

Daily Treasury Outlook

1 April 2021

Highlights

Global: Another blockbuster package of \$2.25tn over 8 years tipped by US President Biden, but this time coupled with a corporate tax hike from 21% to 28% and 21% minimum global corporate earnings tax, was still well-received overnight. The S&P 500 added 0.36% and Nasdaq also gained 1.54% led by tech stocks, while VIX also eased to 19.40. UST bonds fell as expected with the 10-year yield little changed at 1.74%, and recorded the worst quarter since 1980 amid brighter growth recovery and reflation hopes. Meanwhile, the WTO has also upgraded its global trade growth forecast to 8.0% for 2020, which is the highest since 2010 and marks a strong rebound from the 5.3% contraction seen last year. Elsewhere, Pfizer said its vaccine is 100% effective in a final-stage trial for kids aged 12-15. Yesterday, China also reported better than expected March official manufacturing and non-manufacturing PMIs.

Market watch: Asian markets are likely to start April on an upbeat note today, but market activity may be lighter due to the upcoming long holiday weekend and as investors await tomorrow's US labour market report (where NFP, unemployment rate and average hourly earnings are tipped to come in at +650k, 6.0% and 4.5% yoy respectively). OPEC+ ministers are also meeting today. The economic calendar comprises a slew of Asian and European manufacturing PMIs, S'pore's URA private home price index, Indonesia's March CPI, and US' manufacturing ISM and initial jobless claims. Fed's Harker is also speaking today.

US: The ADP reported that 517k jobs were added in March, the highest increase since September and compared to February's revised 176k. This also raised hopes for a strong NFP surprise tomorrow.

EU: ECB's Lagarde opined that bond investors "can test us as much as they want", but the central bank will stay accommodative. She also said when it's time to wind down its asset purchase program, there will be sufficient warning to "avoid the anxiety, the tantrum". Meanwhile, core CPI disappointed at 0.9% which is slower than the previous month's 1.1%. France and Italy will also tighten Covid restrictions, with the former announcing a 4-week lockdown from Sunday and the latter extending existing curbs till 30 April.

SG: Bank loans grew for the 4th straight month by 0.5% mom (-0.8% yoy), led by business loans which was up for the 3rd consecutive month by 0.5% mom. Consumer loans also rose on-month for the 7th straight month and actually reverted to positive yoy territory for the first time since March 2019, aided by housing loans growth. Meanwhile, local employers hired about 130k locals with the Jobs Growth Incentive in the initial three months. Separately, electricity tariff for households will be raised by 8.6 per cent for the April to June period due to higher cost of fuel.

Key Market Movements

Equity	Value	% chg
S&P 500	3972.9	0.4%
DJIA	32982	-0.3%
Nikkei 225	29179	-0.9%
SH Comp	3441.9	-0.4%
STI	3165.3	-0.8%
Hang Seng	28378	-0.7%
KLCI	1573.5	-2.2%

	Value	% chg
DXY	93.232	-0.1%
USDJPY	110.72	0.3%
EURUSD	1.1730	0.1%
GBPUSD	1.3783	0.3%
USDIDR	14525	0.3%
USDSGD	1.3448	-0.2%
SGDMYR	3.0839	0.1%

	Value	chg (bp)
2Y UST	0.16	1.38
10Y UST	1.74	3.75
2Y SGS	0.52	-1.20
10Y SGS	1.74	-1.45
3M LIBOR	0.20	-0.09
3M SIBOR	0.44	0.00
3M SOR	0.38	0.00
3M SORA	0.23	-0.14
3M SOFR	0.04	-0.09

	Value	% chg
Brent	62.74	-2.2%
WTI	59.16	-2.3%
Gold	1708	1.3%
Silver	24.42	1.6%
Palladium	2628	1.6%
Copper	8786	0.1%
BCOM	83.44	0.8%

Source: Bloomberg

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Major Markets

US: US equities closed mixed on tech share gains, as market sentiment was elevated amid rising spending prospects. While the Dow Jones Industrial Average index fell 0.26%, the S&P 500 index 0.36% and the Nasdaq 100 Composite index notched a 1.54% gain. 10Y UST bond yields jumped 3.75bps to close at 1.74%, following the unveiling of Biden's \$2.25tn infrastructure plan which is likely to boost US post-Covid economic growth over the longer term. While risk appetite has gained traction, the US equity market will be on the lookout for heightened volatility and potential downsides in the near term.

