

## Daily Treasury Outlook

13 January 2021

### Highlights

**Global: No taper plans according to the Fed** - Bullard opined that “we want to get through the pandemic and sort of see where the dust settles, then we will be able to think about where to go with balance-sheet policy”, while George echoed that it was “too soon to speculate” and Mester also noted that the 2021 outlook “would not require a change in monetary policy”. Meanwhile, calls for US outgoing President Trump’s impeachment continued to rise, with the House likely to vote today, but Trump said the “25<sup>th</sup> Amendment is of zero risk to me”. The S&P 500 ended unchanged while VIX fell to 23.33. The 10-year yield surged to 1.19% before recovering back to 1.13% amid a strong 10-year bond re-opening. Similarly, the 30-year bond yield hit 1.91% intraday. The USD slipped as UST yields retreated, with the 3-month LIBOR at 0.2338%, while oil and gold prices rose overnight. Over in Asia, Malaysia has declared a state of emergency to combat the Covid crisis.

**Market watch: Asian markets may range trade today too amid a quiet economic data calendar** that comprises Japan’s preliminary December machine tool orders, Eurozone’s industrial production and US’ CPI. ECB’s Lagarde and Villeroy are also speaking.

**US:** Janet Yellen’s confirmation hearing as Treasury Secretary is planned for 19 January and is likely to pass easily. Meanwhile, the NFIB small business optimism index fell to 95.9 in December. The US will also require Covid test for all international visitors.

**UK:** BOE’s Bailey sounded cautious on negative rates, while Broadbent noted they were still under study.

**SG:** The impact of Malaysia’s latest MCO on the Singapore economy is likely to be muted, but may exacerbate the manpower shortage and cost for the F&B sector.

**Malaysia:** Malaysia's King had granted PM Muhyiddin Yassin's request to declare a state of emergency, ostensibly to deal with the pandemic outbreak. This is the first emergency that is declared nationwide since 1969, and would allow the PM to suspend parliament and elections until 1 August, or whenever a commission deems the outbreak to be successfully controlled. This came after the announcement for a rollout of MCO restriction orders for KL and 5 states the night before.

**Oil:** Oil prices rose once more yesterday, with Brent inching 1.7% higher to close at \$56.58/bbl. We remain bullish on oil in the near term as Saudi Arabia’s production cut has likely sent the market into supply deficit for the rest of Q1.

**Gold:** Gold climbed yesterday, rising 0.6% on a decline in Treasury yields. We remain bullish on gold in the mid to long term and expect it to trade above \$2000 once more in 2021.

### Key Market Movements

Equity	Value	% chg
S&P 500	3801.2	0.0%
DJIA	31069	0.2%
Nikkei 225	28164	0.1%
SH Comp	3608.3	2.2%
STI	2977.2	-0.2%
Hang Seng	28277	1.3%
KLCI	1612.0	-0.3%
	Value	% chg
DXY	90.093	-0.4%
USDJPY	103.76	-0.5%
EURUSD	1.2207	0.5%
GBPUSD	1.3664	1.1%
USDIDR	14130	0.0%
USDSGD	1.3233	-0.6%
SGDMYR	3.0548	0.4%
	Value	chg (bp)
3M UST	0.08	-0.50
10Y UST	1.13	-1.69
1Y SGS	0.32	0.00
10Y SGS	0.99	2.74
3M LIBOR	0.22	0.01
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	56.58	1.7%
WTI	53.21	1.8%
Gold	1855	0.6%
Silver	25.56	2.6%
Palladium	2402	1.4%
Copper	7864	0.0%
BCOM	80.63	1.4%

Source: Bloomberg

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### Major Markets

**US:** US equities closed in the green on share gains in the energy, materials and consumer discretionary sector. The S&P 500 index rose 0.04% and the Nasdaq 100 Composite index advanced 0.28%. Market sentiment remains supported on the premise of more fiscal stimulus from the incoming Biden administration. As such, we remain bullish on the US equity market in the near term.

