OCBC TREASURY RESEARCH

Daily Treasury Outlook

5 August 2020

Highlights

Global: US Congress remains divided on the form of the fresh fiscal stimulus package, but this did not stop Wall Street from climbing overnight. US and China will hold high-level talks on 15 August to discuss trade. S&P500 added 0.37% overnight despite Disney's earnings disappointment, while VIX declined to 23.76. UST bonds also bull-flattened with the 5-year at a record low of 0.189% while the 10-year also hit 0.505% (second lowest yield on record) before closing at 0.51%. The 3-month LIBOR was 0.2485%. Gold also surged past $2,000 per oz to a fresh record and oil prices were also higher.

Market watch: Asian markets may open firmer this morning. Market is awaiting 2Q GDP prints from Indonesia and the Philippines as well as the Bank of Thailand policy decision (likely static at 0.5%). Other key economic data releases to watch are the services PMI Data from China, Hong Kong, India, Japan and S'pore, as well as S'pore's retail sales which is forecasted to contract 28.0% yoy.

US: Fed's Daly called for more support than originally thought due to the pandemic. Meanwhile, factory orders rose more than expected by 6.2% in June. Separately, White House advisor Kudlow said there is no blueprint for a TikTok sale to include payment to the US government.

AU: RBA kept its policy settings unchanged yesterday but will resume purchases of the 3-year bond amid heightened uncertainty with the second wave concerns in the state of Victoria.

Gold: Gold breaches $2000/oz as its bull run continues. Silver rose to $26/oz and lowered the gold silver ratio to 77.7 We see the next resistance for gold at $2100/oz.

Oil: Saudi Aramco is expected to delay the announcing of its September loading price of its crude oil to late this week or early next week, presumably due to the Eid-al-Adha holidays. The Arab Light crude is expected to be lowered from $1.20 premium to the Oman/Dubai average to around $0.75, according to private estimates.

Malaysia: Malaysia's Attorney General, Idrus Harun, said that the government is open to settling 1MDB case against an Abu Dhabi state fund called IPIC. This comes after the multi-billion-dollar settlement with Goldman Sachs. He added that Malaysia is willing to consider the settlement if IPIC makes an offer that is line with the intent to retrieve assets and make sure justice is carried out.

Key Market Movements

Equity	Value	% chg
S&P 500	3306.5	0.4%
DJIA	26828	0.6%
Nikkei 225	22574	1.7%
SH Comp	3371.7	0.1%
STI	2515.7	1.2%
Hang Seng	24947	2.0%
KLCI	1575.9	0.2%
	Value	**% chg**
DXY	93.382	-0.2%
USDJPY	105.72	-0.2%
EURUSD	1.1803	0.3%
GBPUSD	1.3071	0.0%
USDIDR	14625	0.0%
USDSGD	1.3732	-0.2%
SGDMYR	3.0698	-0.1%
	Value	**chg (bp)**
3M UST	0.09	0.27
10Y UST	0.51	-4.74
1Y SGS	0.32	1.00
10Y SGS	0.87	7.16
3M LIBOR	0.25	0.03
3M SIBOR	0.44	0.00
3M SOR	0.16	0.00
	Value	**% chg**
Brent	44.43	0.6%
WTI	41.7	1.7%
Gold	2019	2.1%
Silver	26.01	7.0%
Palladium	2142	2.2%
Copper	6453	-0.6%
BCOM	70.54	0.9%

Source: Bloomberg

Major Markets

US: The S&P500 index gained 0.4% following a choppy trading session as investors weighed prospects of a timely stimulus package. Energy shares led gains, closing 2.5% higher as the WTI rallied 1.3%. In the near term, we expect the market to stick to its bullish tilt but adopt increasing caution as it awaits key economic data releases such as initial jobless claims and unemployment rate.

Singapore: STI Gained 1.24% to close at 2515.70 and should trade firmer today. SGS bonds may also stay supported on the positive cue from UST bond market gains overnight.

Bond Market Updates

Market Commentary: The SGD swap curve slightly steepened yesterday, with the shorter and belly tenors trading 0-1bps lower while the 7-year and the longer tenors traded 0-1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 176bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 695bps. The HY-IG Index Spread tightened 7bps to 520bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, STTGDC 3.13%'28s, UBS 4.85%-PERPs, CS 5.625%-PERPs, TMGSP 4.05%'25s, SINTEC 4.1%-PERPs, NTUCSP 3.1%'50s, OLAMSP 6%'22s and SOCGEN 6.125%-PERPs. 10Y UST Yields fell 5bps to 0.51%, the second lowest yield ever recorded, indicating strong demand for safe haven assets amidst recent negotiations on further stimulus package in the US.

