

Daily Treasury Outlook

23 June 2021

Highlights

Global: With Fed chair Powell's reassurance that the central bank is nowhere near hiking rates and reiteration that "we will wait for actual evidence of actual inflation or other imbalances" before tightening, the S&P500 added 0.51%, aided by energy, tech and retail stocks, while VIX slipped to 16.66. The UST bond yield curve bear steepened again, as the long-end underperformed the shorter-dated bonds. The 10-year bond closed 2bps lower at 1.47% while the 2-year note auction tailed around 0.5bps and was awarded at 0.249% (highest since March 2020). Meanwhile, the reverse repo facility hit another record high again at US\$701.6bn and the 3-month LIBOR eased to 0.1338%. Elsewhere, China plans to keep border restrictions for another year. Bitcoin also bounced back after testing below \$30,000 for the first time since January.

Market watch: Asian markets are likely to tread a little higher this morning, while awaiting the Bank of Thailand policy decision (likely on hold) later today. Today's economic data calendar comprises S'pore's May CPI and COE tender results, Taiwan's May industrial production, Eurozone/UK/US's PMIs, and US's new home sales. RBA's Ellis, ECB's Lagarde and Guindos, and Fed's Bowman, Bostic and Rosengren are also speaking.

US: In a chorus of dovish Fed rhetoric, Fed's Williams opined that any tightening is "still way off in the future" and the "attention is on the taper", while Mester noted "we still have some time to go before we will think about interest rates" and Daly echoed that "we're not there yet but it is appropriate to start preparing for the time" to taper. Therefore, the message is loud and clear – the taper is imminent, but let's not worry about the rate hike prospects yet.

SG: With \$2.2bn of JSS payouts from 30 June, this would bring the total JSS assistance to \$26.7bn. May headline and core CPI likely rose 1.7% yoy (0.1% mom nsa) and 0.7% yoy respectively, compared to April readings of 2.1% yoy (-0.2% mom nsa) and 0.6% yoy, with the return to P2(HA).

Oil: Brent fell 0.1% to \$74.81 yesterday, although it breached past the \$75 handle yesterday. We maintain our bullish call on crude oil.

Gold: Gold resumed its downward slide yesterday, falling 0.3% to \$1778.74. The \$1770 level remains a crucial support that gold may break this week if Fed officials produce more hawkish rhetoric in the coming days.

Key Market Movements

Equity	Value	% chg
S&P 500	4246.4	0.5%
DJIA	33946	0.2%
Nikkei 225	28884	3.1%
SH Comp	3557.4	0.8%
STI	3109.2	-0.3%
Hang Seng	28310	-0.6%
KLCI	1574.0	0.1%
	Value	% chg
DXY	91.756	-0.2%
USDJPY	110.65	0.3%
EURUSD	1.1940	0.2%
GBPUSD	1.3949	0.1%
USDIDR	14403	-0.2%
USDSGD	1.3444	0.1%
SGDMYR	3.0850	0.0%
	Value	chg (bp)
2Y UST	0.23	-2.62
10Y UST	1.46	-2.54
2Y SGS	0.43	2.30
10Y SGS	1.52	5.34
3M LIBOR	0.14	0.30
3M SIBOR	0.43	0.00
3M SOR	0.24	0.00
3M SORA	0.15	-0.02
3M SOFR	0.01	0.04
	Value	% chg
Brent	74.81	-0.1%
WTI	72.85	-0.4%
Gold	1779	-0.3%
Silver	25.78	-0.7%
Palladium	2563	-1.0%
Copper	9301	1.3%
BCOM	91.52	0.0%

Source: Bloomberg

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Major Markets

US: US equities rose in yesterday's trading session as Fed chair Jerome Powell addressed inflation worries. The S&P 500 climbed 0.51% and the tech heavy Nasdaq surged 0.79%. 10Y UST bond yields closed 2bps lower at 1.47%. Investors can look forward to a slew of Fed speakers over the next two days for more market cues. This includes Boston Fed President Rosengren who will be speaking later today.

