

## Daily Treasury Outlook

5 May 2021

### Highlights

**Global: Spooked by Yellen** - the S&P 500 declined 0.67% after Treasury Secretary Yellen commented that “it may be that interest rates will have to rise somewhat to make sure our economy doesn’t overheat” even though she later tried to walk back by saying she was referring to “very modest increases” in market interest rates rather than recommending Fed rate hikes. Tech stocks also tripped lower in its worst rout since March and contributed to a higher VIX at 19.48. UST bonds bull-flattened in a volatile session with the 10-year yield at 1.59%. Oil prices and the USD rose. Meanwhile, the RBA left both its cash rate target and 3-year yield target unchanged at 0.10%, upgraded its growth outlook and said the central bank will review its yield curve control in July. RBA also reiterated its high policy priority for returning to full employment and will keep record low interest rates until at least 2024.

**Market watch: Asian markets may tread water today as investors digest Yellen’s comments. Japan, China and South Korea markets are also closed for holiday.** The key focus will be the BOT policy decision (likely static at 0.50%). Today’s economic calendar also includes Indonesia’s 1Q21 GDP growth, services and composite PMIs from Europe and Asia, as well as US’ services ISM and ADP employment change. Fed’s Evans, Rosengren and Mester, and ECB’s Lane and BOC governor Macklem are also speaking today.

**US:** The trade deficit widened to a fresh record high of US\$74.4bn in March as imports surged 6.3% to a record \$274.5bn, while factory orders also jumped 1.1% after dropping by 0.5% in February. Meanwhile, President Biden is aiming to get 70% of American adults vaccinated with at least one dose by 4 July. Separately, G7 foreign ministers are considering a US proposal for a consultation mechanism to ensure a co-ordinated response to China’s moves.

**SG:** Retail sales likely grew 9.6% yoy in March, which would be a moderation from the 5.2% seen in February. The multi-ministry taskforce has tightened rules to combat Covid, including limiting social gatherings to 5 persons, 50% work-in-office (WIO) and increasing the border measures to 21 days for travellers etc. These measures take effect from 8 to 30 May. There may be an adverse impact on consumer and business confidence since it’s only roughly been a month since the 75% WIO relaxation. As the Covid situation remains fluid, there may be some downside risk to our initial 2Q21 GDP growth forecast of 15% yoy.

**Oil:** Oil prices rose overnight, with Brent adding 2.0% to close at \$68.88 after touching an intraday high of \$69.50. As has been repeatedly mentioned, we stay bullish on oil.

**Gold:** Gold fell 0.8% to \$1779.06/oz after Yellen’s careless words on rate hikes sent yields higher and dimmed the appeal of the precious word.

### Key Market Movements

Equity	Value	% chg
S&P 500	4164.7	-0.7%
DJIA	34133	0.1%
Nikkei 225	28813	0.0%
SH Comp	3446.9	0.0%
STI	3179.1	-0.2%
Hang Seng	28557	0.7%
KLCI	1588.3	-0.2%
	Value	% chg
DXY	91.288	0.4%
USDJPY	109.33	0.2%
EURUSD	1.2014	-0.4%
GBPUSD	1.3887	-0.2%
USIDDR	14430	-0.1%
USDSGD	1.3366	0.5%
SGDMYR	3.0868	0.2%
	Value	chg (bp)
2Y UST	0.16	0.00
10Y UST	1.59	-0.52
2Y SGS	0.44	0.90
10Y SGS	1.57	-0.79
3M LIBOR	0.18	0.00
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
3M SORA	0.19	0.13
3M SOFR	0.02	-0.07
	Value	% chg
Brent	68.88	2.0%
WTI	65.69	1.9%
Gold	1779	-0.8%
Silver	26.51	-1.5%
Palladium	2985	0.4%
Copper	9966	1.4%
BCOM	91.65	0.8%

Source: Bloomberg

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### Major Markets

**US:** US equities retreated once more last night following Yellen's comments on rates, suggesting a hike is "somewhat" needed to prevent the economy from overheating, underlining the market's sensitivity to shifts in monetary policy stance. The Nasdaq 100 Composite index fell 1.88%. 10Y UST bond yields fell 0.52bps to close at 1.59%. For the day ahead, markets will continue to stay volatile with news on inflation and rate hikes likely to be the main driver of market sentiment amid US housing and jobs data.

