

Daily Treasury Outlook

6 February 2020

Highlights

Global: Global risk appetite continue to gather momentum, with Wall Street up for a third session and the S&P500 at a new record amid robust US economic data, namely the ADP employment and non-manufacturing ISM. Bank of Thailand cut rates by 25bps to a record low of 1% yesterday. Meanwhile, China's death toll from the coronavirus has risen to at least 560 and the World Health Organization warned that a vaccine is still a long way off. Separately, the US Senate has voted to acquit President Trump of his impeachment charges. With the abating risk aversion, the UST bond yield curve bear-steepened with the 10-year UST bond yield at 1.65% (highest since 24 January). Note US' T-bill issuance is also likely to be stepped up in February-March and the US Treasury department's announcement to keep its debt issuance steady at a record \$84b for a 5th consecutive quarter, especially with a 20-year bond issue planned.

Market watch: Asian markets may build on yesterday's rally today amid more positive US market cues. Market focus will be on RBI policy decision where inflation may keep policy settings static, whereas the BSP is tipped to cut its overnight borrowing rate and standing overnight deposit rate by 25bps to 3.75% and 3.25% respectively. The economic data calendar comprises US' Fed's Kaplan and Quarles, and ECB's Lagarde and Villeroy are also speaking today.

US: The ADP added 291k in January, the most since May 2015 and up from a revised 199k in December, and suggesting that Friday's nonfarm payrolls data may surprise on the upside. Meanwhile, the non-manufacturing ISM also strengthened more than expected from 54.9 in December to 55.5 in January, albeit the "dramatic workforce shortage" may impact the activity pipeline despite a higher new orders component. The trade deficit also widened from \$43.7b in November to \$48.9b in December, but clocked in at \$616.8b (-1.7% yoy) for the full-year 2019 which is the first narrowing in six years. In particular, the bilateral merchandise trade deficit with China fell 17.6% to \$345.6b last year after reaching a record in 2018.

EU: ECB chief Lagarde warned that the coronavirus poses a new risk to the regional economic outlook. Eurozone's retail sales fell 1.6% mom (+1.3% yoy) in December, compared to +0.8% mom (+2.3% yoy) in November.

Singapore: MAS has said its monetary policy stance remains unchanged and there is sufficient room within the policy band to accommodate an easing of the S\$NEER in line with any weakening in the Singapore economy in the coming months as a result of the coronavirus outbreak. MAS also noted that they are monitoring economic developments closely and the next policy review remains as scheduled in April 2020. This will help douse any market speculation of an inter-meeting move and also on any perceived urgency for a future easing. Meanwhile, COE premiums slumped to \$30,010 and \$30,890 for categories A and B in yesterday's tender, which are the lowest since November 2019 and March 2010 respectively. Another 4 more cases of coronavirus were confirmed, bringing the total to 28.

Key Market Movements

Equity	Value	% chg
S&P 500	3334.7	1.1%
DJIA	29291	1.7%
Nikkei 225	23320	1.0%
SH Comp	2818.1	1.3%
STI	3200.1	1.4%
Hang Seng	26787	0.4%
KLCI	1536.8	0.1%
Currencies	Value	% chg
DXY	98.301	0.3%
USDJPY	109.83	0.3%
EURUSD	1.0999	-0.4%
GBPUSD	1.3002	-0.2%
USDIDR	13690	-0.2%
USDSGD	1.3813	0.8%
SGDMYR	2.9854	-0.5%
Rates	Value	chg (bp)
3M UST	1.55	0.25
10Y UST	1.65	5.17
1Y SGS	1.55	1.10
10Y SGS	1.66	3.23
3M LIBOR	1.74	-0.36
3M SIBOR	1.71	0.02
3M SOR	1.57	-2.82
Commodities	Value	% chg
Brent	55.28	2.4%
WTI	50.75	2.3%
Gold	1556	0.2%
Silver	17.61	0.1%
Palladium	2433	0.0%
Copper	5722	1.9%
BCOM	74.74	0.9%

Source: Bloomberg

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Major Markets

US: US equity markets continued their rally for a third straight day last night, with the S&P500 index rising back to its level prior to the coronavirus and closing at a record high. The S&P500 index rose 1.1%. Markets seem to have completely shaken off any fear over the coronavirus and are growing increasingly confident that the coronavirus impact would be limited. However, we maintain our view that although bullish momentum may continue, expect some resistance in the near term.

