

Daily Treasury Outlook

4 June 2020

Highlights

Global: Is the equity market rally unstoppable? A better than expected print for the May ADP report which came in at -2.76m versus market forecast of -9m led to hopes that Friday's nonfarm payroll could similarly surprise on the upside as many states reopen. The S&P500 added another 1.36% and VIX fell to 25.66, even though the Trump administration is suspending passenger flights to the US by Chinese airlines from 16 June in retaliation. UST bonds bear-steepened again with the 10-year yield up to 0.75%. The 3-month LIBOR eased to 0.3266%. Brent however failed to hold above the \$40 handle after news suggesting that an OPEC+ meeting was unlikely to materialise this week. Meanwhile, the Bank of Canada kept its policy rate static at 0.25% as expected, indicating that the Covid-19 impact may have peaked and Tiff Macklem taking over the reins as governor. HK Financial Secretary Paul Chan also said that its USD peg is underpinned by about \$440b of FX reserves and HK can tap a currency swap line with the PBOC if necessary. Elsewhere, Australia reported its first recession in nearly 30 years with 1Q20 GDP growth contracting 0.3% qoq (+1.4% yoy).

Market watch: Asian markets may attempt to extend gains this morning, awaiting fresh cues from the ECB that is likely to add to its emergency bond purchase program whilst keeping its interest rates static. ECB chief Lagarde may shed more light at her press conference about how much policy ammunition is still in the pipeline. Today's economic data comprises Thailand's CPI, Malaysia's April trade data, Eurozone's retail sales, US' initial jobless claims, and Challenger job cuts.

US: The non-manufacturing ISM rose from 41.8 in April to 45.4 in May, while April factor orders slumped 13.0%.

Singapore: The manufacturing and electronics PMIs both rebounded to 46.8 and 46.2 respectively in May from April lows of 44.7 and 42.8. Improvements were seen in the new orders, new exports, output and employment gauges, albeit they remained in contraction territory (<50). With the lifting of the Circuit Breaker, June PMIs may improve further but a cautious phased re-opening may mean it would take more than a month to return to expansion territory. Note the supplier deliveries indices for both the domestic manufacturing and electronics PMIs actually slid further to 49.0 and 47.6 respectively in May, which may point to global supply chain disruptions not fully resolving yet. However, the Singapore whole economy PMI slid further from 28.1 in April to a fresh low of 27.1 in May as output and demand plummeted and businesses shut for Circuit Breaker. Business confidence had slumped to a record low with around 90% of companies registering a lower intake of new work as overseas demand sank. In particular, purchasing activity fell at a record pace and employment fell to its weakest since February, albeit it was a tad better than April.

The Singapore-China "fast lane" arrangement for essential travel will start on 8 June, and travellers who are approved must take a Covid-19 swab test within 48 hours before departure and another test upon arrival. They must remain isolated for one to two days while waiting for test results. The costs for the tests will be covered by the traveller.

Key Market Movements

Equity	Value	% chg
S&P 500	3122.9	1.4%
DJIA	26270	2.0%
Nikkei 225	22614	1.3%
SH Comp	2923.4	0.1%
STI	2700.4	3.4%
Hang Seng	24326	1.4%
KLCI	1538.5	2.0%
Currencies	Value	% chg
DXY	97.276	-0.4%
USDJPY	108.9	0.2%
EURUSD	1.1233	0.6%
GBPUSD	1.2575	0.2%
USDIDR	14095	-2.2%
USDSGD	1.3979	-0.2%
SGDMYR	3.0510	-0.1%
Rates	Value	chg (bp)
3M UST	0.15	0.76
10Y UST	0.75	6.06
1Y SGS	0.27	-1.00
10Y SGS	0.92	7.51
3M LIBOR	0.33	-0.66
3M SIBOR	0.56	0.00
3M SOR	0.19	1.93
Commodities	Value	% chg
Brent	39.79	0.6%
WTI	37.29	1.3%
Gold	1700	-1.6%
Silver	17.65	-2.3%
Palladium	1947	-1.4%
Copper	5525	-0.1%
BCOM	63.90	0.2%

Source: Bloomberg

Daily Treasury Outlook

4 June 2020

Major Markets

US: US markets gained with the S&P500 index closing 1.36% higher, its first four-day consecutive gains since early February. Optimism about the reopening of US economy and a barrage of government stimulus continues to push stocks including energy, financials, industrials and airlines higher. Rising US-China tensions might cap the rally eventually, but broad market sentiment still seems to be risk-on for now.

