

## Daily Treasury Outlook

5 February 2020

### Highlights

**Global:** Wall Street continued to rally with the S&P500 up another 1.5% and Nasdaq 100 at a record high as investors looked past the coronavirus impact on the US economy, especially with Kudlow opining minimal impact. With the risk recovery, the UST bond market also reset with 10-year UST bond yield up 7bps to 1.60%. However, crude oil prices differed in opinion and dipped below \$50 per barrel for the first time in more than a year. Meanwhile, initial results from the Iowa caucuses are finally out suggesting that Buttigieg is in the lead, with Sanders a close second, followed by Warren and then Biden.

**Market watch:** With the stabilization in global risk appetite, Asian markets may continue to gather momentum today, while awaiting China's services/composite Caixin PMIs and BOT policy decision. The economic data calendar comprises Eurozone's composite PMIs and retail sales, US' non-manufacturing ISM, ADP employment change, trade and MBA mortgage applications, Indonesia's 4Q19 GDP growth and S'pore's COE tender results. ECB's Guindos, Lane and Lagarde, as well as Fed's Brainard are also speaking today.

**US:** Factory orders bounced a stronger than expected 1.8% in December, with orders excluding transport also growing by 0.6%. Meanwhile, durable goods orders rose 2.4% as earlier estimated, with non-defense orders excluding air transport also shrinking 0.8%.

**AU:** The RBA kept its cash rate steady and sounded more upbeat in its economic assessment, citing that fires and the virus will only "temporarily weigh on domestic growth".

**China:** China injected another CNY500 billion liquidity via open market operation on 4 February. In its statement, the central bank exclusively mentioned that the liquidity injection for two consecutive days showed PBoC's commitment to boost market confidence. This is a strong signal that PBoC will not hesitate to inject more liquidity if the sentiment remains weak.

**Japan:** BOJ governor Kuroda signalled growing concern over the coronavirus' economic impact and the central bank will not hesitate to take action if necessary. Meanwhile, 10 people onboard a Carnival Corp cruise ship has tested positive for the coronavirus with 2,666 passengers and 1,045 crew quarantined.

**Singapore:** Singapore reported four cases of human-to-human transmission of the coronavirus that constitute a local transmission cluster, but there is as yet no evidence of widespread sustained community transmission.

### Key Market Movements

Equity	Value	% chg
S&P 500	3297.6	1.5%
DJIA	28808	1.4%
Nikkei 225	23085	0.5%
SH Comp	2783.3	1.3%
STI	3156.6	1.3%
Hang Seng	26676	1.2%
KLCI	1535.8	0.9%
Currencies	Value	% chg
DXY	97.961	0.2%
USDJPY	109.52	0.8%
EURUSD	1.1044	-0.1%
GBPUSD	1.3031	0.3%
USDIDR	13715	-0.2%
USDSGD	1.3704	0.1%
SGDMYR	3.0007	-0.2%
Rates	Value	chg (bp)
3M UST	1.55	-0.73
10Y UST	1.60	7.19
1Y SGS	1.54	2.00
10Y SGS	1.63	2.90
3M LIBOR	1.74	-1.01
3M SIBOR	1.71	0.19
3M SOR	1.59	2.53
Commodities	Value	% chg
Brent	53.96	-0.9%
WTI	49.61	-1.0%
Gold	1553	-1.5%
Silver	17.59	-0.5%
Palladium	2432	4.6%
Copper	5618	1.7%
BCOM	74.10	0.0%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rose last night, continuing its rally from the previous session as stocks stage a recovery from the sell-off. The S&P rose 1.5%. Although risk appetite seems to be growing, it remains to be seen whether this rally is able to continue, given the many unknowns surrounding the coronavirus. The bullish momentum in US equities may continue but we expect the upside to be met with increasing resistance. Key corporate earnings today include General Motors.