New Issues: Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) priced a USD500mn 3-year bond at 3.15%, tightening from IPT of 3.80% area. Melco Resorts Finance Ltd priced a USD350mn re-tap of its MPEL 5.75%'28s at 5.592%. Aspial Treasury Pte. Ltd. (Guarantor: Aspial Corp Ltd) priced a SGD10mn re-tap of its ASPSP 6.25%'21s.

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OCBC Bank

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.382	-0.17%	**USD-SGD**	1.3732	-0.21%
USD-JPY	105.720	-0.22%	**EUR-SGD**	1.6207	0.13%
EUR-USD	1.180	0.35%	**JPY-SGD**	1.2989	0.01%
AUD-USD	0.716	0.51%	**GBP-SGD**	1.7950	-0.24%
GBP-USD	1.307	-0.03%	**AUD-SGD**	0.9833	0.32%
USD-MYR	4.219	-0.04%	**NZD-SGD**	0.9093	-0.07%
USD-CNY	6.973	-0.11%	**CHF-SGD**	1.5033	0.26%
USD-IDR	14625	-0.03%	**SGD-MYR**	3.0698	-0.08%
USD-VND	23166	0.00%	**SGD-CNY**	5.0742	0.02%

Equity and Commodity

Index	Value	Net change
DJIA	26,828.47	164.07
S&P	3,306.51	11.90
Nasdaq	10,941.17	38.37
Nikkei 225	22,573.66	378.28
STI	2,515.70	30.79
KLCI	1,575.94	3.33
JCI	5,075.00	68.78
Baltic Dry	1,385.00	35.00
VIX	23.76	-0.52

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5160	-0.51%	**O/N**	0.0843	0.09%
2M	-0.3360	-0.34%	**1M**	0.1570	0.15%
3M	-0.4690	-0.46%	**2M**	0.2021	0.20%
6M	-0.4170	-0.41%	**3M**	0.2490	0.25%
9M	-0.1940	-0.20%	**6M**	0.3035	0.31%
12M	-0.3360	-0.33%	**12M**	0.4468	0.45%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.26 (+0.02)	0.11(--)
5Y	0.53 (+0.03)	0.19 (-0.03)
10Y	0.87 (+0.07)	0.51 (-0.05)
15Y	1.06 (+0.02)	--
20Y	1.11 (+0.02)	--
30Y	1.08 (+0.02)	1.19 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.106	-10.6	0.06	0.06
11/05/2020	-0.119	-1.3	0.056	0.056
12/16/2020	-0.193	-7.4	0.038	0.038
01/27/2021	-0.215	-2.2	0.032	0.032
03/17/2021	-0.287	-7.2	0.014	0.014

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	0.20	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	41.70	1.68%	Corn (per bushel)	3.083	-2.9%
Brent (per barrel)	44.43	0.63%	Soybean (per bushel)	8.838	-1.5%
Heating Oil (per gallon)	125.84	1.41%	Wheat (per bushel)	5.083	-2.4%
Gasoline (per gallon)	121.43	0.10%	Crude Palm Oil (MYR/MT)	28.920	1.5%
Natural Gas (per MMBtu)	2.19	4.38%	Rubber (JPY/KG)	1.629	-0.4%

Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	6453.00	-0.57%	Gold (per oz)	2019.2	2.1%
Nickel (per mt)	14113.00	1.20%	Silver (per oz)	26.0	7.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
08/05/2020 01:00	NZ	QV House Prices YoY	Jul	--	7.5%	--	0.074
08/05/2020 06:45	NZ	Unemployment Rate	2Q	5.6%	4.0%	4.2%	--
08/05/2020 06:45	NZ	Employment Change QoQ	2Q	-2.0%	-0.4%	0.7%	1.0%
08/05/2020 08:30	HK	Markit Hong Kong PMI	Jul	--	--	49.6	--
08/05/2020 09:00	PH	CPI YoY 2012=100	Jul	2.5%	--	2.5%	--
08/05/2020 09:00	PH	Exports YoY	Jun	-26.0%	--	-35.6%	--
08/05/2020 12:00	ID	GDP YoY	2Q	-4.7%	--	3.0%	--
08/05/2020 13:00	SI	Retail Sales YoY	Jun	-28.5%	--	-52.1%	--
08/05/2020 15:05	TH	BoT Benchmark Interest Rate	38565	0.5%	--	0.5%	--
08/05/2020 15:55	GE	Markit Germany Services PMI	Jul F	56.7	--	56.7	--
08/05/2020 16:00	EC	Markit Eurozone Composite PMI	Jul F	54.8	--	54.8	--
08/05/2020 19:00	US	MBA Mortgage Applications	Jul-31	--	--	-0.8%	--
08/05/2020 20:15	US	ADP Employment Change	Jul	1200k	--	2369k	--
08/05/2020 20:30	US	Trade Balance	Jun	-$50.2b	--	-$54.6b	--
08/05/2020 22:00	US	ISM Services Index	Jul	55.0	--	57.1	--

Source:Bloomberg

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