

## Daily Treasury Outlook

14 January 2021

### Highlights

**Global:** Trump may have been impeached for a second time, but that hardly added a dent on risk sentiment. The S&P 500 index still rose 0.2% yesterday, rising on gains in tech stocks. Demand for long-end Treasury bonds remain brisk, as seen in the 10-year and 30-year auction results in the past 48 hours, and may cap further upside to the rise in Treasury yields as investors start to see value at current levels. Meanwhile, the Fed's Brainard – possibly one of the least dovish members in the current FOMC setup – pushed back suggestions that the central bank may begin tapering its QE programme this year, putting to bed the recent speculation that the Fed may halt its purchases in the next twelve months. Separately, the Fed Beige Book yesterday noted of price upticks in multiple districts across the US, while the CPI ex food and energy for the US rose 1.6% yoy in December, consistent with consensus.

**Market watch:** Asian markets are likely to open mixed today, following mixed signals from various risk assets overnight. Today's economic calendar comprises of China's December exports, imports and trade balance, Japan's Tokyo office vacancies, South Korea's December bank lending to households, India's wholesale prices, US' initial jobless claims and continuing claims. BOJ's Kuroda and Fed's Rosengren will also be speaking today.

**US:** The House of Representatives has voted 232 to 197 to impeach outgoing President Trump. The Senate is due to begin impeachment trials beginning 19 Jan – the second last day of Trump's term – according to current Senate leader Mitch McConnell.

**Malaysia:** Malaysia's top health official, Dr Noor Hisham Abdullah, said that it may take 4-5 weeks to flatten the curve and to reduce the rate of Covid transmission. He said that the 2-week MCO may not be enough to bring a significant reduction in cases, but can prevent it from rising further. He added that if the MCO is implemented for four weeks, the number of daily cases can be reduced to 1000 and then 500. If followed by conditional MCO, the curve may be flattened by May or June, he said. The remarks may be a signal that the MCO period may well be extended beyond the current two weeks' period.

**Oil:** Brent rose to as high as \$57.42/bbl yesterday but ultimately ended the day 0.9% lower at \$56.06/bbl.

**Gold:** Gold continues to trade close to its 200-day MA level, resting at around \$1848/oz for the last three days. We remain bullish on gold, as has been repeatedly mentioned.

### Key Market Movements

Equity	Value	% chg
S&P 500	3809.8	0.2%
DJIA	31060	0.0%
Nikkei 225	28457	1.0%
SH Comp	3598.7	-0.3%
STI	2977.5	0.0%
Hang Seng	28236	-0.1%
KLCI	1636.7	1.5%
	Value	% chg
DXY	90.355	0.3%
USDJPY	103.89	0.1%
EURUSD	1.2157	-0.4%
GBPUSD	1.3639	-0.2%
USIDDR	14060	-0.5%
USDSGD	1.3271	0.3%
SGDMYR	3.0549	0.0%
	Value	chg (bp)
3M UST	0.08	0.50
10Y UST	1.08	-4.59
1Y SGS	0.32	-0.10
10Y SGS	0.97	-1.84
3M LIBOR	0.23	0.93
3M SIBOR	0.41	0.00
3M SOR	0.20	0.00
	Value	% chg
Brent	56.06	-0.9%
WTI	52.91	-0.6%
Gold	1846	-0.5%
Silver	25.22	-1.3%
Palladium	2394	-0.3%
Copper	7976	0.0%
BCOM	80.61	0.0%

Source: Bloomberg

## Daily Treasury Outlook

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### Major Markets

**US:** US equities advanced on tech share gains. The S&P 500 index rose 0.2% and the Nasdaq 100 Composite index notched a 0.4% gain. The risk rally remains intact and we think the US equity market will maintain its bullish tilt in the sessions ahead.

**CN:** In his latest article, PBoC's director of monetary policy Sun Guofeng elaborated more about China's monetary policy framework and target. He reiterated PBoC's four mandates including price stability, employment, economic growth and balanced Balance of Payment. And M2 and aggregate social financing growth are intermediate goals for PBoC. PBoC will try to ensure M2 growth and aggregate social financing growth to match nominal economic growth. However, he also said match does not mean equal and it is a medium-term target, which will not be assessed based on monthly or quarterly data. This will give policy more flexibility to achieve its targets.

**SG:** The STI closed virtually flat yesterday but may see some selling pressure today on weak opening cues from the KOSPI.

**Indonesia:** President Jokowi received the country's first coronavirus vaccine shot yesterday. In a widely televised event aimed at boosting the confidence of the population regarding the safety and efficacy of the Sinovac vaccine, the government has roped in the participation of social media influencers who received the shot as well. It comes as new trial data from Brazil suggests that the Sinovac vaccine's efficacy rate may be as low as 50.4%, just above the 50% threshold that the WHO suggests.

## Daily Treasury Outlook

14 January 2021

### Bond Market Updates

**Market Commentary:** The SGD swap mostly fell yesterday, with shorter tenors trading 1-2bps lower, while belly and longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 151bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 14bps to 691bps. The HY-IG Index Spread widened 13bps to 541bps. There were very minimal flows in SGD corporates yesterday. 10Y UST fell 5bps to 1.08% after a strong auction of USD24bn in 30-year bonds and a December CPI report which met market expectations.

