

Daily Treasury Outlook

9 April 2021

Highlights

Global: Fed Chair Powell opined that the US recovery “remains uneven and incomplete” and reiterated that an inflation spike will be temporary. The S&P 500 rallied by another 0.42% to a fresh record, albeit in low trading volumes, while the VIX slipped further to 16.95. UST bonds also traded firmer, with the 10-year yield back down to 1.62% amid Powell’s dovish comments on inflation. The 3-month LIBOR eased to 0.1878%, while the USD fell and gold rose. Meanwhile, the Foreign Relations Committee is preparing a bill for “strategic competition” with China and to “protect and promote our vital interests and values”. In addition, the US Department of Commerce has added 7 Chinese super-computing firms to its watchlist of entities. Elsewhere, the ECB minutes confirmed that there will be a formal review of its Pandemic Emergency Purchase Program monthly buying size every quarter and that there was a premature tightening of financing conditions.

Market watch: Asian markets may open on a firm tone today, but any upside could be capped by Powell’s warning that “global vaccination as a risk really...to the progress that we are making”. Today’s economic calendar comprises of China’s CPI/PPI, Malaysia’s industrial production, Taiwan’s trade data, US’ PPI and RBA’s financial stability report. Fed’s Kaplan is also speaking today.

US: Initial jobless claims unexpectedly rose for the second week by 16k to 744k, suggesting that the labour market recovery remains uneven. Meanwhile, Fed’s Bullard opined that “I don’t think we are really there yet” while Kashkari commented that inflation expectations remain “solidly anchored” and “there’s still a lot of slack in the economy”.

EU: Germany has recommended that those under 60 years who had already gotten the first AstraZeneca shot to receive an mRNA shot instead, and France is recommending the same for those under 55 years.

SG: There will be a Cabinet reshuffle in about two weeks following DPM and Finance Minister Heng’s announcement that he will make way for someone younger to succeed PM Lee. The appointment of a new Finance Minister will be closely watched.

Oil: Oil was virtually unchanged yesterday, closing just 4 cents lower than its prior price at \$63.16/bbl. We continue to expect oil to hover around \$60-\$65 in the near term.

Copper: Copper rose 1.0% to \$9008/mt as rising risk sentiment lifted prices of the industrial metal.

Key Market Movements

Equity	Value	% chg
S&P 500	4097.2	0.4%
DJIA	33504	0.2%
Nikkei 225	29709	-0.1%
SH Comp	3482.6	0.1%
STI	3186.4	-0.3%
Hang Seng	29008	1.2%
KLCI	1602.4	0.1%
	Value	% chg
DXY	92.059	-0.4%
USDJPY	109.26	-0.5%
EURUSD	1.1914	0.4%
GBPUSD	1.3735	0.0%
USDIDR	14535	0.3%
USDSGD	1.3404	-0.1%
SGDMYR	3.0847	0.0%
	Value	chg (bp)
2Y UST	0.15	-0.39
10Y UST	1.62	-5.47
2Y SGS	0.49	-0.20
10Y SGS	1.60	-3.94
3M LIBOR	0.19	-0.38
3M SIBOR	0.44	0.00
3M SOR	0.29	0.00
3M SORA	0.19	-0.14
3M SOFR	0.03	-0.10
	Value	% chg
Brent	63.2	0.1%
WTI	59.6	-0.3%
Gold	1756	1.0%
Silver	25.46	1.2%
Palladium	2633	0.2%
Copper	9008	1.0%
BCOM	84.40	0.8%

Source: Bloomberg

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Major Markets

US: US equities advanced as Fed Chair Powell downplayed inflation concerns. The S&P 500 index rose 0.42%. 10Y UST bond yields slipped 5.47bps amid a weaker than expected initial jobless claims. With the Fed sticking to their dovish stance, the US equity market may look to further upside in the near term.

