

Highlights

Global: Global risk appetite remained buoyant, aided by a positive manufacturing ISM print of 54.2 (highest since March 2019) and President Trump's suggestion he may take executive action to halt evictions even with the Congressional impasse. Fed's Evans had warned that "something be done" on the fiscal side or it would be "very costly for the economy", while Barkin also opined that "quickly pulling away the support...would be a pretty traumatic move". The S&P500 added 0.72% overnight with Nasdaq notching up another record (with Apple at a record high) and VIX fell to 24.2846. Note, Trump has delivered an ultimatum to TikTok's US operations to be sold by September 15 and sought a substantial payment for the transaction. Meanwhile, the UST bonds lost ground and bear-steepened amid a heavy IG issuance (eg. Alphabet's jumbo \$10b bond) and the US Treasury department announcement of \$947b supply (+\$270b) for the three months through September (assuming another \$1tn in fresh fiscal stimulus), with the 10-year bond yield at 0.56%.

Market watch: Asian markets may adopt a more risk-on tone today. Key market focus will be the RBA policy decision where an acknowledgement of the Covid-19 resurgence risks in the state of Victoria could materialise even if there is no actual adjustment to policy settings currently at 0.25% for both the cash target rate and the 3-year yield. Today's economic data calendar is very light with only US' June factory orders and June final durable goods orders.

US: The manufacturing ISM's new orders, prices paid, and employment gauges all improved in July to 61.5, 53.2 and 44.3, respectively. Meanwhile, Fed's Bullard opined that "July numbers will turn out to be flatter than May and June" but "it is going to be a rapid quarter" in 3Q20. He also noted there is a "lot more sympathy...for overshooting the target in some circumstances as a way to come back toward 2% inflation on average over a longer period of time", but "the committee is not quite at a final decision".

PMIs: Regional manufacturing PMI cues showed two distinct camps with China's Caixin ahead at 52.8, Taiwan back in expansion territory, and South Korea, Indonesia, Thailand, Japan playing catch-up in July. However, there was a retreat from June levels for Malaysia (back to just 50), the Philippines (48.4) and Vietnam (which slumped from 51.1 to 47.6), possibly due to the Covid-19 resurgence.

UK: Officials may be planning to lockdown London under the "Contain Strategy" in preparation for a resurgence of Covid-19 in the months ahead.

Key Market Movements

Equity	Value	% chg
S&P 500	3294.6	0.7%
DJIA	26664	0.9%
Nikkei 225	22195	2.2%
SH Comp	3368.0	1.8%
STI	2484.9	-1.8%
Hang Seng	24458	-0.6%
KLCI	1572.6	-1.9%
	Value	% chg
DXY	93.542	0.2%
USDJPY	105.95	0.1%
EURUSD	1.1762	-0.1%
GBPUSD	1.3075	-0.1%
USDIDR	14630	0.2%
USDSGD	1.3761	0.1%
SGDMYR	3.0724	-0.6%
	Value	chg (bp)
3M UST	0.08	0.00
10Y UST	0.55	2.61
1Y SGS	0.31	0.00
10Y SGS	0.80	-0.44
3M LIBOR	0.25	-0.23
3M SIBOR	0.44	0.00
3M SOR	0.16	0.00
	Value	% chg
Brent	44.15	1.4%
WTI	41.01	1.8%
Gold	1977	0.1%
Silver	24.30	-0.4%
Palladium	2095	0.2%
Copper	6490	1.2%
BCOM	69.90	1.8%

Source: Bloomberg

Daily Treasury Outlook

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SG: The National Wages Council will reconvene again. The manufacturing PMI finally resurfaced to the expansion territory at 50.2 in July, jumping 2.2 points after contracting for the previous five months. However, the employment (49.1 versus 49.4 previously) and supplier deliveries (48.6 versus 49.8 previously) gauges were the exception where a faster pace of contraction were seen, which suggests that the improvement in manufacturers' sentiments did not extend to greater hiring intentions yet and global supply disruptions had eased but not fully subsided. The 50 handle also eluded the domestic electronics PMI which climbed a smaller 1.6 points to 49.2 in July and marked its sixth straight month in contraction territory. Given the long tail of the Covid-19 pandemic, the 2H20 recovery may also be bumpy and potentially run into some speedbumps ahead.

Major Markets

US: Manufacturing ISM reading for July rose to 54.2 from 52.6 in June, beating market expectations and pointing to stabilising production, even as doubts remain over the sustainability of the current economic recovery. The S&P 500 Index was up 0.7% and the NASDAQ Composite index by 1.5%, powered by tech stocks with Apple touching an all-time high. In the near term, we expect the market to stick to its bullish tilt but adopt increasing caution over stalled US fiscal stimulus talks in Congress.

