

Daily Treasury Outlook

7 April 2021

Highlights

Global: A more upbeat global growth forecast from the IMF that raised 2021 projections from 5.5% to 6.0%, with US and China tipped to grow faster at 6.4% and 8.4% respectively. However, this second round of upward revision in three months by the IMF was unable to allow the S&P 500 to make further headway overnight and it closed down 0.1% while VIX also rose to 18.12. UST bonds rallied with the belly of the curve leading gains, as traders unwound earlier frontloaded rate hike bets and the 10-year yield back down to 1.66%. The 3-month LIBOR eased to 0.1974%. Meanwhile, RBA kept both the cash rate target and the 3-year bond yield target static at 0.10% and said it would “carefully” monitor property debt amid the housing boom. China’s Caixin services and composite PMIs also beat market expectations. Elsewhere, Germany and France said they welcomed US Treasury Secretary Yellen’s call for a global corporate minimum tax rate.

Market watch: Asian markets may tread water today, as investors await fresh cues. RBI’s policy decision is due and no change to monetary policy settings are anticipated, but any forward guidance will be closely watched. The G20 finance ministers and central bankers also meet today. Today’s economic calendar comprises foreign reserves data from Indonesia and Malaysia, European services and composite PMIs, S’pore’s COE tender results, US’ mortgage applications, trade balance and FOMC minutes. Fed’s Evans, Barkin and Daly are also speaking.

US: US job openings hit a 2-year high of 7,367 in February, while the January reading was also revised to 7,099, suggesting stronger jobs momentum. Meanwhile US President Biden now wants all Americans to be eligible for the Covid vaccine by 19 April. However, White House Press Secretary Psaki said the US government will not issue vaccine passports.

EU: ECB’s Wunsch opined that “a lot of conditions are met for a sustained recovery when we get out of lockdown” and the central bank was pleased with the current bond yield levels. The Sentix confidence index also climbed from 5.0 in March to 13.1 in April, the highest since August 2018. The IMF had raised its 2021 growth forecast for the Eurozone and UK to 4.4% and 5.3% respectively, but did not take into account the recent new lockdown measures announced by France and other European countries.

SG: The Singapore PMI retreated from 54.9 in February to 53.5 in March, but remained in expansion territory as output and new orders rose and inflationary pressures continued to build. MAS chairman Tharman warned that cryptocurrencies can be highly volatile, as their value is typically not related to any economic fundamentals, and also opined that the risk of rising interest rates is a reminder to exercise caution in their property purchase decisions.

Oil: Oil rose 0.95% yesterday to \$62.74 as it continues its sideway consolidation of \$60-\$65.

Key Market Movements

Equity	Value	% chg
S&P 500	4073.9	-0.1%
DJIA	33430	-0.3%
Nikkei 225	29697	-1.3%
SH Comp	3483.0	0.0%
STI	3207.6	-0.1%
Hang Seng	28939	0.0%
KLCI	1578.9	-0.3%
	Value	% chg
DXY	92.335	-0.3%
USDJPY	109.75	-0.4%
EURUSD	1.1876	0.5%
GBPUSD	1.3824	-0.5%
USDIDR	14505	-0.1%
USDSGD	1.339	-0.2%
SGDMYR	3.0806	0.1%
	Value	chg (bp)
2Y UST	0.16	-0.98
10Y UST	1.66	-4.43
2Y SGS	0.50	-1.80
10Y SGS	1.69	-3.76
3M LIBOR	0.20	0.00
3M SIBOR	0.44	0.00
3M SOR	0.35	0.00
3M SORA	0.19	0.02
3M SOFR	0.04	-0.11
	Value	% chg
Brent	62.74	0.9%
WTI	59.33	1.2%
Gold	1743	0.9%
Silver	25.16	1.1%
Palladium	2685	0.9%
Copper	9047	2.9%
BCOM	83.61	0.7%

Source: Bloomberg

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Major Markets

US: US equities closed nearly flat with trading volume slipping below 10bn shares for the first time this year. The S&P 500 index dipped 0.10% and the Nasdaq 100 Composite index ticked 0.05% lower. 10Y UST bond yields slipped 4.43bps to close at 1.66%. The US equity market is likely to maintain its bullish tilt but may see some corrections in the sessions ahead.

CN: In China, we have a mixed data over the Qingming festival long weekend. According to the data from the Ministry of Culture and Tourism, number of travels have recovered while spending was still lagging. During the three-day holiday, 102 million domestic visits were made nationwide, up by 144.6% yoy, returning to 94.5% of the same period in 2019. However, domestic tourism revenue only returned to 56.7% of the same period in 2019 despite up by 228.9% yoy.

SG: The STI closed down 0.07% at 3207.63 yesterday and may continue to range trade today amid soft overnight cues from Wall Street. SGS bonds may track the overnight bull-flattening bias in UST bonds for today. The 28- and 84-day bills were both sold at 0.42%.

Malaysia: The Malaysian Investment Development Authority (MIDA) said that the government has agreed to relax some conditions for manufacturing and services companies that received some investment incentives before. Due to the pandemic, some of the investors have failed to meet the approved thresholds or the implementation timeline of their approved projects. The relaxation is meant to give these companies more time to fulfill the stipulated conditions.