SG: The STI declined 0.28% to close at 3109.20 and could trade sideways today. With the bear steepening in the UST bond market, SGS bonds may also see some pressure, especially ahead of the upcoming new 10-year SGS bond auction.

HK: Inflation rate rebounded further to 1.0% in May, slightly missing the market expectations. Food inflation slowed down a bit from 1.1% in April to 1.0% in May. Though meals out and takeaway food inflation accelerated to 0.9% May from 0.8% in April owing to the well-contained local epidemic, it failed to offset the slowdown in basic food inflation amid a high base effect. Housing price index dropped for the fourth consecutive month by 0.7% yoy as the declining private housing rent remained a drag. Though external price pressures amid the supply chain bottleneck and rebound of demand may have some spill over effect to Hong Kong, we expect the overall inflation in Hong Kong to be contained as local demand and tourist spending have been still far from pre-pandemic levels. We hold on to our view that inflation will print 1.6%-1.8% in 2021.

Malaysia: The ratings agency, S&P, has affirmed Malaysia's sovereign credit rating at A- but kept a negative outlook. It said that Malaysia faces continued pressure on its fiscal settings given its near-term outlook amid a worsened domestic Covid-19 situation and "a fluid political backdrop." It has significantly downgraded its 2021 growth forecast from 6.2% to 4.1% due to the MCO measures. In its view, "Though Malaysia's severe Covid-19 wave has stabilized over the past two weeks, the broader spread of the virus has likely undermined economic activity."

Indonesia: Indonesia managed to sell IDR650bn (~USD44.9mn) worth of 30yr bonds yesterday. The amount tendered was over 2.17tn, amounting to a supportive bid-to-cover ratio of 3.34%. The average yield came in at 6.9095%, which remains relatively reflective of continued market interest in the Indonesian sovereign bonds, despite the recent market jitters after the FOMC meeting.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with shorter tenors trading at 1-4bps higher. Belly tenors traded 4-5bps higher while longer tenors traded 5-6bps higher. There were heavy flows in SGD corporates yesterday, including OLAMSP 4%'26s, ESRCA 5.65%-PERPs, OLAMSP 5.375%-PERPs, MAGIC 3.5%-PERPs, STANLN 5.375%-PERPs, CS 5.625%-PERPs, FCTSP 3.2%'23s and KITSP 4.3%-PERPs. UST 10Y Yields fell 2bps to 1.47% as Fed chairman Jerome Powell reinforced his dovish stance and said the Fed would “do everything we can to support the economy for as long as it takes to complete the recovery”.

New Issues: Export-Import Bank of Korea priced a USD750mn 3-year senior unsecured bond at T+20bps, tightening from IPT of T+45bps area, a USD750mn 5.5-year senior unsecured bond at T+35bps, tightening from IPT of T+60bps area, and a USD500mn 20-year senior unsecured bond at T+50bps, tightening from IPT of T+85bps area. BOCOM International Blossom Limited (Guarantor: BOCOM International Holdings Co Ltd) priced a USD500mn 5-year senior unsecured bond at T+90bps, tightening from IPT of T+130bps area. RHB Bank Bhd priced a USD500mn 5-year senior unsecured bond at T+78bps, tightening from IPT of T+115bps area. Hangzhou Fuyang Chengtou Group HK Ltd (Guarantor: Hangzhou Fuyang City Construction Investment Group Co Ltd) priced a USD328mn 5-year senior unsecured bond at 3.2%, tightening from IPT of 3.65% area. GLP Pte Ltd priced a USD300mn unsecured subordinated green PerpNC6 at 4.6%, tightening from IPT of 4.9% area. CapitaLand China Trust priced a SGD150mn 7-year senior unsecured bond at 2.4%, tightening from IPG of 2.5% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.756	-0.16%	USD-SGD	1.3444	0.10%
USD-JPY	110.650	0.34%	EUR-SGD	1.6054	0.27%
EUR-USD	1.194	0.18%	JPY-SGD	1.2145	-0.16%
AUD-USD	0.755	0.25%	GBP-SGD	1.8751	0.19%
GBP-USD	1.395	0.11%	AUD-SGD	1.0155	0.32%
USD-MYR	4.161	0.34%	NZD-SGD	0.9442	0.66%
USD-CNY	6.481	0.22%	CHF-SGD	1.4641	0.10%
USD-IDR	14403	-0.17%	SGD-MYR	3.0850	0.04%
USD-VND	23014	-0.01%	SGD-CNY	4.8138	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	33,945.58	68.61
S&P	4,246.44	21.65
Nasdaq	14,253.27	111.79
Nikkei 225	28,884.13	873.20
STI	3,109.20	-8.67
KLCI	1,574.02	1.78
JCI	6,087.84	91.59
Baltic Dry	3,190.00	-28.00
VIX	16.66	-1.23

