

## Daily Treasury Outlook

13 September 2021

### Highlights

**Global:** Global sentiments softened as market optimism about the sustainability of the global growth momentum subsided amid the Delta variant and the highly anticipated FOMC taper. Despite news of the US-China call between Biden and Xi, news that the Biden administration is considering investigating Chinese subsidies under Section 301 of US trade law suggests that tensions are unlikely to fade anytime soon. The S&P 500 fell 0.77% on Friday, and the VIX rose to 20.95. UST bonds also bear-steepened, with the 10-year yield up 4bps to 1.34%. Meanwhile, North Korea said it test-fired a new long-range cruise missile. Separately, China is said to be seeking to break up Alipay and separate the loan business, which may weigh on Chinese tech stocks in the interim.

**Market watch:** Asian markets may struggle to make any progress today amid the various headwinds. Today's relatively light economic data calendar only comprises of India's August CPI and HK's industrial production. For the week ahead, market focus will be on US CPI (which could be seen to pressure FOMC taper intentions), and China's data dump on Wednesday of August data including industrial production, retail sales and investments which may reinforce the slowing growth momentum story. Also, due to speak are RBA governor Lowe's address tomorrow, ECB's Lane and Rehn on Wednesday and Thursday respectively which may shed more light on the central bank's decision to recalibrate bond purchases that is not the start of a taper.

**US:** House Democrats are proposing to hike the corporate tax rate from 21% to 26.5% and to impose a 3% surtax on individual income tax above \$5m. The capital gains tax may also rise from 20% to 25%, short of the 39.6% initially proposed. Democrats are also proposing to include cryptocurrency in general tax rules. Meanwhile, PPI surged 8.3% yoy, the biggest increase since at least 2010.

**UK:** The UK will abandon vaccine passport plans and PM Johnson will outline his fall-winter strategy tomorrow.

**CN:** China's credit growth in August remained sluggish. Stock of aggregate social financing growth decelerated further to 10.3% from 10.7% in July. The gap between M2 and M1 widened further to 4% from 3.4% in July, a sign that corporate is cautious about future outlook. Meanwhile, the faster than expected deceleration of M1 growth was also the result of weaker property market.

**Oil:** Oil rose 2.1% on Friday as it continues to consolidate within the \$70-75 range. The sideway trend in oil has been present for about three weeks and we think this may continue until the end of the quarter.

### Key Market Movements

Equity	Value	% chg
S&P 500	4458.6	-0.8%
DJIA	34608	-0.8%
Nikkei 225	30382	1.2%
SH Comp	3703.1	0.3%
STI	3098.8	0.9%
Hang Seng	26206	1.9%
KLCI	1576.0	-0.2%
	Value	% chg
DXY	92.582	0.1%
USDJPY	109.94	0.2%
EURUSD	1.1814	-0.1%
GBPUSD	1.3839	0.0%
USDIDR	14203	-0.4%
USDSGD	1.3415	-0.1%
SGDMYR	3.0876	0.0%
	Value	chg (bp)
2Y UST	0.21	0.03
10Y UST	1.34	4.40
2Y SGS	0.36	1.10
10Y SGS	1.39	-0.87
3M LIBOR	0.12	-0.16
3M SIBOR	0.43	0.00
3M SOR	0.20	0.12
3M SORA	0.13	0.04
3M SOFR	0.05	0.04
	Value	% chg
Brent	72.92	2.1%
WTI	69.72	2.3%
Gold	1788	-0.4%
Silver	23.74	-1.2%
Palladium	2138	-1.9%
Copper	9695	3.3%
BCOM	97.11	0.6%

Source: Bloomberg

## Daily Treasury Outlook

13 September 2021

### Major Markets

**CN:** The tightening grip in property space has further weighed down on credit growth. China's medium-term loan to household rebounded slightly to CNY425.9 billion in August from CNY397.4 billion in July. However, it is lower than seasonal pattern for August.

In addition, loan growth in August was also affected by the resurgence of virus with short term loan to household also slowed due to falling people mobility.

Loan to corporate sector rebounded in August. However, it was mainly supported by short term bill financing with medium term loan to corporate falling short of the level in the same time last year. Nevertheless, given China has stepped up its support to SMEs funding needs, loan to corporate may recover gradually.

