

Daily Treasury Outlook

1 April 2020

Highlights

Global: US president Trump warned that it's "going to be a painful two weeks" as New York deaths from Covid-19 exceeded 1000 (overtaking China's Hubei province) and White House health official Birx tipped that up to 200,000 Americans may die from the virus. S&P500 retreated 1.6%, UST bonds rallied with the 10-year bond yield lower at 0.67% and both oil and gold prices declined overnight despite the month-end. This was despite the Fed's announcement of a temporary repo facility that will allow other central banks to swap their UST holdings for USD from 6 April.

Market watch: Asian markets are likely off to a soft start in April, notwithstanding the somewhat improved PMIs coming out of China. Today's economic data calendar comprises of the slew of manufacturing PMIs from Europe and Asia, Indonesia's March CPI, German retail sales, S'pore's URA 1Q property prices, and US' manufacturing ISM, ADP employment index and mortgage applications. Most investors will still take the recent bounce in PMIs with a pinch of salt given the still accelerating global Covid-19 situation and growing country lockdowns.

US: Fed's Daly opined that the central bank will do "whatever it takes" to help the US economy that is likely in recession.

China: China's official March PMI rebounded to 52 from 35.7 in February while non-manufacturing PMI also rebounded to 52.3 from 29.6. The sharp rebound of March PMI showed that the disruption from the supply shock due to the shutdown of factories and shops and implantation of people movement control has been contained as China pushed up the orderly resumption of production and economic activities in March. However, as PMI is sequential concept, the sharp rebound did not mean Chinese economy has returned to normalcy. Instead, it mainly showed that the worst has been behind us. China's State Council announced more measures to support the inclusive finance including additional CNY1 trillion quota for relending and rediscount for medium-size and smaller banks as well as further targeted RRR cut for smaller banks.

On breakdown, the rebound was mainly driven by production, which jumped from 27.8 to 54.1. New export order remained weak below 50 albeit improving from 28.7 to 46.4. Some of the manufacturers may have already faced the demand shock due to the sudden stop of global economy. Given more countries have entered the lockdown mode, Chinese economy may face more severe demand shock going into April. As such, we think April PMI could be more important to gauge the healthiness of Chinese economy.

Singapore: MAS announced new measures to allow individuals and firms to defer the payment of mortgage and business loans. In addition, for the month of February, bank loans growth accelerated slightly to 3.1% yoy (0.2% mom), up from 3.0% yoy (-0.1% mom) in January. The improvement was largely driven by business loans which also picked up further to 5.8% yoy (0.4% mom), whereas consumer loans remains soft and shrank for the 10th straight month by 1.1% yoy (-0.2% mom).

Key Market Movements		
Equity	Value	% chg
S&P 500	2584.6	-1.6%
DJIA	21917	-1.8%
Nikkei 225	18917	-0.9%
SH Comp	2750.3	0.1%
STI	2481.2	2.7%
Hang Seng	23603	1.8%
KLCI	1350.9	1.7%
Currencies	Value	% chg
DXY	99.048	-0.1%
USDJPY	107.54	-0.2%
EURUSD	1.1031	-0.2%
GBPUSD	1.2420	0.0%
USDIDR	16310	-0.2%
USDSGD	1.422	-0.2%
SGDMYR	3.0267	-0.3%
Rates	Value	chg (bp)
3M UST	0.06	5.08
10Y UST	0.67	-5.69
1Y SGS	0.84	-1.10
10Y SGS	1.29	4.33
3M LIBOR	1.43	-1.67
3M SIBOR	1.01	-0.63
3M SOR	0.63	-28.21
Commodities	Value	% chg
Brent	26.35	-0.3%
WTI	20.48	1.9%
Gold	1577	-2.8%
Silver	13.97	-0.5%
Palladium	2363	1.6%
Copper	4951	3.8%
BCOM	61.86	-0.3%

Source: Bloomberg

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Major Markets

US: US markets fell on the last day of trading for the first quarter as coronavirus fears continued to dent risk sentiment. The S&P500 index fell by 1.6%, capping off the worst first quarter performance ever as it dropped by 20%. Looking ahead, investors are likely to remain cautious with Trump warning that the US should prepare for a “very, very painful two weeks” ahead.

