

Daily Treasury Outlook

16 April 2021

Highlights

Global: Strong US economic data and also earnings prompted S&P 500 to fresh records overnight. Retail sales surged 9.8% mom sa, bringing sales to 12.0% above their pre-pandemic peak, while initial jobless claims also plunged to 576k to set a new cyclical low. The S&P 500 rallied 1.1%, led by real estate, healthcare and tech shares, whereas bank shares underperformed despite the better than expected trading revenue from Citigroup and Bank of America. VIX also fell to 16.57 in a fresh burst of optimism. UST bonds also gained, pushing the 10-year UST bond yield down 5.64bps to 1.58%, the lowest in over a month and apparently assured by the latest Fed Chair Powell's commitment not to hike rates anytime soon, as well as anticipated demand from Japanese buyers. JPMorgan also sold \$13bn of bonds after recording its best quarter ever. Meanwhile, the USD softened, and Bitcoin rose but Coinbase fell.

Market watch: Asian markets may open firmer this morning, tracking the overnight rally in US market, but China's 1Q21 GDP growth print (where a strong 18-20% may not necessarily raise eyebrows) and other data dump will be closely watched. Today's economic calendar also comprises Eurozone's CPI, US' housing starts, building permits and University of Michigan sentiments. Fed's Kaplan and BOE's Cunliffe are also speaking today.

US: The Senate Finance panel will hold a hearing on China trade on 22 April. Meanwhile, the Biden administration has imposed its first significant sanctions targeting Russia for cyberespionage.

SG: Singapore NODX in March rose 12.1% yoy, firmly beating the Bloomberg consensus estimate of 2.6% yoy. Electronic exports once again led the way again, rising 24.4% yoy.

Malaysia: Malaysia's sovereign wealth fund, Khazanah, has sold a total of 53.8mn shares in telco operator, Telekom Malaysia Bhd (TM) yesterday. According to its statement, the shares were placed at MYR5.80, representing a 3% discount to the closing market price of the previous day, raising gross proceeds of MYR312mn (USD76mn). The move is said to be part of Khazanah's efforts to rebalance portfolio and recycle its investments into new assets. After the sales, Khazanah still holds 20.1% of TM shares.

Oil: Brent rose 0.5% as firming risk sentiment lifted prices. It fell to a low of \$65.95 during intraday trade but never looked likely to fall back to its prior consolidation range of \$60-\$65.

Gold: Gold closed at \$1763.95 yesterday, the highest level in almost two months.

Key Market Movements

Equity	Value	% chg
S&P 500	4170.4	1.1%
DJIA	34036	0.9%
Nikkei 225	29643	0.1%
SH Comp	3399.0	-0.5%
STI	3184.8	0.2%
Hang Seng	28793	-0.4%
KLCI	1608.3	0.6%
	Value	% chg
DXY	91.671	0.0%
USDJPY	108.76	-0.2%
EURUSD	1.1967	-0.1%
GBPUSD	1.3787	0.1%
USIDDR	14615	0.1%
USDSGD	1.3346	-0.1%
SGDMYR	3.0912	0.1%
	Value	chg (bp)
2Y UST	0.16	-0.20
10Y UST	1.58	-5.64
2Y SGS	0.44	-1.30
10Y SGS	1.53	-5.12
3M LIBOR	0.18	-0.01
3M SIBOR	0.44	0.00
3M SOR	0.28	0.00
3M SORA	0.18	0.00
3M SOFR	0.03	-0.08
	Value	% chg
Brent	66.94	0.5%
WTI	63.46	0.5%
Gold	1764	1.6%
Silver	25.85	1.7%
Palladium	2740	2.4%
Copper	9284	2.3%
BCOM	86.56	0.8%

Source: Bloomberg

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Major Markets

US: US equities rebounded last night as market sentiments was lifted by the largely better than expected economic data prints amid firmer US corporate earnings. The S&P 500 index rose 1.11%. 10Y UST bond yields slipped 5.64bps to close at 1.58%. For the day ahead, the US equity market will likely continue to track corporate earnings and economic data reports as well as Covid vaccine related news for further market cues.

