

## Daily Treasury Outlook

23 November 2021

### Highlights

**Global:** Don't rock the boat – US president Biden has picked Powell to stay as Fed chair for another 4-year term starting February 2022, with Brainard as vice-chair, suggesting his preference for policy continuity. US home sales also unexpectedly climbed 0.8% mom to a 9-month high of 6.34 units annually in October, while the median existing house price surged 13.1% yoy to US\$353,900, and the Chicago Fed national activity index also surprised at 0.76. However, the S&P 500 still closed down 0.32% yesterday, with VIX up to 19.17. UST bonds slumped as market repriced and frontloaded Fed rate hike prospects into a full 25bps hike in June 2022 FOMC, pushing the 2- and 10-year bond yields up to 0.58% and 1.62% respectively, with the 2- and 5-year bond auctions being awarded at 0.623% and 1.319% amid weak demand. Meanwhile, ECB's Villeroy opined that the central bank is "serious" about ending its PEPP in March and may not need to expand regular bond purchases instead. Elsewhere, Chinese regulators have told some banks to issue more property project loans to ease liquidity strains in November.

**Market watch:** Asian markets are likely to tread water today as investors digest the re-nomination of Fed chair Powell for a second term and implications for its rate hike trajectory. Today's economic data calendar comprises of S'pore's October CPI, manufacturing/services/composite PMIs from Europe and US, as well as the Richmond Fed manufacturing index. RBA's Kohler and Bullock, BOE's Haskel, Bailey and Cunliffe, and ECB's Makhlof and Guindos are also speaking today.

**CN:** China kept its benchmark Loan Prime Rate (LPR) unchanged for the 19th consecutive month yesterday because of favourable funding costs in the banking sector. The recent reform of deposit rate ceiling starting in June has lowered the long-term funding costs for banks significantly. The weighted average deposit rate fell by 28bps in September for the level in May, one month before the reform. Meanwhile, the structure of deposit rate also changed with percentage of long-term deposit rate fell.

**SG:** October headline and core CPI, which is due later today, likely rose 2.7% yoy (-0.2% mom nsa) and 1.1% yoy respectively, compared to September's readings of 2.5% yoy (0.4% mom nsa) and 1.2% previously.

**US:** President Biden is preparing to announce a SPR oil release together with India, Japan and South Korea soon.

**EU:** Chancellor Merkel has warned that the latest Covid wave is the worst so far, while Austria is threatening fine of up to US\$4000 for those who refuse to be vaccinated next year.

### Key Market Movements

Equity	Value	% chg
S&P 500	4682.9	-0.3%
DJIA	35619	0.0%
Nikkei 225	29774	0.1%
SH Comp	3582.1	0.6%
STI	3237.1	0.1%
Hang Seng	24951	-0.4%
KLCI	1526.9	0.1%
	Value	% chg
DXY	96.548	0.5%
USDJPY	114.88	0.8%
EURUSD	1.1237	-0.5%
GBPUSD	1.3397	-0.4%
USDIDR	14248	0.1%
USDSGD	1.3644	0.2%
SGDMYR	3.0712	0.0%
	Value	chg (bp)
2Y UST	0.58	7.75
10Y UST	1.62	7.74
2Y SGS	0.87	0.00
10Y SGS	1.78	-0.10
3M LIBOR	0.16	0.44
3M SIBOR	0.44	0.00
3M SOR	0.33	0.00
3M SORA	0.16	0.46
3M SOFR	0.05	0.00
	Value	% chg
Brent	79.7	1.0%
WTI	76.75	1.1%
Gold	1805	-2.2%
Silver	24.18	-1.8%
Palladium	1959	-5.0%
Copper	9727	0.8%
BCOM	102.09	-0.2%

Source: Bloomberg

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### Major Markets

**SG:** The STI added 0.15% to close at 3237.08 yesterday given the relaxation of Covid restrictions for dining and social gatherings but may give back some gains today amid the soggy risk environment. SGS bonds may be torn between the risk-off tilt and the big sell-off in UST bonds overnight.

**MY:** Malaysia reported a slight uptick in its foreign reserves, which stand at USD116.5bn as of mid-November, compared to USD 116.1bn at the start of the month. According to Bank Negara, the reserves is sufficient in financing 8.1 months of retained imports and stands at 1.2 times of its total short-term external debt.

**ID:** Indonesia's Coordinating Minister for Economic Affairs, Airlangga Hartarto, said that the government expects commodity prices to continue rising over the next 1-1.5 years, due to a shift in green energy demand. He added that he expects GDP growth to be at 4% this year before improving to 5.2% in 2022, noting that demand from upper- and middle-class Indonesians have started to recover, as signalled by the uptick in car sales.