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5500	-0.55%	O/N	0.0848	0.08%
2M	-0.3360	-0.34%	1M	0.0959	0.09%
3M	-0.5420	-0.54%	2M	0.1184	0.12%
6M	-0.5110	-0.51%	3M	0.1379	0.13%
9M	-0.1940	-0.20%	6M	0.1638	0.16%
12M	-0.4800	-0.49%	12M	0.2509	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (+0.02)	0.23(--)
5Y	0.9 (+0.03)	0.86 (-0.03)
10Y	1.52 (+0.05)	1.46 (-0.03)
15Y	1.86 (+0.05)	--
20Y	1.88 (+0.05)	--
30Y	1.86 (+0.05)	2.09 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
07/28/2021	0	0.093	0.093
09/22/2021	0.000	0.093	0.093
11/03/2021	0	0.093	0.093
12/15/2021	0	0.093	0.093
01/26/2022	0	0.093	0.093
03/16/2022	0.091	0.115	0.115

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)	73.06	-0.81%	Corn (per bushel)	6.598	0.1%
Brent (per barrel)	74.81	-0.12%	Soybean (per bushel)	13.945	-1.4%
Heating Oil (per gallon)	215.10	1.14%	Wheat (per bushel)	6.510	-1.6%
Gasoline (per gallon)	222.43	1.25%	Crude Palm Oil (MYR/MT)	35.560	-0.3%
Natural Gas (per MMBtu)	3.26	2.10%	Rubber (JPY/KG)	2.383	-1.0%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9301.00	1.32%	Gold (per oz)	1778.7	-0.3%
Nickel (per mt)	17744.00	1.68%	Silver (per oz)	25.8	-0.7%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/23/2021 01:00	SI CPI YoY	May	2.20%	--	2.10%
06/23/2021 03:05	TH BoT Benchmark Interest Rate	Jun-23	0.50%	--	0.50%
06/23/2021 03:30	GE Markit/BME Germany Manufacturing PMI	Jun P	63.0	--	64.4
06/23/2021 03:30	GE Markit Germany Services PMI	Jun P	55.7	--	52.8
06/23/2021 04:00	EC Markit Eurozone Manufacturing PMI	Jun P	62.3	--	63.1
06/23/2021 04:00	EC Markit Eurozone Composite PMI	Jun P	58.8	--	57.1
06/23/2021 04:30	UK Markit UK PMI Manufacturing SA	Jun P	64.0	--	65.6
06/23/2021 04:30	UK Markit/CIPS UK Services PMI	Jun P	62.8	--	62.9
06/23/2021 07:00	US MBA Mortgage Applications	Jun-18	--	--	4.20%
06/23/2021 08:30	CA Retail Sales MoM	Apr	-5.00%	--	3.60%
06/23/2021 08:30	US Current Account Balance	1Q	-\$206.2b	--	-\$188.5b
06/23/2021 09:45	US Markit US Services PMI	Jun P	70.0	--	70.4
06/23/2021 09:45	US Markit US Manufacturing PMI	Jun P	61.5	--	62.1
06/23/2021 10:00	US New Home Sales	May	867k	--	863k
06/23/2021 21:00	PH BoP Overall	May	--	--	\$2614m
06/23/2021 23:30	TH Customs Exports YoY	May	33.50%	--	13.09%

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

Carie Li

Hong Kong & Macau
carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau
herberhtwong@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

Seow Zhi Qi

Credit Research Analyst
ZhiQiSeow@ocbc.com

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