

Interest Rate Forecasts (Jan)

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Highlights

1. **A new year come new hope, especially with the roll out of the Covid vaccine in many countries.** From the policymakers' perspective, this was most welcomed given the more virulent strains of Covid virus spreading through the major economies that have struggled with extending their lockdowns and tightening social measures again. Growth recovery and reflation are twin market themes that would likely play a more dominant role in 2021, which may be accompanied by concerns about the return of inflation and a bear-steepening bias in sovereign yield curves. With Saudi Arabia's unilateral 1 million barrel per day output cut, this has lifted crude oil prices and pushed the 10-year US Treasury bond yield to the 1% handle. Whether reflation plays will sustain through 1Q21 will require economic data to continue telegraphing a relatively smooth recovery trajectory. So far, the manufacturing PMI cues are resilient. Singapore was also among the first to report flash 4Q20 GDP growth estimates, suggesting that the recession eased further, albeit sectoral growth remained uneven.
2. **On the central bank front, most major central banks remain content to hold their dovish line, but also save their ammunition for now.** Nonetheless, market attention is likely to turn to the potential exit from easy monetary policy for China's PBOC given that its first-in-first-out of the Covid pandemic story is fairly well-established. With the incoming Biden administrations, hopes are running high that there will be less policy flip-flops in US-China issues. Even then, the recent fiasco over the NYSE's plans to delist three Chinese telcom companies suggest that nothing should be taken for granted. Within Asia, while Covid cases remain elevated in some parts, the overall market optimism has contributed to a rally in risk assets into the year-end of 2020. Going ahead, however, whether policymakers can get a firmer handle on the Covid situation remains key.
3. **Concern for China's imminent monetary policy tightening eased after China concluded that there is no urgency for a U-turn of macro policy during the 2020 Central Economic Working Conference.** China outlined eight key tasks for 2021 including anti-monopoly, common prosperity and green economy. We think China's commitment and transition towards carbon neutrality will create new opportunities for China's demand side reform. Meanwhile, China has started to roll out more measures to slow down the pace of RMB appreciation via reducing foreign debt borrowing and broadening outflow channels. Nevertheless, this does not change our bullish view on RMB though it may narrow the gap between CNY and CNH.
4. **Brent broke above \$50/bbl in December** – effectively returning to levels that were seen before the oil collapse in April and entrenching a psychological bullish tilt to the energy complex. The gradual albeit weak recovery in demand, accompanied by aggressive supply cuts by OPEC+, have helped oil staged its remarkable recovery. Existing high stockpiles and unknowns over the new virus strain, however, mean oil's continued rally in 2021 will not be as smooth.

Rates Outlook

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USD Interest Rates	1Q21	2Q21	3Q21	4Q21	2022	2023
Fed Funds Target Rate	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
1-month LIBOR	0.14%	0.14%	0.13%	0.13%	0.16%	0.20%
2-month LIBOR	0.19%	0.19%	0.18%	0.18%	0.24%	0.30%
3-month LIBOR	0.24%	0.24%	0.24%	0.24%	0.28%	0.35%
6-month LIBOR	0.26%	0.26%	0.25%	0.25%	0.31%	0.38%
12-month LIBOR	0.34%	0.34%	0.33%	0.33%	0.39%	0.45%
1-year swap rate	0.19%	0.19%	0.18%	0.18%	0.25%	0.35%
2-year swap rate	0.19%	0.19%	0.19%	0.19%	0.27%	0.37%
3-year swap rate	0.23%	0.23%	0.23%	0.23%	0.30%	0.40%
5-year swap rate	0.42%	0.42%	0.43%	0.43%	0.50%	0.55%
10-year swap rate	1.01%	1.02%	1.04%	1.05%	1.10%	1.20%
15-year swap rate	1.19%	1.20%	1.22%	1.24%	1.30%	1.40%
20-year swap rate	1.32%	1.34%	1.36%	1.38%	1.45%	1.55%
30-year swap rate	1.45%	1.47%	1.48%	1.50%	1.55%	1.60%
SGD Interest Rates	1Q21	2Q21	3Q21	4Q21	2022	2023
1-month SIBOR	0.25%	0.25%	0.25%	0.25%	0.28%	0.31%
1-month SOR	0.10%	0.11%	0.11%	0.11%	0.14%	0.18%
3-month SIBOR	0.41%	0.41%	0.41%	0.41%	0.43%	0.45%
3-month SOR	0.19%	0.19%	0.19%	0.19%	0.20%	0.21%
6-month SIBOR	0.59%	0.59%	0.59%	0.59%	0.63%	0.65%
6-month SOR	0.17%	0.18%	0.18%	0.19%	0.21%	0.23%
12-month SIBOR	0.81%	0.81%	0.81%	0.81%	0.83%	0.85%
1-year swap rate	0.16%	0.17%	0.17%	0.17%	0.19%	0.21%
2-year swap rate	0.20%	0.20%	0.21%	0.22%	0.25%	0.30%
3-year swap rate	0.27%	0.27%	0.28%	0.28%	0.31%	0.34%
5-year swap rate	0.47%	0.48%	0.49%	0.50%	0.55%	0.60%
10-year swap rate	0.93%	0.95%	0.96%	0.98%	1.05%	1.12%
15-year swap rate	1.08%	1.09%	1.09%	1.10%	1.15%	1.20%
20-year swap rate	1.10%	1.11%	1.12%	1.13%	1.20%	1.25%
20-year swap rate	1.11%	1.12%	1.14%	1.15%	1.23%	1.28%
MYR forecast	1Q21	2Q21	3Q21	4Q21	2022	2023
OPR	1.50%	1.50%	1.50%	1.50%	1.50%	1.75%
1-month KLIBOR	1.60%	1.61%	1.61%	1.62%	1.65%	1.85%
3-month KLIBOR	1.70%	1.70%	1.70%	1.70%	1.75%	1.90%
6-month KLIBOR	1.85%	1.85%	1.85%	1.85%	1.90%	2.05%
12-month KLIBOR	2.00%	2.00%	2.00%	2.00%	2.05%	2.20%
1-year swap rate	1.80%	1.80%	1.80%	1.80%	1.85%	1.98%
2-year swap rate	1.85%	1.85%	1.85%	1.85%	1.88%	2.02%
3-year swap rate	1.90%	1.90%	1.90%	1.90%	1.95%	2.08%
5-year swap rate	2.08%	2.09%	2.09%	2.10%	2.15%	2.26%
10-year swap rate	2.48%	2.49%	2.49%	2.50%	2.55%	2.65%
15-year swap rate	2.75%	2.76%	2.76%	2.77%	2.82%	2.88%
20-year swap rate	2.80%	2.81%	2.81%	2.82%	2.85%	2.95%