EU: Eurozone services and composite PMIs improved to 30.5 and 31.9 respectively, with Germany, France and Italy reporting similar trends. Meanwhile, German Chancellor Merkel has reconvened stimulus talks for up to EUR100b after failing to reach an agreement on Tuesday.

UK: BOE told banks to prepare for the possibility of a no-deal in post-Brexit talks with the EU. Meanwhile, PM Johnson said he will give up to 3m HK residents the path to citizenship if China proceeds with the security law for HK.

China: RMB's gain was capped by the escalation of further US-China tension as Trump Administration is suspending passenger flights to the US by Chinese airlines effective from 16 June despite the broad dollar weakness. The development of US-China relationship will continue to be on investors' radar.

Hong Kong: The PMI rebounded strongly to 43.9 in May from 36.9 in April, a tad below 46.8 in January before the outbreak of coronavirus. New orders and output dropped at the slowest pace since January while orders from Mainland China also decreased at the mildest rate in a year. This was mainly attributed to the relaxation of local containment measures and the resumption of China's economic activities. Besides, sub-index of employment rebounded as well thanks to the relief measures. Taken all together, it suggests that HK's economy may have bottomed out.

Singapore: The STI surged 3.4% to close up at 270101.39 yesterday, touching the 2700 handle for the first time since 11 March. With the UST curve continuing to sell off, led by the longer-dated tenors, SGS bonds may also remain under pressure, with the upcoming mini-auction of the 30-year SGS bond likely to weigh as well.

Indonesia: Finance Minister Sri Mulyani has revised up the budget deficit target yet again to 6.34% of GDP, not long after changing it from 5.07% to 6.27%. She added that the economy will expand less than the 2.3% currently forecast for 2020, although still hoping that it would still stay positive. Earlier, President Jokowi has reportedly instructed the officials to mitigate fiscal risk amid concerns about credit rating downgrade.

Malaysia: Malaysia is due to report its April trade data today. We expect to see further softness in the prints, with exports likely to contract by 13%yoy, compared to -4.7% growth in March. Imports are expected to dip by 15.6% yoy, vs. by 2.7% before. Apart from trade data, market will be on the lookout for renewed wave of political uncertainties, after former PM Najib weighed in on the possibility of snap elections.

Daily Treasury Outlook

4 June 2020

Oil: Oil prices rose yesterday, with Brent briefly trading above \$40/bbl but ultimately closing at \$39.79/bbl. Saudi Arabia and Russia have reportedly reached a deal to extend the current supply cuts of 9.7mbpd by one more month to July, but wants assurances that Iraq will comply with its allocated quota. Iraq produced 600kbpd more than its target in May, according to Bloomberg estimates.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 0-6bps higher while the belly and the longer tenors traded 7-13bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 5bps to 216bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 36bps to 848bps. The HY-IG Index Spread tightened 31bps to 632bps. Flows in SGD corporates were heavy, with flows in CMZB 4.875%'27s, ARASP 5.65%-PERPs, OCBCSP 3.8%-PERPs, SOCGEN 6.125%-PERPs, UBS 4.85%-PERPs, LBBW 3.75%'27s, WINGTA 4.35%-PERPs, HRINTH 3.8%'25s, SOCGEN 4.3%'26s and UOBSP 4%-PERPs. 10Y UST Yields gained 6bps to 0.75%, as the U.S. private payrolls for May fell less than expected as businesses reopened.

New Issues: Singtel Group Treasury Pte Ltd (Guarantor: Singapore Telecommunications Ltd.) priced a USD750mn 10-year bond at T+123bps, tightening from IPT of T+170bps area. Kaisa Group Holdings Ltd priced a USD300mn 364day bond at 7.875%, tightening from IPT of 8.375% area. Yinchuan Tonglian Capital Investment Operation Co., Ltd priced a USD260mn 3-year bond at 4.45%, tightening from IPT of 4.75% area. The Export-Import Bank of China priced a USD200mn 5-year bond at 1.0%. Korea South-East Power Co Ltd has mandated banks for a possible USD bond offering.