CN: China's central bank echoed the tone from the Politburo meeting last week that monetary policy will be more flexible and targeted in the second half of 2020 and will guide China's money supply growth and aggregate social financing growth significantly higher than the level last year. Meanwhile, PBoC also said it will continue to push the opening of domestic financial system and completed the establishment of its negative list for foreign investors.

Macau: Gaming revenue plunged by over 90% yoy for the fourth consecutive month and was down by 94.5% yoy to MOP1.34 billion. Though Macau and Guangdong formed a "travel bubble" from 15 July, visitor arrivals did not show strong rebound. Neither did the gaming revenue. This is mainly due to several unfavorable factors including the limited access of Mainlanders to Macau under the "travel bubble", the ongoing China's ban on individual tourist visa and global travel restrictions, China's economic slowdown as well as a relatively strong MOP. Moving forward, unless there is effective vaccine, any recovery in the gaming sector and tourism sector will likely be sluggish. In conclusion, we hold onto our view that gaming revenue (-79.8% yoy during the first seven months) will plunge over 50% yoy in 2020.

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Taiwan: Manufacturing PMI returned to the expansion territory for the first time since March, rebounding to 50.6 in July. It reflected that the operating condition is improving with the decline of overseas orders slowing down while the new orders registering the first growth since January. Meanwhile, output index ended its downtrend for the fifth consecutive month. Moving forward, with the global economic resumption and China's recovery, the operating condition is likely to improve further in the coming months. Nevertheless, the resurgence of Covid-19 remains the major uncertainty for manufacturing sector in 3Q and 4Q.

Singapore: The STI extended declines by another 1.78% to close at 2484.91 yesterday but may carve a firmer path today on more positive cues from Wall Street overnight and KOSPI this morning. SGS bonds may see some selling pressure emerge as well amid the overnight bear-steepening in the UST bond market.

Malaysia: Malaysia's July PMI came in right smack at the 50.0 breakeven level signalling that when it comes to whether sentiment is on the mend for the manufacturing sector, respondents are on the fence. The reading marks a decline from the 51.0 we saw in June, amid virus resurgence concerns globally. USDMYR ticked up slightly by 0.1% to 4.2415 partly as a result.

Indonesia: Indonesia reported its July CPI prints, with headline inflation at 1.54% yoy, the lowest since 2000. It is also the second month running in which the inflation prints came in below the 2-4% range targeted by the central bank. In and of its own, we do not think the low inflation print would prompt the central bank to ease rate further (when it meets next on 19 Aug). BI has signalled it will focus on quantitative easing measures, rather than cutting interest rates, in view of the need to preserve interest rate differential to attract fund inflows

Gold: Gold continues its ascent, closing at a new high of \$1976.98/oz despite ending the session lower than it had started. The gold-silver ratio has meanwhile stabilized in the past week in the range of 80-85.

Oil: Brent rose 1.5% to \$44.15/bbl yesterday but remains in its price consolidation range.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading slightly lower while the longer tenors traded 1-3bps higher with the exception of the 10-year traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 177bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 704bps. The HY-IG Index Spread widened 1bps to 527bps. Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, NTUCSP 3.1%'50s, OLAMSP 5.5%-PERPs, CMZB 4.875%'27s, SRENVX 3.125%'35s, STANLN 5.375%-PERPs, HSBC 4.7%-PERPs, HRINTH 3.8%'25s, STTGDC 3.13%'28s, CS 5.625%-PERPs, HSBC 5%-PERPs, NOLSP 4.4%'21s and CAPLSP 3.08%'27s. 10Y UST Yields gained 3bps to 0.56% as upbeat manufacturing data across the US, Europe and China suggested sign for global economic recovery.

