

Daily Treasury Outlook

19 April 2021

Highlights

Global: Another strong market session on Friday as the S&P 500 rose 0.36% to hit a fresh record to post its 22nd record close this year amid the US crossing the 200 million vaccination target. VIX also dipped to 16.25. The 10-year UST bond yield closed at 1.58% amid the flurry of corporate bond issuance with Bank of America tapping a record US\$15bn following JPMorgan's US\$13bn offering. There is a 20-year UST bond re-opening on Wednesday. Meanwhile, China said it has no plans to replace the USD with the digital yuan, while official comments stating that China Huarong Asset Management has ample liquidity calmed markets slightly. Elsewhere, Tokyo governor Koike is considering a state of emergency to contain the latest Covid outbreak. Separately, Bitcoin plunged up to 15% in its biggest tumble since February.

Market watch: Asian markets may open firmer this morning, tracking the Friday rally in US market amid rising market optimism. Today's light economic calendar only comprises Eurozone's current account balance and Japan's industrial production. For the week ahead, watch for China's LPR fixings (likely to be unchanged again since April 2020), RBA minutes and BI rate decision (likely static at 3.50% amid IDR volatility) tomorrow, BOC rate decision (likely unchanged at 0.25%) on Wednesday, and ECB's policy decision on Thursday (likely to be on hold but any hints as to future asset purchase program intentions will be closely monitored). With the Fed entering its blackout period ahead of its 28 April FOMC meeting, Fed rhetoric will wind down and market players will focus on ECB and the ongoing US corporate earnings season.

US: The Treasury report on FX manipulators did not specify any trading partner as a currency manipulator even though Switzerland, Vietnam and Taiwan met the criteria, but said it would initiate "enhanced bilateral engagement" with Taiwan regarding its "structural undervaluation" of its currency. Meanwhile, Fed's Waller opined that the US economy is "ready to rip" and tips 6.5% growth this year with inflation rising to 2.5%.

SG: Little economic data prints to go on this week except for the 1Q21 final URA private home price index, so the upcoming Cabinet reshuffle announcement will be key.

Oil: Brent fell 0.3% on Friday to close at \$66.77/bbl. The benchmark crude oil added 6.1% on the week, breaking past the \$65 resistance on Wednesday and having not fallen back into its prior consolidation range of \$60-\$65 since then.

Gold: Gold rose 0.7% to \$1776.51/oz last Friday and is now trading at its highest since late February.

Key Market Movements

Equity	Value	% chg
S&P 500	4185.5	0.4%
DJIA	34201	0.5%
Nikkei 225	29683	0.1%
SH Comp	3426.6	0.8%
STI	3201.8	0.5%
Hang Seng	28970	0.6%
KLCI	1608.4	0.0%
	Value	% chg
DXY	91.556	-0.1%
USDJPY	108.8	0.0%
EURUSD	1.1983	0.1%
GBPUSD	1.3832	0.3%
USDIDR	14565	-0.3%
USDSGD	1.3341	0.0%
SGDMYR	3.0943	0.1%
	Value	chg (bp)
2Y UST	0.16	0.22
10Y UST	1.58	0.39
2Y SGS	0.45	0.90
10Y SGS	1.53	0.07
3M LIBOR	0.19	0.61
3M SIBOR	0.44	0.00
3M SOR	0.26	-1.74
3M SORA	0.18	-0.05
3M SOFR	0.03	-0.08
	Value	% chg
Brent	66.77	-0.3%
WTI	63.13	-0.5%
Gold	1777	0.7%
Silver	25.97	0.5%
Palladium	2776	1.3%
Copper	9211	-0.8%
BCOM	86.53	0.0%

Source: Bloomberg

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Major Markets

US: US equities advanced last Friday as firm economic data and better than expected US corporate earnings boosted market sentiment. The S&P 500 rose 0.36%. 10Y UST bond yields ticked 0.39bps higher to close at 1.58%. With the US earnings season off to a strong start, firmer earnings report in the coming days may keep the bullish momentum in the US equity market buoyed ahead of the PBOC, BOC and ECB central bank meetings later this week.