**CN:** China's credit expansion slowed in December. Aggregate social financing growth decelerated to 13.3% from 13.6% in November and peak of 13.7% in October. In addition, both M1 and M2 growth also slowed to 8.6% and 10.1% respectively from 10% and 10.7%. The slightly slower than expected credit growth was mainly attributable to three factors including ongoing contraction of off-balance sheet lending led by the shrink of trust loan, cooling property market as a result of tighter measures and weakening propensity to consumption. Nevertheless, overall structure of credit expansion remained strong with medium to long term loan growth remained steady. Looking ahead, we think December data reinforced our view that China's credit expansion may have peaked. Against the backdrop of increasing focus on maintaining macro leverage ratio, we expect China's credit expansion may slow further in the coming months. This may be supportive of China's bond market in the near term.

**SG:** The STI retreated by 0.23% to close at 2977.17 yesterday in a directionless session and may range trade today. The SGS bond market is likely to tread cautiously given the volatile trading session in UST market overnight. Investors are also waiting for the upcoming 30-year SGS bond re-opening.

**Indonesia:** Indonesia is slated to kick off its coronavirus vaccination drive today, with the first shot to be administered for President Jokowi. It came as the country reported its deadliest day in the outbreak yesterday, with a death toll of 302 people over the preceding 24 hours. Indonesia is set to roll out China's Sinovac vaccine, which a small-scale trial in Bandung has shown an efficacy rate of around 65%. News that Brazil's larger-scale trials using the same vaccine has shown efficacy rate of as low as 50.4% may affect voluntary take-up rate in Indonesia, however.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with shorter tenors trading 2-4bps higher, belly tenors trading 5bps higher while longer tenors traded 5-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 678bps. The HY-IG Index Spread widened 5bps to 528bps. There were very minimal flows in SGD corporates yesterday. 10Y UST fell 2bps to 1.13% on the back of rising coronavirus cases and a push for a second impeachment against President Trump.

**New Issues:** Enrong International (Hongkong) Ltd. (Guarantor: Changzhou Eastern New City Construction Group Co.) priced a USD300mn 3-year bond at 3.1%, tightening from IPT of 3.7% area. China Cinda 2020 I Management Ltd (Guarantor: China Cinda HK Holdings Co Ltd) priced a USD500mn 3-year bond at T+115bps, tightening from IPT of T+150bps area, a USD300mn 5-year bond at T+140bps, tightening from IPT of T+175bps area, a USD400mn 7-year bond at T+185bps, tightening from IPT of T+215bps area, and a USD800mn 10-year bond at T+195bps, tightening from IPT of T+230bps area. China Huaneng Group Hong Kong Treasury Management Holding Ltd (Guarantor: China Huaneng Group Co Ltd) priced a USD500mn 5-year bond at T+108bps, tightening from IPT of T+150bps area and a USD500mn 10-year bond at T+155bps, tightening from IPT of T+185bps area. Westwood Group Holdings Ltd (Guarantor: Yuexiu Property Company Limited) priced a USD600mn 5-year bond at T+230bps, tightening from IPT of T+275bps area and a USD150mn 10-year bond at T+265bps, tightening from IPT of T+305bps area. Housing & Development Board (HDB) priced a SGD800mn 5-year bond at 0.635%. Chengdu Xingcheng Investment Group Co., Ltd. has arranged investor calls commencing 12 January for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	90.093	-0.41%	<b>USD-SGD</b>	1.3233	-0.57%
<b>USD-JPY</b>	103.760	-0.48%	<b>EUR-SGD</b>	1.6154	-0.11%
<b>EUR-USD</b>	1.221	0.46%	<b>JPY-SGD</b>	1.2753	-0.10%
<b>AUD-USD</b>	0.777	0.97%	<b>GBP-SGD</b>	1.8083	0.52%
<b>GBP-USD</b>	1.366	1.08%	<b>AUD-SGD</b>	1.0284	0.39%
<b>USD-MYR</b>	4.057	0.09%	<b>NZD-SGD</b>	0.9562	0.31%
<b>USD-CNY</b>	6.464	-0.27%	<b>CHF-SGD</b>	1.4928	-0.13%
<b>USD-IDR</b>	14130	0.04%	<b>SGD-MYR</b>	3.0548	0.44%
<b>USD-VND</b>	23057	0.01%	<b>SGD-CNY</b>	4.8676	-0.02%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	31,068.69	60.00
<b>S&amp;P</b>	3,801.19	1.58
<b>Nasdaq</b>	13,072.43	36.00
<b>Nikkei 225</b>	28,164.34	25.31
<b>STI</b>	2,977.17	-6.73
<b>KLCI</b>	1,612.04	-5.21
<b>JCI</b>	6,395.67	12.73
<b>Baltic Dry</b>	1,761.00	155.00
<b>VIX</b>	23.33	-0.75

