

Daily Treasury Outlook

4 September 2020

Highlights

Global: Tech stocks freefall. The Nasdaq composite index declined 5.0% yesterday, with the likes of Tesla, Apple and Amazon dipping 9.0%, 8.0%, and 4.6% respectively. After a heady run up in tech valuations, it appears investors may be taking profit on what seems to be relatively elevated equity levels and may signal the beginning of fund rotation from growth to value equities. Meanwhile US initial jobless claims and continuing claims came in better than expected, with the former at 881k (est: 950k) and the latter at 13.25mn (est: 14.00mn), which sets up a nervy Friday session ahead of the US nonfarm payrolls report. The jobs numbers tonight will probably be a precursor to how much more dovish we can expect the FOMC to be when they convene in two weeks, with Fed President Evans and Bostic recently downplaying the chances of updated rate guidance in the upcoming meeting. Finally, US House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin have agreed to work on avoiding a government shutdown this October (recall the US government was last shut down in January 2019).

Market watch: Asian markets are largely expected to open in the red today, following the massive selloff in US tech shares overnight. Today's key data will be the all-important US nonfarm payrolls, with median expectations of a 1.35 million increase. Other data to watch include the US unemployment rate alongside the host of other US labour market indicators, ECB's Villeroy speech at Giverny, Philippines' CPI and bank lending, and Singapore's retail sales.

UK: Bank of England Deputy Governor Dave Ramsden said that the central bank has the capacity to raise the size and pace of its bond purchase programme if needed.

SG: We expect retail sales growth for July at -20.1% yoy, a steeper contraction than the median estimate of -15.0% yoy but still an improvement from June's -27.8% yoy.

Gold: Gold fell 0.7% yesterday to \$1930.91/oz despite the equity selloff, as the strengthening of the dollar added downward pressure on the precious metal. The \$1930 level will likely be an important support level for gold.

Oil: Brent lost 0.8% to close yesterday at \$44.07/bbl, as negative spillover effects from the tech selloff dampened risk sentiment.

Key Market Movements

Equity	Value	% chg
S&P 500	3455.1	-3.5%
DJIA	28293	-2.8%
Nikkei 225	23466	0.9%
SH Comp	3385.0	-0.6%
STI	2531.8	-0.3%
Hang Seng	25008	-0.4%
KLCI	1515.4	-1.4%
	Value	% chg
DXY	92.739	-0.1%
USDJPY	106.19	0.0%
EURUSD	1.1852	0.0%
GBPUSD	1.3281	-0.5%
USDIDR	14778	0.2%
USDSGD	1.3646	0.2%
SGDMYR	3.0379	-0.2%
	Value	chg (bp)
3M UST	0.10	0.00
10Y UST	0.63	-1.30
1Y SGS	0.30	0.00
10Y SGS	0.97	-0.33
3M LIBOR	0.25	0.01
3M SIBOR	0.41	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	44.07	-0.8%
WTI	41.37	-0.3%
Gold	1931	-0.6%
Silver	26.59	-3.1%
Palladium	2307	2.6%
Copper	6564	-2.0%
BCOM	72.30	-0.7%

Source: Bloomberg

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4 September 2020

Major Markets

US: The S&P 500 index fell 3.5% and the Nasdaq 100 composite index declined 5%. US equities closed in the red, led by a massive selloff in tech stocks over tech valuation concerns. We expect markets to trade sideways today ahead of tonight's US nonfarm payrolls.

CN: China's Commerce Ministry said China will unveil the negative list for cross border service trade to further open China's service trade sector. China expects service import will exceed US\$10 trillion in the next 15 years.

TH: Thailand reports its first locally transmitted coronavirus case after 100 days of zero local transmissions.

SG: The STI lost 0.3% yesterday and is expected to trade in the red for the rest of today's session. We see support for the STI at the 2500 level.

Malaysia: Malaysia is reporting its August forex reserves today that may see an uptick from previous \$104.3bn. Data is light otherwise for Malaysia today, and onshore market is likely to take cues from the drop in US equity markets overnight, even though regional futures are pointing to shallower pullbacks.

Indonesia: Indonesia's Economics Minister, Airlangga Hartarto, said overnight that the government is opposed to a proposal by a parliamentary legislative committee to set up a monetary board. The proposal has caused market unease as it is seen as potentially damaging to the central bank independence. The minister said that the government has not discussed the proposals yet, but the point of the review is "to avoid delayed policymaking as before, especially during a crisis situation like this."

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4 September 2020

Bond Market Updates

Market Commentary: The SGD swap curve slightly fell yesterday, bear flattening with the shorter and belly tenors trading 1bps lower while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 166bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 645bps. The HY-IG Index Spread tightened 1bps to 478bps. Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, HSBC 5%-PERPs, STANLN 5.625%-PERPs, TMGSP 4.05%'25s and SOCGEN 6.125%-PERPs. 10Y UST Yields fell 1bps to 0.64%, on the back of a US stock market selloff led by big tech names. S&P 500 and Nasdaq were down by 3.5% and 5% respectively.

