

Daily Treasury Outlook

25 October 2021

Highlights

Global: Global risk sentiments softened on Friday as Fed chair Powell opined that “the risks are clearly now to longer and more persistent bottlenecks, and thus to higher inflation” and China also warned that a new Covid outbreak within the country may worsen. The S&P 500 slipped 0.11%, marking its first decline in eight sessions, while VIX gained to 15.43. Shorter UST bonds came under selling pressure as markets are now pricing in a 70% chance of a first-rate hike by mid-2022. Meanwhile, China Evergrande paid the US\$83.5m interest payment just one day before the 30-day grace period to avoid a default expire. Elsewhere, Japanese PM Kishida’s ruling party has lost one of the two upper house elections ahead of the 31 October general election.

Market watch: Asian markets may be off to a soft start this morning, as investors digest the weight of Powell and Yellen’s comments on US inflation and policy implications, as well as the prospect of a worsening Covid outbreak in China potentially adding to its growth slowdown. Today’s economic data calendar will focus on S’pore’s September CPI, Malaysia’s foreign reserve, German IFO, and US’ Chicago and Dallas Fed manufacturing activity indices. BOE’s Mann and Tenreiro, and ECB’s de Cos are also speaking. For the week ahead, watch for South Korea’s 3Q21 GDP estimate tomorrow, BOC rate decision (likely static at 0.25%) and UK budget on Wednesday, ECB and BOJ’s policy decisions (both likely static) on Thursday, and US’ personal income data on Friday. Earnings season also continues with Amazon, Apple, Caterpillar, Chevron, Exxon Mobil, Facebook, GE, GM and Coca-Cola reporting this week.

US: Treasury Secretary Yellen tips price increases to remain high through 1H22, but rejected criticism that inflation was out of control. Meanwhile, House speaker Nancy Pelosi is open for Democrats to use a special budget tool to raise the US debt ceiling without the Senate Republicans.

CN: China’s top legislature the Standing Committee of the National People’s Congress approved to authorize the State Council to pilot property tax reforms. Market will be eagerly to find out the details about the property tax, which is expected to be announced by the State Council towards the end of the year. The higher holding costs for property investors in some pilot cities may reshuffle supply and demand matrix.

SG: September headline and core CPI likely rose 2.4% yoy (0.3% mom nsa) and 1.0% yoy respectively, similar to August readings of 2.4% yoy (0.5% mom nsa) and 1.1%.

Key Market Movements

Equity	Value	% chg
S&P 500	4544.9	-0.1%
DJIA	35677	0.2%
Nikkei 225	28805	0.3%
SH Comp	3582.6	-0.3%
STI	3205.1	0.5%
Hang Seng	26127	0.4%
KLCI	1588.1	-0.2%
	Value	% chg
DXY	93.642	-0.1%
USDJPY	113.5	-0.4%
EURUSD	1.1643	0.2%
GBPUSD	1.3755	-0.3%
USDIDR	14123	0.0%
USDSGD	1.3482	0.1%
SGDMYR	3.0880	0.0%
	Value	chg (bp)
2Y UST	0.45	-0.11
10Y UST	1.63	-6.87
2Y SGS	0.76	2.50
10Y SGS	1.76	1.48
3M LIBOR	0.12	-0.44
3M SIBOR	0.43	0.00
3M SOR	0.28	2.65
3M SORA	0.15	0.03
3M SOFR	0.05	-0.02
	Value	% chg
Brent	85.53	1.1%
WTI	83.76	1.5%
Gold	1793	0.5%
Silver	24.32	0.7%
Palladium	2022	0.2%
Copper	9704	-1.3%
BCOM	103.75	0.5%

Source: Bloomberg

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Major Markets

SG: The STI added 0.52% to close at 3205.14 on Friday, but may consolidate today amid weak market cues. The SGS bond market are also likely to follow the UST bond market's Friday lead while awaiting the upcoming new 5-year SGS auction on 27 October.

Malaysia: Malaysia's Health Ministry has issued a ban on political gatherings in the Melaka state from Oct 25 to Nov 27 due to lingering Covid-19 concerns. The state is due to hold its election on Nov 20, with nomination day set for Nov 8. Health Minister Khairy Jamaluddin said that while SOPs will be set up for the state election, it will only take place during the campaigning period from Nov 8 and he felt there is a need to prevent mass gatherings before that to avoid sparking a new wave of pandemic.

