

Daily Treasury Outlook

5 March 2020

Highlights

Global: Risk recovery in global sentiments extended overnight, with both the Dow and S&P500 rallying more than 4% on news that former VP Joe Biden saw a strong showing at the Super Tuesday primaries and the House has passed a \$8.3b emergency spending to combat the Covid-19. The US' non-manufacturing ISM also rose to 57.3, and ADP added 183k in February, while the Beige Book noted the virus impact on firms, especially manufacturing and including travel and tourism. Elsewhere, Bank of Canada mirrored the Fed's move and slashed rates by 50bps to 1.25% with a dovish bias, which saw the 10-year bond yield hit a 0.86% record low. The UST bond yield curve also steepened, led by the front-end as 3-month LIBOR plunged to 1.00064% in its largest decline since October 2008 and the futures market continued to price in more Fed rate cuts at the upcoming FOMC meeting as the New York Fed's overnight repo operations were fully subscribed for the second consecutive day. Fed's Bullard said the recent 50bps cut was "insurance for Covid-19".

Market watch: Asian markets may open firmer this morning again and extend gains on more upbeat momentum post-FOMC. Today's economic data calendar comprises of Thai CPI, Singapore retail sales, US' Challenger job cuts, 4Q19 nonfarm productivity, initial jobless claims and factory orders. BOE's Carney, BOC's Poloz and Fed's Kaplan are also speaking.

China: US Senate Finance Committee Chairman Grassley said on 4 March that US should give China some leeway in implementing a phase one trade deal disrupted by the covid-19 outbreak. He said there is no evidence that China intended to escape its commitment. China's Politburo reiterated to support the growth including such as expediting the new infrastructure projects such as 5G network and data centre etc. On economic data, China's passenger car sales are expected to fall by 80% in February. The pace of decline is expected to be 41% in the first two months of 2020.

Singapore: Jan retail sales are set to be released today and tipped to decline 4.5% yoy in January, according to our estimates. We estimate motor vehicles to decline 32% yoy this month. The retail sales figures are expected to further deteriorate in the coming months, with our forecast of a 4.5% dip in January possibly reflecting just the tip of the iceberg.

Oil: Oil prices rose yesterday as an \$8.3bn emergency spending bill by the US sparked hopes of more fiscal stimulus to come. The first day of OPEC+ talks ended with Saudi Arabia and Russia reportedly disagreeing on production cuts, with the former pushing for as much as 1.6mbpd reduction across the bloc while Russia would like to keep the status quo. Talks are set to resume today. Anything less than 1mbpd reduction, in our opinion, is likely to send a bearish signal to the energy market.

Key Market Movements

Equity	Value	% chg
S&P 500	3130.1	4.2%
DJIA	27091	4.5%
Nikkei 225	21100	0.1%
SH Comp	3011.7	0.6%
STI	3025.0	0.2%
Hang Seng	26222	-0.2%
KLCI	1490.0	0.8%
Currencies	Value	% chg
DX	97.336	0.2%
USDJPY	107.53	0.4%
EURUSD	1.1136	-0.3%
GBPUSD	1.2872	0.5%
USDIDR	14113	-1.2%
USDSGD	1.3846	-0.3%
SGDMYR	3.0175	0.0%
Rates	Value	chg (bp)
3M UST	0.71	-20.93
10Y UST	1.05	5.32
1Y SGS	1.46	-3.10
10Y SGS	1.35	-10.65
3M LIBOR	1.31	6.05
3M SIBOR	1.63	-0.29
3M SOR	1.08	5.43
Commodities	Value	% chg
Brent	51.13	-1.4%
WTI	46.78	-0.8%
Gold	1637	-0.2%
Silver	17.22	0.0%
Palladium	2542	1.6%
Copper	5684	0.3%
BCOM	73.23	0.1%

Source: Bloomberg

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Major Markets

US: US equity markets rose sharply last night as major victories secured by Joe Biden during Super Tuesday and the US House passing a \$8.3bn spending bill to combat the coronavirus sparked a massive rally on improved risk sentiment. The S&P500 index rose 4.22%. US markets are expected to remain volatile in the near term as investors continue to monitor the coronavirus situation and further possible stimulus measures by the governments and central banks.

Hong Kong: HKMA followed the Fed to cut base rate by 50bps. That said, as aggregate balance stabilizes at HK\$54 billion, the downside for HIBORs still looks limited to us in the near term. This also helps to explain why banks in Hong Kong chose to stay put in terms of prime rate last week. Given a possibly wider interest rate gap between USD and HKD, carry trade which buys HKD and sells USD may return and keep US\$HKD oscillating in the stronger band of the currency peg.

Elsewhere, PMI fell to a record low of 33.1 in February from 46.8 in January, in tandem with China's PMI, mainly due to the coronavirus outbreak which has hit hard on global trade and business activities. As China's companies have gradually resumed operations while the government of both Hong Kong and Mainland China unveiled stimulus measures lately, Hong Kong's PMI may rebound in March. However, any strong recovery in business activities is still far in sight due to the uncertainty from global spread of covid-19 which has disrupted the tightly integrated global supply chain and hurt global demand. On the other hand, the record low PMI reinforces our view that Hong Kong's economic contraction could be much worse in 1Q 2020 than in last quarter.

Singapore: The STI rose for a second consecutive day, led by gains in Singapore real estate investment trusts after the Fed announced a 50bp emergency rate cut to combat the coronavirus. The STI rose by 0.2%. For today, the STI is likely to gain following the overnight rally on Wall Street and positive openings in Nikkei and Kospi.

