

## Daily Treasury Outlook

3 April 2020

### Highlights

**Global:** Crude oil prices rallied nearly 25% after US president Trump tweeted that Russia and Saudi Arabia could cut production by 10 million barrels following a call with the Saudi Arabian Crown Prince. However, such hopes may prove premature for now, as an OPEC+ agreement will require the agreement of other players as well. Meanwhile, the global number of Covid-19 infections has crossed 1 million people, and market players are bracing for tonight's nonfarm payrolls data (consensus forecast is for a relatively mild -100k which looks like an understatement) after initial jobless claims surged to a record 6.65 million last week, double the previous week's record of 3.31 million. Fitch also tips a deep global recession at -1.9%, led by the US (-3.3%), EU (-4.2%) and UK (-3.9%), with China at below 2%. The S&P500 gained 2.28% overnight, led by energy stocks, while UST bonds bear-steepened with the 10-year bond yield at 0.60% ahead of upcoming upsized auction sizes next week. Note the Fed's balance sheet has already ballooned to a record \$5.81 trillion amid purchases of UST and mortgage backed securities, whilst the liquidity swaps with foreign central banks has also grown by \$142.5b to \$348.5b.

**Market watch:** Asian markets may attempt to open on a firmer tone this morning, but conviction levels may not be high. Today's economic data releases comprise of China's Caixin PMIs, European services/composite PMIs, S'pore's retail sales and manufacturing/electronics PMIs, and US' non-manufacturing ISM. Risk is to the downside for the US' nonfarm payrolls (with the more bearish estimates running into millions) and unemployment rate (to jump from 3.5% in February to near 5%?).

**US:** Fed's Kaplan warned of a "severe contraction" in 2Q while Kashkari opined that saving jobs is key in what is "almost certainly" a recession. The Treasury Secretary Mnuchin said energy companies could tap the Fed lending facilities rather than target the Treasury. Meanwhile, foreign central banks sold US\$109b of UST bonds holdings in March, the largest decline on record.

**UK:** BOE said it will double the size of its corporate bond purchase program to at least GBP20b of any single bond.

**China:** In his phone call with Belgium's King, President Xi said that China will speed up the resumption of work and production on the basis of consolidating disease control as part of China's proposal to stabilize the global economy.

**Singapore:** Singapore retail sales in February are expected to record a contraction of 9.1% yoy, by our estimates. This is lower than the current market consensus of -8.4% yoy. Local travel restriction measures began towards the end of January and for as long as the Covid-19 situation does not show signs of subsiding, we expect contractions in Singapore's retail sales to remain.

### Key Market Movements

Equity	Value	% chg
S&P 500	2526.9	2.3%
DJIA	21413	2.2%
Nikkei 225	17819	-1.4%
SH Comp	2780.6	1.7%
STI	2453.0	0.5%
Hang Seng	23280	0.8%
KLCI	1330.9	0.6%
Currencies	Value	% chg
DXY	100.180	0.5%
USDJPY	107.91	0.7%
EURUSD	1.0858	-1.0%
GBPUSD	1.2396	0.2%
USDIDR	16495	0.3%
USDSGD	1.4312	-0.3%
SGDMYR	3.0475	0.2%
Rates	Value	chg (bp)
3M UST	0.05	0.77
10Y UST	0.60	1.38
1Y SGS	0.77	-5.00
10Y SGS	1.10	-18.92
3M LIBOR	1.44	-1.40
3M SIBOR	1.00	0.14
3M SOR	1.00	7.86
Commodities	Value	% chg
Brent	29.94	21.0%
WTI	25.32	24.7%
Gold	1614	1.4%
Silver	14.49	3.8%
Palladium	2230	0.1%
Copper	4897	2.0%
BCOM	61.55	2.1%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rose last night, led by the energy sector as oil enjoyed its biggest one-day rally on the back of Trump's remark that Saudi Arabia and Russia have reached an agreement to cut oil output up to 15mbpd. The S&P500 index rose by 2.3%. For today, markets are likely to take their cues from the nonfarm payrolls report, which is expected to record a decline, although this is expected to be a precursor to April's numbers as travel restriction orders were only imposed in the last two weeks of March.

**Singapore:** The STI added 0.52% to close at 2453.03 yesterday and may try to extend gains today given more upbeat cues from Wall Street overnight and morning gains by Nikkei and Kospi. With declines in UST bonds overnight amid the glimmer of hope that OPEC+ may return to the negotiation table, SGS bonds may unwind some of yesterday's gains today.

**Indonesia:** Bank Indonesia's Governor Perry Warjiyo stressed that 20,000 for USDIDR is neither a target nor an expectation by the authorities, but merely for scenario planning in case the economic situation gets worse. Earlier, press reports have suggested that Rupiah might experience such depreciation pressure. Separately, BI also reiterated that there is no plan for capital controls, since Indonesia still needs foreign fund inflows to finance the current account deficit.

**Malaysia:** Malaysia's Plantation Minister said that it is discussing with Sabah's chief minister on how to reopen palm oil operations that have been shut in six districts due to the MCO. Separately, BNM is scheduled to publish its economic outlook today, in which there are expectations for it to downgrade its growth forecasts from above 4% yoy previously.