Indonesia: Bank Indonesia has rolled out a list of 22 participating banks - including OCBC NISP - in its BI-Fast payments system trial that is supposed to take place in December this year. The new system is designed to offer a seamless payment mechanism while cutting down time and costs involved in inter-bank transfers, as part of the central bank's financial inclusion and digitalization push. Bank customers can utilize phone numbers or email addresses, apart from bank account numbers, to make transfers via the new system.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher on Friday, with shorter tenors trading 0-3bps higher, belly tenors trading 2-3bps higher, and longer tenors trading 0-1bps higher. There were moderate flows SGD corporates on Friday, with flows in GUOLSP 3.29%'26s, OLAMSP 5.5%-PERPs, and WINGTP 4.35%-PERPs. UST 10Y Yields fell 7bps to 1.63% on Friday after Fed Chairman Jerome Powell indicated it was “time to taper” its USD120 billion monthly asset purchase program and warned that inflation is likely to persist into 2022.

New Issues: There were no issuances on Friday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.642	-0.14%	USD-SGD	1.3482	0.06%
USD-JPY	113.500	-0.43%	EUR-SGD	1.5706	0.29%
EUR-USD	1.164	0.17%	JPY-SGD	1.1878	0.50%
AUD-USD	0.747	-0.01%	GBP-SGD	1.8546	-0.20%
GBP-USD	1.376	-0.28%	AUD-SGD	1.0065	0.05%
USD-MYR	4.151	-0.18%	NZD-SGD	0.9644	0.01%
USD-CNY	6.385	-0.13%	CHF-SGD	1.4713	0.28%
USD-IDR	14123	0.00%	SGD-MYR	3.0880	-0.01%
USD-VND	22755	0.03%	SGD-CNY	4.7336	-0.33%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5610	-0.56%	O/N	0.0726	0.07%
2M	-0.3360	-0.34%	1M	0.0836	0.09%
3M	-0.5480	-0.55%	2M	0.1054	0.11%
6M	-0.5180	-0.53%	3M	0.1211	0.12%
9M	-0.1940	-0.20%	6M	0.1565	0.16%
12M	-0.4820	-0.48%	12M	0.2470	0.24%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
11/03/2021	-0.006	0.077	0.077
12/15/2021	-0.030	0.071	0.071
01/26/2022	0.055	0.093	0.093
03/16/2022	0.218	0.133	0.133
05/04/2022	0.422	0.184	0.184
06/15/2022	0.716	0.258	0.258

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	83.76	1.53%	Corn (per bushel)	5.380	1.1%
Brent (per barrel)	85.53	1.09%	Soybean (per bushel)	12.205	-0.3%
Heating Oil (per gallon)	253.89	-0.40%	Wheat (per bushel)	7.560	2.0%
Gasoline (per gallon)	248.21	0.08%	Crude Palm Oil (MYR/MT)	51.880	-0.4%
Natural Gas (per MMBtu)	5.28	3.23%	Rubber (JPY/KG)	2.210	-1.7%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9704.00	-1.30%	Gold (per oz)	1792.7	0.5%
Nickel (per mt)	19739.00	-0.96%	Silver (per oz)	24.3	0.7%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/25/2021 16:00	GE	IFO Business Climate	Oct	98.00	--	98.80	--
10/25/2021 13:00	SI	CPI YoY	Sep	2.40%	--	2.40%	--
10/25/2021 10/31	VN	CPI YoY	Oct	2.30%	--	2.06%	--
10/25/2021 16:00	GE	IFO Expectations	Oct	96.60	--	97.30	--
10/25/2021 16:00	GE	IFO Current Assessment	Oct	99.40	--	100.40	--
10/22/2021 10/27	PH	BoP Overall	Sep	--	--	\$1040m	--
10/25/2021 13:00	SI	CPI NSA MoM	Sep	0.30%	--	0.50%	--
10/25/2021 16:00	TA	Industrial Production YoY	Sep	11.80%	--	13.69%	--
10/25/2021 10/31	VN	Retail Sales YTD YoY	Oct	--	--	-7.10%	--
10/25/2021 22:30	US	Dallas Fed Manf. Activity	Oct	6.20	--	4.60	--
10/25/2021 13:00	JN	Leading Index CI	Aug F	--	--	101.80	--
10/25/2021 20:30	US	Chicago Fed Nat Activity Index	Sep	0.20	--	0.29	--
10/25/2021 15:00	MA	Foreign Reserves	Oct-15	--	--	\$115.2b	--
10/25/2021 13:30	JN	Nationwide Dept Sales YoY	Sep	--	--	-11.70%	--
10/25/2021 13:00	JN	Coincident Index	Aug F	--	--	91.50	--
10/25/2021 13:30	JN	Tokyo Dept Store Sales YoY	Sep	--	--	-9.10%	--

Source: Bloomberg

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