EZ: Inflation plunged from 1.2% in February to 0.7% in March amid sliding oil prices.

Hong Kong: In February, retail sales value dropped the most on record and was down by 44% yoy to the lowest since September 2009 despite the low base associated with different timing of Lunar New Year holiday between this year and last year. The sharp decline in retail sales was mainly attributed to the coronavirus outbreak which has taken a heavy toll on inbound tourism and curbed local consumption. Going forward, a combination of escalated travel restrictions, social distancing measures, slackening labor market and negative wealth effect from stock market rout are set to hit the retail sector harder. This will add downward pressure to the labor market as retail sector’s employment took up around 8% of total employment. A wave of layoffs will then cause further shock to the retail sector. We expect retail sales to see double-digit decrease for the second consecutive year in 2020. As such, the retail shop rentals (-4.7% yoy in January) and prices (-10.1% yoy in January) are likely to fall further.

Singapore: The STI rose 2.7% yesterday on the back of China’s official PMI rebounding back into expansion territory, which lifted risk sentiment. For the quarter, the STI fell by 23%, the worst quarterly performance since the fourth quarter of 2008. Today, the STI is likely to open on a soft footing following morning declines in the Nikkei and Kospi indices.

Indonesia: Indonesia is injecting IDR405tn (2.4% of GDP) of stimulus, providing urgent help for the embattled healthcare sector and improving social safety net at a time of potential uptick in joblessness. With a sharp pick-up in expenditure, deficit is slated to balloon to 5.1% of GDP from around 2.5% before. This requires a suspension of 3%-deficit fiscal rule that President Jokowi has issued through government regulations in lieu of law that will be heading to the parliament for approval. BI is slated to be allowed to purchase government debt in the primary market, if needed, as well.

Malaysia: Data for the quaint old days of January 2020 show that exports of goods went up 1.1% yoy. The sequential growth in the shipment of key categories of electronics and semi-conductors was encouraging, at 4.4% and 10.7% mom, respectively. Much of this improvement took place, before even the onset of the first wave of virus hitting China and we are unlikely to glean much further optimistic prints from here on.

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Oil: Brent and WTI closed a torrid Q1 at \$26.35/bbl and \$20.48/bbl, less than half the prices in which both started the year. The energy market remains in a state of flux, with the real impact of the coronavirus on demand still to be determined and questions on whether the Russia-Saudi Arabia fallout may see a temporary truce. The next pressing issue for the oil market is a potential peaking of global crude storage, which we estimate should near its maximum before the end of the new quarter.

Gold: Gold tumbled heavily on the last day of Q1 to end at \$1577.18/oz. With the potential easing of quarter-end liquidity drainages, we expect gold prices to rally into Q2.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 9-10bps higher, while the belly and the longer tenors traded 10-16bps higher. The Markit iTraxx Asia ex-Japan Investment Grade Index tightened 10bps to 140bps while the Markit iBoxx USD Asia ex-Japan China High Yield TRI Index increased 0.7pts to 291.1. Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, F 4.125%'24s, ABNANV 4.75%'26s, UOBSP 4%-PERPs, CELSP 3.9%-PERPs and SIASP 3.16%'23s. 10Y UST Yields fell 6bps to 0.67%, while U.S. stocks decline, as investors rebalanced their portfolios as the month and quarter came.