Malaysia: PM Muhyiddin Yassin has postponed the opening of the parliament session from March 9 to May 18. With no official reason given, there are some reports suggesting that it may be a way to avoid any potential no-confidence motion that previous PM, Mahathir Mohamad, had wanted to bring to the parliament. The move may cause further delay in a lasting resolution of the political drama.

Indonesia: Finance Minister Sri Mulyani has reportedly urged other countries to follow the Fed in pursuing emergency rate cuts, adding that the world is facing a common threat and needs a multi pronged policy response. Separately, Bank Indonesia indicated there is no plan to pursue any unscheduled policy decision. It had, however, cut RRR last week to help provide liquidity in a volatile market environment.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 8-11bps lower, while the belly and the longer tenors traded 10-13bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 144bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 574bps. The HY-IG Index Spread widened 5bps to 430bps. 10Y UST Yields gained 5bps to 1.05%, as the U.S. stock market rebounded.

New Issues: Sinic Holdings (Group) Company Limited priced a USD280mn 364-day bond at 13.25%, tightening from IPT of 13.5% area. Jingrui Holdings Limited priced a USD180mn 2-year bond at 12.75%, same as IPT of 12.75% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.336	0.19%	USD-SGD	1.3846	-0.27%
USD-JPY	107.530	0.37%	EUR-SGD	1.5419	-0.59%
EUR-USD	1.1136	-0.33%	JPY-SGD	1.2877	-0.64%
AUD-USD	0.6627	0.65%	GBP-SGD	1.7825	0.24%
GBP-USD	1.2872	0.48%	AUD-SGD	0.9176	0.40%
USD-MYR	4.1790	-0.65%	NZD-SGD	0.8721	0.13%
USD-CNY	6.9245	-0.62%	CHF-SGD	1.4470	-0.29%
USD-IDR	14113	-1.19%	SGD-MYR	3.0175	0.01%
USD-VND	23210	-0.05%	SGD-CNY	5.0034	-0.38%

Equity and Commodity

Index	Value	Net change
DJIA	27,090.86	1173.45
S&P	3,130.12	126.75
Nasdaq	9,018.09	334.00
Nikkei 225	21,100.06	17.33
STI	3,025.03	5.47
KLCI	1,489.95	11.31
JCI	5,650.14	131.51
Baltic Dry	549.00	--
VIX	31.99	-4.83

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5080	-3.50%	O/N	1.5756	0.10%
2M	-0.3360	0.10%	1M	1.3768	2.10%
3M	-0.4630	2.10%	2M	1.3756	7.08%
6M	-0.4220	7.08%	3M	1.3143	6.05%
9M	-0.1940	6.05%	6M	1.2520	5.36%
12M	-0.3620	5.36%	12M	1.2456	9.18%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.15 (-0.1)	0.69 (-0.01)
5Y	1.22 (-0.1)	0.78 (+0.04)
10Y	1.35 (-0.11)	1.05 (+0.05)
15Y	1.51 (-0.06)	--
20Y	1.57 (-0.05)	--
30Y	1.77 (-0.05)	1.70 (+0.09)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-1.586	-158.6	-0.396	0.807
29/04/2020	-2.165	-57.9	-0.541	0.663
10/06/2020	-2.593	-42.8	-0.648	0.555
29/07/2020	-2.835	-24.2	-0.709	0.495
16/09/2020	-3.016	-18.1	-0.754	0.45
05/11/2020	-3.061	-4.5	-0.765	0.438

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.60	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.64
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.78	-0.8%	Corn (per bushel)	3.8700	1.4%
Brent (per barrel)	51.13	-1.4%	Soybean (per bushel)	8.988	0.6%
Heating Oil (per gallon)	1.5332	0.0%	Wheat (per bushel)	5.2150	-1.4%
Gasoline (per gallon)	1.5555	1.6%	Crude Palm Oil (MYR/MT)	2,501.0	4.0%
Natural Gas (per MMBtu)	1.8270	1.5%	Rubber (JPY/KG)	169.2	-1.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,684	0.3%	Gold (per oz)	1,636.9	-0.2%
Nickel (per mt)	12,680	1.0%	Silver (per oz)	17.216	0.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/05/2020 07:00	SK BoP Current Account Balance	Jan	--	\$1006.5m	\$4330.9m
03/05/2020 07:50	JN Japan Buying Foreign Bonds	Feb-28	--	¥489.7b	¥658.7b
03/05/2020 08:30	AU Trade Balance	Jan	A\$4800m	--	A\$5223m
03/05/2020 09:00	PH CPI YoY 2012=100	Feb	3.00%	--	2.90%
03/05/2020 11:30	TH CPI YoY	Feb	0.80%	--	1.05%
03/05/2020 11:30	TH CPI Core YoY	Feb	0.50%	--	0.47%
03/05/2020 13:00	SI Retail Sales YoY	Jan	--	--	-3.40%
03/05/2020 21:30	US Initial Jobless Claims	Feb-29	215k	--	219k
03/05/2020 21:30	US Continuing Claims	Feb-22	1738k	--	1724k
03/05/2020 22:45	US Bloomberg Consumer Comfort	Mar-01	--	--	63.5
03/05/2020 23:00	US Durable Goods Orders	Jan F	-0.20%	--	-0.20%
03/05/2020 23:00	US Factory Orders	Jan	-0.10%	--	1.80%
03/05/2020 23:00	US Durables Ex Transportation	Jan F	--	--	0.90%
03/05/2020 23:00	US Cap Goods Orders Nondef Ex Air	Jan F	--	--	1.10%
03/05/2020 23:00	US Cap Goods Ship Nondef Ex Air	Jan F	--	--	1.10%

Source: Bloomberg

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