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UST bond yields	1Q21	2Q21	3Q21	4Q21	2022	2023
2-year UST bond yield	0.13%	0.13%	0.14%	0.15%	0.23%	0.27%
5-year UST bond yield	0.38%	0.40%	0.43%	0.45%	0.50%	0.60%
10-year UST bond yield	1.01%	1.02%	1.04%	1.05%	1.10%	1.20%
30-year UST bond yield	1.73%	1.75%	1.78%	1.80%	1.90%	2.00%
SGS bond yields	1Q21	2Q21	3Q21	4Q21	2022	2023
2-year SGS yield	0.25%	0.27%	0.28%	0.30%	0.33%	0.36%
5-year SGS yield	0.45%	0.47%	0.48%	0.50%	0.56%	0.60%
10-year SGS yield	0.88%	0.89%	0.91%	0.92%	0.97%	1.04%
15-year SGS yield	1.14%	1.16%	1.18%	1.20%	1.26%	1.32%
20-year SGS yield	1.22%	1.23%	1.23%	1.24%	1.32%	1.40%
30-year SGS yield	1.20%	1.22%	1.25%	1.28%	1.35%	1.42%
MGS forecast	1Q21	2Q21	3Q21	4Q21	2022	2023
3-year MSG yield	1.72%	1.73%	1.74%	1.75%	1.79%	1.90%
5-year MGS yield	1.99%	1.98%	1.96%	1.95%	2.00%	2.15%
10-year MGS yield	2.47%	2.47%	2.48%	2.48%	2.53%	2.65%

FX	Spot	Jan-21	Mar-21	Sep-21	Dec-21
USD-JPY	102.89	102.10	101.91	102.25	101.78
EUR-USD	1.2267	1.2365	1.2424	1.2372	1.2435
GBP-USD	1.3603	1.3519	1.3722	1.3946	1.3865
AUD-USD	0.772	0.7827	0.7900	0.7843	0.7917
NZD-USD	0.7218	0.7306	0.7376	0.7326	0.7388
USD-CAD	1.2749	1.2627	1.2540	1.2604	1.2520
USD-CHF	0.8805	0.8769	0.8747	0.8805	0.8755
USD-SGD	1.3183	1.3140	1.3038	1.3074	1.3070
USD-CNY	6.4593	6.4246	6.3634	6.3648	6.3269
USD-THB	29.91	29.79	29.47	29.61	29.38
USD-IDR	13,917	13,716	13,507	13,659	13,516
USD-MYR	4.0085	3.9802	3.9578	3.9714	3.9508
USD-KRW	1087.60	1077.16	1069.91	1075.07	1067.73
USD-TWD	27.981	27.881	27.789	27.820	27.650
USD-HKD	7.7525	7.7500	7.7500	7.7550	7.7525
USD-PHP	48.06	47.98	47.77	47.79	47.53
USD-INR	73.11	72.92	72.37	72.51	71.93
EUR-JPY	126.21	126.25	126.61	126.50	126.56
EUR-GBP	0.9017	0.9146	0.9054	0.8871	0.8969
EUR-CHF	1.0801	1.0843	1.0867	1.0893	1.0886
EUR-SGD	1.6171	1.6248	1.6198	1.6175	1.6253
GBP-SGD	1.7934	1.7765	1.7890	1.8233	1.8122
AUD-SGD	1.0177	1.0285	1.0301	1.0254	1.0348
NZD-SGD	0.9516	0.9600	0.9618	0.9578	0.9656
CHF-SGD	1.4972	1.4985	1.4905	1.4848	1.4930
JPY-SGD	1.2813	1.2870	1.2794	1.2786	1.2842
SGD-MYR	3.0407	3.0290	3.0356	3.0377	3.0227
SGD-CNY	4.8996	4.8892	4.8807	4.8683	4.8407

Treasury Research & Strategy

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