New Issues: Guizhou Shuanglong Airport Development & Investment (Group) Co. Ltd. (SBLC Provider: Hua Xia Bank Co., Ltd Guiyang Branch) priced a USD26mn 2-year 354-day bond at 4%, in line with IPT. AIA Group Limited priced a USD1bn 10-year bond at T+275bps, tightening from IPT of T+325bps area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.048	-0.13%	USD-SGD	1.4220	-0.20%
USD-JPY	107.540	-0.20%	EUR-SGD	1.5687	-0.31%
EUR-USD	1.1031	-0.15%	JPY-SGD	1.3222	0.14%
AUD-USD	0.6131	-0.70%	GBP-SGD	1.7653	-0.15%
GBP-USD	1.2420	0.05%	AUD-SGD	0.8723	-0.77%
USD-MYR	4.3212	-0.13%	NZD-SGD	0.8477	-0.47%
USD-CNY	7.0825	-0.25%	CHF-SGD	1.4793	-0.42%
USD-IDR	16310	-0.17%	SGD-MYR	3.0267	-0.34%
USD-VND	23637	--	SGD-CNY	4.9808	-0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4360	-1.00%	O/N	0.1209	-1.54%
2M	-0.3360	-1.54%	1M	0.9845	-0.49%
3M	-0.3530	-0.49%	2M	1.2639	0.75%
6M	-0.2800	0.75%	3M	1.4334	-1.67%
9M	-0.1940	-1.67%	6M	1.0918	1.97%
12M	-0.1630	1.97%	12M	1.0140	4.55%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.005	0.5	0.001	0.072
10/06/2020	-0.031	-3.6	-0.008	0.064
29/07/2020	-0.015	1.6	-0.004	0.067
16/09/2020	-0.01	0.5	-0.002	0.069
05/11/2020	0.007	1.7	0.002	0.073
16/12/2020	-0.02	-2.7	-0.005	0.066

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	20.48	1.9%	Corn (per bushel)	3.4075	-0.1%
Brent (per barrel)	22.74	-0.1%	Soybean (per bushel)	8.860	0.4%
Heating Oil (per gallon)	1.0121	-0.7%	Wheat (per bushel)	5.6875	-0.1%
Gasoline (per gallon)	0.5732	-2.1%	Crude Palm Oil (MYR/MT)	2,550.0	-1.6%
Natural Gas (per MMBtu)	1.6400	-3.0%	Rubber (JPY/KG)	131.5	-2.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,951	3.8%	Gold (per oz)	1,577.2	-2.8%
Nickel (per mt)	11,484	1.4%	Silver (per oz)	13.974	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,917.16	-410.32
S&P	2,584.59	-42.06
Nasdaq	7,700.10	-74.05
Nikkei 225	18,917.01	-167.96
STI	2,481.23	64.99
KLCI	1,350.89	22.01
JCI	4,538.93	124.43
Baltic Dry	548.00	--
VIX	53.54	-3.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.73 (+0.01)	0.25 (+0.02)
5Y	0.99 (+0.01)	0.38 (-0.03)
10Y	1.29 (+0.04)	0.67 (-0.06)
15Y	1.49 (+0.06)	--
20Y	1.61 (+0.06)	--
30Y	1.62 (+0.05)	1.32 (-0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	10.88	-1.12
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/01/2020 08:00	SK Exports YoY	Mar	1.60%	-0.20%	4.50%
04/01/2020 08:30	AU Building Approvals MoM	Feb	3.00%	--	-15.30%
04/01/2020 08:30	JN Jibun Bank Japan PMI Mfg	Mar F	--	--	44.8
04/01/2020 08:30	TA Markit Taiwan PMI Mfg	Mar	--	--	49.9
04/01/2020 08:30	SK Markit South Korea PMI Mfg	Mar	--	--	48.7
04/01/2020 08:30	ID Markit Indonesia PMI Mfg	Mar	--	--	51.9
04/01/2020 08:30	VN Markit Vietnam PMI Mfg	Mar	--	--	49
04/01/2020 09:45	CH Caixin China PMI Mfg	Mar	45	--	40.3
04/01/2020 15:55	GE Markit/BME Germany Manufacturing PMI	Mar F	45.5	--	45.7
04/01/2020 16:00	EC Markit Eurozone Manufacturing PMI	Mar F	44.6	--	44.8
04/01/2020 16:30	UK Markit UK PMI Manufacturing SA	Mar F	47	--	48
04/01/2020 19:00	US MBA Mortgage Applications	Mar-27	--	--	-29.40%
04/01/2020 20:15	US ADP Employment Change	Mar	-150k	--	183k
04/01/2020 21:45	US Markit US Manufacturing PMI	Mar F	48	--	49.2
04/01/2020 22:00	US ISM Manufacturing	Mar	44.5	--	50.1

Source: Bloomberg

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