

Daily Treasury Outlook

5 April 2021

Highlights

Global: Another buoyant nonfarm payrolls print of 916k in March is likely to fuel market speculation of a stronger US growth recovery and reflation trades. The S&P 500 gained 1.18% while VIX eased to 17.33 on Friday in a holiday-shortened session. UST bonds slipped with the 10-year yield closing at 1.72% while the 5-year yield touched 0.98%, its highest since February 2020. Meanwhile, the US added nearly 65k new Covid cases on Saturday. Elsewhere, the logjam at the Suez Canal has been cleared over the weekend after the Ever Given tanker was freed on 29 March.

Market watch: Asian markets are likely to cheer the latest US' labour market report, but market activity may be muted as many Asian markets are closed for holidays today. Today's economic calendar comprises Thai CPI, S'pore's February retail sales and March manufacturing/electronics PMIs, and US' services PMI and February durable goods orders. For the week ahead, watch for the FOMC minutes and RBI policy decision (likely static) due Wednesday and Fed Chair Powell's speech on Thursday as part of the IMF spring meetings.

US: The February NFP was also revised up to 468k, with the previous two months registering a 156k addition. The NFP gains were also broad-based, led by leisure and hospitality, as well as professional and business services. Meanwhile, the unemployment rate dipped from 6.2% to 6.0% in March amid the re-opening of the US economy. Average hourly earnings fell 0.1% mom (+4.2% yoy) in March after a revised 0.3% mom gain (+5.2% yoy) in February.

EU: France has slashed its 2021 GDP growth forecast from 6% to 5% as it entered its latest four-week national lockdown.

SG: Loans on debt holiday accounted for about a fifth of those approved under an industrywide relief program at end-February, amounting to more than \$3.8 billion in loan principal, according to MAS. Affected SMEs were mostly from the real estate, services and construction sectors. Elsewhere, February retail sales likely rebounded 9.7% yoy (+4.6% mom) while the manufacturing and electronics PMIs are likely to remain supported around January's prints of 50.5 and 50.8 respectively.

Oil: Oil rallied on Friday after the US jobs report raised risk sentiment. Brent rose 3.4% on Friday after slumping the same across Wed and Thurs. We expect oil to continue consolidating in the near term.

Gold: Gold failed to break below its support of \$1680 on Tuesday and has since risen back above \$1720 on Biden's new stimulus plans. We retain a tactical short view on gold.

Key Market Movements

Equity	Value	% chg
S&P 500	4019.9	0.0%
DJIA	33153	0.0%
Nikkei 225	29854	1.6%
SH Comp	3484.4	0.5%
STI	3181.7	0.0%
Hang Seng	28939	0.0%
KLCI	1585.4	0.2%

	Value	% chg
DXY	93.022	0.1%
USDJPY	110.69	0.1%
EURUSD	1.1759	-0.2%
GBPUSD	1.3832	0.0%
USDIDR	14525	0.0%
USDSGD	1.3461	0.1%
SGDMYR	3.0809	0.1%

	Value	chg (bp)
2Y UST	0.19	2.77
10Y UST	1.72	5.17
2Y SGS	0.52	0.00
10Y SGS	1.72	0.00
3M LIBOR	0.20	0.55
3M SIBOR	0.44	0.00
3M SOR	0.35	0.00
3M SORA	0.22	0.00
3M SOFR	0.04	0.00

	Value	% chg
Brent	64.86	0.0%
WTI	61.45	0.0%
Gold	1729	0.0%
Silver	25.01	0.2%
Palladium	2670	0.0%
Copper	8790	0.0%
BCOM	83.83	0.0%

Source: Bloomberg

Daily Treasury Outlook

5 April 2021

Major Markets

US: US equities closed higher last Thursday on tech share gains. The S&P 500 index rose 1.18% and the Nasdaq 100 Composite index notched a 1.76% gain. 10Y UST bond yields jumped 5.17bps to close at 1.72%. Market sentiment will likely be elevated by the stronger than expected nonfarm payrolls job report which recorded the fastest pace of jobs gain since August last year, signalling a firmer US economic recovery. With risk appetite likely to gain traction, the US equity market may see some bullish momentum in the near term.