**SG:** The STI declined by 0.18% to close at 3179.13 yesterday and may consolidate further amid soft overnight cues from Wall Street. SGS bonds traded mixed yesterday, but the return to Phase 2 social restrictions may prompt a more biddish tone today.

**HK:** Retail sales surprised to the downside with a growth of 20.1% yoy in March. Though the sales value of clothing, footwear and allied products (+75.5% yoy), goods in department stores (+2.2% yoy), jewellery, watches and clocks (+81% yoy) and other consumer goods (+27.8% yoy) increased amid low base effect, they were all far from the levels of March 2019. This indicates that the stabilization of local consumption was not enough to offset the stalling tourist spending. Going ahead, the upcoming e-consumption vouchers may lend some support to the retail sector. However, the retail sector may not see full recovery until containment measures are further loosened and the labor market improves. Assuming that vaccine bubbles will help to accelerate the vaccine rollouts, we hold onto our view that retail sales may grow by around 15% yoy in 2021, which however is still over 10% lower than the level of 2019.

**Malaysia:** Malaysia reported that foreign holdings of debt, including government bonds and corporate bonds, has risen 2.5% in the month of April to MYR239.7bn. According to Bank Negara's data, when it comes to foreign ownership of government bonds alone, the figure rose by 2.1% month-on-month to MYR215.3bn.

**Indonesia:** Indonesia is due to report its Q1 GDP print today. We are penciling in a contraction of around 0.5% yoy for the period, a comparatively better outturn versus Q4 2020. Consumer spending is likely to have remained weak during the period, especially in January and February when virus was surging. Investment might see a relative uplift compared to previous quarters, but is unlikely to have added much to the overall headline growth, however. Meanwhile, exports should have recovered over the period, but its net contribution would be negated by a corresponding uptick in imports.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower yesterday. Shorter, belly and longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 142bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 10bps to 609bps. The HY-IG Index Spread tightened 9bps to 467bps. There were heavy flows in STSP 3.3%-PERPs, ESRCAY 5.65%-PERPs, UBS 4.85%-PERPs, CS 5.625%-PERPs, OLAMSP 4%'26s, OLAMSP 5.375%-PERPs and SPHSP 4%-PERPs. 10Y UST Yields fell 1bps to 1.59% as weakness in the equity market spurred bidding for bonds amidst Treasury Secretary Janet Yellen's comment on a possible rate hike if the economy were to be overheated.

**New Issues:** Dua Capital Ltd. priced a USD400mn 5-year senior unsecured bond at T+85bps, tightening from IPT of T+125bps area, and a USD600mn 10-year senior unsecured bond at T+120bps, tightening from IPT of T+150bps area. Shinhan Financial Group Co Ltd priced a USD500mn PerpNC5 at 2.875%, tightening from IPT of 3.4% area. PT Sarana Multi Infrastruktur Persero priced a USD300mn 5-year senior unsecured bond at 2.05%, tightening from IPT of 2.4% area. Newcastle Coal Infrastructure Group Pty Ltd (Guarantor: NCIG Holdings Pty Ltd) priced a USD450mn 10-year senior secured bond at T+320bps, tightening from IPT of T+360bps area. Changi Airport Group (Singapore) Pte. Ltd. priced a USD500mn 10-year senior unsecured bond at 1.88%, tightening from IPG of 2.0% area. JSW Hydro Energy Ltd. has arranged investor calls commencing 4 May for its proposed USD green bond offering. ENN Natural Gas Co., Ltd. has arranged investor calls commencing 4 May for its proposed USD bond offering. eHi Car Services Limited has mandated banks for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.288	0.38%	USD-SGD	1.3366	0.53%
USD-JPY	109.330	0.24%	EUR-SGD	1.6056	0.10%
EUR-USD	1.201	-0.41%	JPY-SGD	1.2225	0.29%
AUD-USD	0.771	-0.72%	GBP-SGD	1.8559	0.35%
GBP-USD	1.389	-0.17%	AUD-SGD	1.0302	-0.18%
USD-MYR	4.121	0.40%	NZD-SGD	0.9549	-0.26%
USD-CNY	6.475	0.04%	CHF-SGD	1.4630	0.26%
USD-IDR	14430	-0.14%	SGD-MYR	3.0868	0.18%
USD-VND	23051	0.01%	SGD-CNY	4.8416	-0.56%

