

Daily Treasury Outlook

4 May 2021

Highlights

Global: A softer-than-expected US manufacturing ISM print took some wind out of the equity market's sails overnight. The S&P 500 gained 0.27%, whereas Tesla and Amazon.com led tech stocks lower, and VIX also edged down to 18.31. UST bond traded mixed with gains pared for the longer tenors amid higher corporate bond issuance, but the 10-year yield still closed down 2.83bps at 1.60% after Fed Chair Powell articulated that the outlook has clearly brightened, but recovery has been slower for those in lower paid jobs. Meanwhile, the US Treasury Department has more than quadrupled its quarterly borrowing to US\$463bn in 2Q21 and US\$821bn in 3Q21 after incorporating the US\$1.9tn pandemic-relief bill, with the cash balance at US\$800bn and US\$750bn respectively (assuming that there will be an increase or suspension of the debt ceiling into their outlook). Separately, Hong Kong's 1Q21 GDP growth surprised on the upside at 7.8% yoy (5.3% qoq sa), while Indian PM Modi is resisting a nationwide lockdown despite the deteriorating Covid situation.

Market watch: Asian markets may open firmer this morning, but trading volume may be muted by markets in China and Japan being out for holidays and also the softening in US tech sentiments. The key focus will be the RBA policy decision where both the cash rate target and 3-year yield target are likely to be untouched at 0.10%, but could flag a potential switch to the November 2024 bond as the targeted 3-year yield. Today's economic calendar also includes HK retail sales, UK's manufacturing PMI, and US' factory orders. ECB's Villeroy, Fed's Daly and Kaplan, and RBNZ Governor Orr are also speaking today.

US: The manufacturing ISM index unexpectedly slipped from 64.7 in March to 60.7 in April, hampered by supply chain snags amid higher prices (89.6 versus 85.6) and lower new orders (64.3 versus 68.0) as well as a pullback in employment (55.1 versus 59.6).

EU: The European Commission has proposed easing restrictions for business and leisure travel for those already vaccinated.

SG: The manufacturing and electronics PMIs edged up slightly by 0.1 point to 50.9 and 50.7 respectively, marking the 10th and 9th consecutive month of expansion. However, the recent entry ban is a setback for the marine & process sectors. Supply disruptions may limit further upside for the manufacturing sector.

Oil: Brent for July delivery rose 1.2% to \$67.56 yesterday as firming risk sentiment continued to lift global assets. We maintain our upward bias for energy in the short to medium term.

Gold: Gold rose 1.3% to \$1792.88 yesterday as Treasury yields fell and the dollar softened.

Key Market Movements

Equity	Value	% chg
S&P 500	4192.7	0.3%
DJIA	34113	0.7%
Nikkei 225	28813	0.0%
SH Comp	3446.9	0.0%
STI	3184.8	-1.0%
Hang Seng	28358	-1.3%
KLCI	1590.7	-0.7%
	Value	% chg
DXY	90.945	-0.4%
USDJPY	109.07	-0.2%
EURUSD	1.2064	0.4%
GBPUSD	1.3911	0.6%
USDIDR	14450	0.0%
USDSGD	1.3296	-0.1%
SGDMYR	3.0813	-0.1%
	Value	chg (bp)
2Y UST	0.16	0.01
10Y UST	1.60	-2.83
2Y SGS	0.43	0.00
10Y SGS	1.58	-1.19
3M LIBOR	0.18	0.08
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
3M SORA	0.19	0.12
3M SOFR	0.02	-0.18
	Value	% chg
Brent	67.56	1.2%
WTI	64.49	1.4%
Gold	1793	1.3%
Silver	26.91	3.8%
Palladium	2974	1.1%
Copper	9825	0.0%
BCOM	90.97	0.7%

Source: Bloomberg

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Major Markets

US: US equities closed mixed last night as the S&P 500 index advanced 0.27% despite losses in tech heavyweights which led to the 0.48% decline in the tech-heavy Nasdaq 100 Composite index amid soft manufacturing data. 10Y UST bond yields slipped 2.83bps to close at 1.60%, following Powell's caution of a patchy economic recovery. For the day ahead, markets will likely stay volatile with investors focusing on the US factory orders for a better gauge of the US recovery momentum ahead of the RBA central bank meeting later.

