

Daily Treasury Outlook

25 November 2021

Highlights

Global: US initial jobless claims fell 71k to a 52-year low of 199k last week, while the October personal spending surged 1.3% and the PCE deflator rose 5% (the fastest in three decades), while 3Q21 GDP growth was revised higher to 2.1% annualised qoq. In addition, FOMC minutes appeared to lean towards the hawkish side with a number of Fed members open to hastening the taper pace if inflation remained elevated, and market speculation that this may materialise as early as the next FOMC meeting on 14-15 December. Fed's Daly also echoed this sentiment that there "certainly a case to be made for speeding it up" and added that she could see one to two rate hikes next year. The S&P 500 added 0.23%, led by Nvidia, HP and Dell, while VIX eased to 18.58 overnight. UST bonds remained under pressure with the 2- and 5-year yields touching year-to-date highs ahead of the Thanksgiving holidays and narrowed the 5–30-year gap to below 62bps (the tightest since March 2020). Meanwhile, the RBNZ hiked its official cash rate by 25bps to 0.75% and tips a further removal of monetary policy stimulus to reach 2.5% by 2023 and higher by December 2024.

Market watch: Asian markets may tread water with the US Thanksgiving holiday and ahead of the BOK policy decision where another 25bp rate hike to 1% is widely expected. Today's economic data calendar comprises of Germany's final 3Q21 GDP growth and December GfK consumer confidence, and HK's October trade data. ECB's Lagarde, Villeroy, Elderson and Schnabel, as well as BOE's Bailey and Haskel are also speaking today.

EU: German IFO business climate index slipped for the fifth straight month from 97.7 to 96.5 in November, with both the expectations and current assessment gauges softening to 94.2 and 99.0 respectively amid supply bottlenecks and rising Covid cases. Meanwhile, ECB's Panetta said the central bank should continue to support the bond market to achieve its 2% goal whilst Holzmann noted he would also push to reduce bond purchases.

UK: BOE's Tenreyro also opined that she is thinking about a rate hike "more in the medium term" after voting to hold rates static earlier this month but tipped an eventual return to its pre-Covid level of 0.75%.

Oil: After two days of gains, Brent's rally stuttered to a stop. Prices fell 0.1% yesterday to find a resistance at \$82.25, as the market remains wary of further supply volatility in the near term. We expect Brent to continue consolidating between \$80 to \$85 for the time being.

Key Market Movements

Equity	Value	% chg
S&P 500	4701.5	0.2%
DJIA	35804	0.0%
Nikkei 225	29303	-1.6%
SH Comp	3592.7	0.1%
STI	3227.2	0.0%
Hang Seng	24686	0.1%
KLCI	1522.3	0.0%
	Value	% chg
DXY	96.875	0.4%
USDJPY	115.43	0.3%
EURUSD	1.1199	-0.4%
GBPUSD	1.3328	-0.4%
USDIDR	14258	0.0%
USDSGD	1.3684	0.2%
SGDMYR	3.0819	0.4%
	Value	chg (bp)
2Y UST	0.64	2.56
10Y UST	1.63	-3.10
2Y SGS	0.88	-1.50
10Y SGS	1.81	-1.03
3M LIBOR	0.18	0.84
3M SIBOR	0.44	0.00
3M SOR	0.35	0.00
3M SORA	0.16	0.04
3M SOFR	0.05	0.00
	Value	% chg
Brent	82.25	-0.1%
WTI	78.39	-0.1%
Gold	1789	0.0%
Silver	23.55	-0.5%
Palladium	1854	-1.1%
Copper	9835	1.3%
BCOM	103.59	0.3%

Source: Bloomberg

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Major Markets

SG: The causeway land VTL with Malaysia will re-open on 29 November to allow up to 2,880 people a day via designated buses.

The STI was nearly flat (-0.01%) at 3227.15 yesterday but may attempt to trade higher today. SGS bonds may unwind some of yesterday's gains given the heightened market expectations for a faster Fed taper pace and earlier US rate hikes.

CN: China's State Council announced yesterday to further optimise the issuance and utilization of the local government special bonds. The remaining quota of the special bonds for this year will be issued at a faster pace. In addition, China will also craft the appropriate quota and distribution plan for next year. On US-China relationship, 12 more Chinese tech companies were added to the US entity list in the name of national security to block US companies from selling materials and equipment to them.

HK: Retail sales staged a strong rebound of 78% yoy in 3Q21 against the extremely low base in 2020. Yet, the retail sales recorded decline of 22.9% on quarter-to-quarter basis and were lower by 12% as compared to that of 3Q19. By retail outlet, retail sales of goods in watches, clocks and jewellery (+208.5% yoy), department stores (+96.9% yoy), adults' clothing (+63.9% yoy) and cosmetics (+55.4% yoy) registered declines as compared to 3Q19, while that of leather goods (+171.3% yoy) and communication equipment (+218.6% yoy) rose. Entering the final quarter of the year, the recovery path of retail sector in Macau may remain bumpy as inbound tourism lacks momentum amid unstable epidemic situation in the region. On domestic front, the weak labour market is unlikely to lend support to consumption.

Malaysia: Malaysia and Singapore have agreed to launch a land-based vaccinated travel lane (VTL) across the Johor Causeway from Nov 29. It will be open to citizens, PRs, or long-term pass holders of the country they are entering, with priorities given to family visits. As a start, it will be limited to 16 daily bus trips per direction, accommodating 45 travellers per vehicle, translating to up to 2880 travellers per day.

