

Daily Treasury Outlook

15 April 2021

Highlights

Global: Strong US bank earnings overnight from Goldman Sachs and JP Morgan, but the retreat in tech stocks (including the Coinbase IPO) led the S&P 500 lower by 0.41% and VIX up to 16.99. UST bonds pared losses after Fed Chair Powell opined that “we will reach the time at which we will taper asset purchases when we’ve made substantial further progress towards our goals...that would in all likelihood be before – well before – the time we consider raising interest rates”. However, the 10-year UST bond yield still closed up at 1.63% even though Powell said most FOMC members do not see rate hikes until 2024. Meanwhile, the Fed’s Beige Book flagged that US economic activity has accelerated to a moderate pace and consumer spending has strengthened, coupled with generally strong employment expectations, but still little evidence of wide-spread pass-through of input-cost pressures onto consumer prices. Meanwhile, the Bank of Korea kept its benchmark 7-Day repo rate unchanged at 0.50% in this morning’s policy meeting, as widely expected.

Market watch: Asian markets may open on a soft tone this morning. Today’s economic calendar comprises March trade data from Indonesia and India, German CPI, and US’ initial jobless claims, retail sales and NAHB housing market index. Fed’s Daly and Mester are also speaking today.

US: Fed’s Clarida also echoed Powell in that a taper would occur prior to any decision about lifting off interest rates. Meanwhile, US import prices accelerated to 6.9% yoy (1.2% mom) in March.

NZ: The RBNZ kept its official cash rate unchanged at 0.25% and reiterated it will maintain current policies until consumer spending reaches a sustained 2% yearly growth target, and is also prepared to lower the official cash rate if necessary, given that economic activity has slowed down during the summer months.

SG: The S’pore-HK air travel bubble is being finalised. Separately, the National Wage Council will convene on 19 April. The March NODX data, due tomorrow morning, is likely to show a 0.7% yoy contraction (-6.3% mom sa) due to the high base last year, and as healthy electronics exports are weighed down by non-electronics exports.

Oil: Oil prices rose, with Brent rising 4.6% to close firmly above the resistance level of \$65. The big jump in crude oil prices came after the US reported a 5.9 million barrel drop in commercial inventories. The total inventory drawdown in the past three weeks now amount to about 10 million barrels and stockpiles in the US are now at their lowest since Feb’21.

Key Market Movements

Equity	Value	% chg
S&P 500	4124.7	-0.4%
DJIA	33731	0.2%
Nikkei 225	29621	-0.4%
SH Comp	3416.7	0.6%
STI	3179.4	-0.3%
Hang Seng	28901	1.4%
KLCI	1598.3	0.0%

	Value	% chg
DXY	91.690	-0.2%
USDJPY	108.93	-0.1%
EURUSD	1.1980	0.3%
GBPUSD	1.3779	0.2%
USDIDR	14603	0.0%
USDSGD	1.336	-0.4%
SGDMYR	3.0878	0.2%

	Value	chg (bp)
2Y UST	0.16	0.21
10Y UST	1.63	1.78
2Y SGS	0.46	-2.40
10Y SGS	1.58	-3.94
3M LIBOR	0.18	-0.20
3M SIBOR	0.44	0.00
3M SOR	0.28	0.00
3M SORA	0.18	-0.06
3M SOFR	0.03	-0.08

	Value	% chg
Brent	66.58	4.6%
WTI	63.15	4.9%
Gold	1736	-0.5%
Silver	25.42	0.3%
Palladium	2677	-0.6%
Copper	9075	2.0%
BCOM	85.88	1.9%

Source: Bloomberg

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Major Markets

US: US equities retreated on tech shares loss, amid gains in bank shares following the largely robust corporate earnings. The Nasdaq 100 Composite index declined 0.99%. 10Y UST bond yields gained 1.78bps to close at 1.63%. For today, markets may see heightened volatility as investors continue to watch for more corporate earnings releases and Covid vaccine related news.

CN: China's Ministry of Finance reiterated to clamp down on hidden debt problem by local government. It will also allow local government funding vehicles which lost the repaying capability to be restructured and liquidated. This weighed down the already fragile sentiment in the offshore dollar bond market which hit by the earing delay by Huarong. Market will continue to monitor carefully the potential spillover risk from the violent price movement of Huarong dollar bonds to rest of Chinese credit names.

SG: The STI declined 0.027% to close at 3179.39 yesterday and may consolidate further today amid weak overnight leads from Wall Street. With UST bond yields climbing 1-2bps overnight, SGS bonds may also unwind some of the rally seen yesterday. There is an upcoming 15-year SGS bond re-opening on 28 April.

Malaysia: Malaysia reported 1889 new infections on Wednesday, marking another uptick from the 1767 daily increment reported the day before. Health director-general Tan Sri Dr Noor Hisham Abdullah, said that Selangor has recorded the most cases with 517 new infections. The latest uptick came as the government warned earlier this week that the country may be starting at the cusp of the fourth wave of Covid-19 infections.

