

Daily Treasury Outlook

22 April 2021

Highlights

Global: Bargain hunting saw the S&P500 rebound by 0.93% after two days of losses. VIX also fell to 17.50. The UST bonds edged lower with the 10-year yield hanging around 1.56% amid a healthy 20-year bond auction. The 3-month LIBOR fell to a record low of 0.17288% yesterday in its largest one-day decline since 4 March. Meanwhile, Bank of Canada kept its policy rate static, but tapered its weekly asset purchases from C\$4b to C\$3b as expected amid a stronger-than-expected recovery, making the BOC as the first central bank to exit monetary policy accommodation and lending a hawkish slant to the CAD. Separately, IATA now tips up to US\$48b of airline industry losses in 2021, versus US\$38b previously. CME Group is also publishing term SOFR reference rates for 1-,3- and 6-month tenors.

Market watch: Asian markets may open with a firmer tone this morning, but keep an eye on the ECB policy decision where any nuancing on the Covid situation and the frontloading of PEPP asset purchases after 2Q will be closely watched. Today's economic calendar comprises of Malaysia's foreign reserves, Hong Kong and Taiwan's unemployment rate, and US' initial jobless claims and existing home sales. ECB's Lagarde's press conference will be key.

US: US regulators are considering tougher fund disclosure rules after the Archegos event. Treasury Secretary Yellen opined that private financing and not just government spending will be needed to tackle the "existential threat" of climate change. President Biden's two-day global leadership on climate change may see an updated carbon pledge to almost halve by 2030.

NZ: The NZ government will guarantee deposits of up to NZ\$100,000 per eligible institution to better protect financial stability.

SG: COE premiums rose for categories A, B and E in the latest tender. Eleven residents at the Westlite Woodlands dormitory have tested positive for Covid-19. Meanwhile, the S'pore-HK travel bubble may be announced soon for travel to start from mid-May.

Oil: Brent fell 1.9% to \$65.32 yesterday, the lowest in a week and closing below the \$66 handle for the first time in six sessions. The \$65 handle will likely prove to be a particularly crucial support, given its psychological importance as well as the presence of the 50D MA around that level. If broken significantly, Brent could likely trade within the \$60-\$65 range again once more.

Gold: Gold was a whisker from the \$1800 level yesterday, touching a high of \$1797.71 and eventually closing the day 0.9% higher at \$1793.79. It is likely to attempt the crucial \$1800 resistance level today, which if it manages to break cleanly, could likely herald a fresh rally in the precious metal.

Key Market Movements

Equity	Value	% chg
S&P 500	4173.4	0.9%
DJIA	34137	0.9%
Nikkei 225	28509	-2.0%
SH Comp	3472.9	0.0%
STI	3155.1	-1.2%
Hang Seng	28622	-1.8%
KLCI	1596.6	-0.7%
	Value	% chg
DXY	91.155	-0.1%
USDJPY	108.08	0.0%
EURUSD	1.2035	0.0%
GBPUSD	1.3931	0.0%
USDIDR	14530	0.2%
USDSGD	1.329	0.0%
SGDMYR	3.0959	-0.1%
	Value	chg (bp)
2Y UST	0.15	-0.20
10Y UST	1.56	-0.34
2Y SGS	0.45	-0.20
10Y SGS	1.60	0.95
3M LIBOR	0.18	-0.23
3M SIBOR	0.44	0.00
3M SOR	0.29	0.00
3M SORA	0.18	0.06
3M SOFR	0.02	-0.05
	Value	% chg
Brent	65.32	-1.9%
WTI	61.35	-2.1%
Gold	1794	0.8%
Silver	26.55	2.8%
Palladium	2876	4.1%
Copper	9445	1.3%
BCOM	87.27	0.3%

Source: Bloomberg

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Major Markets

US: US equities rebounded last night, ending a two-day loss streak with share gains across the board led by energy and financials. The S&P 500 index rose 0.93%. 10Y UST bond yields slipped 0.34bps to close at 1.56%. For today, investor focus will be on the ECB meeting (benchmark rates will likely stay static) and Covid related news for further market cues. Intel, United Airlines, American Airlines are among the companies reporting their corporate earnings today.

CN: The Australian government's decision yesterday to use the veto right to cancel the belt and road deal signed between Victoria State and China under the new Commonwealth veto laws may put the fragile China Australia relationship back to the spotlight. Market will watch out for China's reaction towards that announcement.

SG: The STI declined another 1.16% to close at 3155.06 yesterday but may see some reprieve today amid the overnight bounce in Wall Street. With the flight to quality subsiding in the UST bond market overnight, SGS bonds may also tread water today. There will be a \$1.7b (with MAS taking \$200m) of the 15-year SGS bond re-opening on 28 April.

Malaysia: Sustainable Sukuk. Malaysia's government has started to market its first-ever sustainability Sukuk paper. The offering will be dollar-denominated with a tenor of 10 years, according to Bloomberg.

Indonesia: Loans jump. Bank Indonesia said that its survey shows that there is likely to be a large jump in new loan disbursement in Q2. The weighted net balance for new loan disbursement in the period is seen surging 93.3% qoq compared to 30.4% in Q1. Mortgage is said to remain a priority for respondents who are taking consumption loans. Banks are seen to adopt looser lending standards as well, particularly for investment and MSME loans.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday. Shorter tenors moved marginally apart from the 4Y which traded ~1bps lower. Belly tenors traded 1bps lower while longer tenors traded 2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 144bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 631bps. The HY-IG Index Spread widened 2bps to 487bps. There were heavy flows in SGD corporates yesterday including flows in OLAMSP 5.375%-PERPs, STSP 3.3%-PERPs, OLAMSP 4%'26s and CMZB 4.2%'28s. 10Y UST Yields remained mostly unchanged at 1.56% as investors showed little trouble absorbing a large auction for government paper.