For the breakdown of aggregate social financing, the local government bond issuance accelerated to CNY973.8 billion in August, but still short of CNY1.379 trillion recorded in August 2020. Nevertheless, we think the issuance of local government bond in the next four months is likely to support the rebound of social financing growth.

On the positive note, corporate bond issuance accelerated to CNY434.1 billion, highest since April 2020. The acceleration of corporate bond was attributable to lower interest rate and tighter credit spread.

**SG:** Chinese foreign minister Wang Yi will visit Singapore today and tomorrow. The STI gained 0.88% to close at 3098.80 on Friday but is likely to open on a softer tone this morning amid soft morning cues from Kospi and Friday's slippage in Wall Street. With the bear-steepening bias in UST bonds on Friday, SGS bonds may unwind Friday's gains and also come under some selling pressure today.

**HK:** HKMA announced the details of Wealth Management Connect Pilot Scheme. Hong Kong bank and partner with different Mainland Chinese banks under the Southbound and Northbound scheme respectively. For southbound, the available wealth management products will include 1) Hong Kong-domiciled SFC-authorized funds, 2) bonds; and 3) RMB, HKD and other currency deposits. HKMA's official hinted that there are over 20 banks showing interests in participating in the scheme and he expects that there will be about 200 wealth management products eligible for sale under southbound scheme. Wealth Management Connect scheme will be launched 30 days after the details are announced. As such, the scheme may be launched during mid-October to November. According to the HKMA's official, high-net-worth households in the Greater Bay Area take up over 20% of those in China as a whole. This together with the previous survey which shows most prospective investors' great interests in Hong Kong's funds indicates that the new connect scheme may translate into huge business opportunities for Hong Kong's banking industry.

## Daily Treasury Outlook

13 September 2021

**Malaysia:** Malaysia's PM Ismail Sabri has proposed a series of reforms to overhaul government rules ahead of the reconvening of the parliament today. The proposal includes a ban of party-hopping and limiting the PM's term to 10 years. The opposition Pakatan Harapan coalition said that it is "inclined to accept" the PM's proposal.

**Indonesia:** The Indonesian government said that about 20% of its target population have been fully vaccinated as of Sunday, and that the surge in new Covid-19 cases and deaths are slowing. The number of fully inoculated citizens has reached 41.79mn people, equivalent to 20.06% of the 208mn people that the government aims to vaccinate. Overall, 72.9mn people have received at least one dose of the vaccine.

## Daily Treasury Outlook

13 September 2021

### Bond Market Updates

**Market Commentary:** The SGD swap curve traded higher on Friday with shorter and belly tenors trading 0-2bps higher, and longer tenors trading 1-2bps higher (with the exception of the 30-year trading 1bps lower). There were moderate flows in SGD Corporates on Friday, with flows in VRTVEN 3.3%'28s, MAPLSP 3.7%-PERPs, and KREITS 3.15%-PERPs. UST 10Y Yields rose 4bps to 1.34% on Friday amidst a slightly higher-than-expected producer price index ("PPI") reading released by the US Department of Labour. August PPI advanced 0.7% m/m, higher than consensus estimates of 0.6% but lower than July's reading of 1.0%. The index is now up 8.3% y/y, the largest increase since 2010.

**New Issues:** Bangkok Bank PCL has arranged investor calls commencing 13 September for its proposed USD bond offering. Korea Electric Power Corporation has arranged investor calls commencing 13 September for its proposed USD bond offering. JSW Steel Limited has arranged investor calls commencing 13 September for its proposed USD bond offering.

## Daily Treasury Outlook

13 September 2021

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.582	0.11%	USD-SGD	1.3415	-0.10%
USD-JPY	109.940	0.20%	EUR-SGD	1.5850	-0.19%
EUR-USD	1.181	-0.09%	JPY-SGD	1.2201	-0.33%
AUD-USD	0.736	-0.16%	GBP-SGD	1.8554	-0.16%
GBP-USD	1.384	0.01%	AUD-SGD	0.9864	-0.31%
USD-MYR	4.136	-0.31%	NZD-SGD	0.9536	-0.13%
USD-CNY	6.444	-0.17%	CHF-SGD	1.4604	-0.33%
USD-IDR	14203	-0.35%	SGD-MYR	3.0876	0.00%
USD-VND	22763	0.01%	SGD-CNY	4.8089	0.06%