CN: China's PMI rebounded in March to 51.9 from 50.6 in February. Both supply and demand rebounded strongly. Production index rose to 53.9 from 51.9 while new orders rose to 53.6 from 51.5. New export orders also rebounded to 51.2 from 48.8, back to expansion again. The strong rebound of PMI in March was mainly due to the abating concerns about the resurgence of virus before the Chinese New Year holiday. The divergence between weak PMI and strong industrial activities in January and February reflected the distortion from the resurgence of virus. Given China has rolled out its vaccination program aggressively, we expect industry sectors will remain the key driver to growth this year.

SG: The STI retreated by 0.80% to close at 3165.34 yesterday. While the STI may open firmer this morning, activity is likely to wind down ahead of the long holiday weekend. With the selling pressure in UST bonds overnight amid a steeper curve despite quarter-end rebalancing flows, SGS bonds are also likely to trade with a soft tone today.

HK: HKD loans and HKD deposits fell by 13% mom and 11.8% mom respectively in February, partially due to the slowdown in IPO activities. Going ahead, IPO-related loan demand and deposits growth may be muted as rising stock market volatility has dented investors interests in IPOs. Excluding IPO effect, local loan demand may also remain sluggish amid lingering uncertainty about economic growth outlook. On the other hand, the growth of loans for use outside of Hong Kong may remain slow due to the flush USD liquidity in the onshore market, the subdued overseas M&A activities and China's curb on offshore borrowing. As such, we tip a low single-digit growth in total loans and advances (+3.2% yoy in February) this year. Elsewhere, HKD deposits (+10.5% yoy in February) may see moderate growth this year as massive outflows look unlikely against the backdrop of flushed global liquidity and the IPO pipeline remains busy. In conclusion, HKD loan to deposit ratio may stay below 85% in the coming months. Given the wide HKD supply-demand gap, HKD rates may be anchored to multi-year lows. As such, banks' net interest margin may remain compressed in the near term.

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Malaysia: BNM lowered Malaysia's 2021 growth forecast to 6.0-7.5%; a lower floor to the range vs. 6.5-7.5% before. While the outlook might have brightened overall with exports recovery and virus downtick combining with vaccination uptick to instil more business and consumer confidence, BNM appears to be nonetheless very cognizant of continued downside risks. This is not necessarily a signal of potential easing ahead, but a more wide-eyed acknowledgement that "we are not completely out of the woods" yet, as the Governor said herself.

Indonesia: According to Bloomberg's tally, Bank Indonesia's ownership of government bonds has surpassed that of global funds for the first time. Going by official data, BI's ownership now stands at 23.1% of the total outstanding amount, compared to 9.9% last year. In contrast, foreign ownership has declined from close to 40% to now 22.9% of the government bonds.

Oil: Brent fell 2.2% to \$62.74 yesterday, led lower by a renewed lockdown in France. The market keenly awaits the OPEC+ meeting tonight, where no changes in output are expected.

Gold: Gold rose 1.3% yesterday as Biden's newly unveiled stimulus plans raised inflation expectations. We continue to hold a tactical short strategy on gold and see fair value between \$1600-\$1700.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading at 2-5bps lower. Belly tenors traded 2bps lower while longer tenors traded 2-4bps lower. There were heavy flows in SGD corporates yesterday including CS 5.625%-PERPs, KREITS 3.15%-PERPs, UBS 4.85%-PERPs, CAPLSP 3.65%-PERPs, SLHSP 3.5%'30s and ESRCAY 5.65%-PERPs. 10Y UST Yields gained 4bps to 1.74% on the back of President Joe Biden's infrastructure plan which is expected to include more than USD2.0tr of fiscal spending for the purpose of boosting economic productivity and growth. Meanwhile, ADP's private payroll data for March showed a gain of 517,000 jobs, well above the 176,000 added in February.

New Issues: Chengdu Jiaozhi Financial Holding Group Co Ltd priced a USD200mn 5-year senior unsecured bond at 2.6%, tightening from IPT of 3.1% area. Logan Group Co Ltd priced a USD300mn 4.25NC2.25 bond at 4.5%, tightening from IPT of 4.7% area. Ooredoo International Finance Ltd (Guarantor: Ooredoo QPSC) priced a USD1.0bn 10-year senior unsecured bond at MS+100bps, tightening from MS+130bps area. Pioneer Reward Limited priced a USD100mn re-tap of its HTSC 1.3%'24s at T+100bps. ReNew Wind Energy Pvt, Ostro Jaisalmer Pvt, Ostro Urja Wind Pvt, Ostro Madhya Wind Pvt, Badoni Power Pvt, AVP Powerinfra Pvt, Prathamesh Solarfarms Ltd., Ostro Anantapur Pvt, ReNew Wind Energy Delhi Pvt and Ostro Mahawind Power Pvt (Guarantor: ReNew Power Pvt Ltd) together priced a USD585mn 7.25NC2.5 green bond at 4.5%, tightening from IPT of 4.75%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.232	-0.07%	USD-SGD	1.3448	-0.22%
USD-JPY	110.720	0.33%	EUR-SGD	1.5775	-0.11%
EUR-USD	1.173	0.11%	JPY-SGD	1.2146	-0.55%
AUD-USD	0.760	0.01%	GBP-SGD	1.8537	0.10%
GBP-USD	1.378	0.31%	AUD-SGD	1.0221	-0.17%
USD-MYR	4.145	-0.13%	NZD-SGD	0.9397	-0.15%
USD-CNY	6.553	-0.29%	CHF-SGD	1.4256	-0.32%
USD-IDR	14525	0.31%	SGD-MYR	3.0839	0.08%
USD-VND	23065	-0.03%	SGD-CNY	4.8727	-0.09%

