

Daily Treasury Outlook

6 April 2021

Highlights

Global: Growing US economic exceptionalism continued to lift risk sentiments overnight, after the services ISM rose to a record high of 63.7 in March. The S&P 500 rallied another 1.44% to a fresh record while Nasdaq added 1.67% with tech stocks leading the gains amid growth optimism, albeit VIX also rose to 17.91 post-Easter holidays. UST bonds retreated further but stabilised from session lows with the 10-year yield hovering around 1.70%. The 3- and 6-month bill auctions saw healthy demand while the 3-month LIBOR edged up to 0.1998%. Meanwhile, US Treasury Secretary Yellen reiterated that the recent US\$1.9tn fiscal stimulus bill would not stoke inflation. Elsewhere, market concerns about rising European Covid cases and lockdowns weighed on oil prices.

Market watch: Asian markets are likely to trade with a firm tone today amid growing growth optimism, while awaiting for RBA's policy decision (likely unchanged at 0.10% for both the cash rate target and the 3-year bond yield target). Today's economic calendar comprises China's Caixin services and composite PMIs, European Sentix investor confidence and February unemployment rate, as well as US' JOLTS job openings. Fed's Barkin is also speaking.

US: Fed's Mester opined that the latest nonfarm payrolls report was "great" but "we're still almost 8.5 million jobs below where we were before the pandemic" and "we need to be very deliberately patient in our approach to monetary policy".

JP: Household spending fell for a third month by 6.6% yoy in February while wages also slipped for the 11th straight month by 0.2% yoy, albeit after it was up for the first time in a year by 0.2% yoy after adjusting for inflation.

SG: February retail sales rebounded 5.2% yoy (-1.6% mom sa), bringing the first two months of retail sales growth to -1.2% yoy (Jan-Feb 20: -7.5%), while retail sales excluding motor vehicles rose 7.7% yoy (-1.2% mom sa). Our 2021 retail sales forecast is 12-13% yoy. Meanwhile, the March manufacturing PMI rose to 50.8 (highest since March 2019) while the electronics PMIs eased to 50.6, suggesting that the global chip shortage could start to bite, likely exacerbated by the recent Suez Canal blockage. Our 2021 manufacturing growth forecast remains at 4% yoy. The ERP rates for certain CTE and AYE gantries will also be raised by \$1 from 12 April. Elsewhere, the SINGA bill will allow borrowings up to \$90bn for major infrastructure projects owned by the government, costing more than \$4bn and lasting at least 50 years, with the annual interest cost capped at \$5bn, with the first issue in 4Q21.

Oil: Brent fell 4.18% overnight to \$62.15 and looks to continue trading in its broad sideways range of \$60-\$65 for now.

Gold: For the third consecutive session, gold continued to trade in a tight range around \$1730 as it awaits further cues on its next direction.

Key Market Movements

Equity	Value	% chg
S&P 500	4077.9	1.4%
DJIA	33527	1.1%
Nikkei 225	30089	0.8%
SH Comp	3484.4	0.0%
STI	3209.7	0.9%
Hang Seng	28939	0.0%
KLCI	1584.2	-0.1%
	Value	% chg
DXY	92.595	-0.5%
USDJPY	110.18	-0.5%
EURUSD	1.1813	0.5%
GBPUSD	1.3900	0.5%
USDIDR	14515	-0.1%
USDSGD	1.3421	-0.3%
SGDMYR	3.0782	-0.1%
	Value	chg (bp)
2Y UST	0.17	-1.98
10Y UST	1.70	-2.13
2Y SGS	0.52	0.30
10Y SGS	1.73	1.42
3M LIBOR	0.20	0.00
3M SIBOR	0.44	0.00
3M SOR	0.35	0.00
3M SORA	0.19	-2.81
3M SOFR	0.04	-0.30
	Value	% chg
Brent	62.15	-4.2%
WTI	58.65	-4.6%
Gold	1728	0.0%
Silver	24.88	-0.5%
Palladium	2662	-0.3%
Copper	8790	0.0%
BCOM	83.01	-1.0%

Source: Bloomberg

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Major Markets

US: US equities advanced as optimism over last Friday's firmer March nonfarm payrolls job report led to share gains across the board. The S&P 500 index rose 1.44% and the Nasdaq 100 Composite index closed 1.67% higher. 10Y UST bond yields slipped 2.13bps to close at 1.70%. The US equity market may continue its bullish tilt in the sessions ahead.

CN: China's consumption in Qingming long weekend rebounded lifted by the pent-up demand thanks to effective virus containment measures. The box office hit CNY800 million in three days setting record for Qingming festival. In addition, the ground feedback also showed that holiday travel has surpassed that of 2019 which was a record high.

SG: The STI gained 0.88% to close at 3209.74 yesterday and may continue to tread higher today amid strong positive overnight cues from Wall Street. With UST bonds rangebound for now, SGS bonds were also trading water ahead of the first SINGA bond bill reading yesterday.

Malaysia: Malaysia's government has reportedly accepted an increase of nearly 14% in the estimated construction costs for the proposed East Coast Rail Link (ECRL), with a longer route. The rail link is part of China's Belt and Road initiative and had been previously put on ice by the Pakatan Harapan government under PM Mahathir Mohamad. The latest revision comes as the government under PM Muhyiddin Yassin agreed to an MYR50bn increase in cost, with a new length of 655km.

