

Daily Treasury Outlook

24 June 2021

Highlights

Global: US Treasury Secretary Yellen warned Congress to act on the debt ceiling ahead of emergency measures being exhausted in August or risk a “catastrophic” potential default. Fed’s Bostic expects the Fed could taper in the next few months and “pulled forward my projection for our first move to late 2022” for rate hikes. Meanwhile, Bowman opined that price pressures due to supply disruptions should resolve but gave no specific timeframe. The S&P 500 declined 0.11%, whereas Nasdaq hit a record high and VIX eased to 16.32. The UST bond yields traded higher with the 10-year yield up 2bps to 1.49% following the 5-year auction. There is a US\$62bn of 7-year debt sale today. Meanwhile, the reverse repo facility ballooned to a record US\$7813.6bn and the 3-month LIBOR jumped to a 1-month high of 0.1473%. Elsewhere, BOT held its key policy rate unchanged at a record low of 0.5% for the 9th consecutive meeting as widely expected, and also slashed its 2021 and 2022 growth forecasts to 1.8% yoy and 3.9% yoy respectively, down from 3.0% yoy and 4.7% yoy previously.

Market watch: Asian markets are likely to consolidate today amid weak overnight cues from Wall Street, while awaiting the BSP and BOE policy decisions due later today with both likely remaining static. In addition to the Fed’s bank stress test results, today’s economic data calendar comprises Thai trade, German IFO business climate, and US’s durable goods, initial jobless claims and wholesale inventories. Fed’s Barkin, Bostic, Harker, Williams and Kaplan, as well as ECB’s Panetta and Schnabel are also speaking.

US: New home sales tumbled 5.9% mom (+9.2% yoy) to a 1-year low of 769k as the median price surged 18.1% yoy.

AU: RBA’s Ellis opined that full employment is a “precondition for achieving the rates of wages growth that would be consistent with inflation being sustainably within the 2-3% target”.

SG: May headline CPI surged to 2.4% yoy (0.8% mom nsa), the highest since November 2013 and largely attributable to the low base last year and higher private transport costs, but core CPI remains subdued at 0.8% yoy (0.1% mom nsa). Headline and core CPI may stay elevated around 1.6% and 0.9% yoy for 2H21, bringing the full year forecast to 1.5% and 0.7% yoy for 2021.

Oil: Brent closed above \$75 for the first time since Oct 2018 and now looks to have the \$80 handle in sight. Oil’s rapid rally has been a testament to rising consumer demand globally, especially in the US where gasoline demand has returned to pre-pandemic levels.

Gold: Gold was virtually unchanged yesterday but may see a further decline in price if US durable goods orders come out stronger than expected and should US Fed officials Harker and Bostic appear hawkish in their speeches tonight.

Key Market Movements

Equity	Value	% chg
S&P 500	4241.8	-0.1%
DJIA	33874	-0.2%
Nikkei 225	28875	0.0%
SH Comp	3566.2	0.2%
STI	3118.6	0.3%
Hang Seng	28817	1.8%
KLCI	1564.8	-0.6%
	Value	% chg
DXY	91.802	0.1%
USDJPY	110.96	0.3%
EURUSD	1.1926	-0.1%
GBPUSD	1.3964	0.1%
USDIDR	14433	0.2%
USDSGD	1.3449	0.0%
SGDMYR	3.0946	0.3%
	Value	chg (bp)
2Y UST	0.26	3.41
10Y UST	1.49	2.20
2Y SGS	0.43	-0.90
10Y SGS	1.53	0.41
3M LIBOR	0.13	-0.41
3M SIBOR	0.43	0.00
3M SOR	0.24	0.00
3M SORA	0.15	0.01
3M SOFR	0.01	0.05
	Value	% chg
Brent	75.19	0.5%
WTI	73.08	0.3%
Gold	1779	0.0%
Silver	25.89	0.4%
Palladium	2616	2.1%
Copper	9483	2.0%
BCOM	92.25	0.8%

Source: Bloomberg

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Major Markets

US: US equities closed mixed in yesterday's trading session as investors continue to weigh and price in the various comments from Fed officials. The S&P 500 declined 0.11% and the tech heavy Nasdaq climbed 0.13%. 10Y UST bond yields slipped 2.20bps to close at 1.49%. Looking ahead, Investors can look forward to the US durable goods orders report releasing later today.