CN: China's Vice Premier Liu He reiterated to maintain continuity, stability and sustainability in China's macro policy in the latest Financial Stability and Development Committee Meeting although PBoC removed the phrase "maintaining continuity, stability and sustainability in monetary policy" in its first quarter monetary policy meeting. In addition, the meeting also called for monitoring the recent rally of commodity prices.

SG: The STI continued to retreat by 0.29% to close at 3186.40 yesterday and may trade sideways on the news of the search for a new 4G leader. SGS bonds may track UST bonds higher in the interim.

HK: PMI for private sector rose further from 50.2 in February to 50.5 in March. Apart from the relatively mild decrease in new orders, new business from Mainland China and overall new export orders, it is encouraging to see the staffing levels increase at the fastest pace since June 2011. The stabilization of business activity was mainly attributable to the rebound of external demand and the improvement in local demand amid the subsided local infections, the relaxation of social distancing measures and vaccine roll-out. This in turn helped to ease the downward pressure on the labor market and reinforces our view that the unemployment rate will peak in the range of 7%-8% in 1H before coming off gradually in 2H. With the business activities stabilizing and hiring sentiments improving, the economy may regain momentum gradually. Elsewhere, though both purchase costs and staff costs increased, the moderate growth looks unlikely to add much inflationary pressure due to the high competition and the offering of discounts. Finally, Hong Kong is considering extending the return2hk scheme to HK residents returning from Chinese provinces other than Guangdong.

Malaysia: Malaysia reported a lower unemployment rate in February despite the MCO restriction order during the period. At 4.8%, it is lower than Jan's 4.9% and marked the third consecutive month of a decline. The chief statistician said that the numbers marked a "marginal improvement" that paralleled "encouraging signs of the economy."

Indonesia: President Jokowi is said to have doubled the fundraising goal of Indonesia's sovereign wealth fund to USD200bn over the next 2-3 years. In a Bloomberg interview earlier this week, he said that the fund is in talks with 50 fund managers have received investment pledges from those in the UAE, Japan, the US and Canada. He added that the fund should grow to USD20bn in six months' time.

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Bond Market Updates

Market Commentary: The SGD swap curve moved marginally yesterday. Shorter and belly tenors traded 1bps lower while longer tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 135bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 623bps. The HY-IG Index Spread remained mostly unchanged at 488bps. There were heavy flows in SGD corporates yesterday including flows in STSP 3.3%-PERPs, HRINTH 3.2%'21s, CS 5.625%-PERPs, MAPLSP 4.5%-PERPs, HRINTH 3.8%'25s, AVSING 3.375%'31s and SPHSP 4%-PERPs. 10Y UST Yields slipped 5bps to 1.62% on the back of Federal Reserve Chairman Jerome Powell's comments yesterday where he said that the rise in inflation this year was likely temporary. He also reinforced the central banks' dovish tone and showed no signs of tapering asset purchases in the immediate term. Meanwhile, weekly initial jobless claims rose to 744,000, up from the 728,000 recorded last week.

New Issues: Korea Resources Corp priced a USD500mn 5-year senior unsecured bond at T+100bps, tightening from IPT of T+130bps area. Zhenro Properties Group Ltd priced a USD220mn 363-day bond at 5.98%, tightening from IPT of 6.2% area. Petron Corp. has arranged investor calls commencing 8 April for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.059	-0.43%	USD-SGD	1.3404	-0.07%
USD-JPY	109.260	-0.54%	EUR-SGD	1.5971	0.33%
EUR-USD	1.191	0.39%	JPY-SGD	1.2267	0.48%
AUD-USD	0.765	0.51%	GBP-SGD	1.8410	-0.08%
GBP-USD	1.374	-0.01%	AUD-SGD	1.0258	0.46%
USD-MYR	4.137	0.12%	NZD-SGD	0.9459	0.56%
USD-CNY	6.551	0.13%	CHF-SGD	1.4498	0.50%
USD-IDR	14535	0.28%	SGD-MYR	3.0847	0.01%
USD-VND	23077	-0.02%	SGD-CNY	4.8875	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	33,503.57	57.31
S&P	4,097.17	17.22
Nasdaq	13,829.31	140.47
Nikkei 225	29,708.98	-21.81
STI	3,186.40	-9.36
KLCI	1,602.40	1.81
JCI	6,071.72	35.11
Baltic Dry	2,127.00	35.00
VIX	16.95	-0.21