New Issues: Malaysia Wakala Sukuk Berhad priced a USD800mn 10-year sustainability bond at T+50bps, tightening from IPT of T+90bps area, and a USD500mn 30-year senior unsecured bond at T+80bps, tightening from IPT of T+115bps area. Harvest Operations Corp (Guarantor: Korea National Oil Corp) priced a USD500mn 3NC1 bond at T+73bps, tightening from IPT of T+100bps area. Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings Group Co Ltd) priced a USD200mn 3-year senior unsecured bond at 4.3%, tightening from IPT of 4.5% area. Sino-Ocean Land Treasure IV Ltd (Guarantor: Sino-Ocean Group Holding Limited) priced a USD400mn 5-year green bond at T+265bps, tightening from IPT of T+305bps area. Bank of China Ltd/Singapore priced a USD500mn 3-year green bond at T+53bps, tightening from IPT of T+93bps area. CTBC Bank Co., Ltd. priced a USD140mn 40-year ZCN. Jingrui Holdings Limited priced a USD157mn 2.5-year bond at 12.5%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.155	-0.09%	USD-SGD	1.3290	-0.02%
USD-JPY	108.080	-0.03%	EUR-SGD	1.5995	-0.02%
EUR-USD	1.204	-0.01%	JPY-SGD	1.2297	-0.02%
AUD-USD	0.775	0.36%	GBP-SGD	1.8513	-0.07%
GBP-USD	1.393	-0.04%	AUD-SGD	1.0304	0.36%
USD-MYR	4.120	0.10%	NZD-SGD	0.9581	0.49%
USD-CNY	6.491	-0.14%	CHF-SGD	1.4493	-0.17%
USD-IDR	14530	0.22%	SGD-MYR	3.0959	-0.12%
USD-VND	23071	0.03%	SGD-CNY	4.8862	-0.07%

Equity and Commodity

Index	Value	Net change
DJIA	34,137.31	316.01
S&P	4,173.42	38.48
Nasdaq	13,950.22	163.95
Nikkei 225	28,508.55	-591.83
STI	3,155.06	-37.11
KLCI	1,596.58	-10.99
JCI	5,993.24	-45.08
Baltic Dry	2,472.00	40.00
VIX	17.50	-1.18

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5580	-0.55%	O/N	0.0729	0.07%
2M	-0.3360	-0.34%	1M	0.1075	0.11%
3M	-0.5380	-0.54%	2M	0.1524	0.15%
6M	-0.5130	-0.51%	3M	0.1838	0.19%
9M	-0.1940	-0.20%	6M	0.2226	0.22%
12M	-0.4730	-0.48%	12M	0.2870	0.29%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.45 (--)	0.15(--)
5Y	0.8 (--)	0.8(--)
10Y	1.6 (+0.01)	1.55 (0)
15Y	1.98 (+0.01)	--
20Y	1.99 (+0.01)	--
30Y	1.95 (--)	2.25(--)

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	0.099	0.093	0.093

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-5.10	(--)
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)	61.35	-1.75%	Corn (per bushel)	6.255	3.1%
Brent (per barrel)	65.32	-1.88%	Soybean (per bushel)	14.973	1.7%
Heating Oil (per gallon)	185.37	-1.40%	Wheat (per bushel)	6.733	2.0%
Gasoline (per gallon)	198.34	-1.69%	Crude Palm Oil (MYR/MT)	43.410	2.6%
Natural Gas (per MMBtu)	2.69	-1.28%	Rubber (JPY/KG)	2.221	-0.3%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9445.00	1.32%	Gold (per oz)	1793.8	0.8%
Nickel (per mt)	16199.00	1.00%	Silver (per oz)	26.6	2.8%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/22/2021 07:50	JN Japan Buying Foreign Bonds	Apr-16	--	--	¥1714.4b
04/22/2021 09:00	PH BoP Overall	Mar	--	--	-\$2020m
04/22/2021 14:45	FR Manufacturing Confidence	Apr	99.0	--	98.0
04/22/2021 15:00	MA Foreign Reserves	Apr-15	--	--	\$108.6b
04/22/2021 16:00	TA Unemployment Rate	Mar	3.70%	--	3.73%
04/22/2021 16:30	HK Unemployment Rate SA	Mar	7.10%	--	7.20%
04/22/2021 19:45	EC ECB Main Refinancing Rate	Apr-22	0.00%	--	0.00%
04/22/2021 19:45	EC ECB Deposit Facility Rate	Apr-22	-0.50%	--	-0.50%
04/22/2021 19:45	EC ECB Marginal Lending Facility	Apr-22	0.25%	--	0.25%
04/22/2021 20:30	US Initial Jobless Claims	Apr-17	610k	--	576k
04/22/2021 20:30	US Continuing Claims	Apr-10	3640k	--	3731k
04/22/2021 20:30	US Chicago Fed Nat Activity Index	Mar	1.25	--	-1.09
04/22/2021 21:45	US Langer Consumer Comfort	Apr-18	--	--	53.9
04/22/2021 22:00	US Existing Home Sales	Mar	6.15m	--	6.22m
04/22/2021 22:00	US Leading Index	Mar	1.00%	--	0.20%
04/22/2021 22:00	EC Consumer Confidence	Apr A	-11.0	--	-10.8

Source: Bloomberg

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