

## Daily Treasury Outlook

7 February 2020

### Highlights

**Global:** Reciprocity came in terms of a return Valentine's Day present with China's announcement to halve tariffs on \$75b of US goods from 14 February, the same day that the US will halve the tariffs on \$120b of Chinese imports. This gesture may help to illustrate China's sincerity to meet its obligations under the Phase 1 trade deal. That said, China's death toll from the coronavirus has risen to 636, whilst CNOOC has declared force majeure on some LNG contracts, suggesting that the coronavirus was beginning to impact business operations. Meanwhile, RBI kept its monetary policy settings static as expected, while BSP cut its overnight borrowing rate and standing overnight deposit rate by 25bps to 3.75% and 3.25% respectively. Wall Street notched up modest gains (S&P500 +0.33%), while UST bonds were little changed with the 10-year UST bond yield down 1bp at 1.64%.

**Market watch:** Asian markets may take a breather today, awaiting the key US' labour market report due later tonight with market consensus eyeing +165k for nonfarm payrolls, 3.5% for the unemployment rate and 0.3% mom (3.0% yoy) for average hourly earnings. The economic data calendar also comprises of China's January trade and foreign reserve data, US' wholesale inventory, industrial production data for Malaysia and Germany, trade data for Taiwan and Germany, foreign reserves for many Asian countries.

**US:** Initial jobless claims fell to a 9-month low of 202k, with the 4-week average at 211.75k, which could point to upside for tonight's nonfarm payrolls report. Meanwhile, productivity rose 1.4% in 4Q19, following a 0.2% decline in 3Q19. Fed's Kaplan opined "we are going to have a solid year of growth in 2020" around 2.25% and the outlook could have been stronger if not for the "wildcard" of the coronavirus outbreak.

**EU:** German factory orders unexpectedly declined 2.1% mom (-8.7% yoy) in December, suggesting a setback at end 2019.

**Australia:** RBA governor Lowe opined that "if the unemployment rate were to be moving materially in the wrong direction and there was no further progress being made toward the inflation target, the balance of arguments would tilt towards a further easing of monetary policy".

**Singapore:** Public listed housing developers with a substantial connection to Singapore will be allowed exemption from the Qualifying Certificate regime. There are now 30 confirmed cases of the coronavirus in Singapore.

Key Market Movements		
Equity	Value	% chg
S&P 500	3345.8	0.3%
DJIA	29380	0.3%
Nikkei 225	23874	2.4%
SH Comp	2866.5	1.7%
STI	3231.6	1.0%
Hang Seng	27494	2.6%
KLCI	1552.8	1.0%
Currencies	Value	% chg
DXY	98.496	0.2%
USDJPY	109.99	0.1%
EURUSD	1.0983	-0.1%
GBPUSD	1.2931	-0.5%
USDIDR	13635	-0.4%
USDSGD	1.3857	0.3%
SGDMYR	2.9775	-0.3%
Rates	Value	chg (bp)
3M UST	1.56	1.02
10Y UST	1.64	-0.86
1Y SGS	1.58	3.00
10Y SGS	1.70	4.45
3M LIBOR	1.74	0.43
3M SIBOR	1.71	0.00
3M SOR	1.62	5.81
Commodities	Value	% chg
Brent	54.93	-0.6%
WTI	50.95	0.4%
Gold	1567	0.7%
Silver	17.82	1.2%
Palladium	2345	-3.6%
Copper	5735	0.2%
BCOM	74.96	0.3%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rose for a fourth straight day as the announcement that China will halve tariffs on a list of US goods and positive economic data gave investors an impetus to bid the markets higher. The S&P500 rose 0.3%. For today, the ongoing risk rally will most likely take its cue from the US nonfarm payrolls report.

**China:** China announced to halve tariffs on US\$75 billion US goods effective from 14 February, the same day that the US will halve the tariff on US\$120 billion Chinese imports. The announcement works like a reverse of tit-for-tat we saw in the past two years. It shows China's commitment to implement the phase one trade deal despite the disruptions from the recent virus outbreak. In the phase one deal there is one clause allowing for implementation delays in the event of a natural disaster or other unforeseeable event. There is report from China saying China may consider using that clause.

