

Daily Treasury Outlook

22 September 2021

Highlights

Global: Global risk appetite paused in wait and see mode ahead of the ongoing Evergrande saga and while awaiting FOMC decision tonight. The S&P 500 closed down just 0.08%, as retail bargain hunting interest returned, while VIX stabilised at 24.36. UST bonds traded steady with the 10-year bond yield up 1bp to 1.32%. The US\$24 bn 20-year bond auction was well-received, but the T-bills maturing in October and November also came under some pressure amid the procrastination over the debt-ceiling fiasco and as the Treasury's borrowing committee warned Treasury Secretary Yellen of related risks. Meanwhile, Evergrande missed interest payments due Monday to at least two bank creditors, and there are two more bond coupons due tomorrow. Separately, the OECD tipped faster G20 inflation at 3.7% and 3.9% in 2022, but pared the global growth forecast from 5.8% to 5.7%.

Market watch: Asian markets may continue to tread water today, as investors await China's return from holidays and its 1 and 5-year LPR fixings as well as the central bank decisions due later today. Notably, the BOJ is likely to stay pat amid the LDP transition to a new PM, while the FOMC may be torn between delaying the taper announcement to the November meeting in order to quell concerns of slowing growth momentum amid headwinds of the Delta variant and the US debt ceiling uncertainties. Nonetheless, any median shift in the dots plot to signal a potential Fed rate hike in 2022 could be a potential market mover, which if reinforced with 2024 telegraphing another 3-4 rate hikes may be interpreted as more hawkish. Conversely, if the 2022 continues to signal no rate hikes, then the status quo in UST bond yield range should hold in the interim.

US: House Democrats are set to vote on a bill that would suspend the U.S. debt ceiling until after the 2022 congressional elections and temporarily fund the government to avert a shutdown after the end of this month.

Canada: PM Trudeau won a historic third term with the promise of higher taxes, bigger deficits and more government spending.

SG: There will be a \$2.8b (MAS taking \$300m) reopening of 2 year SGS (MD) and \$2.6b of the inaugural SGS (Infrastructure) 30-year bond for auction on 28 Sep for issue on 1 October. Demand should be healthy amid the current risk-off tilt in the market environment.

The STI rose 0.71% to close at 3063.20 yesterday amid dip buying. SGS bonds may range trade as investors digest the news of the issue sizes for the upcoming SGS (MD) and SGS (Infra) bond auctions.

Key Market Movements

Equity	Value	% chg
S&P 500	4354.2	-0.1%
DJIA	33920	-0.1%
Nikkei 225	29840	-2.2%
SH Comp	3614.0	0.0%
STI	3063.2	0.7%
Hang Seng	24222	0.5%
KLCI	1530.4	0.2%
	Value	% chg
DXY	93.204	-0.1%
USDJPY	109.23	-0.2%
EURUSD	1.1726	0.0%
GBPUSD	1.3659	0.0%
USDIDR	14238	0.0%
USDSGD	1.3527	0.1%
SGDMYR	3.1006	0.0%
	Value	chg (bp)
2Y UST	0.21	-0.19
10Y UST	1.32	1.19
2Y SGS	0.36	0.40
10Y SGS	1.43	-0.22
3M LIBOR	0.13	0.15
3M SIBOR	0.43	0.00
3M SOR	0.21	0.00
3M SORA	0.13	-0.08
3M SOFR	0.05	0.00
	Value	% chg
Brent	74.36	0.6%
WTI	70.49	0.5%
Gold	1775	0.6%
Silver	22.50	1.0%
Palladium	1909	1.3%
Copper	8976	-0.6%
BCOM	95.77	-0.3%

Source: Bloomberg

Daily Treasury Outlook

22 September 2021

Major Markets

CN: President Xi Jinping said in the 76th Session of the United Nations General Assembly that China will not build new coal fired power projects abroad and will support other developing countries in developing green and low carbon energy.

HK: The government announced to extend the maximum duration of principal moratorium for the 80%, 90% and 100% Guarantee Product under the SME Financing Guarantee Scheme from 18 months to 21 months and extend the application period for principal moratorium to end-June 2022. Meanwhile, the application period of the Special 100% Loan Guarantee and the 100% Personal Loan Guarantee Scheme will be extended respectively to end-June 2022 and end-April 2022. Besides, the Pre-approved Principal Payment Holiday Scheme will be extended to end-April 2022 even though corporates requiring loan extension under this scheme have dropped to 2.7% of all eligible corporates from 16% when the scheme started. As such, the HKMA may start exploring appropriate exit arrangements. Since the exit from the credit relief may be gradual, it may not cause much pressure onto either companies or banks.

Macau: Visitor arrivals increased by another 80.2% yoy in August, mainly due to low base effect. Compared to the prior month and the same period in 2019, the number of visitor arrivals fell by 48.2% and 89% respectively and reached the lowest since last August. This is mainly attributable to the tightened travel restriction measures amid rebound of local infections and China's Delta variant outbreak. On a positive note, the border controls have been relaxed and the Mid-Autumn Festival holiday may have lent some support to Macau's inbound tourism. Moving into October, Golden Week Holiday may bolster a further recovery of Macau's tourism and gaming activities.

Malaysia: Malaysia's PM Ismail Sabri said that 80% of the country's adult population has been fully vaccinated against Covid-19. As a proportion of its total population, the ratio is at 57.1%. Separately, the tourism ministry said that, following the successful launch of the Langkawi travel bubble, it is looking into reopening Genting, Melaka and Tioman for domestic travel.