CN: Despite the record 18.3% yoy growth in 1Q, China's economy only grew by 5.0% yoy on two-year average after adjusting for base effect, still below potential growth. What is encouraging is China's improving domestic demand. After adjusting for base effect, retail sales grew by 4.2% yoy on two-year average in the first quarter, up from 3.2% yoy on two-year average in the first two months of 2021. This was also echoed by strong import data in March, which rose by 38.1% yoy beating market expectation. (For details, please [click here](#)).

SG: The STI added 0.53% to close at 3201.76 on Friday and may open firmer this morning amid the Friday Wall Street rally and morning gains in Kospi. With UST bonds trading mixed on Friday, SGS bonds may also tread water today with investors awaiting the upcoming 15-year SGS bond re-opening on 28 April.

HK: The number of bankruptcy petitions presented increased 44% mom to 779 in March 2021, the highest since last June. The number of compulsory winding-up petitions presented rose 16% mom to 44 in March. The month-on-month increase may be partially due to low base associated with Lunar New Year holiday. The expiry of Employment Support Scheme and the stringent social distancing measures since last December were also to blame as these two factors have pushed the overall unemployment rate to nearly 17-year high and might have forced small businesses to go bust. On a positive note, March's PMI showed that business activity stabilized and hiring sentiments improved owing to receded local infections and external demand revival. Should border reopen on a broad basis in 2H, coupled with the launch of e-consumption coupons, business condition and the employment may improve further. As such, we think the number of bankruptcy and compulsory winding-up petitions presented may grow steadily rather than rapidly in the coming months.

Malaysia: Malaysia continued to see an uptick in new Covid-19 cases, with 2195 cases recorded on Sunday. The rise in infectivity rate or R0 is of particular concern to the authorities. The state of Kelantan, in particular, recorded the highest R0 number in the country of 1.32 compared with the national rate of 1.19. Its chief minister has implemented a strict form of MCO restriction in seven districts in the state, from Friday until April 29.

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Indonesia: Indonesia's Tourism Minister, Sandiaga Uno, is back in the press talking up the prospect of reopening in the country's tourist spots. He said that Indonesia aims to reopen the door to foreign tourists to the resort islands of Bali, Bintan and Batam by the end of July, with a plan to speed up vaccinations in these areas. He added that the government is in talks with a number of countries including Singapore and China for potential travel bubbles.

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Bond Market Updates

Market Commentary: The SGD swap curve traded a tick higher on Friday. Shorter, belly and longer tenors traded 1bps higher. The 1D though, traded 7bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 5bps to 146bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 643bps. The HY-IG Index Spread remained mostly unchanged at 497bps. There were heavy flows in SGD corporates last Friday including flows in STSP 3.3%-PERPs, CS 5.625%-PERPs, OLAMSP 4%'26s and KITSP 4.75%-PERPs. 10Y UST Yields remained mostly unchanged at 1.58% due to rising tensions between Russia and the U.S. following the expulsion of Russian diplomats and an imposition of a new sanction regime on Russia by the U.S.

New Issues: Sdoe Development I Co Ltd (Guarantor: Shandong Marine Group Ltd) priced a USD100mn 3-year senior unsecured bond at 4.8%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.556	-0.13%	USD-SGD	1.3341	-0.04%
USD-JPY	108.800	0.04%	EUR-SGD	1.5989	0.11%
EUR-USD	1.198	0.13%	JPY-SGD	1.2262	-0.08%
AUD-USD	0.773	-0.23%	GBP-SGD	1.8462	0.35%
GBP-USD	1.383	0.33%	AUD-SGD	1.0321	-0.23%
USD-MYR	4.126	0.06%	NZD-SGD	0.9535	-0.37%
USD-CNY	6.521	-0.03%	CHF-SGD	1.4510	0.28%
USD-IDR	14565	-0.34%	SGD-MYR	3.0943	0.10%
USD-VND	23062	-0.05%	SGD-CNY	4.8872	0.02%