CN: PBoC injected CNY150 billion medium term liquidity via MLF ahead of maturing CNY100 billion MLF and CNY56.1 billion TMLF. Although the liquidity injection may be short of some people's expectation, we think it is a positive sign that PBoC is fully aware of the impact of tax payment and local government bond issuance in April on domestic liquidity as MLF rollover is actually higher. Nevertheless, it looks like PBOC is phasing out TMLF as they rely more on re-lending and re-discount to support the demand from smaller companies.

SG: The STI added 0.17% to close at 3184.77 yesterday and may gain further momentum this morning amid positive overnight leads from Wall Street and assuming China's data dump does not disappoint. With UST bonds rallying, SGS bonds may also follow suit today, but there is an upcoming 15-year SGS bond re-opening on 28 April.

Indonesia: Indonesia reported March trade numbers which came considerably better than expected. Exports grew by 30.5% yoy against expectation of just 12.2%, on the back of higher oil prices and an uptick in demand from markets such as the US and China. In terms of products, a recovery can be seen in the demand for manufactured, agricultural and mining goods. Imports saw a sharp increase as well, to 25.7% yoy compared to expectation of 7.16%, pointing towards a recovery in domestic demand for consumer goods and capital goods.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with shorter tenors trading at 2-5bps lower while belly and longer tenors traded 6-7bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 151bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 649bps. The HY-IG Index Spread widened 13bps to 498bps. There were heavy flows in SGD corporates yesterday including flows in STSP 3.3%-PERPs, HRINTH 3.2%'21s, OLAMSP 4%'26s, CMZB 4.2%'28s, CS 5.625%-PERPs and SOCGEN 6.125%-PERPs. 10Y UST Yields plunged 6bps to 1.58% despite strong retail sales and improving weekly jobless claims data due to escalating tensions between Russia and Ukraine and new US sanctions on Russia escalating geo-political tensions and a possible retracement in reflation trade expectations that may have been over factored into rates.

New Issues: Tencent Holdings Ltd priced a USD500mn 10-year senior unsecured bond at T+130bps, tightening from IPT of T+165bps area, a USD900mn 20-year senior unsecured bond at T+150bps, tightening from IPT of T+175bps area, a USD1.75bn 30-year senior unsecured bond at T+155bps, tightening from IPT of T+185bps area, and a USD1.0bn 40-year senior unsecured bond at T+165bps, tightening from IPT of T+195bps area. Times China Holdings Ltd priced a USD200mn 363-day bond at 5.3%. Rakuten Group Inc priced a USD750mn PerpNC5 at 5.125%, and a USD1.0bn PerpNC10 at 6.25%. China Construction Bank Corp/Hong Kong priced a USD600mn 3-year senior sustainability linked bond at T+55bps, tightening from IPT of T+90bps area, and a USD550mn 5-year senior sustainability linked bond at T+68bps, tightening from IPT of T+100bps area. Seaspans Corp priced a USD300mn 5NC4 bond at 6.5%. Korea Hydro & Nuclear Power Co., Ltd. has arranged investor calls commencing 16 April for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.671	-0.02%	USD-SGD	1.3346	-0.10%
USD-JPY	108.760	-0.16%	EUR-SGD	1.5971	-0.21%
EUR-USD	1.197	-0.11%	JPY-SGD	1.2272	0.08%
AUD-USD	0.775	0.31%	GBP-SGD	1.8397	-0.05%
GBP-USD	1.379	0.06%	AUD-SGD	1.0345	0.24%
USD-MYR	4.123	-0.08%	NZD-SGD	0.9570	0.31%
USD-CNY	6.523	-0.11%	CHF-SGD	1.4469	-0.06%
USD-IDR	14615	0.08%	SGD-MYR	3.0912	0.11%
USD-VND	23074	-0.02%	SGD-CNY	4.8862	-0.07%