**Oil:** US President Trump has claimed that the US has brokered a deal to get Russia and Saudi Arabia to lead the frontlines of a global output cut by 10-15mbpd. Details remain sketchy at this point and crude oil prices are still down on the day at time of writing. The amount of output reduction (10-15mbpd) is supposed to match the expected 20% decline in demand in Q2 (or April at the very least). The US also said that the US has not agreed to cut its own production – which probably explains why the market is sceptical at the moment, given that the US is the largest producer and such a large cut would require its participation.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 5-8bps lower, while the belly and the longer tenors traded around 8-9bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 271bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 1141bps. The HY-IG Index Spread widened 6bps to 870bps. Flows in SGD corporates were moderate, with flows in SOCGEN 6.125%-PERPs and DBSSP 3.98%-PERPs. 10Y UST Yields gained 2bps to 0.6% despite a record rise in the U.S. weekly jobless claims to over 6.6mn. On the other hand, President Trump said that he expects Saudi Arabia and Russia to end their price war on oil.

**New Issues:** Qatar has mandated banks for its proposed USD bond offering.

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3 April 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.180	0.51%	USD-SGD	1.4312	-0.34%
USD-JPY	107.910	0.69%	EUR-SGD	1.5541	-1.30%
EUR-USD	1.0858	-0.97%	JPY-SGD	1.3256	-1.08%
AUD-USD	0.6061	-0.16%	GBP-SGD	1.7735	-0.19%
GBP-USD	1.2396	0.20%	AUD-SGD	0.8672	-0.54%
USD-MYR	4.3570	-0.14%	NZD-SGD	0.8462	-0.40%
USD-CNY	7.0858	-0.20%	CHF-SGD	1.4689	-1.20%
USD-IDR	16495	0.27%	SGD-MYR	3.0475	0.24%
USD-VND	23600	--	SGD-CNY	4.9510	0.00%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4680	0.30%	O/N	0.1088	-1.03%
2M	-0.3360	-1.03%	1M	1.0163	2.34%
3M	-0.3430	2.34%	2M	1.2445	-1.65%
6M	-0.2760	-1.65%	3M	1.4365	-1.40%
9M	-0.1940	-1.40%	6M	1.1953	2.00%
12M	-0.1680	2.00%	12M	1.0024	0.49%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.047	4.7	0.012	0.077
10/06/2020	0.022	-2.5	0.005	0.071
29/07/2020	0.027	0.5	0.007	0.072
16/09/2020	0.027	0	0.007	0.072
05/11/2020	0.039	1.2	0.01	0.076
16/12/2020	0.03	-0.8	0.008	0.073

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	25.32	24.7%	Corn (per bushel)	3.3350	-0.4%
Brent (per barrel)	29.94	21.0%	Soybean (per bushel)	8.588	-0.5%
Heating Oil (per gallon)	0.9951	6.7%	Wheat (per bushel)	5.4175	-1.5%
Gasoline (per gallon)	0.6628	21.3%	Crude Palm Oil (MYR/MT)	2,398.0	-3.8%
Natural Gas (per MMBtu)	1.5520	-2.2%	Rubber (JPY/KG)	129.8	-1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,897	2.0%	Gold (per oz)	1,614.0	1.4%
Nickel (per mt)	11,313	0.5%	Silver (per oz)	14.489	3.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
DJIA	21,413.44	469.93
S&P	2,526.90	56.40
Nasdaq	7,487.31	126.73
Nikkei 225	17,818.72	-246.69
STI	2,453.03	12.76
KLCI	1,330.90	8.24
JCI	4,531.69	65.65
Baltic Dry	624.00	--
VIX	50.91	-6.15

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.59 (-0.13)	0.23 (+0.02)
5Y	0.78 (-0.21)	0.38 (+0.03)
10Y	1.10 (-0.19)	0.60 (+0.01)
15Y	1.34 (-0.15)	--
20Y	1.46 (-0.15)	--
30Y	1.50 (-0.12)	1.24 (+0.02)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	11.42	0.12
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.01
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/03/2020 08:30	AU	Retail Sales MoM	Feb	0.40%	--	-0.30%	--
04/03/2020 08:30	HK	Markit Hong Kong PMI	Mar	--	--	33.1	--
04/03/2020 08:30	JN	Jibun Bank Japan PMI Services	Mar F	--	--	32.7	--
04/03/2020 08:30	JN	Jibun Bank Japan PMI Composite	Mar F	--	--	35.8	--
04/03/2020 09:45	CH	Caixin China PMI Services	Mar	39	--	26.5	--
04/03/2020 09:45	CH	Caixin China PMI Composite	Mar	--	--	27.5	--
04/03/2020 13:00	SI	Retail Sales YoY	Feb	-8.40%	--	-5.30%	--
04/03/2020 15:30	TH	Foreign Reserves	Mar-27	--	--	\$219.9b	--
04/03/2020 15:55	GE	Markit Germany Services PMI	Mar F	34.2	--	34.5	--
04/03/2020 15:55	GE	Markit/BME Germany Composite PMI	Mar F	36.8	--	37.2	--
04/03/2020 16:00	EC	Markit Eurozone Composite PMI	Mar F	31.4	--	31.4	--
04/03/2020 20:30	US	Change in Nonfarm Payrolls	Mar	-100k	--	273k	--
04/03/2020 20:30	US	Unemployment Rate	Mar	3.80%	--	3.50%	--
04/03/2020 21:00	SI	Purchasing Managers Index	Mar	47	--	48.7	--
04/03/2020 22:00	US	ISM Non-Manufacturing Index	Mar	43	--	57.3	--

Source: Bloomberg

## Treasury Research & Strategy

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