New Issues: Powerlong Real Estate Holdings Ltd priced a USD200mn WNG 4NC2 bond at 6.5%, tightening from IPT of 7% area. CICC Hong Kong Finance 2016 MTN Ltd (Guarantor: China International Capital Corp Hong Kong Ltd) priced a USD500mn 3-year bond at T+170bps, tightening from IPT of T+225bps area. KWG Group Holdings Limited priced a USD200mn 5-year bond at 5.95%. CMB Financial Leasing Co., Ltd. has arranged investor calls commencing 3 August 2020 for its proposed USD bond offering. Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) has arranged investor calls commencing 3 August 2020 for its proposed USD bond offering. Pandita Industries Limited has arranged investor calls commencing 4 August 2020 for its proposed USD bond offering. Zhongtai Financial International Limited has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.542	0.21%	USD-SGD	1.3761	0.12%
USD-JPY	105.950	0.11%	EUR-SGD	1.6186	-0.03%
EUR-USD	1.176	-0.14%	JPY-SGD	1.2988	0.02%
AUD-USD	0.712	-0.27%	GBP-SGD	1.7994	0.03%
GBP-USD	1.308	-0.08%	AUD-SGD	0.9802	-0.17%
USD-MYR	4.221	-0.44%	NZD-SGD	0.9099	-0.15%
USD-CNY	6.981	0.08%	CHF-SGD	1.4994	-0.39%
USD-IDR	14630	0.21%	SGD-MYR	3.0724	-0.62%
USD-VND	23166	0.00%	SGD-CNY	5.0733	-0.19%

Equity and Commodity

Index	Value	Net change
DJIA	26,664.40	236.08
S&P	3,294.61	23.49
Nasdaq	10,902.80	157.53
Nikkei 225	22,195.38	485.38
STI	2,484.91	-44.91
KLCI	1,572.61	-31.14
JCI	5,006.22	-143.40
Baltic Dry	1,350.00	2.00
VIX	24.28	-0.18

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5100	-0.52%	O/N	0.0873	0.09%
2M	-0.3360	-0.34%	1M	0.1549	0.16%
3M	-0.4630	-0.46%	2M	0.1961	0.21%
6M	-0.4070	-0.40%	3M	0.2488	0.25%
9M	-0.1940	-0.20%	6M	0.3061	0.31%
12M	-0.3330	-0.33%	12M	0.4486	0.46%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-)	0.11(-)
5Y	0.5 (-)	0.22 (+0.01)
10Y	0.8 (-)	0.55 (+0.03)
15Y	1.04 (-)	--
20Y	1.09 (-)	--
30Y	1.06 (-)	1.21 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.091	-9.1	0.061	0.061
11/05/2020	-0.109	-1.8	0.056	0.056
12/16/2020	-0.162	-5.3	0.043	0.043
01/27/2021	-0.205	-4.3	0.032	0.032
03/17/2021	-0.278	-7.3	0.014	0.014

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	0.70	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.01	1.84%	Corn (per bushel)	3.175	0.5%
Brent (per barrel)	44.15	1.96%	Soybean (per bushel)	8.975	0.0%
Heating Oil (per gallon)	124.09	1.96%	Wheat (per bushel)	5.210	-1.9%
Gasoline (per gallon)	121.31	2.19%	Crude Palm Oil (MYR/MT)	28.500	2.5%
Natural Gas (per MMBtu)	2.10	16.79%	Rubber (JPY/KG)	1.636	0.5%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6490.00	1.20%	Gold (per oz)	1977.0	0.1%
Nickel (per mt)	13945.00	1.15%	Silver (per oz)	24.3	-0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/04/2020 07:00	SK CPI YoY	Jul 0.3%	0.3%	0.0%	--
08/04/2020 07:00	SK CPI MoM	Jul 0.1%	0.0%	0.2%	--
08/04/2020 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jul 0.1%	0.4%	0.2%	--
08/04/2020 07:30	JN Tokyo CPI YoY	Jul 0.3%	0.6%	0.3%	--
08/04/2020 07:50	JN Monetary Base YoY	Jul --	9.8%	6.0%	--
08/04/2020 09:30	AU Retail Sales MoM	Jun 2.4%	--	16.9%	--
08/04/2020 09:30	AU Trade Balance	Jun A\$8800m	--	A\$8025m	--
08/04/2020 12:30	AU RBA Cash Rate Target	01-Aug 0.3%	--	0.3%	--
08/04/2020 14:30	AU Commodity Index SDR YoY	Jul --	--	-11.4%	--
08/04/2020 14:30	AU Commodity Index AUD	Jul --	--	95.80	--
08/04/2020 21:30	CA Markit Canada Manufacturing PMI	Jul --	--	47.80	--
08/04/2020 22:00	US Durable Goods Orders	Jun F 7.3%	--	7.3%	--
08/04/2020 22:00	US Factory Orders	Jun 5.0%	--	8.0%	--
08/04/2020 22:00	US Durables Ex Transportation	Jun F 3.3%	--	3.3%	--
08/04/2020 22:00	US Cap Goods Orders Nondef Ex Air	Jun F --	--	3.3%	--

Source: Bloomberg

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