

## Daily Treasury Outlook

2 April 2020

### Highlights

**Global:** Another risk-off session with Wall Street hitting the wall (S&P500 - 4.4%) after White House warnings of up to 240k Covid-19 deaths in the US and Florida and Pennsylvania also ordering stay-home notices. The US' manufacturing ISM new orders sub-index also plunged to 42.2 in March, marking its fastest drop in 11 years and signalling a recession. Meanwhile, the Fed announced a loosening of supplementary leverage ratio rules for UST bond holdings and deposits for banks until end of 1Q21. UST bonds rallied with the 10-year yield down to 0.58% notwithstanding the deluge of \$220b of T-bill auctions today. Separately, US intelligence pointed to China's concealment of the extent of its Covid-19 outbreak, while Fed's Rosengren opined that the roll out of the new lending program for SMEs may still be "another couple" of weeks away as it is a complicated facility to scope.

**Market watch:** Asian markets are likely to reel from the overnight de-risking as investors head for shelter again, with the exception of only India, Taiwan and Vietnam whose markets are closed today. With the month/quarter-end rebalancing flows out of the way, investors are increasingly turning their attention to dividend cuts amid earnings deterioration. Key things to watch today include US' February factory orders, India's manufacturing PMI, and UK's Nationwide house prices.

**US:** ADP employment slumped by 27k in March, registering its first decline since 2017 and marking a quick reversal from the +179k in February. Job losses were led by small employers with -90k.

**EU:** France and Belgium have proposed their own stimulus plans while waiting for the EU to coordinate a response to the Covid-19 pandemic.

**NZ:** RBNZ is introducing a Term Lending Facility to provide longer-term funding of up to 3 years for the banking system.

**China:** President Xi reiterated coordinating efforts for striking the balance between virus control and economic and social development during his field trip to Zhejiang province. China will still strive to achieve this year's goals for economic and social progress.

**Singapore:** With 74 new Covid-19 cases announced yesterday, this brought the total to 1,000. Visitors are barred from nursing home for April amid 10 more cases detected at the Lee Ah Mooi Old Age Home.

**Indonesia:** Finance Minister Sri Mulyani said that the government has downgraded its 2020 growth expectation to 2.3% from 5.3% previously. Moreover, under a worst-case scenario, the Indonesian economy may shrink by 0.4%. Meanwhile, Rupiah may tumble to as low as 17,500 or even 20,000 under the worst-case assumption, she added.

**Oil:** WTI remain rooted near the \$20/bbl level. The American Petroleum Institute said yesterday that selected executives from oil companies are due to meet President Trump this Friday to discuss ways to help the market.

Key Market Movements		
Equity	Value	% chg
S&P 500	2470.5	-4.4%
DJIA	20944	-4.4%
Nikkei 225	18065	-4.5%
SH Comp	2734.5	-0.6%
STI	2440.3	-1.7%
Hang Seng	23086	-2.2%
KLCI	1322.7	-2.1%
Currencies	Value	% chg
DX	99.673	0.6%
USDJPY	107.17	-0.3%
EURUSD	1.0964	-0.6%
GBPUSD	1.2371	-0.4%
USDIDR	16450	0.9%
USDSGD	1.4361	1.0%
SGDMYR	3.0401	0.4%
Rates	Value	chg (bp)
3M UST	0.04	-2.29
10Y UST	0.58	-8.63
1Y SGS	0.82	-2.00
10Y SGS	1.29	-0.04
3M LIBOR	1.45	1.71
3M SIBOR	1.00	-1.42
3M SOR	0.92	29.17
Commodities	Value	% chg
Brent	24.74	-6.1%
WTI	20.31	-0.8%
Gold	1592	0.9%
Silver	13.96	-0.1%
Palladium	2227	-5.8%
Copper	4800	-3.0%
BCOM	60.29	-2.5%

Source: Bloomberg

**Daily Treasury Outlook**

2 April 2020

**Major Markets**

**US:** US markets got off to a bad start in the second quarter as stocks tumbled on the back of warnings from US officials that the coronavirus outbreak is set to worsen. The S&P500 index fell by 4.41%. For today, investors are likely to focus on the weekly initial jobless claims, which will provide further indication of the extent of economic damage that the virus has caused.