Indonesia: Speaking at the Bank Indonesia annual meeting yesterday, President Jokowi said that Indonesia is seeking to stop exports of refined copper and tin eventually. The government has been pushing to move up the commodities value chain to create jobs and bring in investments, he noted, even as it has no intention of disrupting global production activity. Separately, he added that the green industrial park in North Kalimantan will be expanded from 13000 hectares to 30000 hectares.

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Bond Market Updates

Market Commentary: Shorter tenors traded 3-4bps lower, belly tenors (with the exception of the 4-year trading 2bps lower) traded 0-1bps higher, and longer tenors traded 1-2bps lower yesterday across the SGD swap curve. UST 10Y Yields traded 4bps lower to 1.63% yesterday amidst the release of lower-than-expected weekly jobless claims and minutes from the FOMC meeting earlier in the month. Initial weekly jobless claims came in at 199,000, lower than the Dow Jones estimates of 260,000.

New Issues: Heng Yuan International Company Ltd (Guarantor: Ningbo Haishu Development Construction Investment Group Co Ltd) priced a USD150mn 3-year senior unsecured bond at 2.2%, tightening from an IPT of 2.7% area. China Everbright Bank Co. Ltd. priced a USD300mn 3-year senior unsecured bond at T+33bps, tightening from an IPT of T+70bps area. Hafoo Co. (Guarantor: EASTMONEY) priced a USD300mn 3-year senior unsecured bond at T+110bps, tightening from an IPT of T+160bps area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.875	0.40%	USD-SGD	1.3684	0.23%
USD-JPY	115.430	0.25%	EUR-SGD	1.5324	-0.22%
EUR-USD	1.120	-0.44%	JPY-SGD	1.1856	-0.03%
AUD-USD	0.720	-0.44%	GBP-SGD	1.8238	-0.15%
GBP-USD	1.333	-0.37%	AUD-SGD	0.9846	-0.22%
USD-MYR	4.211	0.29%	NZD-SGD	0.9410	-0.82%
USD-CNY	6.392	0.01%	CHF-SGD	1.4646	0.12%
USD-IDR	14258	0.00%	SGD-MYR	3.0819	0.36%
USD-VND	22690	0.07%	SGD-CNY	4.6711	-0.11%

Equity and Commodity

Index	Value	Net change
DJIA	35,804.38	-9.42
S&P	4,701.46	10.76
Nasdaq	15,845.23	70.09
Nikkei 225	29,302.66	-471.45
STI	3,227.15	-0.38
KLCI	1,522.27	-0.61
JCI	6,683.28	5.40
Baltic Dry	2,591.00	-168.00
VIX	18.58	-0.80

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	0.88 (-0.02)	0.5(--)
5Y	1.48 (-0.01)	1.34(--)
10Y	1.81 (-0.01)	1.59 (-0.03)
15Y	2.03 (--)	--
20Y	2.12 (--)	--
30Y	2.07 (--)	1.98 (-0.06)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
12/15/2021	-0.057	0.076	0.076
01/26/2022	-0.010	0.087	0.087
03/16/2022	0.275	0.159	0.159
05/04/2022	0.661	0.255	0.255
06/15/2022	1.079	0.36	0.36
07/27/2022	1.43	0.447	0.447

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)	78.39	-0.14%	Corn (per bushel)	5.798	-0.1%
Brent (per barrel)	82.25	-0.07%	Soybean (per bushel)	12.665	-0.5%
Heating Oil (per gallon)	238.30	-0.05%	Wheat (per bushel)	8.368	-2.2%
Gasoline (per gallon)	231.97	-0.75%	Crude Palm Oil (MYR/MT)	53.440	1.0%
Natural Gas (per MMBtu)	5.07	2.03%	Rubber (JPY/KG)	2.292	1.8%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9835.00	1.28%	Gold (per oz)	1788.6	0.0%
Nickel (per mt)	20846.00	2.44%	Silver (per oz)	23.6	-0.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/25/2021 05:45	NZ Trade Balance NZD	Oct	--	-1286m	-2171m
11/25/2021 05:45	NZ Exports NZD	Oct	--	5.35b	4.40b
11/25/2021 05:45	NZ Imports NZD	Oct	--	6.64b	6.57b
11/25/2021 07:50	JN PPI Services YoY	Oct	0.90%	1.00%	0.90%
11/25/2021 08:00	SK BoK 7-Day Repo Rate	Nov-25	1.00%	--	0.75%
11/25/2021 08:30	AU Private Capital Expenditure	3Q	-2.00%	--	4.40%
11/25/2021 13:00	JN Leading Index CI	Sep F	--	--	99.70
11/25/2021 13:30	JN Nationwide Dept Sales YoY	Oct	--	--	-4.30%
11/25/2021 14:00	JN Machine Tool Orders YoY	Oct F	--	--	81.50%
11/25/2021 15:00	GE GDP SA QoQ	3Q F	1.80%	--	1.80%
11/25/2021 15:00	GE GfK Consumer Confidence	Dec	-1.00	--	0.90
11/25/2021 15:00	GE GDP NSA YoY	3Q F	2.50%	--	2.50%
11/25/2021 15:00	GE GDP WDA YoY	3Q F	2.50%	--	2.50%
11/25/2021 16:30	HK Exports YoY	Oct	20.70%	--	16.50%
11/25/2021 16:30	HK Imports YoY	Oct	19.50%	--	23.50%

Source: Bloomberg

Treasury Research & Strategy

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