

## Daily Treasury Outlook

5 June 2020

### Highlights

**Global:** The ECB delivers with a bigger-than-expected EUR600b addition to its emergency bond purchase program and also extended the duration till at least end 2021. ECB chief Lagarde warned of an “unprecedented contraction” and that “the improvement has so far been tepid” so “action had to be taken”, but sidestepped the issue of whether to include junk-rated debt in its purchases. Nevertheless, Italian bond yields fell on the upside surprise. The ECB slashed its 2020 growth forecast down to -8.7% before seeing a 5.2% rebound in 2021, whereas inflation will only average 1.3% by 2022. Over in the US, the S&P500 slipped for the first time in five sessions by 0.34% overnight with declines led by real estate and utilities even though US initial jobless claims fell from 2.13m the previous week to 1.88m to bring the four-week average to 22.4m. VIX climbed to 25.81 while UST bonds bear-steepened again with the 10-year yield up 7bps to 0.82%. The 3-month LIBOR eased to 0.31763%.

**Market watch:** The Asian market rally is likely to pause today, while investors digest the ECB's latest move and awaiting the US labour market report. Today's economic data comprises Singapore's retail sales, German factory orders, foreign reserves from Malaysia and Thailand, Taiwan CPI, and US' May nonfarm payrolls, unemployment rate and average hourly earnings (with market eyeing -8m, 15.0% and 1.0% mom respectively).

**US:** April trade deficit widened to \$49.4b, up from \$42.3b in March, as exports plunged 20.5% in its biggest decline since at least \$151.3b. In particular, the US saw a \$7.2b bilateral trade deficit with China.

**EU:** Germany's EUR130b stimulus package prompted bunds to bear-steepen. Measures included a temporary VAT reduction, bridge financing for SMEs and tax incentives for corporate investments and double incentives for electric vehicles.

**UK:** German ambassador Clauss has urged UK to be more realistic in its negotiations with the EU or risk dragging Brexit talks out to October.

**China:** China's Commerce Ministry said there is no sign of shift of supply chain from China. China will continue encourage foreign direct investment via lowering the threshold line and promoting the upgrade of supply chain.

**Singapore:** Retail sales likely contracted 34.9% yoy (-53.6% mom sa) in May, compared to -13.3% yoy (-1.3% mom sa) in April. Excluding auto sales, retail sales likely shrank 26.4% yoy as personal consumption slumped with the extension of the Circuit Breaker period.

**Oil:** Oil is set for a sixth consecutive week of gains after Bloomberg reports state OPEC+ is ready to extend existing supply cuts by a month. Iraq proved to be a stumbling block in discussions as the country has consistently over-produced its allocated quota. Russia and Saudi Arabia, once on opposite sides of the price war but now united against errant production members, had wanted Iraq's assurance that it would comply with the existing quota. Brent closed at \$39.99/bbl, just a fraction shy of ending above the \$40/bbl level.

Key Market Movements		
Equity	Value	% chg
S&P 500	3112.4	-0.3%
DJIA	26282	0.0%
Nikkei 225	22696	0.4%
SH Comp	2919.3	-0.1%
STI	2707.2	0.3%
Hang Seng	24366	0.2%
KLCI	1561.8	1.5%
Currencies	Value	% chg
DXY	96.677	-0.6%
USDJPY	109.15	0.2%
EURUSD	1.1338	0.9%
GBPUSD	1.2597	0.2%
USDIDR	14095	0.0%
USDSGD	1.3983	0.0%
SGDMYR	3.0492	-0.1%
Rates	Value	chg (bp)
3M UST	0.14	-0.51
10Y UST	0.82	7.76
1Y SGS	0.27	0.00
10Y SGS	0.95	3.22
3M LIBOR	0.33	-0.39
3M SIBOR	0.56	0.00
3M SOR	0.19	0.50
Commodities	Value	% chg
Brent	39.99	0.5%
WTI	37.41	0.3%
Gold	1714	0.8%
Silver	17.71	0.3%
Palladium	1937	-0.5%
Copper	5533	0.2%
BCOM	64.35	0.7%

Source: Bloomberg

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### Major Markets

**US:** The S&P500 index fell 0.34% yesterday, the first decline in four sessions as investors weigh their optimism against negative economic data. For today, investors are likely to be cautious as markets await details from the US labour market report, where a stronger than expected number may act as a catalyst for further risk-on sentiment.