SG: The STI consolidated by 1.04% to close at 3184.76 yesterday, but may stabilise today amid positive overnight cues from Wall Street. With UST bond yields falling by up to 3bps overnight amid Fed Chair Powell's cautious remarks, the SGS bond market may also build on yesterday's modest rally to push yields lower today.

HK: 1Q GDP expanded at the fastest pace in 11 years by 7.8% yoy (or 5.3% qoq S.A.), ending six consecutive quarters of contraction and far better than expected. Apart from low base effect, the strong recovery was mainly driven by external demand revival, extension of fiscal stimulus as well as improvement of local consumption (+1.6% yoy, first yoy increase since 2Q 2019) and fixed investments (up for the second consecutive quarter by 4.5% yoy). However, if taking a two-year average to net out the base effect, GDP, private consumption, fixed investments and exports of services were lower than the levels of 1Q 2019. In other words, Hong Kong's economic recovery is still uneven and incomplete. Going ahead, the economy may continue to regain steam on the buoyant external demand and the strong fiscal supports. Nonetheless, for the economy to show stronger recovery, we may need to see further improvement in local consumption and the revival of exports of services, both of which will hinge on the pace of vaccine rollout. In a nutshell, we upgrade our 2021 GDP forecast from 4.1% yoy to 5%-6% yoy in 2021 on assumption that the border controls will be further lifted in 2H.

Malaysia: Malaysia reported its April PMI reading. At 53.9, it marks the first time the manufacturers sentiment has broken above the 50-breakeven threshold since mid-2020 and reportedly the highest print since July 2012. New exports sub-reading, in particular, is said to have risen sharply in April, crossing into the expansionary territory for the first time since Nov 2019, powered by improvement in demand from markets such as the US.

Indonesia: Indonesia reported April inflation data, coming in at 1.42% yoy, tamer than 1.5% that market expected. Core print displayed similar dynamics, at 1.18% yoy vs. 1.24% that market pencilled in, signalling continued subdued price pressures amid still-tepid consumer demand. Elsewhere, April PMI data came in at an encouraging 54.6, signalling another month of robust improvement in manufacturers' sentiment after March's 53.2 reading.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday. Shorter and belly tenors traded 1bps lower while longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 143bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 620bps. The HY-IG Index Spread tightened 6bps to 477bps. There were heavy flows in SGD corporates yesterday, including flows in STSP 3.3%-PERPs, OLAMSP 5.375%-PERPs, OLAMSP 4%'26s and STTGDC 3.13%'28s. 10Y UST Yields fell 3bps to 1.60% as the ISM Manufacturing PMI for April came in at a worse-than-expected 60.7, compared to estimates of 65.0, suggesting that supply-chain disruptions were weighing on the economic recovery in the US.

New Issues: Mapletree Industrial Trust priced a SGD300mn PerpNC5 at 3.15%, tightening from IPG of 3.375% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.945	-0.37%	USD-SGD	1.3296	-0.09%
USD-JPY	109.070	-0.22%	EUR-SGD	1.6040	0.27%
EUR-USD	1.206	0.37%	JPY-SGD	1.2190	0.16%
AUD-USD	0.776	0.61%	GBP-SGD	1.8494	0.52%
GBP-USD	1.391	0.64%	AUD-SGD	1.0321	0.54%
USD-MYR	4.105	0.42%	NZD-SGD	0.9574	0.47%
USD-CNY	6.475	0.04%	CHF-SGD	1.4592	0.12%
USD-IDR	14450	0.03%	SGD-MYR	3.0813	-0.12%
USD-VND	23048	-0.02%	SGD-CNY	4.8687	0.04%