### Equity and Commodity

Index	Value	Net change
DJIA	34,133.03	19.80
S&P	4,164.66	-28.00
Nasdaq	13,633.50	-261.62
Nikkei 225	28,812.63	28812.63
STI	3,179.13	-5.63
KLCI	1,588.25	-2.48
JCI	5,963.82	11.22
Baltic Dry	3,053.00	46.00
VIX	19.48	1.17

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5590	-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	-0.5180	-0.52%	3M	0.1764	0.18%
9M	-0.1940	-0.20%	6M	0.2049	0.21%
12M	-0.4860	-0.48%	12M	0.2811	0.28%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.44 (+0.01)	0.16(--)
5Y	0.78 (+0.01)	0.82 (-0.01)
10Y	1.57 (-0.01)	1.59 (-0.01)
15Y	1.92 (-0.01)	--
20Y	1.95 (-0.01)	--
30Y	1.94 (--)	2.26 (-0.02)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
06/16/2021	0.106	0.095	0.095
07/28/2021	0.095	0.093	0.093
09/22/2021	0.085	0.09	0.09
11/03/2021	0.075	0.087	0.087
12/15/2021	0.098	0.093	0.093
01/26/2022	0.095	0.093	0.093

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.96	(--)
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)	65.69	1.86%	Corn (per bushel)	7.448	1.7%
Brent (per barrel)	68.88	1.95%	Soybean (per bushel)	15.770	1.1%
Heating Oil (per gallon)	199.88	2.40%	Wheat (per bushel)	7.370	1.6%
Gasoline (per gallon)	215.12	2.36%	Crude Palm Oil (MYR/MT)	45.940	0.0%
Natural Gas (per MMBtu)	2.97	0.03%	Rubber (JPY/KG)	2.427	2.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9966.00	1.44%	Gold (per oz)	1779.1	-0.8%
Nickel (per mt)	17669.00	-0.03%	Silver (per oz)	26.5	-1.5%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/05/2021 06:45	NZ Unemployment Rate	1Q 4.90%	--	4.90%	--
05/05/2021 08:30	HK Markit Hong Kong PMI	Apr --	--	50.5	--
05/05/2021 09:00	PH CPI YoY 2012=100	Apr 4.70%	--	4.50%	--
05/05/2021 09:30	AU Building Approvals MoM	Mar 3.00%	--	21.60%	--
05/05/2021 11:30	TH CPI YoY	Apr 2.50%	--	-0.08%	--
05/05/2021 11:30	TH CPI Core YoY	Apr 0.16%	--	0.09%	--
05/05/2021 12:00	ID GDP YoY	1Q -0.65%	--	-2.19%	--
05/05/2021 13:00	SI Retail Sales YoY	Mar 7.10%	--	5.20%	--
05/05/2021 15:05	TH BoT Benchmark Interest Rate	May-05 0.50%	--	0.50%	--
05/05/2021 15:55	GE Markit Germany Services PMI	Apr F 50.1	--	50.1	--
05/05/2021 15:55	GE Markit/BME Germany Composite PMI	Apr F 56	--	56	--
05/05/2021 16:00	EC Markit Eurozone Composite PMI	Apr F 53.7	--	53.7	--
05/05/2021 16:00	EC Markit Eurozone Services PMI	Apr F 50.3	--	50.3	--
05/05/2021 19:00	US MBA Mortgage Applications	Apr-30 --	--	-2.50%	--
05/05/2021 20:15	US ADP Employment Change	Apr 873k	--	517k	--
05/05/2021 22:00	US ISM Services Index	Apr 64.2	--	63.7	--

Source: Bloomberg

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