### Equity and Commodity

Index	Value	Net change
DJIA	34,607.72	-271.66
S&P	4,458.58	-34.70
Nasdaq	15,115.49	-132.76
Nikkei 225	30,381.84	373.65
STI	3,098.80	27.10
KLCI	1,575.97	-2.92
JCI	6,094.87	26.65
Baltic Dry	3,833.00	176.00
VIX	20.95	2.15

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.57%	O/N	0.0786	0.08%
2M	-0.3360	-0.34%	1M	0.0884	0.09%
3M	-0.5480	-0.55%	2M	0.1056	0.10%
6M	-0.5270	-0.53%	3M	0.1309	0.13%
9M	-0.1940	-0.20%	6M	0.1584	0.16%
12M	-0.4930	-0.49%	12M	0.2350	0.24%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.36 (+0.01)	0.22(--)
5Y	0.8 (--)	0.82 (+0.03)
10Y	1.39 (-0.01)	1.24 (+0.04)
15Y	1.69 (--)	--
20Y	1.86 (-0.01)	--
30Y	1.87 (-0.01)	1.87 (+0.04)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
09/22/2021	-0.02	0.072	0.072
11/03/2021	0.002	0.078	0.078
12/15/2021	-0.003	0.077	0.077
01/26/2022	0.02	0.082	0.082
03/16/2022	0.02	0.082	0.082
05/04/2022	0.02	0.082	0.082

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-6.00	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.05
------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.72	2.32%	Corn (per bushel)	5.028	1.4%
Brent (per barrel)	72.92	2.06%	Soybean (per bushel)	12.753	1.3%
Heating Oil (per gallon)	214.60	1.53%	Wheat (per bushel)	6.750	-1.0%
Gasoline (per gallon)	215.40	2.59%	Crude Palm Oil (MYR/MT)	45.740	-1.6%
Natural Gas (per MMBtu)	4.94	-1.85%	Rubber (JPY/KG)	1.873	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9694.50	3.27%	Gold (per oz)	1787.6	-0.4%
Nickel (per mt)	20392.00	1.00%	Silver (per oz)	23.7	-1.2%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/13/2021 07:50	JN PPI YoY	Aug 5.60%	5.50%	5.60%	--
09/13/2021 06:45	NZ Food Prices MoM	Aug --	0.30%	1.30%	--
09/13/2021 07:50	JN PPI MoM	Aug 0.30%	0.00%	1.10%	--
09/13/2021 07:50	JN BSI Large All Industry QoQ	3Q --	3.30	-4.70	--
09/13/2021 07:50	JN BSI Large Manufacturing QoQ	3Q --	7.00	-1.40	--
09/13/2021 09:00	PH Foreign Reserves	Aug --	--	\$106.6b	\$107.2b
09/13/2021 09:00	CH 1-Yr Medium-Term Lending Facility Rate	Sep-15 --	--	2.95%	--
09/13/2021 09:00	CH FDI YTD YoY CNY	Aug --	--	25.50%	--
09/13/2021 09:00	NZ ANZ Activity Outlook	Sep P --	--	19.20	--
09/13/2021 14:00	GE Wholesale Price Index MoM	Aug --	--	1.10%	--
09/13/2021 14:00	GE Wholesale Price Index YoY	Aug --	--	11.30%	--
09/13/2021 14:30	EC Bloomberg Sept. Eurozone Economic Survey				
09/13/2021 15:00	LN Current Account Balance	Jul --	--	96.8m	--
09/13/2021 16:30	HK Industrial Production YoY	2Q --	--	2.60%	--
09/13/2021 16:30	HK PPI YoY	2Q --	--	1.70%	--
09/13/2021 20:00	CA Bloomberg Nanos Confidence	Sep-10 --	--	61.60	--

Source: Bloomberg

# Treasury Research & Strategy

## Macro Research

**Selena Ling**

Head of Research & Strategy  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

Malaysia & Indonesia  
[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Howie Lee**

Thailand & Commodities  
[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau  
[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Herbert Wong**

Hong Kong & Macau  
[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)

## FX/Rates Strategy

**Frances Cheung**

Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Terence Wu**

FX Strategist  
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Credit Research

**Andrew Wong**

Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W