CN: The recent weakness of RMB against the dollar did not stop Chinese currency regulator from further loosening its control. China expanded its pilot qualified domestic limited partner program throughout Guangdong province to facilitate outbound investment scheme. Meanwhile, SAFE also announced further relaxation to optimize the process for individuals to purchase foreign currency under the current account. We may see more measures encouraging outflows, indicating China's rising appetite for two-way movement of RMB.

SG: The STI gained 0.52% to close at 3181.68 last Thursday, and may open firmer this morning in view of Friday's robust US nonfarm payrolls data. With UST bonds still under pressure from reflation trades last week going into the Easter long weekend, SGS bonds are also likely to open lower today with improved market risk appetite.

HK: BioNTech Covid Vaccination will be resumed on Monday (5 April). Whether this could help to restore the confidence in the vaccine and support the vaccination program to pick up pace will be crucial to the future border reopening plan and the economic recovery.

Macau: Gross gaming revenue rebounded by 13.6% mom to MOP8.3 billion in March, the highest since Covid-19 outbreak. The rebound was mainly attributable to the relaxation of control measures on some Mainland visitors and measures on gaming centers. Having said that, gaming revenue for March was still 65.9% lower than the monthly average of 2019. On the one hand, Mainland visitors have been deterred by the time-consuming visa application process, the requirement of Covid-19 tests and the lingering virus concerns. On the other hand, the travel restrictions on visitors from countries/regions other than Mainland China remain stringent. In conclusion, even though we may see significant year-on-year growth in gaming revenue during the rest of the year, it would mainly be a result of low base effect. Any strong recovery looks unlikely until border reopens on a broad basis hopefully in the second half of this year. We tip a growth of around 150% for gross gaming revenue this year.

Daily Treasury Outlook

5 April 2021

Malaysia: Malaysia's PM Muhyiddin Yassin said that the government is considering a plan to allow interstate travel for those who have completed their Covid-19 vaccinations, according to the Star. He further added that those who are vaccinated might well be allowed to travel internationally as well, adding that talks have started with several countries on that front. Separately, Foreign Minister Hishammuddin Hussein said that Malaysia and China have agreed to mutually recognize their vaccination digital certificates, potentially paving the way for cross-border travel in the near future.

Indonesia: Indonesia saw an uptick in its Manufacturing PMI reading. The March reading that was released on April 1st showed that manufacturers' confidence saw a surge to 53.2 compared to 50.2 before, further into the expansionary territory. Elsewhere, March CPI data came in on the tame side, with headline inflation at 1.37%yoy (below 1.4% expected) and core inflation at 1.21% (below 1.44% expected).

Daily Treasury Outlook

5 April 2021

Bond Market Updates

Market Commentary: The SGD swap curve traded mostly lower last Thursday, with shorter tenors trading at 2-3bps lower. The 1D though, traded 13bps higher. Belly tenors traded 3bps lower while longer tenors traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 130bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 622bps. The HY-IG Index Spread tightened 7bps to 492bps. There were heavy flows in SGD corporates on Thursday including CS 5.625%-PERPs, HSBC 4.7%-PERPs and HRINTH 3.8%'25s. 10Y UST Yields gained 5bps to 1.72% on the back of better-than-expected jobs report which came in at 916,000. Meanwhile, unemployment in the U.S. fell to 6%.

New Issues: There were no new issues or mandates last Thursday.