Indonesia: Indonesia's government is reportedly planning to incentivize investment in environmental technologies as part of the national economic recovery program, according to the Jakarta Post. The plan is said to involve a green fiscal stimulus program that would focus on three areas: energy, waste management and labour-intensive farming. On the energy front, for instance, the government is targeting rooftop solar panels at 70 ministries or government institutions with an IDR210bn (~USD14.5mn) budget.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday, with shorter tenors trading at 1-3bps higher. Belly tenors traded 2-3bps higher while longer tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 130bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 626bps. The HY-IG Index Spread widened 4bps to 496bps. There were heavy flows in SGD corporates yesterday including CS 5.625%-PERPs, OLAMSP 4%'26s, HSBC 5%-PERPs and FPLSP 3.95%-PERPs. 10Y UST Yields fell 2bps to 1.70% as the U.S. stock market rallied to new record highs on the back of strong economic data while the ISM Services PMI registered a stronger-than-expected reading of 63.7 in March.

New Issues: There were no new issues or mandates on Monday.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.595	-0.46%	USD-SGD	1.3421	-0.30%
USD-JPY	110.180	-0.46%	EUR-SGD	1.5852	0.13%
EUR-USD	1.181	0.46%	JPY-SGD	1.2180	0.16%
AUD-USD	0.765	0.54%	GBP-SGD	1.8656	0.20%
GBP-USD	1.390	0.49%	AUD-SGD	1.0268	0.24%
USD-MYR	4.141	0.02%	NZD-SGD	0.9475	0.08%
USD-CNY	6.567	0.03%	CHF-SGD	1.4333	0.44%
USD-IDR	14515	-0.07%	SGD-MYR	3.0782	-0.09%
USD-VND	23076	0.01%	SGD-CNY	4.8937	0.27%

Equity and Commodity

Index	Value	Net change
DJIA	33,527.19	373.98
S&P	4,077.91	58.04
Nasdaq	13,705.59	225.48
Nikkei 225	30,089.25	235.25
STI	3,209.74	28.06
KLCI	1,584.24	-1.11
JCI	5,970.29	-41.17
Baltic Dry	2,072.00	26.00
VIX	17.91	0.58

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 (--)	0.17(--)
5Y	0.92 (+0.01)	0.92 (-0.05)
10Y	1.73 (+0.01)	1.7 (-0.02)
15Y	2.05 (-0.01)	--
20Y	2.09 (+0.01)	--
30Y	2.07 (+0.01)	2.35 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.005	0.067	0.067
06/16/2021	0.047	0.078	0.078
07/28/2021	0.045	0.077	0.077
09/22/2021	0.045	0.077	0.077
11/03/2021	0.045	0.077	0.077
12/15/2021	0.067	0.083	0.083

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)	58.65	-4.56%	Corn (per bushel)	5.533	-1.2%
Brent (per barrel)	62.15	-4.18%	Soybean (per bushel)	14.128	0.8%
Heating Oil (per gallon)	177.24	-3.23%	Wheat (per bushel)	6.180	1.1%
Gasoline (per gallon)	196.11	-3.03%	Crude Palm Oil (MYR/MT)	41.640	0.4%
Natural Gas (per MMBtu)	2.51	-4.85%	Rubber (JPY/KG)	2.408	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8790.00	0.05%	Gold (per oz)	1728.3	0.0%
Nickel (per mt)	16214.00	0.91%	Silver (per oz)	24.9	-0.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/06/2021 07:30	JN Labor Cash Earnings YoY	Feb -0.60%	-0.20%	-0.80%	--
04/06/2021 07:30	JN Household Spending YoY	Feb -5.00%	-6.60%	-6.10%	--
04/06/2021 07:30	JN Real Cash Earnings YoY	Feb -0.10%	0.20%	-0.10%	--
04/06/2021 08:30	SI Markit Singapore PMI	Mar --	--	54.9	--
04/06/2021 09:00	PH CPI YoY 2012=100	Mar 4.90%	--	4.70%	--
04/06/2021 09:30	AU ANZ Job Advertisements MoM	Mar --	--	7.20%	--
04/06/2021 09:45	CH Caixin China PMI Services	Mar 52.1	--	51.5	--
04/06/2021 09:45	CH Caixin China PMI Composite	Mar --	--	51.7	--
04/05/2021 10:00	ID Danareksa Consumer Confidence	Mar --	--	74.8	--
04/06/2021 10:00	VN Domestic Vehicle Sales YoY	Mar --	--	-22.10%	--
04/06/2021 12:30	AU RBA Cash Rate Target	Apr-06 0.10%	--	0.10%	--
04/06/2021 12:30	AU RBA 3-Yr Yield Target	Apr-06 0.10%	--	0.10%	--
04/06/2021 16:00	UK New Car Registrations YoY	Mar --	--	-35.50%	--
04/06/2021 16:30	EC Sentix Investor Confidence	Apr 6.7	--	5.0	--
04/06/2021 17:00	EC Unemployment Rate	Feb 8.10%	--	8.10%	--
04/06/2021 22:00	US JOLTS Job Openings	Feb 6900	--	6917	--

Source: Bloomberg

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