Equity and Commodity

Index	Value	Net change
DJIA	34,200.67	164.68
S&P	4,185.47	15.05
Nasdaq	14,052.34	13.58
Nikkei 225	29,683.37	40.68
STI	3,201.76	16.99
KLCI	1,608.38	0.13
JCI	6,086.26	6.76
Baltic Dry	2,385.00	62.00
VIX	16.25	-0.32

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5530	-0.56%	O/N	0.0728	0.07%
2M	-0.3360	-0.34%	1M	0.1159	0.12%
3M	-0.5380	-0.54%	2M	0.1515	0.15%
6M	-0.5110	-0.51%	3M	0.1883	0.19%
9M	-0.1940	-0.20%	6M	0.2236	0.22%
12M	-0.4780	-0.48%	12M	0.2924	0.29%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.45 (+0.01)	0.16(--)
5Y	0.77 (--)	0.83 (+0.01)
10Y	1.53 (--)	1.58(--)
15Y	1.9 (+0.01)	--
20Y	1.92 (--)	--
30Y	1.9 (--)	2.26(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Implied Rate
04/28/2021	0.059	0.082	0.082
06/16/2021	0.100	0.093	0.093
07/28/2021	0.099	0.093	0.093
09/22/2021	0.099	0.093	0.093
11/03/2021	0.099	0.093	0.093
12/15/2021	0.109	0.095	0.095

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.20	(--)
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)	63.13	-0.52%	Corn (per bushel)	5.855	-0.8%
Brent (per barrel)	66.77	-0.25%	Soybean (per bushel)	14.333	1.1%
Heating Oil (per gallon)	189.57	-0.17%	Wheat (per bushel)	6.525	-0.2%
Gasoline (per gallon)	203.99	-0.58%	Crude Palm Oil (MYR/MT)	41.910	-0.2%
Natural Gas (per MMBtu)	2.68	0.83%	Rubber (JPY/KG)	2.252	0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9211.00	-0.79%	Gold (per oz)	1776.5	0.7%
Nickel (per mt)	16363.00	-0.01%	Silver (per oz)	26.0	0.5%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/19/2021 07:00	UK Rightmove House Prices MoM	Apr	--	2.10%	0.80%
04/19/2021 07:00	UK Rightmove House Prices YoY	Apr	--	5.10%	2.70%
04/19/2021 07:50	JN Trade Balance	Mar	¥493.2b	¥663.7b	¥217.4b
04/19/2021 07:50	JN Trade Balance Adjusted	Mar	¥212.9b	¥297.8b	-¥38.7b
04/19/2021 07:50	JN Exports YoY	Mar	11.40%	16.10%	-4.50%
04/19/2021 07:50	JN Imports YoY	Mar	4.70%	5.70%	11.80%
04/19/2021 09:00	PH BoP Overall	Mar	--	--	-\$2020m
04/19/2021 09:00	HK Composite Interest Rate	Mar	--	--	0.23%
04/19/2021 10:00	TH Car Sales	Mar	--	--	58960
04/19/2021 12:00	JN Tokyo Condominiums for Sale YoY	Mar	--	--	50.70%
04/19/2021 12:30	JN Industrial Production MoM	Feb F	--	--	-2.10%
04/19/2021 12:30	JN Industrial Production YoY	Feb F	--	--	-2.60%
04/19/2021 12:30	JN Capacity Utilization MoM	Feb	--	--	4.70%
04/19/2021 16:00	EC ECB Current Account SA	Feb	--	--	30.5b
04/19/2021 20:00	CA Bloomberg Nanos Confidence	Apr-16	--	--	63.8
04/19/2021 20:15	CA Housing Starts	Mar	255.0k	--	245.9k

Source: Bloomberg

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