

Daily Treasury Outlook

12 April 2021

Highlights

Global: An upbeat Fed Chair Powell opined that the US is at an “inflection point” where “the economy is about to start growing much more quickly and job creation coming in much more quickly” as the “outlook has brightened substantially”, albeit the “principal risk...is that the disease would spread again”. The S&P 500 rallied by 0.77% to a fresh record on Friday while the VIX slipped to 16.69. UST bonds slipped with the 10-year yield up 3bps to 1.64%. The US Treasury department is also selling \$58bn in 3- year and reopening 10-year for \$38bn bonds today, followed by \$24bn in 30-year bonds on Tuesday. Meanwhile, the Biden administration is scrutinising China’s digital yuan plans and Secretary of State Blinken has called for China to make a “real commitment to transparency and information sharing” to prevent a repeat of the Covid pandemic. Elsewhere, China’s factory prices had surged the most in more than two years and a US\$2.8bn fine was levied on Alibaba.

Market watch: Asian markets may open on a firm tone today amid risk-on sentiments fuelled by Powell’s “inflection point” comments. Today’s light economic calendar comprises Eurozone’s February retail sales and India’s March CPI. Fed’s Rosengren, BOE’s Tenreyro and ECB’s Hernandez de Cos are also speaking today. For the week ahead, watch for China and S’pore’s 1Q21 GDP growth estimates (with the former likely to print close to 20.0% yoy, while the latter may also see its first expansion at 0.2% yoy), RBNZ policy decision (likely static at 0.25%) on Wednesday as well as US’ 1Q corporate earnings season which also kicks off on Wednesday (starting with the banks including JPMorgan, Goldman Sachs and Wells Fargo), Fed Chair Powell’s speech, the Fed’s Beige Book release and the BOK policy decision (likely to be unchanged at 0.50%) on Thursday.

US: Producer prices also surged more than expected by 1.0% mom (4.2% yoy) in March, with core PPI also rising 0.7% mom, suggesting that inflationary pressures are building.

UK: New Covid cases fell to 1,730 on Sunday, the fewest since 2 September, as non-essential shops, pubs and restaurants prepare to re-open for the first time since 5 January.

SG: Flash 1Q21 GDP growth is likely to bounce back to positive on-year growth territory for the first time in a year at 0.2% yoy (1.1% qoq sa), aided by a healthy manufacturing performance (+5.5% yoy), after 3 consecutive quarters of GDP contraction due to the Covid pandemic. The services sector may also see flat yoy growth while the construction sector is likely to have contracted for the 5th straight quarter in 1Q21.

Key Market Movements

Equity	Value	% chg
S&P 500	4128.8	0.8%
DJIA	33801	0.9%
Nikkei 225	29768	0.2%
SH Comp	3450.7	-0.9%
STI	3184.5	-0.1%
Hang Seng	28699	-1.1%
KLCI	1612.3	0.6%
	Value	% chg
DXY	92.163	0.1%
USDJPY	109.67	0.4%
EURUSD	1.1899	-0.1%
GBPUSD	1.3707	-0.2%
USDIDR	14565	0.2%
USDSGD	1.3415	0.1%
SGDMYR	3.0806	-0.1%
	Value	chg (bp)
2Y UST	0.15	0.60
10Y UST	1.66	3.93
2Y SGS	0.49	0.40
10Y SGS	1.61	0.83
3M LIBOR	0.19	-0.59
3M SIBOR	0.44	0.00
3M SOR	0.27	-0.47
3M SORA	0.19	-0.16
3M SOFR	0.03	-0.09
	Value	% chg
Brent	62.95	-0.4%
WTI	59.32	-0.5%
Gold	1744	-0.7%
Silver	25.27	-0.8%
Palladium	2644	0.4%
Copper	8927	-0.9%
BCOM	84.03	-0.4%

Source: Bloomberg

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Major Markets

US: US equities advanced last Friday extending gains for the third consecutive week as market sentiment was lifted by the Fed's downplay of inflation concerns. The S&P 500 index notched a 0.77% gain. 10Y UST bond yields rose 3.93bps to close at 1.66%, following a stronger than expected US PPI data. For the week ahead, investors will likely focus on the March CPI report as well as the 3-, 10- and 30- year Treasury auctions which could be a precursor for the bond bears to run higher.

CN: China's CPI rose by 0.4% yoy in March while PPI reaccelerated to 4.4% yoy. The gap between PPI and CPI widened to 4%, highest since November 2017. The rise of CPI was mainly contributed by higher transportation and communication costs, accounting for 75% increase of CPI. In addition, China's National Bureau of Statistics also said that industry consumer goods prices went up by 1% yoy, first growth in a year. There is a sign of spillover effect from higher producer prices to consumer prices. Nevertheless, given core CPI only grew by 0.3%, the transmission effect from higher PPI to CPI is still within the limit. As such, we think the recent rebound of PPI is unlikely to be a major challenge to China's policy setting.

SG: The STI closed flat on Friday by -0.06% at 3184.54, but may open firmer today. SGS bonds may track UST bonds lower today amid an upbeat Fed chair Powell's comments about the US economy.

Malaysia: Malaysia saw an industrial production figure that rose 1.5% yoy in February, coming softer than the 1.8% that the market had expected. Given the MCO restriction order during the period that might have affected some production facilities, the figure does not portend any considerable slowdown in the country's manufacturing sector, however.

