

Daily Treasury Outlook

6 April 2020

Highlights

Global: US' nonfarm payrolls fell an eye-catching 701k in March, with the unemployment rate surging to 4.4%, but may nevertheless not have fully captured the roughly 10 million new initial jobless claims in the last two weeks. The US' non-manufacturing ISM also registered a record fall amid the Covid-19 outbreak, highlighting the stalling of economic activity due to the Covid-19 outbreak. The S&P500 fell 1.5% on Friday, with UST bonds mixed and the 10-year bond yield little changed at 0.59% ahead of upcoming upsized auction sizes this week. Meanwhile, crude oil prices also slumped amid doubts over a virtual OPEC+ meeting scheduled for 9 April amid dissension.

Market watch: Asian markets are likely off to a soft start today amid concerns of recession and unemployment fears arising from the Covid-19 pandemic. Today's economic data releases comprise of services PMIs from India, German factory orders, Eurozone's Sentix investor confidence and Indonesia's consumer confidence. For the week ahead, watch for RBA's policy decision tomorrow followed by FOMC minutes, BOK policy decision and RBA financial review on 9 April.

US: New York's fatalities dipped for the first time to 594 yesterday, down from 630 on Saturday and bringing the total to 4,159 so far.

UK: PM Johnson has been warded in hospital with persistent Covid-19 symptoms.

China: PBoC announced on 3 April to cut the reserve requirement ratio (RRR) for small and medium sized banks including rural cooperatives, rural commercial banks and city commercial banks operating within provincial administrative areas, by 100bps in two phases with 50bps on 15 April and another 50bps on 15 May. This was the third RRR cut since the beginning of the year. The latest targeted RRR cut is expected to inject about CNY400 billion long term liquidity to smaller banks to support the funding demand from smaller companies. PBoC also returned to crisis era playbook via cutting its interest rate paid for excessive reserve to 0.35% from 0.72%, the first cut since 2008. This shows that China has reckoned the risk of sharp slowdown of the economy.

Singapore: The Singapore government will waive foreign worker levies for April ahead of the shutdowns from tomorrow, while DPM and Finance Minister Heng will announce the third Budget (Solidarity) in two months later this afternoon at 2pm.

Oil: The positivity in oil markets barely lasted 24 hours. Less than a day after OPEC+ was reportedly mulling a cut of 10-15 mbpd, finger-pointing between Russia and Saudi Arabia over the current oil price slump has resulted in the emergency meeting's delay. Brent closed at \$34.11/bbl on Friday but has since retreated more than 6% to \$31.85/bbl at time of writing.

Key Market Movements		
Equity	Value	% chg
S&P 500	2488.7	-1.5%
DJIA	21053	-1.7%
Nikkei 225	17820	0.0%
SH Comp	2764.0	-0.6%
STI	2389.3	-2.6%
Hang Seng	23236	-0.2%
KLCI	1330.7	0.0%
Currencies	Value	% chg
DXY	100.576	0.4%
USDJPY	108.55	0.6%
EURUSD	1.0801	-0.5%
GBPUSD	1.2269	-1.0%
USDIDR	16430	-0.4%
USDSGD	1.4393	0.6%
SGDMYR	3.0362	-0.4%
Rates	Value	chg (bp)
3M UST	0.06	1.27
10Y UST	0.59	-0.22
1Y SGS	0.72	-5.00
10Y SGS	1.04	-5.91
3M LIBOR	1.37	-6.35
3M SIBOR	0.99	-0.97
3M SOR	0.85	-15.24
Commodities	Value	% chg
Brent	34.11	13.9%
WTI	28.34	11.9%
Gold	1621	0.4%
Silver	14.39	-0.7%
Palladium	2164	-2.9%
Copper	4840	-1.2%
BCOM	62.20	1.1%

Source: Bloomberg

Daily Treasury Outlook

6 April 2020

Major Markets

US: US equity markets fell last Friday, as risk appetite continued to be dented in the wake of a worsening outbreak in the US. The S&P500 index fell 1.5%. Looking ahead, the plateauing of confirmed cases and deaths are likely to be the precursor to a sustained rally.

Hong Kong: Markit PMI rebounded from its record low of 33.1 in February to 34.9 in March. Unlike China's PMI, the rebound of HK's PMI was rather muted. This indicates that HK's economy has suffered another blow from global coronavirus outbreak which caused a second wave of Covid-19 infections in HK and led to increasing country lockdowns. As Covid-19 pandemic shows no sign of slowdown yet, global supply chain could remain disrupted while external demand is set to worsen further. As such, we expect PMI to drop again in April.

The HKMA announced liquidity measures in response to Covid-19 outbreak. These measures include the HKMA's Liquidity Facilities Framework, the Federal Reserve's Temporary FIMA Repo Facility, and supervisory expectation on the use of liquidity buffers under the liquidity coverage ratio and liquidity maintenance ratio regimes. Similar to the latest CCyB ratio cut, the first and the last measures aim to alleviate banks' concern about funding and in turn encourage them to support the economy as well as the companies and individuals affected by the Covid-19 pandemic. Meanwhile, the second measure aims to ease the USD funding stress in the local market.

Singapore: The STI fell 2.6% to close at 2489.29 on Friday, but may open softer today amid weak sentiments caught between the impending shutdowns on one hand and the more stimulus measures likely to be announced this afternoon. With the UST bond rally fading on Friday after the Fed trimmed its bond purchases to around \$50b a day from \$60b, SGS bonds may also tread water ahead of the third budget announcement due later today.

