

Daily Market Outlook

5 April 2021

Themes/Strategy

- US equity futures start this week firmly positive in early Asia trading. Note that April is typically a good month for risk from a seasonality angle. The **FX Sentiment Index (FXSI)** moved towards Risk-On over the past three sessions while still staying within the Risk-Neutral zone.
- The **broad USD** was supported on the holiday-shortened Friday by a confidence-boosting NFP print and the corresponding rise in UST yields. Most majors remain comfortably within their recent ranges, as the EUR-USD faded from 1.1780 levels and the USD-JPY static around 110.50/70. Antipodeans little-changed.
- On the **CFTC** front, non-commercial accounts continue to cut their net implied short USD positions, although the leveraged accounts added to their net implied USD shorts marginally. This divergence can be explained by the extent of the shifts in individual currency positions. Paring of EUR longs resumed across the board, and the short term players added to AUD and GBP longs (especially the leveraged accounts, which explains its net implied USD position). JPY shorts continue to be added to as well. **Overall, the short term players seem intent on expressing a risk-on bias ahead.** Longer term asset managers (which has mostly held out from cutting implied USD shorts significantly) may have started to turn in a larger way, with a 10% cut their net implied USD short positions in the latest week.
- We are not panicking too much over our long USD bias just yet. Data and back-end UST yields are still favourable to the USD. Going forward, what may potentially impinge is risk. A sustained risk-on run may drag the USD lower, especially if it allows the market to perceive that global/European recovery is still on track. Retain overall pro-USD bias for now, but it may be advisable to take some profit off the table on ongoing short-EUR positions, and balance the overall USD bias by selectively adding USD-negative exposure through the cyclicals.
- **USD-China / USD-Asia:** With China still out on holiday, expect limited leads from onshore. Expect the USD-CNH to trade in-line with the broad USD intraday. For the rest of Asia, improving risk sentiment may still support, with the North Asians more likely to benefit at this stage.
- **USD-SGD:** The SGD NEER stands this morning at +0.72% above the perceived parity (1.3554), comfortably within what may be a new +0.50% to +1.00% above parity range. The USD-SGD downside should remain supported for now, with the SGD NEER elevated and the broad USD supported. Prefer to buy on dips towards 1.3430.

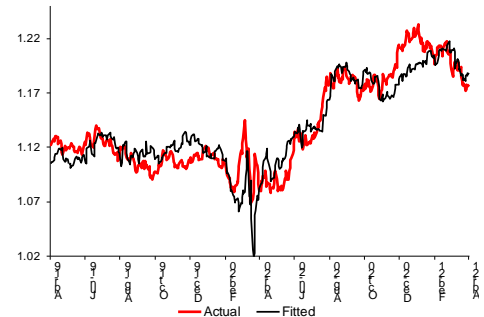
Frances Cheung, CFA
Rates Strategist
+65 6530 5949
FrancesCheung@ocbc.com

Terence Wu
FX Strategist
+65 6530 4367
TerenceWu@ocbc.com

Treasury Research
Tel: 6530-8384

EUR-USD

Consolidating? In-line to firmer manufacturing PMIs across EZ likely supported sentiment. The EUR-USD bounce since touching 1.1704 on Wed topped out at 1.1780. The pair will need to quickly return to the 1.1700 area for it to retain a strong southbound bias, otherwise it may turn consolidative between 1.1700 and 1.1800. Eyes shift to the EZ services/composite PMIs (Wed), FOMC minutes (Wed) and Powell's appearance (Thu).



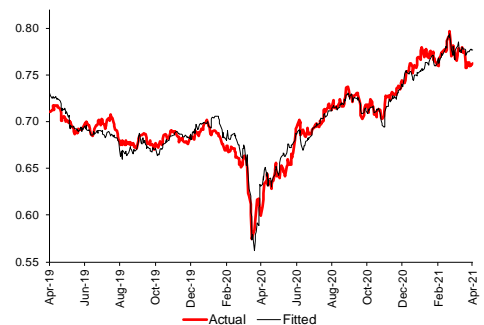
USD-JPY

Supported. The rise in back-end UST yields stalled (perhaps temporarily) last week, but the outperformance of the NFP print may see it taken higher again this week. This leaves the USD-JPY trajectory still biased higher for now, with an immediate range between 110.30 to 111.00.



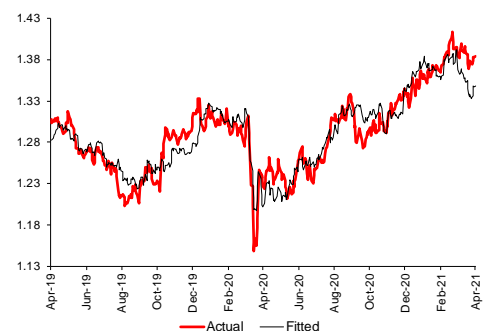
AUD-USD

Range. The AUD-USD remains sideways within the 0.7550 to 0.7650 range. Bias is shifting towards upside, as the preferred expression for any reversal in the broad USD trajectory. Risk sentiment also looks to be turning positive.