China: China unveiled more measures to support the small and medium sized businesses in the virus affected areas. China will lower the funding costs to as low as 1.6% to those companies with the subsidies from the fiscal money.

Singapore: The STI surged another 1.38% to close at 3200.13 yesterday, retaking the 3200 handle that was last seen pre-Chinese New Year holidays. With more risk appetite buoying Wall Street and Asian bourses like Kospi, the STI may attempt to make further headway towards 3218, with support at 3200. With the bear-steepening bias in UST bonds overnight, SGS bonds may also see sustained selling interest today.

Malaysia: Malaysian assets are likely to get some support from the risk-on sentiment globally. Easing stance by regional central banks including Bank of Thailand would also help to provide a sense that policymakers stand ready to help support growth. The recovery in oil price overnight should be helpful, as well.

Indonesia: Indonesia's Q4 2019 GDP surprised on the low side, at 4.97% yoy, the lowest since 2016. While private consumption is still supportive - adding 3.1ppt to headline growth - other components such as exports and investment are still lacklustre. In particular, market is still awaiting concrete news on omnibus laws that will help improve investment sentiment.

Thailand: The Bank of Thailand cut its key benchmark interest rate yesterday by 25bp to 1.00%, as we have previously expected. The ongoing drought, Wuhan coronavirus and budget delay were cited as reasons for the rate cut.

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Bond Market Updates

Market Commentary: The SGD swap curve bear-flattened yesterday, with the shorter tenors trading 9-11bps higher, while the belly and longer tenors traded 6-7bps higher (with the exception of the 5-year tenor trading 9.5bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 13bps to 494bps. The HY-IG Index Spread tightened 11bps to 372bps. 10Y UST Yields gained 5bps to 1.65%, driven by strong U.S. economic data as well as optimism that the 2019 Novel Coronavirus will be contained.

New Issues: Central China Real Estate Limited priced a USD300mn 364-day bond at 7.0%, tightening from IPT of 7.5% area. Pioneer Reward Limited (Guarantor: Huatai Securities Company Limited) priced a USD400mn 3-year bond at 3m-US LIBOR+95bps, tightening from IPT of 3m-US LIBOR+125bps area. Export-Import Bank of Korea priced a USD500mn 5-year bond at T+47.5bps, tightening from IPT of T+70bps area. Adani Electricity Mumbai Ltd priced a USD1bn 10-year bond at T+230bps, tightening from T+270bps area. Hyundai Capital America (Guarantor: Hyundai Motor Co) priced a USD2bn debt offering in three tranches: (1) a USD1bn 3-year bond at T+95bps, (2) a USD500mn 5-year bond at T+122.5bps and (3) a USD 500mn 7-year bond at T+147.5bps, tightening from IPT of T+120-125bps, T+145-150bps and T+165-170bps area respectively.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.301	0.35%	USD-SGD	1.3813	0.80%
USD-JPY	109.830	0.28%	EUR-SGD	1.5193	0.38%
EUR-USD	1.0999	-0.41%	JPY-SGD	1.2576	0.51%
AUD-USD	0.6746	0.10%	GBP-SGD	1.7960	0.58%
GBP-USD	1.3002	-0.22%	AUD-SGD	0.9319	0.94%
USD-MYR	4.1170	0.16%	NZD-SGD	0.8943	0.56%
USD-CNY	6.9726	-0.37%	CHF-SGD	1.4189	0.39%
USD-IDR	13690	-0.18%	SGD-MYR	2.9854	-0.51%
USD-VND	23223	-0.07%	SGD-CNY	5.0477	-1.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4600	0.20%	O/N	1.5655	-0.25%
2M	-0.3360	-0.25%	1M	1.6663	-0.15%
3M	-0.3960	-0.15%	2M	1.7238	0.02%
6M	-0.3400	0.02%	3M	1.7374	-0.36%
9M	-0.1940	-0.36%	6M	1.7435	2.65%
12M	-0.2880	2.65%	12M	1.8030	3.40%