Equity and Commodity

Index	Value	Net change
DJIA	34,113.23	238.38
S&P	4,192.66	11.49
Nasdaq	13,895.12	-67.56
Nikkei 225	28,812.63	-241.34
STI	3,184.76	-33.51
KLCI	1,590.73	-10.92
JCI	5,952.60	-43.02
Baltic Dry	3,053.00	46.00
VIX	18.31	-0.30

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5560	-0.56%	O/N	0.0713	0.07%
2M	-0.3360	-0.34%	1M	0.1073	0.11%
3M	-0.5350	-0.54%	2M	0.1441	0.14%
6M	-0.5210	-0.52%	3M	0.1764	0.18%
9M	-0.1940	-0.20%	6M	0.2049	0.21%
12M	-0.4810	-0.48%	12M	0.2811	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (--)	0.16(--)
5Y	0.77 (--)	0.82 (-0.02)
10Y	1.58 (-0.01)	1.6 (-0.03)
15Y	1.93 (--)	--
20Y	1.96 (-0.01)	--
30Y	1.94 (--)	2.28 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.112	0.099	0.099
07/28/2021	0.085	0.093	0.093
09/22/2021	0.132	0.104	0.104
11/03/2021	0.105	0.098	0.098
12/15/2021	0.105	0.098	0.098
01/26/2022	0.105	0.098	0.098

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.93	(--)
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)	64.49	1.43%	Corn (per bushel)	7.323	-1.0%
Brent (per barrel)	67.56	0.46%	Soybean (per bushel)	15.603	-0.7%
Heating Oil (per gallon)	195.19	1.60%	Wheat (per bushel)	7.255	-2.3%
Gasoline (per gallon)	210.15	1.53%	Crude Palm Oil (MYR/MT)	45.930	4.2%
Natural Gas (per MMBtu)	2.97	1.19%	Rubber (JPY/KG)	2.427	2.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9825.00	-0.61%	Gold (per oz)	1792.9	1.3%
Nickel (per mt)	17674.00	2.42%	Silver (per oz)	26.9	3.8%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/04/2021 07:00	SK CPI YoY	Apr 2.10%	--	1.50%	--
05/04/2021 07:00	SK CPI MoM	Apr 0.00%	--	0.10%	--
05/04/2021 08:30	VN Markit Vietnam PMI Mfg	Apr --	--	53.6	--
05/04/2021 09:30	AU Trade Balance	Mar A\$8200m	--	A\$7529m	--
05/04/2021 12:30	AU RBA Cash Rate Target	May-04 0.10%	--	0.10%	--
05/04/2021 16:30	HK Retail Sales Value YoY	Mar 34.00%	--	30.00%	--
05/04/2021 16:30	UK Markit UK PMI Manufacturing SA	Apr F 60.7	--	60.7	--
05/04/2021 16:30	UK Mortgage Approvals	Mar 86.5k	--	87.7k	--
05/04/2021 20:30	US Trade Balance	Mar -\$74.3b	--	-\$71.1b	--
05/04/2021 20:30	CA Building Permits MoM	Mar 1.50%	--	2.10%	--
05/04/2021 20:30	CA Int'l Merchandise Trade	Mar 0.50b	--	1.04b	--
05/04/2021 22:00	US Durable Goods Orders	Mar F 0.50%	--	0.50%	--
05/04/2021 22:00	US Factory Orders	Mar 1.30%	--	-0.80%	--
05/04/2021 22:00	US Durables Ex Transportation	Mar F 1.60%	--	1.60%	--
05/04/2021 22:00	US Cap Goods Orders Nondef Ex Air	Mar F --	--	0.90%	--
05/04/2021 22:00	US Cap Goods Ship Nondef Ex Air	Mar F --	--	1.30%	--

Source: Bloomberg

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