off higher tax rate on companies that earned extraordinary profits during the pandemic, in an effort to boost revenue. On the latter, the additional revenue will be used to fund recovery activities and programs to help targeted groups. The government is planning to seek the views of various stakeholders on the impact of such a move, with an eye on protecting the country's competitiveness and preserving its attractiveness to FDI investors.

**Indonesia:** The Asian Development Bank (ADB) has revised down its GDP forecast for Indonesia by 1 pct points to 3.5% for this year, and 0.2 pct points to 4.8% next year, noting that the mid-year virus resurgence has put pressure on the country's economy and people's purchasing power. Inflation is anticipated to be at 1.7% by year end, before increasing to 2.7% next year – within Bank Indonesia's target range of 2 to 4%.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded higher yesterday, with shorter and belly tenors trading 0-1bps higher, and longer tenors trading 0-2bps higher. There were light flows in SGD Corporates yesterday, with flows in CS 5.675%-PERPs. UST 10Y Yields fell 2bps to 1.30% yesterday despite Fed Chairman Jerome Powell signalling that the Feds will taper its monthly bond-buyback program by the end of the year, with most members agreeing that both of its mandates (inflation and employment) were met. Additionally, the FOMC expects the taper to conclude by mid-2022.

**New Issues:** There were no new issues yesterday.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.462	0.28%	USD-SGD	1.3534	0.05%
USD-JPY	109.780	0.50%	EUR-SGD	1.5819	-0.26%
EUR-USD	1.169	-0.33%	JPY-SGD	1.2330	-0.42%
AUD-USD	0.725	0.22%	GBP-SGD	1.8435	-0.22%
GBP-USD	1.362	-0.27%	AUD-SGD	0.9808	0.27%
USD-MYR	4.193	0.21%	NZD-SGD	0.9482	0.08%
USD-CNY	6.462	-0.06%	CHF-SGD	1.4618	-0.17%
USD-IDR	14243	0.04%	SGD-MYR	3.0996	-0.03%
USD-VND	22752	-0.04%	SGD-CNY	4.7844	0.10%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5630	-0.56%	O/N	0.0668	0.07%
2M	-0.3360	-0.34%	1M	0.0818	0.08%
3M	-0.5460	-0.55%	2M	0.1076	0.10%
6M	-0.5300	-0.53%	3M	0.1284	0.13%
9M	-0.1940	-0.20%	6M	0.1534	0.15%
12M	-0.4970	-0.49%	12M	0.2241	0.23%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	0.022	0.083	0.083
12/15/2021	-0.010	0.075	0.075
01/26/2022	0	0.077	0.077
03/16/2022	0	0.077	0.077
05/04/2022	0.023	0.083	0.083
06/15/2022	0.094	0.101	0.101

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.23	2.37%	Corn (per bushel)	5.255	1.6%
Brent (per barrel)	76.19	2.46%	Soybean (per bushel)	12.828	0.7%
Heating Oil (per gallon)	221.16	1.74%	Wheat (per bushel)	7.058	2.2%
Gasoline (per gallon)	212.39	0.89%	Crude Palm Oil (MYR/MT)	45.790	2.4%
Natural Gas (per MMBtu)	4.81	0.00%	Rubber (JPY/KG)	1.865	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9286.00	3.46%	Gold (per oz)	1768.2	-0.4%
Nickel (per mt)	19221.00	2.08%	Silver (per oz)	22.7	0.9%

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/23/2021 02:00	US	FOMC Rate Decision (Upper Bound)	Sep-22	0.25%	0.25%	0.25%	--
09/23/2021 11:30	TH	Customs Exports YoY	Aug	15.10%	--	20.27%	--
09/23/2021 13:00	SI	CPI YoY	Aug	2.40%	--	2.50%	--
09/23/2021 15:15	FR	Markit France Composite PMI	Sep P	55.70	--	55.90	--
09/23/2021 15:30	GE	Markit/BME Germany Manufacturing PMI	Sep P	61.40	--	62.60	--
09/23/2021 15:30	GE	Markit Germany Services PMI	Sep P	60.30	--	60.80	--
09/23/2021 16:00	PH	BSP Overnight Borrowing Rate	Sep-23	2.00%	--	2.00%	--
09/23/2021 16:00	EC	Markit Eurozone Manufacturing PMI	Sep P	60.30	--	61.40	--
09/23/2021 16:00	EC	Markit Eurozone Composite PMI	Sep P	58.50	--	59.00	--
09/23/2021 16:30	UK	Markit UK PMI Manufacturing SA	Sep P	59.00	--	60.30	--
09/23/2021 19:00	UK	Bank of England Bank Rate	Sep-23	0.10%	--	0.10%	--
09/23/2021 19:00	UK	BOE Gilt Purchase Target	Sep	875b	--	875b	--
09/23/2021 20:30	US	Initial Jobless Claims	Sep-18	320k	--	332k	--
09/23/2021 20:30	CA	Retail Sales MoM	Jul	-1.20%	--	4.20%	--
09/23/2021 21:45	US	Markit US Manufacturing PMI	Sep P	61.00	--	61.10	--
09/23/2021 22:00	US	Leading Index	Aug	0.70%	--	0.90%	--

Source: Bloomberg

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