**Taiwan:** Taiwanese government is planning a seven-year blueprint to spend more than NTD 10 billion in order to woo the foreign chipmakers to set up R&D facilities in the island. Government may subsidize as much as half of the research and development cost should the investment of chip company fulfill the following two requirements. Firstly, in terms of investment for manufacturing, the investment amount must be above NTD 100 billion with the number of new recruits more than 1000 within the next five years. Secondly, in terms of investment for R&D, investment amount must be more than NTD 10 billion with hiring more than 200 researchers within the next five years. Government expects that it may boost a NTD 40 billion research investment and train up 6350 researchers and operation talents every year.

**Singapore:** The STI added 0.25% to close up at 2707.20 yesterday, but may take a breather ahead of the US' NFP data release. With the recent UST steepening bias and the 10-year bond yield touching a session high of 0.78%, SGS bond yields may also stay buoyant in the interim, especially ahead of the upcoming mini-auction of the 30-year SGS bond.

**Indonesia:** Indonesia is reportedly planning a maiden offer of diaspora bonds in H2, to help fund a widening budget deficit (now targeted at 6.34% of GDP). The Rupiah-denominated diaspora bonds will be targeted at overseas Indonesians and foreigners with family ties to Indonesia. It is planned for November. It is said to be a 3y tenor bond, with orders ranging between IDR5mn-5bn (USD350-350k) per individual.

**Malaysia:** April's trade data showed that Malaysia posted its first trade deficit of MYR3.5bn since 1997. Exports slumped by 23.8%yoy vs expectation of 14%, but it was the uptick in imports which really pushed the trade balance into the red. On closer examination, it appears to have been driven by a one-off import of LNG carriers from South Korea and the deficit is unlikely to persist. Elsewhere, the PM is slated to announce a short-term economic recovery plan at 3pm KL time today, in which we are likely to see an extension of wage subsidy schemes and measures to help SMEs in particular.

**Thailand:** Headline CPI for May came in at -3.44% yoy, with deflationary pressures increasing from last month's -2.99% yoy. Transportation and energy unsurprisingly led the CPI basket lower, contracting -9.15% and -27.38% yoy respectively.

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**Bond Market Updates**

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 1-4bps higher while the belly and the longer tenors traded 5-7bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 212bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 23bps to 825bps. The HY-IG Index Spread tightened 19bps to 613bps. Flows in SGD corporates were heavy, with flows in CMZB 4.875%'27s, STANLN 5.375%-PERPs, UBS 4.85%-PERPs, ARASP 5.65%-PERPs, FPLSP 4.98%-PERPs, UOBSP 4%-PERPs, CMZB 4.2%'28s, UBS 5.875%-PERPs, CAPLSP 3.15%'29s, CS 5.625%-PERPs, HSBC 4.7%-PERPs and UOBSP 3.58%-PERPs. 10Y UST Yields gained 8bps to 0.83%, a level not seen in months despite the U.S. equity indices falling, boosted by European stimulus efforts as well as a drop in initial jobless claims from previous months.

**New Issues:** Zhenro Properties Group Limited priced a USD200mn 3.25NC2.25 bond at 8.3%, tightening from IPT of 8.75% area. Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited) priced a USD350mn 2NC1 bond at 2.9%, tightening from IPT of 3.25% area. Seazen Group Limited priced a USD400mn 2-year bond at 6.45%, tightening from IPT of 7% area. PTTEP Treasury Center Co. (Guarantor: PTT Exploration and Production Public Co.) priced a USD500mn 7-year bond at T+195bps, tightening from IPT of T+270bps area. Henderson Land MTN Limited (Guarantor: Henderson Land Development Co Ltd) priced a USD200mn re-tap of its HENLND 2.375%'25s. The Export-Import Bank of China priced a USD150mn 3-year bond at 0.9%. Korea Electric Power Corporation has arranged investor calls commencing 4 June for its proposed green USD bond offering.