CN: Some cities in China continued to tighten housing loans with interest rate being revised higher. Meanwhile, some cities also reported that banks have suspended housing loans for resale properties.

SG: The STI added 0.30% to close at 3118.62 yesterday and could trade sideways today. With the heavy tone persisting in the UST bond market, SGS bonds may follow suit ahead of the upcoming new 10-year SGS bond auction as well.

HK: Hong Kong Investment Funds Association's survey shows that about 95% of over 1,000 respondents in Guangzhou, Shenzhen, Foshan and Zhuhai have interests in investing in Hong Kong funds via wealth management connections. The average monthly household income of the respondents amounts to RMB45,000 while average liquid assets amount to RMB2.3mn. In terms of the reasons, 45% points to portfolio diversification while 41% cites risk diversification. 72% of the respondents are interested in RMB assets. Given the growing wealth of investors in the Greater Bay Area, we expect to see strong demand for Hong Kong investment products should the wealth management connect be launched. Elsewhere, Xpeng reportedly has passed HKEX hearing and aimed to raise up to US\$2bn via secondary listing in HK.

Malaysia: The World Bank has downgraded its 2021 growth forecast for Malaysia, from 6.0% to 4.5%. While it noted that external economic conditions will help to facilitate Malaysia's recovery, the report cautioned that the recent spike in infections raises concerns about healthcare capacity and the effects of the on-and-off cycle of opening and closing the economy. It also highlighted the need to consider raising the debt limit to allow for a greater fiscal help for the poor, in particular.

Indonesia: President Jokowi of Indonesia said that the country will continue to impose the micro restrictions at the regency and city levels, rather than opt for large-scale lockdowns. He said that, if implemented properly, the measures would help to curtail the pandemic spread while protecting the people's economic livelihoods. The speech came just as Indonesia reported a surge, with a record-high 15,308 new cases yesterday and two days after the country passed the grim 2mn mark for confirmed cases.

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Bond Market Updates

Market Commentary: The SGD swap curve was lower yesterday, with shorter tenors trading at 0-2bps lower while belly and longer tenors traded 1bps lower. There were heavy flows in SGD corporates yesterday, including OLAMSP 5.375%-PERPs, STSP 3.3%-PERPs, LREIT 4.2%-PERPs, OLAMSP 4%'26s and ESRCAY 5.65%-PERPs. UST 10Y Yields rose 2bps to 1.49% as the markets mull over Fed Chairman Jerome Powell's dovish comments during his congressional testimony on Tuesday. Meanwhile the market is likely to be driven by technical factors in the near future amidst a lack of clear drivers.

New Issues: CK Property Finance MTN Ltd (Guarantor: CK Asset Holdings Ltd) priced a USD250mn 3-year senior bond at T+40bps, tightening from IPT of T+80bps area, a USD350mn 5-year senior bond at T+55bps, tightening from IPT of T+85bps area. BCEG HongKong Co Ltd (Guarantor: Beijing Construction Engineering Group Co Ltd) priced a USD600mn 5-year senior unsecured bond at T+135bps, tightening from IPT of T+180bps area. China Oil & Gas Group Ltd priced a USD400mn 5NC3 bond at 4.7%, tightening from IPT of 5.15% area. Mirae Asset Securities Co. has arranged investor calls commencing 23 June for its proposed USD bond offering. Shenzhen Expressway Company Limited has arranged investor calls commencing 23 June for its proposed USD bond offering. Shui On Land Ltd. has arranged investor calls commencing 23 June for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.802	0.05%	USD-SGD	1.3449	0.04%
USD-JPY	110.960	0.28%	EUR-SGD	1.6040	-0.09%
EUR-USD	1.193	-0.12%	JPY-SGD	1.2134	-0.09%
AUD-USD	0.758	0.28%	GBP-SGD	1.8779	0.15%
GBP-USD	1.396	0.11%	AUD-SGD	1.0190	0.34%
USD-MYR	4.162	0.04%	NZD-SGD	0.9490	0.51%
USD-CNY	6.474	-0.10%	CHF-SGD	1.4649	0.05%
USD-IDR	14433	0.21%	SGD-MYR	3.0946	0.31%
USD-VND	23014	0.00%	SGD-CNY	4.8141	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.55%	O/N	0.0854	0.08%
2M	-0.3360	-0.34%	1M	0.0908	0.10%
3M	-0.5400	-0.54%	2M	0.1168	0.12%
6M	-0.5080	-0.51%	3M	0.1338	0.14%
9M	-0.1940	-0.20%	6M	0.1606	0.16%
12M	-0.4770	-0.48%	12M	0.2456	0.25%