New Issues: Bank of Communications Co Ltd/Hong Kong priced a USD350mn 3-year bond at 3m-US LIBOR+80bps, tightening from IPT of 3m-US LIBOR+120bps area and another USD800mn 5-year bond at T+105bps, tightening from IPT of T+150bps area respectively. Panther Ventures Ltd. (Guarantor: CK Asset Holdings Ltd.) priced a USD300mn senior PerpNC3 at 3.80%, tightening from IPT of 4.25% area. FPC Resources Limited (Guarantor: First Pacific Company Limited) priced a USD350mn 7NC4 bond at 4.375%, tightening from IPT of 4.75% area. Zhenro Properties Group Ltd priced a USD350mn green bond at 7.4%, tightening from IPT of 7.80% area. AIA Group Ltd. has arranged investor calls commencing 7 September 2020 for its proposed USD bond offering.

Daily Treasury Outlook

4 September 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.739	-0.12%	USD-SGD	1.3646	0.15%
USD-JPY	106.190	0.01%	EUR-SGD	1.6173	0.12%
EUR-USD	1.185	-0.03%	JPY-SGD	1.2851	0.16%
AUD-USD	0.727	-0.89%	GBP-SGD	1.8124	-0.37%
GBP-USD	1.328	-0.52%	AUD-SGD	0.9926	-0.72%
USD-MYR	4.144	0.00%	NZD-SGD	0.9160	-0.72%
USD-CNY	6.849	0.15%	CHF-SGD	1.5006	0.37%
USD-IDR	14778	0.22%	SGD-MYR	3.0379	-0.19%
USD-VND	23165	0.00%	SGD-CNY	5.0153	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5070	-0.51%	O/N	0.0825	0.08%
2M	-0.3360	-0.34%	1M	0.1548	0.16%
3M	-0.4780	-0.48%	2M	0.1994	0.20%
6M	-0.4510	-0.44%	3M	0.2513	0.25%
9M	-0.1940	-0.20%	6M	0.2878	0.30%
12M	-0.3890	-0.37%	12M	0.4250	0.43%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.047	-4.7	0.072	0.072
11/05/2020	-0.071	-2.4	0.067	0.067
12/16/2020	-0.102	-3.2	0.059	0.059
01/27/2021	-0.147	-4.4	0.047	0.047
03/17/2021	-0.178	-3.1	0.04	0.04
04/28/2021	-0.187	-0.9	0.038	0.038
06/16/2021	-0.197	-1	0.035	0.035
07/28/2021	-0.207	-1	0.032	0.032
09/22/2021	-0.254	-4.8	0.021	0.021
11/03/2021	-0.227	2.8	0.027	0.027
12/15/2021	-0.256	-2.9	0.02	0.02
01/26/2022	-0.277	-2.1	0.015	0.015

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.37	-0.34%	Corn (per bushel)	3.445	-1.5%
Brent (per barrel)	44.07	-0.81%	Soybean (per bushel)	9.688	0.6%
Heating Oil (per gallon)	116.77	-1.75%	Wheat (per bushel)	5.433	-0.8%
Gasoline (per gallon)	120.49	0.24%	Crude Palm Oil (MYR/MT)	29.800	2.0%
Natural Gas (per MMBtu)	2.49	0.04%	Rubber (JPY/KG)	2.061	-6.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6563.50	-1.99%	Gold (per oz)	1930.9	-0.6%
Nickel (per mt)	15095.00	-3.89%	Silver (per oz)	26.6	-3.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/04/2020 20:30	US	Change in Nonfarm Payrolls	Aug	1350k	--	1763k	--
09/04/2020 09:30	AU	Retail Sales MoM	Jul	3.3%	--	2.7%	--
09/04/2020 14:00	GE	Factory Orders MoM	Jul	5.0%	--	27.9%	--
09/04/2020 20:30	US	Unemployment Rate	Aug	9.8%	--	10.2%	--
09/04/2020 09:00	PH	CPI YoY 2012=100	Aug	2.7%	--	2.7%	--
09/04/2020 13:00	SI	Retail Sales YoY	Jul	-15.0%	--	-27.8%	--
09/04/2020 16:30	UK	Markit/CIPS UK Construction PMI	Aug	58.3	--	58.1	--
09/04/2020 07:00	SK	BoP Current Account Balance	Jul	--	\$7451.8m	\$6880.0m	--
09/04/2020 20:30	US	Change in Manuf. Payrolls	Aug	60k	--	26k	--
09/04/2020 14:00	GE	Factory Orders WDA YoY	Jul	-6.0%	--	-11.3%	--
09/04/2020 15:30	GE	Markit Germany Construction PMI	Aug	--	--	49.7	--
09/04/2020 13:00	SI	Retail Sales SA MoM	Jul	20.9%	--	51.1%	--
09/04/2020	PH	Bank Lending YoY	Jul	--	--	8.2%	8.1%
09/04/2020 14:45	FR	Budget Balance YTD	Jul	--	--	-124.9b	--
09/04/2020 07:00	SK	BoP Goods Balance	Jul	--	\$6974.5m	\$5867.3m	--
09/04/2020 20:30	CA	Part Time Employment Change	Aug	--	--	345.3	--

Source: Bloomberg

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