**Hong Kong:** Hong Kong's retail sales continued to plunge by 19.4% yoy in December. For 2019 as a whole, retail sales plummeted by 11.1% yoy, the largest decline since 1998. It might be attributed to weak domestic consumption and visitor spending. Moving forward, we expect that retail sales might keep the downtrend in the coming months. Due to the spread of Wuhan coronavirus, HK's inbound tourism, visitor spending and domestic consumption sentiment might remain muted, which might continue to weight on the performance of retail sales and the business environment of tourism-related industries. We expect retail sales to continue showing double-digit year-on-year decline in the coming months.

**Singapore:** The STI bounced 1.29% to close at 3156.57 yesterday as most Asian bourses stabilized. With the recovering global risk appetite, STI may track overnight gains in Wall Street and trade with a firmer tone today. STI resistance is tipped at 3181 followed by 3200, with support at 3116. With the aggressive sell-off in UST bonds overnight, SGS bonds may also correct further and possibly see a steeper yield curve in the interim.

**Malaysia:** The overall improvement in global sentiment should provide a fillip to Malaysian assets today. So have the Dec 2019 trade data out yesterday, which shows Malaysian exports at +2.7%yoy vs. expectation of -2.5%. Trade balance improved to a hefty surplus of MYR12.6bn, versus 6.5bn before.

**Indonesia:** The overall improvement in global sentiment should provide a fillip to Indonesian assets today. In terms of data, market will be on the lookout for Q4 2019 GDP data today where we see growth stable at 5.1% yoy. We will focus on whether consumption stays stable, and gauge if there is any sign of much-awaited investment pickup.

**Thailand:** The Bank of Thailand meets today for its monetary policy decision. The consensus is currently split equally on whether a rate cut may materialise, with the poll on Bloomberg showing a 13/13 split on rate hold/cut. We think the BoT may cut rates today as policy makers seek to spur growth and offset the impacts of the budget delay and Wuhan coronavirus impact.

**Oil:** The OPEC+ Joint Technical Committee did not discuss production cuts at its urgent meeting yesterday, with its focus on consulting China to assess how the Wuhan virus may hurt oil demand. The Committee is expected to revisit the oil production cuts today. Bloomberg reported that Saudi Arabia tried to push for a 500kbpd cut across OPEC+, but was met with resistance from Russia.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter and belly tenors trading 2-4bps higher (with the exception of the 1-year tenor trading 0.5bps lower) while the longer tenors traded 5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 15bps to 507bps. The HY-IG Index Spread tightened 12bps to 384bps. 10Y UST Yields gained 7bps to 1.6%, due to strong factory orders and injection of liquidity by China's central bank in response to the Wuhan coronavirus.

**New Issues:** Jiayuan International Group Limited priced a USD60mn retap of its JIAYUA 13.75%'23s at 13.75%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.961	0.16%	<b>USD-SGD</b>	1.3704	0.13%
<b>USD-JPY</b>	109.520	0.76%	<b>EUR-SGD</b>	1.5135	-0.01%
<b>EUR-USD</b>	1.1044	-0.14%	<b>JPY-SGD</b>	1.2512	-0.67%
<b>AUD-USD</b>	0.6739	0.70%	<b>GBP-SGD</b>	1.7856	0.39%
<b>GBP-USD</b>	1.3031	0.28%	<b>AUD-SGD</b>	0.9232	0.79%
<b>USD-MYR</b>	4.1105	-0.07%	<b>NZD-SGD</b>	0.8893	0.53%
<b>USD-CNY</b>	6.9985	-0.33%	<b>CHF-SGD</b>	1.4134	-0.25%
<b>USD-IDR</b>	13715	-0.20%	<b>SGD-MYR</b>	3.0007	-0.23%
<b>USD-VND</b>	23240	0.09%	<b>SGD-CNY</b>	5.1071	-0.49%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	28,807.63	407.82
<b>S&amp;P</b>	3,297.59	48.67
<b>Nasdaq</b>	9,467.97	194.57
<b>Nikkei 225</b>	23,084.59	112.65
<b>STI</b>	3,156.57	40.26
<b>KLCI</b>	1,535.80	13.85
<b>JCI</b>	5,922.34	38.17
<b>Baltic Dry</b>	466.00	--
<b>VIX</b>	16.05	-1.92