**Hong Kong:** Total loans growth accelerated slightly to 6.7% yoy from 6.4% yoy in the prior month. Trade finance dropped for the third consecutive month by 3.2% yoy as trading activities remained muted against Covid-19 outbreak. The growth of loans for use in HK (excluding trade finance) which represented 65.8% of total loans accelerated further from 7.9% yoy in January to 8.7% yoy in February, probably due to the lower borrowing costs and the expectation of economic recovery as coronavirus outbreak showed signs of slowdown in China. On the other hand, loans for use outside of HK (accounted for 29.7% of total loans) grew at the slowest pace since last July by 4.2% yoy. This could be attributed to the easing monetary policy in Mainland China which in turn reduce the Mainland companies' incentive to raise funds overseas. Moving ahead, due to the rising global recession fear, the rebound in USD and HKD rates as well as the flushed liquidity in the onshore market, we expect total loans growth to slow down.

**Macau:** Gross gaming revenue rebounded by 69.4% mom in March as all casinos have resumed operation after the unprecedented shutdown in February. That said, gross gaming revenue continued to drop notably on yearly basis by 79.7% yoy to MOP5.3 billion. This points out that it is hard for the gaming sector to regain momentum with tourism at a standstill on harsher travel restrictions implemented by Macau and Mainland China. As the Covid-19 pandemic shows no sign of slowdown across the globe, the gaming sector is set to remain under pressure in the near term. Even if the coronavirus outbreak is contained, any recovery of the gaming sector will likely be low and muted due to heightened global recession risk which could continue to dent gambling sentiments. We therefore further downgrade our gaming revenue growth forecast from -25% yoy to -40% yoy in 2020.

**Taiwan:** Manufacturing PMI surprised to the upside and picked up to 50.4, indicating a slight improvement in business environment of manufacturing sector. Despite that, the employment and new orders sub-index dropped at a quicker pace, amid the rising concerns over the global recession and epidemic. Affected by moderate supply-chain recovery and sluggish external demands due to the pandemic, the outlook of manufacturing sector remained gloomy. Therefore, we expect that the manufacturing PMI might drop below 50 again in the coming months, in turns trimming the labor demands.

**Singapore:** The STI fell 1.7% yesterday to begin the quarter as worries over the coronavirus outbreak and the economic impact continued to dent risk sentiment. Following the plunge in US equities overnight, the STI is likely to face downward pressure today.

## Daily Treasury Outlook

2 April 2020

**Malaysia:** Echoing the downdraft in PMI readings in other countries, Malaysia's March reading softened (slightly) to 48.4 from 48.5 previously, marking a third consecutive month in contractionary territory. New orders sub-index fell to the lowest reading since the series began, and output sub-index at lowest since Jun16.

**Thailand:** The Thai cabinet is convening for a special meeting this Friday, raising hopes that additional fiscal support measures may be further released.

## Bond Market Updates

**Market Commentary:** The SGD swap curve flattened yesterday, with the shorter and the belly tenors trading 1-4bps higher, while the longer tenors traded around 1bp lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 270bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 1134bps. The HY-IG Index Spread tightened 10bps to 865bps. 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 9bps to 0.58%, while U.S. stocks declined, as investors were worried about the impact of COVID-19. Additionally, the Fed announced that it was temporarily easing the supplementary leverage ratio for a year.

**New Issues:** Baidu Inc priced a USD1bn debt offering in two parts: (1) a USD600mn 5-year bond at T+275bps and (2) a USD400mn 10-year bond at T+285bps, tightening from IPT of T+312bps and T+325bps area respectively.

## Daily Treasury Outlook

2 April 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	99.673	0.63%	<b>USD-SGD</b>	1.4361	0.99%
<b>USD-JPY</b>	107.170	-0.34%	<b>EUR-SGD</b>	1.5746	0.38%
<b>EUR-USD</b>	1.0964	-0.61%	<b>JPY-SGD</b>	1.3401	1.35%
<b>AUD-USD</b>	0.6071	-0.98%	<b>GBP-SGD</b>	1.7768	0.65%
<b>GBP-USD</b>	1.2371	-0.39%	<b>AUD-SGD</b>	0.8719	-0.05%
<b>USD-MYR</b>	4.3632	0.97%	<b>NZD-SGD</b>	0.8496	0.22%
<b>USD-CNY</b>	7.1000	0.25%	<b>CHF-SGD</b>	1.4868	0.51%
<b>USD-IDR</b>	16450	0.86%	<b>SGD-MYR</b>	3.0401	0.44%
<b>USD-VND</b>	23600	-0.16%	<b>SGD-CNY</b>	4.9512	-0.59%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4230	-0.80%	<b>O/N</b>	0.1190	-0.19%
<b>2M</b>	-0.3360	-0.19%	<b>1M</b>	0.9929	0.84%
<b>3M</b>	-0.3630	0.84%	<b>2M</b>	1.2610	-0.29%
<b>6M</b>	-0.2870	-0.29%	<b>3M</b>	1.4505	1.71%
<b>9M</b>	-0.1940	1.71%	<b>6M</b>	1.1753	8.35%
<b>12M</b>	-0.1710	8.35%	<b>12M</b>	0.9975	-1.65%