Equity and Commodity

Index	Value	Net change
DJIA	34,035.99	305.10
S&P	4,170.42	45.76
Nasdaq	14,038.76	180.92
Nikkei 225	29,642.69	21.70
STI	3,184.77	5.38
KLCI	1,608.25	9.97
JCI	6,079.50	29.23
Baltic Dry	2,178.00	38.00
VIX	16.57	-0.42

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5500	-0.55%	O/N	0.0736	0.07%
2M	-0.3360	-0.34%	1M	0.1156	0.11%
3M	-0.5380	-0.54%	2M	0.1489	0.14%
6M	-0.5090	-0.52%	3M	0.1836	0.18%
9M	-0.1940	-0.20%	6M	0.2194	0.22%
12M	-0.4820	-0.49%	12M	0.2868	0.29%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.44 (-0.01)	0.16(--)
5Y	0.77 (-0.05)	0.82 (-0.04)
10Y	1.53 (-0.05)	1.58 (-0.06)
15Y	1.89 (-0.05)	--
20Y	1.92 (-0.05)	--
30Y	1.9 (-0.06)	2.27 (-0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.048	0.082	0.082
06/16/2021	0.079	0.090	0.090
07/28/2021	0.088	0.093	0.093
09/22/2021	0.078	0.09	0.09
11/03/2021	0.079	0.09	0.09
12/15/2021	0.092	0.094	0.094

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.17	(--)
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)	63.46	0.49%	Corn (per bushel)	5.900	-0.7%
Brent (per barrel)	66.94	0.54%	Soybean (per bushel)	14.183	0.6%
Heating Oil (per gallon)	189.89	0.47%	Wheat (per bushel)	6.538	0.9%
Gasoline (per gallon)	205.18	0.80%	Crude Palm Oil (MYR/MT)	42.000	0.0%
Natural Gas (per MMBtu)	2.66	1.53%	Rubber (JPY/KG)	2.250	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9284.00	2.31%	Gold (per oz)	1764.0	1.6%
Nickel (per mt)	16364.00	-0.09%	Silver (per oz)	25.9	1.7%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/16/2021 04:00	US Net Long-term TIC Flows	Feb	--	\$4.2b	\$90.8b
04/16/2021 04:00	US Total Net TIC Flows	Feb	--	\$72.6b	\$106.3b
04/16/2021 06:30	NZ BusinessNZ Manufacturing PMI	Mar	--	63.6	53.4
04/16/2021 08:30	SI Non-oil Domestic Exports YoY	Mar	2.60%	--	4.20%
04/16/2021 10:00	CH GDP YoY	1Q	18.50%	--	6.50%
04/16/2021 10:00	CH Industrial Production YoY	Mar	18.00%	--	--
04/16/2021 10:00	CH Retail Sales YoY	Mar	28.00%	--	--
04/16/2021 10:00	CH Industrial Production YTD YoY	Mar	26.50%	--	35.10%
04/16/2021 10:00	CH GDP YTD YoY	1Q	18.50%	--	2.30%
04/16/2021 15:30	TH Foreign Reserves	Apr-09	--	--	\$245.7b
04/16/2021 17:00	EC CPI YoY	Mar F	1.30%	--	0.90%
04/16/2021 17:00	EC CPI MoM	Mar F	0.90%	--	0.90%
04/16/2021 20:15	CA Housing Starts	Mar	255.0k	--	245.9k
04/16/2021 20:30	US Housing Starts	Mar	1613k	--	1421k
04/16/2021 20:30	US Building Permits	Mar	1750k	--	1682k
04/16/2021 22:00	US U. of Mich. Sentiment	Apr P	89.0	--	84.9

Source: Bloomberg

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