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### Bond Market Updates

**Market Commentary:** Shorter and belly tenors (with the exception of the 7-year trading 1bps lower) traded 0-3bps higher, while longer tenors traded 2-3bps lower yesterday across the SGD swap curve. UST 10Y Yields traded 7bps higher to 1.62% yesterday after US President Biden renominated Jerome Powell as the Chairman of the Federal Reserve. Additionally, current Fed Governor Lael Brainard was nominated as the Fed vice-chair.

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

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.548	0.54%	USD-SGD	1.3644	0.23%
USD-JPY	114.880	0.78%	EUR-SGD	1.5330	-0.25%
EUR-USD	1.124	-0.47%	JPY-SGD	1.1876	-0.54%
AUD-USD	0.723	-0.14%	GBP-SGD	1.8279	-0.20%
GBP-USD	1.340	-0.40%	AUD-SGD	0.9861	0.13%
USD-MYR	4.186	0.05%	NZD-SGD	0.9492	-0.43%
USD-CNY	6.385	-0.03%	CHF-SGD	1.4631	-0.17%
USD-IDR	14248	0.07%	SGD-MYR	3.0712	-0.05%
USD-VND	22671	0.09%	SGD-CNY	4.6824	-0.29%

## Equity and Commodity

Index	Value	Net change
DJIA	35,619.25	17.27
S&P	4,682.94	-15.02
Nasdaq	15,854.76	-202.68
Nikkei 225	29,774.11	28.24
STI	3,237.08	4.74
KLCI	1,526.87	1.33
JCI	6,723.39	3.12
Baltic Dry	2,591.00	-168.00
VIX	19.17	1.26

## 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 (--)	0.5 (--)
5Y	1.45 (+0.01)	1.32 (+0.01)
10Y	1.78 (--)	1.59 (+0.08)
15Y	2 (--)	--
20Y	2.09 (--)	--
30Y	2.04 (-0.01)	1.98 (+0.05)

## 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	0.276	0.154	0.154
05/04/2022	0.593	0.233	0.233
06/15/2022	0.997	0.334	0.334
07/27/2022	1.372	0.428	0.428

## 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)	76.75	0.85%	Corn (per bushel)	5.768	1.1%
Brent (per barrel)	79.70	1.03%	Soybean (per bushel)	12.743	0.9%
Heating Oil (per gallon)	232.54	1.40%	Wheat (per bushel)	8.458	2.8%
Gasoline (per gallon)	226.02	2.18%	Crude Palm Oil (MYR/MT)	53.960	-0.8%
Natural Gas (per MMBtu)	4.79	-5.45%	Rubber (JPY/KG)	2.251	3.4%

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9726.50	0.83%	Gold (per oz)	1804.7	-2.2%
Nickel (per mt)	20336.00	1.46%	Silver (per oz)	24.2	-1.8%

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/23/2021 05:45	NZ	Retail Sales Ex Inflation QoQ	3Q	-10.50%	-8.10%	3.30%	--
11/23/2021 13:00	SI	CPI YoY	Oct	2.80%	--	2.50%	--
11/23/2021 13:00	SI	CPI NSA MoM	Oct	0.00%	--	0.40%	--
11/23/2021 16:30	GE	Markit/BME Germany Manufacturing PMI	Nov P	56.90	--	57.80	--
11/23/2021 16:30	GE	Markit Germany Services PMI	Nov P	51.50	--	52.40	--
11/23/2021 16:30	GE	Markit/BME Germany Composite PMI	Nov P	51.00	--	52.00	--
11/23/2021 17:00	EC	Markit Eurozone Composite PMI	Nov P	53.00	--	54.20	--
11/23/2021 17:00	EC	Markit Eurozone Services PMI	Nov P	53.50	--	54.60	--
11/23/2021 17:30	UK	Markit UK PMI Manufacturing SA	Nov P	57.30	--	57.80	--
11/23/2021 17:30	UK	Markit/CIPS UK Services PMI	Nov P	58.50	--	59.10	--
11/23/2021 17:30	UK	Markit/CIPS UK Composite PMI	Nov P	57.50	--	57.80	--
11/23/2021 22:45	US	Markit US Manufacturing PMI	Nov P	59.10	--	58.40	--
11/23/2021 22:45	US	Markit US Services PMI	Nov P	59.00	--	58.70	--
11/23/2021 22:45	US	Markit US Composite PMI	Nov P	--	--	57.60	--
11/23/2021 23:00	US	Richmond Fed Manufact. Index	Nov	11.00	--	12.00	--
11/23/2021 05:00	SK	Consumer Confidence	Nov	--	107.60	106.80	--

Source: Bloomberg

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