

Daily Treasury Outlook

2 March 2021

Highlights

Global: Restart of risk engines in March - the S&P 500 snapped back 2.38% with tech stocks leading the rally (eg. Zoom Video gained as its revenue forecast beat estimates) and VIX dipped to 23.35. UST bonds sold off with the 10- and 30-year yields up to 1.42% and 2.19% respectively, sparking market speculation of a potential operation twist by the Fed (last seen in 2011). The USD retreated, while oil prices also slipped ahead of the OPEC+ meeting later this week. Bitcoin also rebounded amid interest in the cryptocurrency. Meanwhile, China's Caixin manufacturing PMI slipped more than expected from 51.5 to 50.9 in February, leading the way for similar pullbacks in India (57.5), Indonesia (50.9), Malaysia (47.7), Thailand (47.2) and Myanmar (down 20 points to 27.7), whereas the Philippines was unchanged (at 52.5) and improvements were seen in Vietnam (51.6) and Japan (51.4).

Market watch: Asian markets may open on a firm tone this morning, while awaiting the RBA policy decision today (likely static at 0.1%, but watch the ongoing defence of its yield curve control with another A\$4b purchase of longer-dated bonds yesterday). For the day ahead, the economic data calendar is relatively light with German unemployment change and retail sales, UK's Nationwide house prices, Eurozone's CPI, and S'pore's manufacturing and electronics PMIs. Speakers scheduled today include Fed's Brainard and Daly.

US: The manufacturing ISM rose more than expected from 58.7 to 60.8 in February, the fastest in three years, with new orders, prices paid and employment gauges all surging to 64.8, 86.0 and 54.4 respectively. Meanwhile, Fed's Barkin opined that "I'm mostly concerned about the labor market" and downplayed the rise in longer-dated bond yields, citing that "inflation is a longer-term phenomenon).

EU: ECB's Lagarde continued to sound dovish, noting that the central bank will "help ensure that firms and families can access the finance they need to weather this storm – and that they can do so in the confidence that financing conditions will not tighten prematurely".

SG: The February manufacturing and electronics PMIs may be rangebound around January's prints of 50.7 and 51.0 respectively, but watch if the current global chip shortage will lend to some near-term strength for the latter.

Oil: Brent sank yesterday, losing 1.1% on the day to close at \$63.69/bbl although it went close to touching \$66/bbl during early Asian hours. Traders are keen to take some risk off the table ahead of this week's OPEC+ meeting, where it is still unclear how much supply the bloc will add back to pipelines beginning April. We advocated a [tactical short](#) on oil yesterday and we recommend staying short for the next 48 hours before the all-important meeting.

Key Market Movements

Equity	Value	% chg
S&P 500	3901.8	2.4%
DJIA	31536	1.9%
Nikkei 225	29664	2.4%
SH Comp	3551.4	1.2%
STI	2973.0	0.8%
Hang Seng	29453	1.6%
KLCI	1567.1	-0.7%
	Value	% chg
DXY	91.039	0.2%
USDJPY	106.76	0.2%
EURUSD	1.2049	-0.2%
GBPUSD	1.3925	-0.1%
USIDR	14255	0.1%
USDSGD	1.3279	-0.4%
SGDMYR	3.0461	-0.2%
	Value	chg (bp)
3M UST	0.03	0.00
10Y UST	1.42	1.21
1Y SGS	0.35	0.00
10Y SGS	1.30	-2.94
3M LIBOR	0.19	-0.21
3M SIBOR	0.44	0.00
3M SOR	0.30	0.00
	Value	% chg
Brent	63.69	-1.1%
WTI	60.64	-1.4%
Gold	1725	-0.5%
Silver	26.57	-0.4%
Palladium	2361	1.5%
Copper	9077	0.0%
BCOM	84.78	-0.6%

Source: Bloomberg

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Major Markets

US: US equities closed in the green on tech share gains. The S&P 500 index rose 2.38% and the Nasdaq 100 Composite index notched a 3.01% gain. 10Y UST bond yields closed at 1.42%. Market sentiment improved due to higher recovery optimism following the approval of J&J's Covid vaccine which is likely to boost the ongoing vaccination programme and ultimately, the reopening of the economy. While risk appetite appears to gain traction, the US equity market is likely to be wary of potential downside in the sessions ahead.