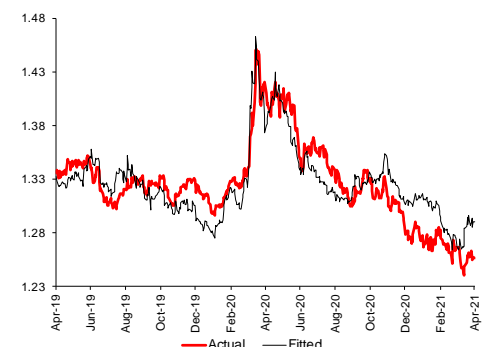
GBP-USD

Range. The GBP-USD now stands toppish within the recent range around 1.3850. As with the AUD, we see the GBP as a potential expression for any stalling of the USD upside movement. A breach of 1.3850 may see the pair target 1.4000 again.



USD-CAD

Re-engage downside? The CAD underperformed on Fri, but the ability of WTI prices to hold around the US\$60.00 level may provide support for the pair. Look for a refocus towards global growth as the pandemic issues subside in Europe, while the BOC positives remain intact. Prefer to sell on any rallies towards 1.2640/50.



Daily Market Outlook

5 April 2021

Rates Themes/Strategy

- Treasury yields rose by 3-7bp across the curve on Friday in a shortened session, with the 10Y trading in an intraday range of 9bp. The upside surprise from NFP led to the underperformance in the 5Y, with the 2s5s10s fly on the yield curve rising above zero, while the 5s30s segment also flattened. Our view remains that inflation expectation appears to be peaking, before further confirmation of (expectedly upbeat) economic performances; the main driving force for USTs shall be supply.
- On supply, this week brings the auctions of 3M, 4W and 8W bills, but no coupon bonds. Despite the light supply near-term, the 10Y bond is likely to test the 1.75% again on growth optimism, while looking further ahead supply remains a lingering headwind.
- The RBA is widely expected to keep its cash rate and 3Y yield target unchanged at 0.1% on Tuesday, given its commitment to bringing inflation back to target. One of the key focuses shall be on the choice of the benchmark bonds under its yield curve control – as to whether the November 2024 bond will be included, sooner than the tenor suggests. The yield spread between the November 2024 and April 2024 bonds has re-widened, and we see potential for the November 2024 bond to outperform from here.
- The RBI is expected to keep its policy rates unchanged on Wednesday. Liquidity is flush which has extended the net reverse repo operations. Normalization of the interest rate corridor – as in narrowing it – does not look imminent at this week's meeting, but is an issue that has to be addressed down the road.
- The better risk sentiment is likely to support IndoGB and MGS, despite the higher US yields. That said, supply headwind is likely to cap gains in IndoGB. The adjustment in 10Y MGS appears mostly done for now.
- ThaiGBs are unlikely to be moved by this morning's inflation print, despite that inflation is expected to have picked up; the domestic bonds appear to be driven more by global themes with yields biased to the upside, but the long-end may outperform.

Daily Market Outlook

5 April 2021

IDR:

The better risk sentiment is likely to support IndoGBs, despite higher US yields and weak demand at recent auctions. That said, mismatch of yields levels as seen by the government versus market, and supply overhang will cap any gains in IndoGBs. The 10Y is likely to trading in a range of 6.6-6.75%, and the 5Y at 5.7-5.9%. Foreign holdings of IndoGB increased by IDR812bn on 31 March.

MYR:

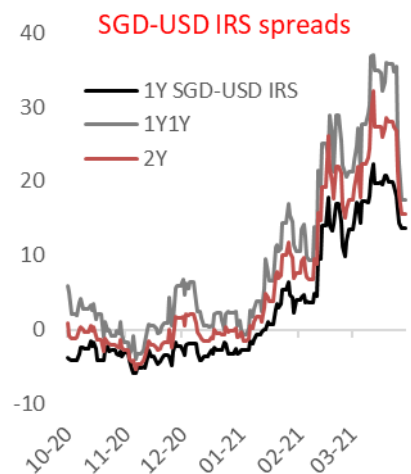
MGS are likely to stay resilient despite the higher US yields, as the risk-on sentiment may support foreign investor appetite – i.e. our view that MGS will revert to a lower beta response. The curve has flattened steadily across the 3s10s segment, when we had highlighted the incentive to extend duration. The adjustment in the 10Y appears mostly done for now, with positive news digested. Another trigger – namely, more clarity in EPF withdrawals pattern – is needed for the curve to flatten further.

SGD:

SGD liquidity appears to have loosened over recent sessions, with T/N trading around par and the 6M within 10pips above. Meanwhile, front-end USD rates have started to grind higher upon upbeat economic data and slower bill supply reduction. As such, front-end SGD-USD rates spreads have narrowed; this narrowing momentum appears not running out of steam yet – mainly on upward bias in USD rates while SGD liquidity situation is also expected to normalize. Meanwhile, MAS April decision on its SGD policy is unlikely to exert additional downward pressure on SGD rates – we expect no change in the parameters, while any hawkish/less dovish remarks may not be able to move the market immediately.

THB:

CPI inflation is expected to return to positive y/y, but this only means Thailand is moving towards the global trend, and underscores BoT's earlier upward revisions in inflation forecasts. Given LB yields had increased in response to this global theme, a single CPI print may not be an additional driving factor. Domestic yields are biased to the upside following global yields; but the long-end may outperform the front-end, as asset-swap at the front-end is not particularly attractive, while the yield curve is historically steep – more than two standard deviation away from 6M average on the 2s10s segment.



Source: Bloomberg, OCBC

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, Korea &

Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberthtwong@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

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@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