Daily Treasury Outlook

4 June 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.276	-0.41%	USD-SGD	1.3979	-0.18%
USD-JPY	108.900	0.20%	EUR-SGD	1.5703	0.40%
EUR-USD	1.1233	0.56%	JPY-SGD	1.2836	-0.35%
AUD-USD	0.6921	0.35%	GBP-SGD	1.7577	--
GBP-USD	1.2575	0.19%	AUD-SGD	0.9676	0.21%
USD-MYR	4.2620	-0.34%	NZD-SGD	0.8981	0.71%
USD-CNY	7.1157	0.20%	CHF-SGD	1.4545	-0.01%
USD-IDR	14095	-2.22%	SGD-MYR	3.0510	-0.08%
USD-VND	23264	0.03%	SGD-CNY	5.0980	0.55%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4780	-0.40%	O/N	0.0650	0.30%
2M	-0.3360	0.30%	1M	0.1788	0.06%
3M	-0.3300	0.06%	2M	0.2454	-0.96%
6M	-0.1820	-0.96%	3M	0.3305	-0.66%
9M	-0.1940	-0.66%	6M	0.4820	-1.43%
12M	-0.1070	-1.43%	12M	0.6255	-1.20%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	-0.015	-1.5	-0.004	0.058
29/07/2020	-0.015	0	-0.004	0.058
16/09/2020	-0.066	-5.1	-0.017	0.045
05/11/2020	-0.123	-5.7	-0.031	0.031
16/12/2020	-0.089	3.4	-0.022	0.039
27/01/2021	-0.135	-4.6	-0.034	0.027

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	37.29	1.3%	Corn (per bushel)	3.2400	-0.1%
Brent (per barrel)	39.79	0.6%	Soybean (per bushel)	8.575	0.8%
Heating Oil (per gallon)	1.0646	-2.5%	Wheat (per bushel)	5.1200	0.8%
Gasoline (per gallon)	1.1193	0.1%	Crude Palm Oil (MYR/MT)	2,474.0	0.6%
Natural Gas (per MMBtu)	1.8210	2.5%	Rubber (JPY/KG)	130.1	-2.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,525	-0.1%	Gold (per oz)	1,699.7	-1.6%
Nickel (per mt)	12,867	0.1%	Silver (per oz)	17.652	-2.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,269.89	527.24
S&P	3,122.87	42.05
Nasdaq	9,682.91	74.54
Nikkei 225	22,613.76	288.15
STI	2,700.39	88.76
KLCI	1,538.53	30.84
JCI	4,941.01	93.50
Baltic Dry	546.00	--
VIX	25.66	-1.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.31 (+0.01)	0.19 (+0.03)
5Y	0.51 (+0.04)	0.37 (+0.05)
10Y	0.92 (+0.08)	0.75 (+0.06)
15Y	1.09 (+0.06)	--
20Y	1.30 (+0.06)	--
30Y	1.31 (+0.06)	1.53 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	13.95	-0.11
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.07
-------------	------

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/04/2020 07:00	SK	BoP Current Account Balance	Apr	--	-\$3124.3m	\$6231.7m	\$5960.5m
06/04/2020 09:00	NZ	ANZ Commodity Price	May	--	--	-1.10%	--
06/04/2020 09:30	AU	Retail Sales MoM	Apr	-17.90%	--	8.50%	--
06/04/2020 09:30	AU	Trade Balance	Apr	A\$7500m	--	A\$10602m	--
06/04/2020 11:00	TH	CPI YoY	May	-3.21%	--	-2.99%	--
06/04/2020 11:00	TH	CPI Core YoY	May	0.31%	--	0.41%	--
06/04/2020 16:30	UK	Markit/CIPS UK Construction PMI	May	29.4	--	8.2	--
06/04/2020 19:45	EC	ECB Main Refinancing Rate	Jun-04	0.00%	--	0.00%	--
06/04/2020 19:45	EC	ECB Deposit Facility Rate	Jun-04	-0.50%	--	-0.50%	--
06/04/2020 19:45	EC	ECB Marginal Lending Facility	Jun-04	0.25%	--	0.25%	--
06/04/2020 20:30	US	Trade Balance	Apr	-\$49.2b	--	-\$44.4b	--
06/04/2020 20:30	US	Initial Jobless Claims	May-30	1843k	--	2123k	--
06/04/2020 20:30	US	Continuing Claims	May-23	20000k	--	21052k	--
06/04/2020 20:30	CA	Int'l Merchandise Trade	Apr	-3.00b	--	-1.41b	--
06/04/2020 21:45	US	Bloomberg Consumer Comfort	May-31	--	--	35.5	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*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).