CN: China's top disease expert Dr. Zhong Nanshan said yesterday that 52 million doses of Covid-19 vaccines have been administered in China by the end of February and China plans to administer 560 million doses by end of June, which works out to be 40 doses per 100 people. However, the chance for China to reach vaccine induced herd immunity this year is quite low.

SG: The STI closed up 0.81% at 2973.00 yesterday, and may make a run for the 3000 resistance today amid positive overnight cues from Wall Street and morning gains in Kospi. With renewed selling pressure in longer-dated UST bonds, SGS bond yields which declined by up to 3bps yesterday may reverse those gains today.

Malaysia: Malaysia's Finance Minister Tengku Zafrul Abdul Aziz said that the government collected MYR123.1bn (USD30.4bn) in direct taxes in 2020, exceeding its target of MYR121.7bn slightly. He highlighted that the economy is losing MYR300mn per day under the current social restrictions. This is considerably less than the MYR2.4bn per day during the first MCO roll-out last year.

Indonesia: Indonesia continued to report mild inflation prints. The headline CPI inflation for February came in at 1.38% yoy, in line with market expectations and softer than the 1.55% of the previous month. Core inflation remains stuck at around the 1.5-1.6% handle at 1.53%, pointing towards the sense that consumer demand remains weak. Separately, the PMI print for February came in at 50.9, a softer run compared to 52.2 of the prior month even though it remains encouragingly in the expansionary territory.

Gold: Gold clocked a fifth consecutive day of loss as investors remain wary of the impact rising Treasury yields have on non-yielding precious metals. We turn bearish on gold in the short term.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly bull flattened yesterday, with shorter tenors trading 2-4bps lower. Belly tenors traded 5bps lower while longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 129bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 630bps. The HY-IG Index Spread widened 10bps to 501bps. There were very minimal flows in SGD corporates yesterday. 10Y UST Yields gained 1bps to 1.42% but held below 1.50% as investors await for U.S. central bankers to provide further clarifications on policies that might be undertaken to curb long-term bond yields.

New Issues: DBS Group Holdings Ltd priced a USD500mn 10NC5 tier 2 subordinated bond at T+110bps, tightening from IPT of T+135bps area. Taishan City Investment Co. (GUARANTOR: Taian City Development and Investment Co.) priced a USD100mn 364-day bond at 4.5%, tightening from IPT of 4.6% area. CMT MTN Pte. Ltd priced a SGD460mn 7-year bond at 2.1%. HCL Technologies Ltd. has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.039	0.18%	USD-SGD	1.3279	-0.35%
USD-JPY	106.760	0.18%	EUR-SGD	1.5999	-0.54%
EUR-USD	1.205	-0.22%	JPY-SGD	1.2437	-0.54%
AUD-USD	0.777	0.86%	GBP-SGD	1.8487	-0.39%
GBP-USD	1.393	-0.06%	AUD-SGD	1.0320	0.50%
USD-MYR	4.056	0.14%	NZD-SGD	0.9647	0.11%
USD-CNY	6.466	-0.20%	CHF-SGD	1.4513	-1.02%
USD-IDR	14255	0.14%	SGD-MYR	3.0461	-0.18%
USD-VND	23019	0.00%	SGD-CNY	4.8632	-0.10%