Indonesia: Indonesia sold IDR7.3tn worth of Sukuk bonds in auction yesterday, coming below the IDR10tn that was initially targeted by the Ministry of Finance. The government received IDR 14.56tn in bids, but the lower-than-targeted selling amount suggests that investors continued to seek higher returns. The same under-target phenomenon has coloured Indonesia's bond auctions recently, including in the last few rounds of conventional bonds auctions.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading at 2-3bps lower. Belly tenors traded 4bps lower while longer tenors traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 132bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 627bps. The HY-IG Index Spread tightened 1bps to 495bps. There were heavy flows in SGD corporates yesterday including CS 5.625%-PERPs, OLAMSP 4%'26s, HSBC 4.7%-PERPs, HSBC 5%-PERPs, OLAMSP 5.375%-PERPs and CMZB 4.875%'27s. 10Y UST Yields fell 4bps to 1.66% as investors dialled back on bearish bond bets while waiting to gain more clarity on how the central bank will be envisioning the economic outlook amidst recent positive economic data.

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

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.335	-0.28%	USD-SGD	1.3390	-0.23%
USD-JPY	109.750	-0.39%	EUR-SGD	1.5902	0.32%
EUR-USD	1.188	0.53%	JPY-SGD	1.2202	0.18%
AUD-USD	0.766	0.17%	GBP-SGD	1.8512	-0.77%
GBP-USD	1.382	-0.55%	AUD-SGD	1.0262	-0.06%
USD-MYR	4.133	-0.17%	NZD-SGD	0.9452	-0.24%
USD-CNY	6.540	-0.42%	CHF-SGD	1.4385	0.36%
USD-IDR	14505	-0.07%	SGD-MYR	3.0806	0.08%
USD-VND	23081	0.02%	SGD-CNY	4.8820	-0.24%

Equity and Commodity

Index	Value	Net change
DJIA	33,430.24	-96.95
S&P	4,073.94	-3.97
Nasdaq	13,698.38	-7.21
Nikkei 225	29,696.63	-392.62
STI	3,207.63	-2.11
KLCI	1,578.91	-5.33
JCI	6,002.77	32.48
Baltic Dry	2,072.00	26.00
VIX	18.12	0.21

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	0.5 (-0.02)	0.16(--)
5Y	0.91 (-0.02)	0.87 (-0.05)
10Y	1.69 (-0.04)	1.67 (-0.04)
15Y	2.01 (-0.04)	--
20Y	2.06 (-0.02)	--
30Y	2.04 (-0.02)	2.32 (-0.02)

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	0.036	0.075	0.075
07/28/2021	0.045	0.077	0.077
09/22/2021	0.04	0.076	0.076
11/03/2021	0.024	0.072	0.072
12/15/2021	0.063	0.082	0.082

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)	59.33	1.16%	Corn (per bushel)	5.543	0.2%
Brent (per barrel)	62.74	0.95%	Soybean (per bushel)	14.188	0.4%
Heating Oil (per gallon)	179.41	1.22%	Wheat (per bushel)	6.155	-0.4%
Gasoline (per gallon)	196.63	0.27%	Crude Palm Oil (MYR/MT)	42.110	1.1%
Natural Gas (per MMBtu)	2.46	-2.19%	Rubber (JPY/KG)	2.389	-0.8%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9047.00	2.92%	Gold (per oz)	1743.3	0.9%
Nickel (per mt)	16740.00	3.24%	Silver (per oz)	25.2	1.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/07/2021 07:00	SK	BoP Current Account Balance	Feb	--	\$8034.2m	\$7060.0m	--
04/07/2021 09:00	CH	Foreign Reserves	Mar	\$3178.00b	--	\$3204.99b	--
04/07/2021 10:00	VN	Domestic Vehicle Sales YoY	Mar	--	--	-22.10%	--
04/07/2021 11:00	ID	Foreign Reserves	Mar	--	--	\$138.80b	--
04/07/2021 12:30	IN	RBI Repurchase Rate	Apr-07	4.00%	--	4.00%	--
04/07/2021 12:30	IN	RBI Reverse Repo Rate	Apr-07	3.35%	--	3.35%	--
04/07/2021 13:00	IN	Markit India PMI Services	Mar	--	--	55.3	--
04/07/2021 13:00	IN	Markit India PMI Composite	Mar	--	--	57.3	--
04/07/2021 15:55	GE	Markit Germany Services PMI	Mar F	50.8	--	50.8	--
04/07/2021 15:55	GE	Markit/BME Germany Composite PMI	Mar F	56.8	--	56.8	--
04/07/2021 16:00	EC	Markit Eurozone Composite PMI	Mar F	52.5	--	52.5	--
04/07/2021 16:00	EC	Markit Eurozone Services PMI	Mar F	48.8	--	48.8	--
04/07/2021 16:30	UK	Markit/CIPS UK Services PMI	Mar F	56.8	--	56.8	--
04/07/2021 16:30	UK	Markit/CIPS UK Composite PMI	Mar F	56.6	--	56.6	--
04/07/2021 19:00	US	MBA Mortgage Applications	Apr-02	--	--	-2.20%	--
04/07/2021 20:30	US	Trade Balance	Feb	-\$70.5b	--	-\$68.2b	--

Source: Bloomberg

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