Equity and Commodity

Index	Value	Net change
DJIA	32,981.55	-85.41
S&P	3,972.89	14.34
Nasdaq	13,246.87	201.48
Nikkei 225	29,178.80	-253.90
STI	3,165.34	-25.55
KLCI	1,573.51	-35.68
JCI	5,985.52	-85.92
Baltic Dry	2,103.00	-59.00
VIX	19.40	-0.21

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5550	-0.55%	O/N	0.0770	0.07%
2M	-0.3360	-0.34%	1M	0.1151	0.11%
3M	-0.5400	-0.54%	2M	0.1315	0.14%
6M	-0.5190	-0.51%	3M	0.2016	0.20%
9M	-0.1940	-0.20%	6M	0.2068	0.20%
12M	-0.4940	-0.49%	12M	0.2866	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.52 (-0.01)	0.16(--)
5Y	0.93 (-0.04)	0.94 (+0.04)
10Y	1.74 (-0.01)	1.74 (+0.04)
15Y	2.06 (-0.02)	--
20Y	2.08 (--)	--
30Y	2.05 (-0.03)	2.41 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
04/28/2021	0.027	2.70	0.067	0.067
06/16/2021	0.068	4.10	0.078	0.078
07/28/2021	0.077	0.90	0.08	0.08
09/22/2021	0.101	2.40	0.086	0.086
11/03/2021	0.087	-1.40	0.082	0.082
12/15/2021	0.095	0.80	0.085	0.085

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.56	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.16	-2.30%	Corn (per bushel)	5.643	4.6%
Brent (per barrel)	63.54	-0.94%	Soybean (per bushel)	14.368	5.1%
Heating Oil (per gallon)	177.13	-1.00%	Wheat (per bushel)	6.180	2.7%
Gasoline (per gallon)	195.33	-1.79%	Crude Palm Oil (MYR/MT)	40.610	1.0%
Natural Gas (per MMBtu)	2.61	-0.57%	Rubber (JPY/KG)	2.410	-2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8785.50	0.14%	Gold (per oz)	1707.7	1.3%
Nickel (per mt)	16068.00	0.75%	Silver (per oz)	24.4	1.6%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/01/2021 07:50	JN	Tankan Large Mfg Index	1Q	-1	5	-10	--
04/01/2021 08:00	SK	Exports YoY	Mar	16.60%	16.60%	9.50%	--
04/01/2021 08:30	AU	Retail Sales MoM	Feb F	-1.10%	--	-1.10%	--
04/01/2021 08:30	SK	Markit South Korea PMI Mfg	Mar	--	--	55.3	--
04/01/2021 08:30	TA	Markit Taiwan PMI Mfg	Mar	--	--	60.4	--
04/01/2021 08:30	VN	Markit Vietnam PMI Mfg	Mar	--	--	51.6	--
04/01/2021 08:30	ID	Markit Indonesia PMI Mfg	Mar	--	--	50.9	--
04/01/2021 08:30	JN	Jibun Bank Japan PMI Mfg	Mar F	--	--	52	--
04/01/2021 09:45	CH	Caixin China PMI Mfg	Mar	51.4	--	50.9	--
04/01/2021 12:00	ID	CPI YoY	Mar	1.40%	--	1.38%	--
04/01/2021 15:55	GE	Markit/BME Germany Manufacturing PMI	Mar F	66.6	--	66.6	--
04/01/2021 16:00	EC	Markit Eurozone Manufacturing PMI	Mar F	62.4	--	62.4	--
04/01/2021 16:30	UK	Markit UK PMI Manufacturing SA	Mar F	57.9	--	57.9	--
04/01/2021 21:45	US	Markit US Manufacturing PMI	Mar F	59.2	--	59	--
04/01/2021 20:30	US	Initial Jobless Claims	Mar-27	675k	--	684k	--
04/01/2021 22:00	US	ISM Manufacturing	Mar	61.5	--	60.8	--

Source: Bloomberg

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