Equity and Commodity

Index	Value	Net change
DJIA	31,535.51	603.14
S&P	3,901.82	90.67
Nasdaq	13,588.83	396.48
Nikkei 225	29,663.50	697.49
STI	2,973.00	23.96
KLCI	1,567.14	-10.61
JCI	6,338.51	96.72
Baltic Dry	1,675.00	-25.00
VIX	23.35	-4.60

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5470	-0.55%	O/N	0.0795	0.08%
2M	-0.3360	-0.34%	1M	0.1093	0.12%
3M	-0.5300	-0.54%	2M	0.1445	0.15%
6M	-0.5160	-0.52%	3M	0.1843	0.19%
9M	-0.1940	-0.20%	6M	0.2005	0.20%
12M	-0.4830	-0.50%	12M	0.2836	0.28%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.37 (-0.02)	0.12(--)
5Y	0.66 (-0.03)	0.7 (-0.04)
10Y	1.3 (-0.03)	1.42 (+0.01)
15Y	1.63 (-0.03)	--
20Y	1.68 (-0.04)	--
30Y	1.78 (-0.04)	2.19 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
03/17/2021	0.061	6.1	0.077	0.077
04/28/2021	0.083	2.1	0.082	0.082
06/16/2021	0.093	1	0.085	0.085
07/28/2021	0.103	1	0.087	0.087
09/22/2021	0.113	1	0.09	0.09
11/03/2021	0.123	1	0.093	0.093

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.90	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

	Futures	% chg	Soft Commodities	Futures	% chg
Energy					
WTI (per barrel)	60.64	-1.40%	Corn (per bushel)	5.475	-1.4%
Brent (per barrel)	63.69	-3.69%	Soybean (per bushel)	13.925	-0.9%
Heating Oil (per gallon)	181.92	-2.01%	Wheat (per bushel)	6.438	-1.7%
Gasoline (per gallon)	194.29	3.51%	Crude Palm Oil (MYR/MT)	39.430	-1.1%
Natural Gas (per MMBtu)	2.78	0.22%	Rubber (JPY/KG)	2.655	-2.2%
Base Metals			Precious Metals		
Copper (per mt)	9077.00	-3.56%	Gold (per oz)	1725.0	-0.5%
Nickel (per mt)	18577.00	-3.25%	Silver (per oz)	26.6	-0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/02/2021 07:00	SK Industrial Production YoY	Jan 5.90%	7.50%	3.40%	--
03/02/2021 07:30	JN Jobless Rate	Jan 3.00%	2.90%	2.90%	--
03/02/2021 07:30	JN Job-To-Applicant Ratio	Jan 1.06	1.1	1.06	--
03/02/2021 07:50	JN Capital Spending YoY	4Q -2.00%	--	-10.60%	--
03/02/2021 07:50	JN Monetary Base YoY	Feb --	--	18.90%	--
03/02/2021 08:30	AU Building Approvals MoM	Jan -2.00%	--	10.90%	--
03/02/2021 08:30	TA Markit Taiwan PMI Mfg	Feb --	--	60.2	--
03/02/2021 08:30	SK Markit South Korea PMI Mfg	Feb --	--	53.2	--
03/02/2021 08:30	AU BoP Current Account Balance	4Q A\$13.0b	--	A\$10.0b	--
03/02/2021 11:30	AU RBA Cash Rate Target	Mar-02 0.10%	--	0.10%	--
03/02/2021 15:00	UK Nationwide House Px MoM	Feb -0.30%	--	-0.30%	--
03/02/2021 15:00	UK Nationwide House Px NSA YoY	Feb 5.60%	--	6.40%	--
03/02/2021 16:55	GE Unemployment Change (000's)	Feb -10.0k	--	-41.0k	--
03/02/2021 18:00	EC CPI MoM	Feb P 0.20%	--	0.20%	--
03/02/2021 18:00	EC CPI Estimate YoY	Feb 0.90%	--	0.90%	--
03/02/2021 21:00	SI Purchasing Managers Index	Feb 50.8	--	50.7	--

Source: Bloomberg

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