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5 June 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	96.677	-0.62%	<b>USD-SGD</b>	1.3983	0.03%
<b>USD-JPY</b>	109.150	0.23%	<b>EUR-SGD</b>	1.5853	0.96%
<b>EUR-USD</b>	1.1338	0.93%	<b>JPY-SGD</b>	1.2811	-0.19%
<b>AUD-USD</b>	0.6942	0.30%	<b>GBP-SGD</b>	1.7613	0.20%
<b>GBP-USD</b>	1.2597	0.17%	<b>AUD-SGD</b>	0.9708	0.33%
<b>USD-MYR</b>	4.2802	0.43%	<b>NZD-SGD</b>	0.9038	0.63%
<b>USD-CNY</b>	7.1112	-0.06%	<b>CHF-SGD</b>	1.4635	0.62%
<b>USD-IDR</b>	14095	--	<b>SGD-MYR</b>	3.0492	-0.06%
<b>USD-VND</b>	23264	--	<b>SGD-CNY</b>	5.0837	-0.28%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,281.82	11.93
<b>S&amp;P</b>	3,112.35	-10.52
<b>Nasdaq</b>	9,615.81	-67.10
<b>Nikkei 225</b>	22,695.74	81.98
<b>STI</b>	2,707.20	6.81
<b>KLCI</b>	1,561.84	23.31
<b>JCI</b>	4,916.70	-24.30
<b>Baltic Dry</b>	592.00	--
<b>VIX</b>	25.81	0.15

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4880	0.20%	<b>O/N</b>	0.0619	-0.31%
<b>2M</b>	-0.3360	-0.31%	<b>1M</b>	0.1736	-0.51%
<b>3M</b>	-0.3420	-0.51%	<b>2M</b>	0.2398	-0.56%
<b>6M</b>	-0.1740	-0.56%	<b>3M</b>	0.3266	-0.39%
<b>9M</b>	-0.1940	-0.39%	<b>6M</b>	0.4765	-0.55%
<b>12M</b>	-0.1050	-0.55%	<b>12M</b>	0.6225	-0.30%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.33 (+0.03)	0.19 (--)
<b>5Y</b>	0.54 (+0.03)	0.41 (+0.04)
<b>10Y</b>	0.95 (+0.03)	0.82 (+0.08)
<b>15Y</b>	1.26 (+0.16)	--
<b>20Y</b>	1.33 (+0.03)	--
<b>30Y</b>	1.35 (+0.04)	1.63 (+0.1)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	-0.015	-1.5	-0.004	0.063
29/07/2020	-0.015	0	-0.004	0.063
16/09/2020	-0.056	-4.1	-0.014	0.052
05/11/2020	-0.079	-2.3	-0.02	0.047
16/12/2020	-0.08	-0.1	-0.02	0.046
27/01/2021	-0.135	-5.5	-0.034	0.032

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	12.75	--
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.06
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	37.41	0.3%	Corn (per bushel)	3.2900	1.5%
Brent (per barrel)	39.99	0.5%	Soybean (per bushel)	8.678	1.2%
Heating Oil (per gallon)	1.0741	0.9%	Wheat (per bushel)	5.2375	2.3%
Gasoline (per gallon)	1.1490	2.7%	Crude Palm Oil (MYR/MT)	2,396.0	-3.2%
Natural Gas (per MMBtu)	1.8220	0.1%	Rubber (JPY/KG)	129.8	-0.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,533	0.2%	Gold (per oz)	1,714.0	0.8%
Nickel (per mt)	12,773	-0.7%	Silver (per oz)	17.711	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/05/2020	HK Foreign Reserves	May	--	--	\$441.2b
06/05/2020 07:01	UK GfK Consumer Confidence	May F	-34	-36	-34
06/05/2020 07:30	JN Household Spending YoY	Apr	-12.80%	-11.10%	-6.00%
06/05/2020 09:00	PH CPI YoY 2012=100	May	2.00%	--	2.20%
06/05/2020 13:00	SI Retail Sales YoY	Apr	-34.90%	--	-13.30%
06/05/2020 13:00	JN Leading Index CI	Apr P	76.3	--	84.7
06/05/2020 14:00	GE Factory Orders WDA YoY	Apr	-29.70%	--	-16.00%
06/05/2020 15:00	MA Foreign Reserves	May-29	--	--	\$102.6b
06/05/2020 15:30	TH Foreign Reserves	May-29	--	--	\$234.8b
06/05/2020 16:00	TA CPI YoY	May	-1.05%	--	-0.97%
06/05/2020 20:30	CA Unemployment Rate	May	15.00%	--	13.00%
06/05/2020 20:30	US Change in Nonfarm Payrolls	May	-7500k	--	-20537k
06/05/2020 20:30	US Unemployment Rate	May	19.10%	--	14.70%
06/05/2020 20:30	CA Net Change in Employment	May	-500.0k	--	-1993.8k
06/05/2020 20:30	US Change in Manufact. Payrolls	May	-400k	--	-1330k

Source: Bloomberg

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