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.55%	O/N	0.0763	0.08%
2M	-0.3360	-0.34%	1M	0.1125	0.11%
3M	-0.5430	-0.54%	2M	0.1456	0.14%
6M	-0.5170	-0.52%	3M	0.1936	0.20%
9M	-0.1940	-0.20%	6M	0.2100	0.20%
12M	-0.4920	-0.50%	12M	0.2853	0.29%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.49 (--)	0.15 (--)
5Y	0.87 (-0.01)	0.84 (-0.03)
10Y	1.6 (-0.04)	1.62 (-0.05)
15Y	1.95 (-0.02)	--
20Y	2.01 (-0.02)	--
30Y	2 (-0.02)	2.31 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.016	0.072	0.072
06/16/2021	0.079	0.088	0.088
07/28/2021	0.056	0.082	0.082
09/22/2021	0.056	0.082	0.082
11/03/2021	0.056	0.082	0.082
12/15/2021	0.066	0.085	0.085

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.80	(--)
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)	59.60	-0.28%	Corn (per bushel)	5.798	3.4%
Brent (per barrel)	63.20	0.06%	Soybean (per bushel)	14.153	0.5%
Heating Oil (per gallon)	180.98	0.11%	Wheat (per bushel)	6.288	2.0%
Gasoline (per gallon)	195.93	0.38%	Crude Palm Oil (MYR/MT)	42.440	-0.9%
Natural Gas (per MMBtu)	2.52	0.08%	Rubber (JPY/KG)	2.385	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9008.00	1.04%	Gold (per oz)	1755.8	1.0%
Nickel (per mt)	16828.00	1.15%	Silver (per oz)	25.5	1.2%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/09/2021 09:00	HK Foreign Reserves	Mar	--	\$495.9b	--
04/09/2021 09:00	CH Money Supply M2 YoY	Mar	9.50%	10.10%	--
04/09/2021 09:00	CH New Yuan Loans CNY	Mar	2300.0b	1360.0b	--
04/09/2021 09:30	CH CPI YoY	Mar	0.30%	-0.20%	--
04/09/2021 09:30	CH PPI YoY	Mar	3.60%	1.70%	--
04/08/2021 10:00	VN Domestic Vehicle Sales YoY	Mar	--	-22.10%	--
04/09/2021 12:00	MA Industrial Production YoY	Feb	1.80%	1.20%	--
04/09/2021 14:00	GE Industrial Production SA MoM	Feb	1.50%	-2.50%	--
04/09/2021 14:45	FR Industrial Production MoM	Feb	0.50%	3.30%	--
04/09/2021 14:45	FR Industrial Production YoY	Feb	-1.20%	-0.20%	--
04/09/2021 15:30	TH Foreign Reserves	Apr-02	--	\$247.0b	--
04/09/2021 16:00	TA Exports YoY	Mar	20.00%	9.70%	--
04/09/2021 20:30	CA Unemployment Rate	Mar	8.00%	8.20%	--
04/09/2021 20:30	US PPI Final Demand MoM	Mar	0.50%	0.50%	--
04/09/2021 20:30	CA Net Change in Employment	Mar	100.0k	259.2k	--
04/09/2021 22:00	US Wholesale Inventories MoM	Feb F	0.50%	0.50%	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia
WellianWiranto@ocbc.com

Howie Lee

Thailand & Commodities
HowieLee@ocbc.com

Carie Li

Hong Kong & Macau
carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau
herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist
FrancesCheung@ocbc.com

Terence Wu

FX Strategist
TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst
ZhiQiSeow@ocbc.com

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