Indonesia: Better confidence. Indonesia reported an improvement in consumer expectations. According to Bank Indonesia's survey, consumer confidence rebounded to 93.4 level in March compared to 85.8 in the month before. Employment conditions, in particular, saw a significant improvement of nearly 25% mom, with a reading of 59.6 compared to 47.8.

Oil: Oil fell 0.4% on Friday but largely remains in the consolidation range of \$60-\$65.

Gold: Gold fell 0.7% to \$1743.88 on Friday. We still see gold as relatively rich compared to the current levels of US10Y Treasury yield and the DXY index. We see fair value at \$1625-\$1725 based on current inputs.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly traded higher last Friday, with shorter tenors trading at 1-2bps higher. Belly tenors traded 2-3bps higher while longer tenors traded 3-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 136bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 622bps. The HY-IG Index Spread tightened 2bps to 486bps. There were heavy flows in SGD corporates on Friday including flows in STSP 3.3%-PERPs and CS 5.625%-PERPs. 10Y UST Yields gained 4bps to 1.66% as the Producer Price Index, which measures wholesale price inflation, rose 1.0% in March compared to the 0.4% projected by economists.

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

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.163	0.11%	USD-SGD	1.3415	0.08%
USD-JPY	109.670	0.38%	EUR-SGD	1.5968	-0.02%
EUR-USD	1.190	-0.13%	JPY-SGD	1.2233	-0.28%
AUD-USD	0.762	-0.39%	GBP-SGD	1.8387	-0.12%
GBP-USD	1.371	-0.20%	AUD-SGD	1.0222	-0.35%
USD-MYR	4.134	-0.06%	NZD-SGD	0.9433	-0.27%
USD-CNY	6.553	0.02%	CHF-SGD	1.4514	0.11%
USD-IDR	14565	0.21%	SGD-MYR	3.0806	-0.13%
USD-VND	23063	-0.06%	SGD-CNY	4.8861	-0.03%

Equity and Commodity

Index	Value	Net change
DJIA	33,800.60	297.03
S&P	4,128.80	31.63
Nasdaq	13,900.19	70.88
Nikkei 225	29,768.06	59.08
STI	3,184.54	-1.86
KLCI	1,612.25	9.85
JCI	6,070.21	-1.52
Baltic Dry	2,085.00	-3.00
VIX	16.69	-0.26

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5590	-0.56%	O/N	0.0748	0.07%
2M	-0.3360	-0.34%	1M	0.1113	0.11%
3M	-0.5440	-0.55%	2M	0.1465	0.15%
6M	-0.5220	-0.52%	3M	0.1875	0.19%
9M	-0.1940	-0.20%	6M	0.2114	0.21%
12M	-0.4970	-0.49%	12M	0.2858	0.29%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.49 (--)	0.15(--)
5Y	0.87 (--)	0.86 (+0.03)
10Y	1.61 (+0.01)	1.66 (+0.04)
15Y	1.97 (+0.02)	--
20Y	2.02 (+0.01)	--
30Y	2.01 (+0.01)	2.33 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.021	0.072	0.072
06/16/2021	0.063	0.083	0.083
07/28/2021	0.061	0.082	0.082
09/22/2021	0.051	0.08	0.08
11/03/2021	0.041	0.077	0.077
12/15/2021	0.069	0.084	0.084

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.81	(--)
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)	59.32	-0.47%	Corn (per bushel)	5.773	-0.4%
Brent (per barrel)	62.95	-0.40%	Soybean (per bushel)	14.030	-0.9%
Heating Oil (per gallon)	180.76	-0.12%	Wheat (per bushel)	6.388	1.6%
Gasoline (per gallon)	196.21	0.14%	Crude Palm Oil (MYR/MT)	42.800	0.8%
Natural Gas (per MMBtu)	2.53	0.16%	Rubber (JPY/KG)	2.317	-2.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8926.50	-0.90%	Gold (per oz)	1743.9	-0.7%
Nickel (per mt)	16628.00	-1.19%	Silver (per oz)	25.3	-0.8%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/12/2021 07:50	JN PPI YoY	Mar 0.50%	--	-0.70%	--
04/12/2021 07:50	JN PPI MoM	Mar 0.40%	--	0.40%	--
04/12/2021 09:00	CH Money Supply M2 YoY	Mar 9.50%	--	10.10%	--
04/12/2021 09:00	CH New Yuan Loans CNY	Mar 2300.0b	--	1360.0b	--
04/12/2021 09:00	PH Foreign Reserves	Mar --	--	\$109.1b	--
04/12/2021 09:00	CH Money Supply M1 YoY	Mar 8.00%	--	7.40%	--
04/12/2021 09:00	CH Money Supply M0 YoY	Mar 5.00%	--	4.20%	--
04/12/2021 10:00	VN Domestic Vehicle Sales YoY	Mar --	--	-22.10%	--
04/12/2021 14:00	JN Machine Tool Orders YoY	Mar P --	--	36.70%	--
04/12/2021 14:00	LN PPI YoY	Mar --	--	-4.20%	--
04/12/2021 14:00	LN PPI MoM	Mar --	--	1.20%	--
04/12/2021 17:00	EC Retail Sales MoM	Feb 1.70%	--	-5.90%	--
04/12/2021 20:00	IN Industrial Production YoY	Feb -3.00%	--	-1.60%	--
04/12/2021 20:00	IN CPI YoY	Mar 5.40%	--	5.03%	--
04/12/2021 22:30	CA BoC Business Outlook Future Sales	1Q --	--	48	--

Source: Bloomberg

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