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4550	-0.60%	<b>O/N</b>	1.5680	-0.08%
<b>2M</b>	-0.3360	-0.08%	<b>1M</b>	1.6678	0.59%
<b>3M</b>	-0.3930	0.59%	<b>2M</b>	1.7235	-0.75%
<b>6M</b>	-0.3380	-0.75%	<b>3M</b>	1.7410	-1.01%
<b>9M</b>	-0.1940	-1.01%	<b>6M</b>	1.7170	-2.82%
<b>12M</b>	-0.2900	-2.82%	<b>12M</b>	1.7690	-3.76%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.46 (+0.04)	1.41 (+0.06)
<b>5Y</b>	1.46 (+0.03)	1.42 (+0.07)
<b>10Y</b>	1.63 (+0.03)	1.60 (+0.07)
<b>15Y</b>	1.76 (+0.02)	--
<b>20Y</b>	1.86 (--)	--
<b>30Y</b>	2.01 (--)	2.08 (+0.07)

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
18/03/2020	0.00%	13.10%	0.00%	0.00%	13.10%
29/04/2020	0.00%	25.60%	0.00%	1.90%	23.70%
10/06/2020	0.00%	44.00%	0.50%	7.30%	36.30%
29/07/2020	0.00%	57.00%	2.10%	14.00%	40.80%
16/09/2020	0.00%	71.30%	6.00%	22.90%	41.50%
05/11/2020	0.00%	75.80%	8.70%	25.80%	39.50%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	6.30	-0.30
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.59
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.61	-1.0%	Corn (per bushel)	3.8225	0.9%
Brent (per barrel)	53.96	-0.9%	Soybean (per bushel)	8.795	0.3%
Heating Oil (per gallon)	1.5839	0.4%	Wheat (per bushel)	5.5725	0.3%
Gasoline (per gallon)	1.4432	-2.1%	Crude Palm Oil (MYR/MT)	2,717.0	1.8%
Natural Gas (per MMBtu)	1.8720	2.9%	Rubber (JPY/KG)	149.5	-1.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,618	1.7%	Gold (per oz)	1,552.9	-1.5%
Nickel (per mt)	12,830	0.8%	Silver (per oz)	17.595	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/05/2020	ID	GDP YoY	4Q	5.00%	--	5.02%	--
02/05/2020 08:30	HK	Markit Hong Kong PMI	Jan	--	--	42.1	--
02/05/2020 08:30	JN	Jibun Bank Japan PMI Composite	Jan F	--	--	51.1	--
02/05/2020 08:30	JN	Jibun Bank Japan PMI Services	Jan F	--	--	52.1	--
02/05/2020 09:00	PH	CPI YoY 2012=100	Jan	2.70%	--	2.50%	--
02/05/2020 09:45	CH	Caixin China PMI Composite	Jan	--	--	52.6	--
02/05/2020 09:45	CH	Caixin China PMI Services	Jan	52	--	52.5	--
02/05/2020 15:05	TH	BoT Benchmark Interest Rate	Feb-05	1.25%	--	1.25%	--
02/05/2020 17:00	EC	Markit Eurozone Composite PMI	Jan F	50.9	--	50.9	--
02/05/2020 17:00	EC	Markit Eurozone Services PMI	Jan F	52.2	--	52.2	--
02/05/2020 17:30	UK	Markit/CIPS UK Services PMI	Jan F	52.9	--	52.9	--
02/05/2020 20:00	US	MBA Mortgage Applications	Jan-31	--	--	7.20%	--
02/05/2020 21:15	US	ADP Employment Change	Jan	158k	--	202k	--
02/05/2020 21:30	US	Trade Balance	Dec	-\$48.2b	--	-\$43.1b	--
02/05/2020 23:00	US	ISM Non-Manufacturing Index	Jan	55.1	--	55	54.9

Source: Bloomberg

## Treasury Research & Strategy

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