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	0.122	0.123	0.123
05/04/2022	0.166	0.134	0.134

Equity and Commodity

Index	Value	Net change
DJIA	33,874.24	-71.34
S&P	4,241.84	-4.60
Nasdaq	14,271.73	18.46
Nikkei 225	28,874.89	-9.24
STI	3,118.62	9.42
KLCI	1,564.76	-9.26
JCI	6,034.54	-53.30
Baltic Dry	3,119.00	-71.00
VIX	16.32	-0.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (-0.01)	0.26(--)
5Y	0.89 (-0.01)	0.88 (+0.03)
10Y	1.53 (-)	1.48 (+0.02)
15Y	1.86 (-)	--
20Y	1.86 (-0.02)	--
30Y	1.85 (-0.01)	2.1 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.78	(--)
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)	73.08	0.03%	Corn (per bushel)	6.643	0.7%
Brent (per barrel)	75.19	0.51%	Soybean (per bushel)	13.850	-0.7%
Heating Oil (per gallon)	215.94	0.39%	Wheat (per bushel)	6.613	1.6%
Gasoline (per gallon)	226.69	1.92%	Crude Palm Oil (MYR/MT)	36.150	1.7%
Natural Gas (per MMBtu)	3.33	2.30%	Rubber (JPY/KG)	2.388	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9482.50	1.95%	Gold (per oz)	1778.7	0.0%
Nickel (per mt)	18064.00	1.80%	Silver (per oz)	25.9	0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/24/2021 10:30	TH Customs Exports YoY	May 33.50%	--	13.09%	--
06/24/2021 16:00	GE IFO Business Climate	Jun 100.7	--	99.2	--
06/24/2021 16:00	PH BSP Overnight Borrowing Rate	Jun-23 2.00%	--	2.00%	--
06/24/2021 16:00	GE IFO Expectations	Jun 103.6	--	102.9	--
06/24/2021 16:00	GE IFO Current Assessment	Jun 97.9	--	95.7	--
06/24/2021 19:00	UK Bank of England Bank Rate	Jun-24 0.10%	--	0.10%	--
06/24/2021 19:00	UK BOE Gilt Purchase Target	Jun 875b	--	875b	--
06/24/2021 20:30	US Initial Jobless Claims	Jun-19 380k	--	412k	--
06/24/2021 20:30	US GDP Annualized QoQ	1Q T 6.40%	--	6.40%	--
06/24/2021 20:30	US Durable Goods Orders	May P 2.80%	--	-1.30%	--
06/24/2021 20:30	US Wholesale Inventories MoM	May P 0.80%	--	0.80%	--
06/24/2021 20:30	US GDP Price Index	1Q T 4.30%	--	4.30%	--
06/24/2021 20:30	US Durables Ex Transportation	May P 0.70%	--	1.00%	--
06/24/2021 20:30	US Continuing Claims	Jun-12 3460k	--	3518k	--
06/24/2021 20:30	US Personal Consumption	1Q T 11.40%	--	11.30%	--
06/24/2021 20:30	US Core PCE QoQ	1Q T 2.50%	--	2.50%	--

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