Market starts to see more ripple effects from the coronavirus outbreak. China announced to postpone two important international fairs including Canton Fair and East China import and export commodity fair, which may potentially disrupt more than US\$30 billion deals

**Singapore:** The STI extended its rally by another 0.98% to close at 3231.55 yesterday, tracking broad gains across the Asian bourses, but may take a breather today amid soft morning cues from Kospi. The STI's support and resistance are tipped at 3200 and 3247 respectively. With UST bonds trading water overnight, SGS bonds may also consolidate today after selling off by 3-5bps yesterday.

**Malaysia:** PKR Chief Anwar Ibrahim said he can wait another half a year beyond the agreed PM handover deadline, having waited 20 years for it anyway. Apart from political musings, Malaysian market will be keeping an eye on foreign reserves and industrial production data out today.

**Indonesia:** The government has appointed McKinsey and BCG as consultants to help in its SOE revamp drive. They are supposed to come up with a roadmap to reform some 114 SOEs with businesses ranging from oil and gas, power plant, to construction companies which have been instrumental in the government's infrastructure drive.

**Oil:** OPEC+ is reportedly mulling an additional 600kbpd production cut in a bid to stem bleeding oil prices from the coronavirus outbreak. The biggest obstacle to this deal remains Russia, which has remained noncommittal to more cuts through the past week's discussions. As a recap, OPEC+ cut 1.2mbpd of supply in Dec 2018; an additional 900kbpd in Dec 2019 (400k of which are voluntary cuts by Russia); and now a potential 600kbpd supply cut to tackle the coronavirus impact. That would be wiping off 2.7mbpd of production from its 2018 baseline, not including the outages suffered by Iran (US sanctions), Venezuela (domestic unrest and US sanctions) and Libya (force majeure).

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### Bond Market Updates

**Market Commentary:** The SGD swap curve rose yesterday, with the shorter and belly tenors trading 5-6bps higher (with the exception of the 7-year and 12-year tenors trading 9bps higher), while the longer tenors traded 7bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 486bps. The HY-IG Index Spread tightened 7bps to 365bps. 10Y UST Yields fell 1bps to 1.64%, as investors weighed whether China's efforts in response to the 2019 Novel Coronavirus would be sufficient. China had announced a tariff cut on some imports from the U.S.

**New Issues:** CSSC Capital 2015 Limited (Guarantor: CSSC (Hong Kong) Shipping Company Limited) priced a USD400mn 5-year bond at T+110bps and another USD400mn 10-year bond at T+137.5bps, tightening from IPT of T+145bps and T+175bps area. ANZ New Zealand (International) Ltd. (Guarantor: ANZ Bank New Zealand Ltd.) priced a USD1.5bn bond in 2 parts: (1) a USD750mn 3-year bond at T+48bps and (2) a USD750mn 10-year bond at T+93bps, tightening from IPT of T+65bps and T+115bps area respectively. Indian Railway Finance priced a USD700mn 10-year bond at 3.249% and another USD300mn 30-year bond at 3.95%, both tightening from IPT of T+200bps area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.496	0.20%	USD-SGD	1.3857	0.32%
USD-JPY	109.990	0.15%	EUR-SGD	1.5220	0.18%
EUR-USD	1.0983	-0.15%	JPY-SGD	1.2598	0.17%
AUD-USD	0.6730	-0.24%	GBP-SGD	1.7917	-0.24%
GBP-USD	1.2931	-0.55%	AUD-SGD	0.9327	0.09%
USD-MYR	4.1225	0.13%	NZD-SGD	0.8949	0.07%
USD-CNY	6.9707	-0.01%	CHF-SGD	1.4217	0.20%
USD-IDR	13635	-0.40%	SGD-MYR	2.9775	-0.26%
USD-VND	23219	-0.02%	SGD-CNY	5.0313	-0.32%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4590	1.00%	O/N	1.5751	0.96%
2M	-0.3360	0.96%	1M	1.6696	0.34%
3M	-0.4000	0.34%	2M	1.7256	0.19%
6M	-0.3460	0.19%	3M	1.7416	0.43%
9M	-0.1940	0.43%	6M	1.7589	1.54%
12M	-0.2780	1.54%	12M	1.8311	2.81%