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%	10.90%	0.00%	0.00%	10.90%
29/04/2020	0.00%	23.90%	0.00%	1.60%	22.30%
10/06/2020	0.00%	38.20%	0.30%	5.50%	32.50%
29/07/2020	0.00%	51.30%	1.40%	11.20%	38.70%
16/09/2020	0.00%	64.40%	4.00%	18.60%	41.30%
05/11/2020	0.00%	69.10%	6.00%	21.60%	40.60%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.75	2.3%	Corn (per bushel)	3.8075	-0.4%
Brent (per barrel)	55.28	2.4%	Soybean (per bushel)	8.800	0.1%
Heating Oil (per gallon)	1.6454	3.9%	Wheat (per bushel)	5.6200	0.9%
Gasoline (per gallon)	1.4863	3.0%	Crude Palm Oil (MYR/MT)	2,853.0	5.0%
Natural Gas (per MMBtu)	1.8610	-0.6%	Rubber (JPY/KG)	147.0	-1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,722	1.9%	Gold (per oz)	1,556.0	0.2%
Nickel (per mt)	13,160	2.6%	Silver (per oz)	17.611	0.1%

Equity and Commodity

Index	Value	Net change
DJIA	29,290.85	483.22
S&P	3,334.69	37.10
Nasdaq	9,508.68	40.71
Nikkei 225	23,319.56	234.97
STI	3,200.13	43.56
KLCI	1,536.79	0.99
JCI	5,978.51	56.17
Baltic Dry	453.00	--
VIX	15.15	-0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.50 (+0.03)	1.44 (+0.03)
5Y	1.50 (+0.04)	1.46 (+0.04)
10Y	1.66 (+0.03)	1.65 (+0.05)
15Y	1.77 (--)	--
20Y	1.87 (--)	--
30Y	2.01 (--)	2.14 (+0.06)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.90	-0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.60
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Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
02/06/2020 07:00	SK BoP Current Account Balance	Dec	--	\$4330.9m	\$5974.8m
02/06/2020 07:50	JN Japan Buying Foreign Bonds	Jan-31	--	-¥150.2b	-¥551.9b
02/06/2020 08:30	AU Retail Sales MoM	Dec	-0.20%	--	0.90%
02/06/2020 08:30	AU Trade Balance	Dec	A\$5500m	--	A\$5800m
02/06/2020 11:30	TH CPI YoY	Jan	0.98%	--	0.87%
02/06/2020 11:30	TH CPI Core YoY	Jan	0.50%	--	0.49%
02/06/2020 14:15	IN RBI Repurchase Rate	Feb-06	5.15%	--	5.15%
02/06/2020 14:15	IN RBI Reverse Repo Rate	Feb-06	4.90%	--	4.90%
02/06/2020 14:15	IN RBI Cash Reserve Ratio	Feb-06	4.00%	--	4.00%
02/06/2020 15:00	GE Factory Orders MoM	Dec	0.60%	--	-1.30%
02/06/2020 16:00	PH BSP Overnight Borrowing Rate	Feb-06	3.75%	--	4.00%
02/06/2020 16:00	TA CPI YoY	Jan	1.20%	--	1.13%
02/06/2020 21:30	US Initial Jobless Claims	Feb-01	215k	--	216k
02/06/2020 21:30	US Continuing Claims	Jan-25	1720k	--	1703k
02/06/2020 22:45	US Bloomberg Consumer Comfort	Feb-02	--	--	67.3

Source: Bloomberg

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