### 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	-0.041	-3.6	-0.01	0.064
29/07/2020	-0.025	1.6	-0.006	0.067
16/09/2020	-0.047	-2.1	-0.012	0.062
05/11/2020	-0.049	-0.3	-0.012	0.062
16/12/2020	-0.045	0.5	-0.011	0.063

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	20.31	-0.8%	Corn (per bushel)	3.3475	-1.8%
Brent (per barrel)	24.74	8.8%	Soybean (per bushel)	8.628	-2.6%
Heating Oil (per gallon)	0.9323	-7.9%	Wheat (per bushel)	5.5025	-3.3%
Gasoline (per gallon)	0.5465	-4.7%	Crude Palm Oil (MYR/MT)	2,493.0	-2.2%
Natural Gas (per MMBtu)	1.5870	-3.2%	Rubber (JPY/KG)	131.2	-0.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,800	-3.0%	Gold (per oz)	1,591.5	0.9%
Nickel (per mt)	11,261	-1.9%	Silver (per oz)	13.963	-0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	20,943.51	-973.65
<b>S&amp;P</b>	2,470.50	-114.09
<b>Nasdaq</b>	7,360.58	-339.52
<b>Nikkei 225</b>	18,065.41	-851.60
<b>STI</b>	2,440.27	-40.96
<b>KLCI</b>	1,322.66	-28.23
<b>JCI</b>	4,466.04	-72.89
<b>Baltic Dry</b>	626.00	--
<b>VIX</b>	57.06	3.52

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.73 (--)	0.21 (-0.04)
<b>5Y</b>	0.98 (--)	0.35 (-0.03)
<b>10Y</b>	1.29 (--)	0.58 (-0.09)
<b>15Y</b>	1.48 (--)	--
<b>20Y</b>	1.61 (--)	--
<b>30Y</b>	1.62 (--)	1.22 (-0.1)

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	9.30	-0.58
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.01
-------------	------

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/02/2020 07:00	SK	CPI YoY	Mar	0.80%	1.00%	1.10%	--
04/02/2020 07:00	SK	CPI MoM	Mar	-0.40%	-0.20%	0.00%	--
04/02/2020 07:50	JN	Monetary Base YoY	Mar	--	2.80%	3.60%	--
04/02/2020 13:00	IN	Markit India PMI Mfg	Mar	--	--	54.5	--
04/02/2020 14:00	UK	Nationwide House PX MoM	Mar	0.00%	--	0.30%	--
04/02/2020 14:00	UK	Nationwide House Px NSA YoY	Mar	2.10%	--	2.30%	--
04/02/2020 20:30	US	Trade Balance	Feb	-\$40.0b	--	-\$45.3b	--
04/02/2020 20:30	US	Initial Jobless Claims	Mar-28	3700k	--	3283k	--
04/02/2020 20:30	US	Continuing Claims	Mar-21	4941k	--	1803k	--
04/02/2020 21:45	US	Bloomberg Consumer Comfort	Mar-29	--	--	59.7	--
04/02/2020 22:00	US	Durable Goods Orders	Feb F	1.20%	--	1.20%	--
04/02/2020 22:00	US	Factory Orders	Feb	0.20%	--	-0.50%	--
04/02/2020 22:00	US	Durables Ex Transportation	Feb F	-0.60%	--	-0.60%	--
04/02/2020 22:00	US	Cap Goods Orders Nondef Ex Air	Feb F	-0.80%	--	-0.80%	--
04/02/2020 22:00	US	Cap Goods Ship Nondef Ex Air	Feb F	-0.80%	--	-0.70%	--

Source: Bloomberg

# Treasury Research & Strategy

## Macro Research

### Selena Ling

Head of Research & Strategy

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

### Tommy Xie Dongming

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

### Wellian Wiranto

Malaysia & Indonesia

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

### Terence Wu

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

### Howie Lee

Thailand & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

### Carie Li

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

### Dick Yu

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

## Credit Research

### Andrew Wong

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

### Ezien Hoo

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

### Wong Hong Wei

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

### Seow Zhi Qi

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).