Daily Treasury Outlook

5 April 2021

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.022	0.10%	USD-SGD	1.3461	0.07%
USD-JPY	110.690	0.06%	EUR-SGD	1.5831	-0.06%
EUR-USD	1.176	-0.15%	JPY-SGD	1.2160	-0.02%
AUD-USD	0.761	-0.09%	GBP-SGD	1.8619	0.08%
GBP-USD	1.383	-0.01%	AUD-SGD	1.0243	-0.01%
USD-MYR	4.140	-0.21%	NZD-SGD	0.9467	0.29%
USD-CNY	6.567	0.03%	CHF-SGD	1.4270	-0.06%
USD-IDR	14525	0.00%	SGD-MYR	3.0809	0.07%
USD-VND	23073	-0.01%	SGD-CNY	4.8803	-0.06%

Equity and Commodity

Index	Value	Net change
DJIA	33,153.21	171.66
S&P	4,019.87	46.98
Nasdaq	13,480.11	233.24
Nikkei 225	29,854.00	465.13
STI	3,181.68	16.34
KLCI	1,585.35	2.71
JCI	6,011.46	25.93
Baltic Dry	2,072.00	26.00
VIX	17.33	-2.07

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5510	-0.56%	O/N	0.0748	0.08%
2M	-0.3360	-0.34%	1M	0.1104	0.11%
3M	-0.5380	-0.54%	2M	0.1353	0.13%
6M	-0.5120	-0.51%	3M	0.1998	0.19%
9M	-0.1940	-0.20%	6M	0.2013	0.21%
12M	-0.4880	-0.48%	12M	0.2805	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.52 (-)	0.19(-)
5Y	0.91 (-0.02)	0.98 (+0.08)
10Y	1.72 (-0.02)	1.72 (+0.05)
15Y	2.05 (-)	--
20Y	2.08 (-)	--
30Y	2.06 (+0.01)	2.36 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.016	0.067	0.067
06/16/2021	0.058	0.078	0.078
07/28/2021	0.056	0.077	0.077
09/22/2021	0.104	0.089	0.089
11/03/2021	0.076	0.082	0.082
12/15/2021	0.114	0.092	0.092
01/26/2022	0.136	0.098	0.098

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.22	(-)
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)	61.45	0.00%	Corn (per bushel)	5.598	0.0%
Brent (per barrel)	64.86	2.08%	Soybean (per bushel)	14.020	0.0%
Heating Oil (per gallon)	183.16	0.00%	Wheat (per bushel)	6.110	0.0%
Gasoline (per gallon)	202.23	0.00%	Crude Palm Oil (MYR/MT)	41.470	-0.1%
Natural Gas (per MMBtu)	2.64	0.00%	Rubber (JPY/KG)	2.410	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8790.00	0.05%	Gold (per oz)	1728.9	0.0%
Nickel (per mt)	16214.00	0.91%	Silver (per oz)	25.0	0.2%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/05/2021 08:30	JN Jibun Bank Japan PMI Composite	Mar F	--	48.3	--
04/05/2021 08:30	JN Jibun Bank Japan PMI Services	Mar F	--	46.5	--
04/05/2021 09:00	AU Melbourne Institute Inflation MoM	Mar	--	0.10%	--
04/05/2021 11:30	TH CPI YoY	Mar	0.21%	-1.17%	--
04/05/2021 11:30	TH CPI Core YoY	Mar	0.09%	0.04%	--
04/05/2021 13:00	IN Markit India PMI Mfg	Mar	--	57.5	--
04/05/2021 13:00	SI Retail Sales YoY	Feb	6.50%	-6.10%	--
04/05/2021 21:00	SI Purchasing Managers Index	Mar	50.9	50.5	--
04/05/2021 21:45	US Markit US Composite PMI	Mar F	--	59.1	--
04/05/2021 21:45	US Markit US Services PMI	Mar F	60.2	60	--
04/05/2021 22:00	US Durable Goods Orders	Feb F	-1.10%	-1.10%	--
04/05/2021 22:00	US Factory Orders	Feb	-0.50%	2.60%	--
04/05/2021 22:00	US ISM Services Index	Mar	59.0	55.3	--
04/05/2021 22:00	US Durables Ex Transportation	Feb F	-0.90%	-0.90%	--
04/05/2021 22:00	US Cap Goods Orders Nondef Ex Air	Feb F	--	-0.80%	--
04/05/2021 22:00	US Cap Goods Ship Nondef Ex Air	Feb F	--	-1.00%	--

Source: Bloomberg

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