Indonesia: Bank Indonesia has left its benchmark rate at record low of 3.5% for the seventh consecutive months, as the central bank aims to support growth while anticipating the impact of US tapering later this year. While maintaining its GDP growth forecast of 3.5% – 4.3%, BI anticipates the current account deficit to fall to between 0.6 - 1.4% of GDP for this year. Facing the prospect of an upcoming volatility, BI Governor Perry Warjiyo noted that “with the various assessments, economic conditions, and our experience, the impact of the Fed's tapering can be well anticipated and [will be] smaller than the 2013 taper tantrum.”

Daily Treasury Outlook

22 September 2021

Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with shorter and belly tenors trading 2-3bps higher, and longer tenors trading 3-4bps higher. There were heavy flows in SGD Corporates yesterday, with flows in AAREIT 5.375%-PERPs, UBS 4.85%-PERPs, and SUNSP 4.25%-PERPs. UST 10Y Yields rose 1bps to 1.32% yesterday as investors await the conclusion of the FOMC meeting and any follow-on developments regarding Evergrande's debt situation. Later today, Fed Chairman Jerome Powell will be addressing the public on any potential adjustments to the central bank's monetary policy and asset purchases plan moving forward.

New Issues: There were no new issues yesterday.

Daily Treasury Outlook

22 September 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.204	-0.08%	USD-SGD	1.3527	0.07%
USD-JPY	109.230	-0.19%	EUR-SGD	1.5861	0.08%
EUR-USD	1.173	0.00%	JPY-SGD	1.2382	0.14%
AUD-USD	0.723	-0.29%	GBP-SGD	1.8475	0.08%
GBP-USD	1.366	0.01%	AUD-SGD	0.9782	-0.23%
USD-MYR	4.184	-0.21%	NZD-SGD	0.9474	-0.23%
USD-CNY	6.466	0.13%	CHF-SGD	1.4643	0.49%
USD-IDR	14238	-0.04%	SGD-MYR	3.1006	0.01%
USD-VND	22760	-0.06%	SGD-CNY	4.7797	-0.15%

Equity and Commodity

Index	Value	Net change
DJIA	33,919.84	-50.63
S&P	4,354.19	-3.54
Nasdaq	14,746.40	32.50
Nikkei 225	29,839.71	-660.34
STI	3,063.20	21.47
KLCI	1,530.44	2.55
JCI	6,060.76	-15.56
Baltic Dry	3,833.00	176.00
VIX	24.36	-1.35

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (--)	0.22(--)
5Y	0.79 (-0.01)	0.83(--)
10Y	1.43 (--)	1.24 (+0.01)
15Y	1.74 (--)	--
20Y	1.88 (--)	--
30Y	1.89 (--)	1.87 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.007	0.077	0.077
11/03/2021	-0.007	0.077	0.077
12/15/2021	0.013	0.082	0.082
01/26/2022	-0.007	0.077	0.077
03/16/2022	-0.007	0.077	0.077
05/04/2022	-0.007	0.077	0.077

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.56	0.38%	Corn (per bushel)	5.170	-0.9%
Brent (per barrel)	74.36	0.60%	Soybean (per bushel)	12.740	0.9%
Heating Oil (per gallon)	217.38	0.69%	Wheat (per bushel)	6.903	-1.5%
Gasoline (per gallon)	210.52	-0.47%	Crude Palm Oil (MYR/MT)	44.700	0.6%
Natural Gas (per MMBtu)	4.81	-3.61%	Rubber (JPY/KG)	1.870	-3.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8975.50	-0.64%	Gold (per oz)	1774.5	0.6%
Nickel (per mt)	18830.00	-1.19%	Silver (per oz)	22.5	1.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/22/2021 08:00	JN	BOJ 10-Yr Yield Target	Sep-22	0.00%	--	0.00%	--
09/22/2021 08:30	AU	Westpac Leading Index MoM	Aug	--	--	-0.11%	--
09/22/2021 09:00	JN	BOJ Policy Balance Rate	Sep-22	-0.10%	--	-0.10%	--
09/22/2021 09:00	PH	Budget Balance PHP	Aug	--	--	-121.2b	--
09/22/2021 09:30	CH	1-Year Loan Prime Rate	Sep-22	3.85%	--	3.85%	--
09/22/2021 09:30	CH	5-Year Loan Prime Rate	Sep-22	4.65%	--	4.65%	--
09/22/2021 10:00	TH	Car Sales	Aug	--	--	52442	--
09/22/2021 15:00	NE	House Price Index YoY	Aug	--	--	16.30%	--
09/22/2021 16:00	SI	Automobile COE Open Bid Cat A	Sep-22	--	--	47000	--
09/22/2021 16:00	SI	Automobile COE Open Bid Cat B	Sep-22	--	--	62600	--
09/22/2021 16:00	TA	Unemployment Rate	Aug	4.20%	--	4.36%	--
09/22/2021 16:00	SI	Automobile COE Open Bid Cat E	Sep-22	--	--	64700	--
09/22/2021 19:00	US	MBA Mortgage Applications	Sep-17	--	--	0.30%	--
09/22/2021 22:00	US	Existing Home Sales	Aug	5.89m	--	5.99m	--
09/22/2021 22:00	EC	Consumer Confidence	Sep A	-5.90	--	-5.30	--
09/22/2021 22:00	US	Existing Home Sales MoM	Aug	-1.70%	--	2.00%	--

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W