Indonesia: Bank Indonesia said that its plan for adoption of Central Bank Digital Currency (CBDC) remains in discussion stage. According to various domestic reports, BI's head of payment systems, Filianingish Hendarta, said that BI would consider the costs and benefit involved in the CBDC adoption, from monetary implications to the impact on financial stability. She added that the project may take the shape of both wholesale and retail distribution networks.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading at 1-5bps lower. Belly tenors traded 7-8bps lower while longer tenors traded 8-9bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 7bps to 149bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 634bps. The HY-IG Index Spread tightened 7bps to 485bps. There were heavy flows in SGD corporates yesterday including flows in STSP 3.3%-PERPs, CS 5.625%-PERPs, OLAMSP 4%'26s, ESRCA 5.65%-PERPs, CTRAIJ 6%'26s, HRINTH 3.2%'21s and CHIPEN 6%'22s. 10Y UST Yields gained 2bps to 1.63% as corporate earnings season started and on the back of Federal Reserve Chairman Jerome Powell's comment where he said that the central bank will begin tapering its asset purchases when substantial economic improvement is seen.

New Issues: Guotai Junan Holdings Ltd (Guarantor: Guotai Junan Securities Co., Ltd) priced a USD500mn 5-year bond at T+115bps, tightening from IPT of T+160bps area. Shinhan Bank Co Ltd priced a USD500mn 5.5-year senior unsecured bond at T+65bps, tightening from IPT of T+90bps area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.690	-0.18%	USD-SGD	1.3360	-0.40%
USD-JPY	108.930	-0.12%	EUR-SGD	1.6005	-0.12%
EUR-USD	1.198	0.27%	JPY-SGD	1.2262	-0.25%
AUD-USD	0.773	1.14%	GBP-SGD	1.8407	-0.19%
GBP-USD	1.378	0.21%	AUD-SGD	1.0320	0.70%
USD-MYR	4.127	-0.21%	NZD-SGD	0.9540	0.87%
USD-CNY	6.530	-0.22%	CHF-SGD	1.4478	-0.59%
USD-IDR	14603	-0.01%	SGD-MYR	3.0878	0.18%
USD-VND	23078	0.03%	SGD-CNY	4.8898	0.28%

Equity and Commodity

Index	Value	Net change
DJIA	33,730.89	53.62
S&P	4,124.66	-16.93
Nasdaq	13,857.84	-138.26
Nikkei 225	29,620.99	-130.62
STI	3,179.39	-8.51
KLCI	1,598.28	0.57
JCI	6,050.28	122.84
Baltic Dry	2,140.00	-5.00
VIX	16.99	0.34

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5490	-0.56%	O/N	0.0748	0.07%
2M	-0.3360	-0.34%	1M	0.1146	0.11%
3M	-0.5380	-0.54%	2M	0.1424	0.14%
6M	-0.5230	-0.52%	3M	0.1838	0.19%
9M	-0.1940	-0.20%	6M	0.2195	0.21%
12M	-0.4930	-0.49%	12M	0.2878	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.46 (-0.02)	0.16(--)
5Y	0.82 (-0.03)	0.85 (+0.02)
10Y	1.58 (-0.04)	1.64 (+0.02)
15Y	1.94 (-0.03)	--
20Y	1.97 (-0.04)	--
30Y	1.96 (-0.05)	2.32 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.038	0.077	0.077
06/16/2021	0.047	0.080	0.080
07/28/2021	0.058	0.082	0.082
09/22/2021	0.058	0.082	0.082
11/03/2021	0.058	0.082	0.082
12/15/2021	0.067	0.085	0.085

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.21	(--)
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)	63.15	4.94%	Corn (per bushel)	5.940	2.4%
Brent (per barrel)	66.58	4.57%	Soybean (per bushel)	14.100	1.5%
Heating Oil (per gallon)	189.00	4.16%	Wheat (per bushel)	6.480	2.9%
Gasoline (per gallon)	203.55	3.03%	Crude Palm Oil (MYR/MT)	42.000	-1.1%
Natural Gas (per MMBtu)	2.62	-0.04%	Rubber (JPY/KG)	2.253	3.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9074.50	1.97%	Gold (per oz)	1736.4	-0.5%
Nickel (per mt)	16378.00	1.34%	Silver (per oz)	25.4	0.3%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/15/2021 05:00	NZ REINZ House Sales YoY	Mar	--	31.20%	14.60%
04/15/2021 06:45	NZ Food Prices MoM	Mar	--	0.00%	-0.90%
04/15/2021 08:00	SK BoK 7-Day Repo Rate	Apr-15	0.50%	--	0.50%
04/15/2021 09:00	PH Overseas Remittances YoY	Feb	2.00%	--	-1.70%
04/15/2021 09:30	AU Unemployment Rate	Mar	5.70%	--	5.80%
04/15/2021 09:30	AU Employment Change	Mar	35.0k	--	88.7k
04/15/2021 09:30	AU Participation Rate	Mar	66.10%	--	66.10%
04/15/2021 14:00	GE CPI YoY	Mar F	1.70%	--	1.70%
04/15/2021 14:00	GE CPI MoM	Mar F	0.50%	--	0.50%
04/15/2021 14:45	FR CPI YoY	Mar F	1.10%	--	1.10%
04/15/2021 19:30	IN Exports YoY	Mar	--	--	0.70%
04/15/2021 20:30	US Retail Sales Advance MoM	Mar	5.80%	--	-3.00%
04/15/2021 20:30	US Initial Jobless Claims	Apr-10	700k	--	744k
04/15/2021 20:30	US Empire Manufacturing	Apr	20.0	--	17.4
04/15/2021 20:30	US Philadelphia Fed Business Outlook	Apr	41.5	--	51.8
04/15/2021 21:15	US Industrial Production MoM	Mar	2.50%	--	-2.20%

Source: Bloomberg

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