**New Issues:** Singapore Airlines Ltd priced a USD500mn 5.5-year bond at T+260bps, tightening from IPT of T+300bps area. DBS Bank Ltd. priced a USD250mn zero-coupon 40-year bond. Xingcheng (BVI) Limited (Guarantor: Chengdu Xingcheng Investment Group Co Ltd) priced a USD445mn 5-year bond at 2.9%, tightening from IPT of 3.2% area. SK Hynix Inc priced a USD500mn 3-year bond at T+85bps, tightening from IPT of T+115bps area, a USD1bn 5-year bond at T+105bps, tightening from IPT of T+140bps area and a USD1bn 10-year green bond at T+140bps, tightening from IPT of T+180bps area. Tower Bersama Infrastructure Tbk PT priced a USD300mn 5-year bond at 2.75%, tightening from IPT of 3% area. Melco Resorts Finance Limited priced a USD250m re-tap of its MPEL 5.375%'29s at 4.918%. Wheelock MTN (BVI) Limited (Guarantor: Wheelock and Company Limited) has arranged investor calls commencing 13 January for its proposed USD bond offering.

## Daily Treasury Outlook

14 January 2021

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.355	0.29%	USD-SGD	1.3271	0.29%
USD-JPY	103.890	0.13%	EUR-SGD	1.6133	-0.13%
EUR-USD	1.216	-0.41%	JPY-SGD	1.2775	0.17%
AUD-USD	0.773	-0.50%	GBP-SGD	1.8102	0.11%
GBP-USD	1.364	-0.18%	AUD-SGD	1.0263	-0.20%
USD-MYR	4.043	-0.33%	NZD-SGD	0.9527	-0.37%
USD-CNY	6.468	0.07%	CHF-SGD	1.4951	0.15%
USD-IDR	14060	-0.50%	SGD-MYR	3.0549	0.00%
USD-VND	23065	0.03%	SGD-CNY	4.8819	0.29%

### Equity and Commodity

Index	Value	Net change
DJIA	31,060.47	-8.22
S&P	3,809.84	8.65
Nasdaq	13,128.95	56.52
Nikkei 225	28,456.59	292.25
STI	2,977.51	0.34
KLCI	1,636.69	24.65
JCI	6,435.21	39.54
Baltic Dry	1,849.00	88.00
VIX	22.21	-1.12

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.55%	O/N	0.0859	0.09%
2M	-0.3360	-0.34%	1M	0.1273	0.13%
3M	-0.5490	-0.55%	2M	0.1856	0.18%
6M	-0.5300	-0.52%	3M	0.2338	0.22%
9M	-0.1940	-0.20%	6M	0.2476	0.25%
12M	-0.5060	-0.50%	12M	0.3256	0.33%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-0.02)	0.14(--)
5Y	0.47 (-0.02)	0.47 (-0.03)
10Y	0.97 (-0.02)	1.08 (-0.05)
15Y	1.19 (-0.02)	--
20Y	1.25 (-0.02)	--
30Y	1.29 (-0.02)	1.82 (-0.06)

### 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	-0.04	2.9	0.08	0.08

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.81	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.08
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### Commodities Futures

	Futures	% chg	Soft Commodities	Futures	% chg
<b>Energy</b>					
WTI (per barrel)	52.91	-0.56%	Corn (per bushel)	5.245	1.4%
Brent (per barrel)	56.06	-0.92%	Soybean (per bushel)	14.110	-0.8%
Heating Oil (per gallon)	159.89	0.14%	Wheat (per bushel)	6.605	-0.7%
Gasoline (per gallon)	154.88	-0.27%	Crude Palm Oil (MYR/MT)	38.890	0.2%
Natural Gas (per MMBtu)	2.73	-0.94%	Rubber (JPY/KG)	2.930	1.0%
<b>Base Metals</b>			<b>Precious Metals</b>		
Copper (per mt)	7975.50	1.42%	Gold (per oz)	1845.5	-0.5%
Nickel (per mt)	17668.00	3.41%	Silver (per oz)	25.2	-1.3%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/14/2021 03:00	US Monthly Budget Statement	Dec -\$143.5b	-\$143.6b	-\$13.3b	--
01/14/2021 05:45	NZ Building Permits MoM	Nov --	1.2%	8.8%	8.9%
01/14/2021 07:50	JN Core Machine Orders MoM	Nov -6.5%	1.5%	17.1%	--
01/14/2021 07:50	JN PPI YoY	Dec -2.2%	-2.0%	-2.2%	-2.3%
01/14/2021 07:50	JN Core Machine Orders YoY	Nov -15.3%	-11.3%	2.8%	--
01/14/2021 07:50	JN PPI MoM	Dec 0.2%	0.5%	0.0%	-0.1%
01/14/2021 08:00	UK RICS House Price Balance	Dec 61.0%	65.0%	66.0%	--
01/14/2021 09:00	PH Foreign Reserves	Dec --	--	\$104.5b	--
01/14/2021 10:00	CH Trade Balance	Dec \$72.00b	--	\$75.43b	\$75.40b
01/14/2021 10:00	CH Exports YoY	Dec 15.0%	--	21.10%	--
01/14/2021 10:00	CH Imports YoY	Dec 5.7%	--	4.5%	--
01/14/2021 14:30	IN Wholesale Prices YoY	Dec 0.85%	--	1.55%	--
01/14/2021 21:30	US Import Price Index MoM	Dec 0.7%	--	0.1%	--
01/14/2021 21:30	US Continuing Claims	37257	5000k	--	5072k
01/14/2021 21:30	US Initial Jobless Claims	Jan-09	789k	--	787k
01/14/2021 22:45	US Bloomberg Consumer Comfort	Jan-10	--	--	44.4

Source: Bloomberg

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