### 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%	9.40%	0.00%	0.00%	9.40%
29/04/2020	0.00%	21.30%	0.00%	1.20%	20.00%
10/06/2020	0.00%	36.50%	0.20%	4.90%	31.40%
29/07/2020	0.00%	49.60%	1.20%	10.30%	38.00%
16/09/2020	0.00%	63.10%	3.70%	17.80%	41.30%
05/11/2020	0.00%	68.00%	5.50%	20.90%	40.80%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.95	0.4%	Corn (per bushel)	3.7925	-0.4%
Brent (per barrel)	54.93	-0.6%	Soybean (per bushel)	8.810	0.1%
Heating Oil (per gallon)	1.6654	1.2%	Wheat (per bushel)	5.5625	-1.0%
Gasoline (per gallon)	1.4980	0.8%	Crude Palm Oil (MYR/MT)	2,898.0	1.6%
Natural Gas (per MMBtu)	1.8620	0.1%	Rubber (JPY/KG)	149.6	1.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,735	0.2%	Gold (per oz)	1,566.7	0.7%
Nickel (per mt)	13,060	-0.8%	Silver (per oz)	17.823	1.2%

### Equity and Commodity

Index	Value	Net change
DJIA	29,379.77	88.92
S&P	3,345.78	11.09
Nasdaq	9,572.15	63.47
Nikkei 225	23,873.59	554.03
STI	3,231.55	31.42
KLCI	1,552.77	15.98
JCI	5,987.15	8.64
Baltic Dry	430.00	--
VIX	14.96	-0.19

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (+0.03)	1.45 (--)
5Y	1.54 (+0.04)	1.46 (--)
10Y	1.70 (+0.04)	1.64 (-0.01)
15Y	1.81 (+0.04)	--
20Y	1.89 (+0.02)	--
30Y	2.03 (+0.02)	2.11 (-0.03)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.55	0.05
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.59
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Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/07/2020	CH	Trade Balance	Jan	\$39.52b	--	\$46.79b	\$47.21b
02/07/2020	CH	Exports YoY	Jan	-4.20%	--	7.60%	7.90%
02/07/2020	CH	Imports YoY	Jan	-5.80%	--	16.30%	16.50%
02/07/2020	HK	Foreign Reserves	Jan	--	--	\$441.3b	--
02/07/2020	CH	Foreign Reserves	Jan	\$3105.75b	--	\$3107.92b	--
02/07/2020 07:30	JN	Labor Cash Earnings YoY	Dec	-0.10%	0.00%	-0.20%	0.10%
02/07/2020 11:00	ID	Foreign Reserves	Jan	--	--	\$129.18b	--
02/07/2020 12:00	MA	Industrial Production YoY	Dec	2.00%	--	2.00%	--
02/07/2020 15:00	MA	Foreign Reserves	Jan-31	--	--	\$103.7b	--
02/07/2020 15:30	TH	Foreign Reserves	Jan-31	--	--	\$229.5b	--
02/07/2020 16:00	TA	Exports YoY	Jan	1.00%	--	4.00%	--
02/07/2020 21:30	US	Change in Nonfarm Payrolls	Jan	165k	--	145k	--
02/07/2020 21:30	US	Unemployment Rate	Jan	3.50%	--	3.50%	--
02/07/2020 21:30	US	Change in Manuf. Payrolls	Jan	-2k	--	-12k	--
02/07/2020 23:00	US	Wholesale Inventories MoM	Dec F	-0.10%	--	-0.10%	--

Source: Bloomberg

## Treasury Research & Strategy

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