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.5480	-0.56%	<b>O/N</b>	0.0869	0.09%
<b>2M</b>	-0.3360	-0.34%	<b>1M</b>	0.1260	0.13%
<b>3M</b>	-0.5450	-0.55%	<b>2M</b>	0.1768	0.17%
<b>6M</b>	-0.5230	-0.53%	<b>3M</b>	0.2245	0.22%
<b>9M</b>	-0.1940	-0.20%	<b>6M</b>	0.2503	0.25%
<b>12M</b>	-0.5030	-0.51%	<b>12M</b>	0.3269	0.33%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.27 (+0.01)	0.14(--)
<b>5Y</b>	0.49 (+0.01)	0.5 (-0.01)
<b>10Y</b>	0.99 (+0.03)	1.13 (-0.02)
<b>15Y</b>	1.21 (+0.02)	--
<b>20Y</b>	1.27 (+0.03)	--
<b>30Y</b>	1.31 (+0.04)	1.87 (-0.01)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
01/27/2021	-0.029	-2.9	0.082	0.082
03/17/2021	-0.071	-4.2	0.072	0.072
04/28/2021	-0.069	0.2	0.072	0.072
06/16/2021	-0.069	0	0.072	0.072
07/28/2021	-0.069	0	0.072	0.072
09/22/2021	-0.021	4.8	0.084	0.084

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	-6.25	(--)
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.09
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.21	1.84%	Corn (per bushel)	5.173	5.1%
Brent (per barrel)	56.58	1.65%	Soybean (per bushel)	14.220	3.5%
Heating Oil (per gallon)	159.67	1.47%	Wheat (per bushel)	6.650	4.8%
Gasoline (per gallon)	155.30	2.12%	Crude Palm Oil (MYR/MT)	38.800	-2.3%
Natural Gas (per MMBtu)	2.75	0.22%	Rubber (JPY/KG)	2.900	1.0%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	7864.00	-3.28%	Gold (per oz)	1854.8	0.6%
Nickel (per mt)	17086.00	-3.29%	Silver (per oz)	25.6	2.6%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/13/2021 07:00	SK Unemployment rate SA	Dec 4.1%	4.6%	4.1%	--
01/13/2021 07:50	JN Money Stock M2 YoY	Dec 9.2%	--	9.1%	--
01/13/2021 07:50	JN Money Stock M3 YoY	Dec 7.6%	--	7.6%	--
01/13/2021 08:30	AU Job vacancies	Nov --	--	0.594	--
01/13/2021 11:00	SK Money Supply M2 SA MoM	Nov --	--	1.1%	--
01/13/2021 12:30	JN Bankruptcies YoY	Dec --	--	-21.73%	--
01/13/2021 14:00	JN Machine Tool Orders YoY	Dec P --	--	8.6%	--
01/13/2021 18:00	EC Industrial Production SA MoM	Nov 0.2%	--	2.1%	--
01/13/2021 18:00	EC Industrial Production WDA YoY	Nov -3.2%	--	-3.8%	--
01/13/2021 20:00	US MBA Mortgage Applications	Jan-08 --	--	1.7%	--
01/13/2021 21:30	US CPI Ex Food and Energy MoM	Dec 0.1%	--	0.2%	--
01/13/2021 21:30	US CPI YoY	Dec 1.3%	--	1.2%	--
01/13/2021 21:30	US CPI Ex Food and Energy YoY	Dec 1.60%	--	1.60%	--
01/13/2021 21:30	US CPI Core Index SA	Dec 270.243	--	269.887	--
01/13/2021 21:30	US CPI MoM	Dec 0.4%	--	0.2%	--

Source: Bloomberg

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