Indonesia: Indonesia's official Covid-19 death toll rose to 181, highest in Asia after China. The fatality rate is at more 9%, although it may be signalling a lack of testing that results in lower number of confirmed cases. Separately, Jakarta's public transport commuters are now required to wear face masks, in a bid to stem the outbreak in the capital city.

Malaysia: Bank Negara Malaysia downgraded its growth expectation from 4.3-4.8% to now a range between -2.0 to 0.5%, due to the challenging global and domestic outlook. It added that the pandemic has hit the country's tourism sector and would dampen private consumption and investment. "Great uncertainty remains."

Daily Treasury Outlook

6 April 2020

Bond Market Updates

Market Commentary: The SGD swap curve mostly fell last Friday, with the shorter and the belly tenors trading 3-4bps lower (with the exception of the 1-year tenor trading 1bp higher), while the longer tenors traded around 1-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 274bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 1137bps. The HY-IG Index Spread tightened 7bps to 864bps. Flows in SGD corporates were heavy, with flows in MAPLSP 4.5%-PERPs and UBS 5.875%-PERPs. 10Y UST Yields remain mostly unchanged at 0.6% by the end of day, even as U.S. stock prices fell after the Fed announced plans to slow its pace of Treasury purchases.

New Issues: There were no new issues or mandates.

Daily Treasury Outlook

6 April 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.576	0.40%	USD-SGD	1.4393	0.57%
USD-JPY	108.550	0.59%	EUR-SGD	1.5552	0.07%
EUR-USD	1.0801	-0.52%	JPY-SGD	1.3264	0.06%
AUD-USD	0.5997	-1.06%	GBP-SGD	1.7657	-0.44%
GBP-USD	1.2269	-1.02%	AUD-SGD	0.8629	-0.50%
USD-MYR	4.3550	-0.05%	NZD-SGD	0.8441	-0.25%
USD-CNY	7.0913	0.08%	CHF-SGD	1.4708	0.13%
USD-IDR	16430	-0.39%	SGD-MYR	3.0362	-0.37%
USD-VND	23547	-0.22%	SGD-CNY	4.9244	-0.54%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	1.50%	O/N	0.0766	-2.29%
2M	-0.3360	-2.29%	1M	0.9851	-3.46%
3M	-0.3410	-3.46%	2M	1.2020	-0.20%
6M	-0.2770	-0.20%	3M	1.3874	-6.35%
9M	-0.1940	-6.35%	6M	1.2089	0.96%
12M	-0.1490	0.96%	12M	1.0499	5.78%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.088	8.8	0.022	0.077
10/06/2020	0.088	0	0.022	0.077
29/07/2020	0.098	1	0.024	0.08
16/09/2020	0.098	0	0.024	0.08
05/11/2020	0.11	1.2	0.027	0.083
16/12/2020	0.106	-0.4	0.027	0.082

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	28.34	11.9%	Corn (per bushel)	3.3075	-0.8%
Brent (per barrel)	34.11	13.9%	Soybean (per bushel)	8.543	-0.5%
Heating Oil (per gallon)	1.0706	7.6%	Wheat (per bushel)	5.4925	1.4%
Gasoline (per gallon)	0.6916	4.3%	Crude Palm Oil (MYR/MT)	2,320.0	-3.3%
Natural Gas (per MMBtu)	1.6210	4.4%	Rubber (JPY/KG)	134.0	3.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,840	-1.2%	Gold (per oz)	1,620.8	0.4%
Nickel (per mt)	11,239	-0.7%	Silver (per oz)	14.388	-0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,052.53	-360.91
S&P	2,488.65	-38.25
Nasdaq	7,373.08	-114.23
Nikkei 225	17,820.19	1.47
STI	2,389.29	-63.74
KLCI	1,330.65	-0.25
JCI	4,623.43	91.74
Baltic Dry	616.00	-8.00
VIX	46.80	-4.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.56 (-0.03)	0.23 (--)
5Y	0.68 (-0.1)	0.38 (--)
10Y	1.04 (-0.06)	0.59 (--)
15Y	1.30 (-0.04)	--
20Y	1.43 (-0.03)	--
30Y	1.47 (-0.04)	1.21 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	11.70	-0.42
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
-------------	------

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/06/2020	PH	Budget Balance PHP	Feb	--	--	23.0b	--
04/06/2020 07:01	UK	GfK Consumer Confidence	Mar F	--	-34	-9	--
04/06/2020 09:00	AU	Melbourne Institute Inflation MoM	Mar	--	--	-0.10%	--
04/06/2020 09:00	NZ	ANZ Commodity Price	Mar	--	--	-2.10%	--
04/06/2020 09:00	AU	Melbourne Institute Inflation YoY	Mar	--	--	1.60%	--
04/06/2020 13:00	IN	Markit India PMI Composite	Mar	--	--	57.6	--
04/06/2020 13:00	IN	Markit India PMI Services	Mar	--	--	57.5	--
04/06/2020 14:00	GE	Factory Orders MoM	Feb	-2.50%	--	5.50%	--
04/06/2020 14:00	GE	Factory Orders WDA YoY	Feb	-0.20%	--	-1.40%	--
04/06/2020 15:30	GE	Markit Germany Construction PMI	Mar	--	--	55.8	--
04/06/2020 16:00	UK	New Car Registrations YoY	Mar	--	--	-2.90%	--
04/06/2020 16:30	UK	Markit/CIPS UK Construction PMI	Mar	44	--	52.6	--
04/06/2020 22:30	CA	BoC Business Outlook Future Sales	1Q	--	--	11	--
04/06/2020 04/10	PH	BoP Overall	Feb	--	--	-\$1355m	--
04/06/2020 04/10	PH	Bank Lending YoY	Feb	--	--	11.20%	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).