

## Daily Treasury Outlook

7 April 2020

### Highlights

**Global:** US' risk sentiments improved amid market hopes that the Covid-19 fatalities in the US and Europe were slowing and could be near a plateau. The S&P500 rallied 7.03% while UST bonds bear-steepened with the 10-year bond yield up to 0.67% amid supply concerns with the upcoming 10- and 30-year auctions later this week. Crude oil prices also had a volatile ride amid concerns that the OPEC+ virtual meeting would not materialise. Separately, UK PM Johnson has been admitted to intensive care due to Covid-19, leaving Foreign Secretary Dominic Raab as the deputy. The IMF is also considering launching a Fed-like program to offer short-term USD loans to help countries without sufficient Treasuries to participate.

**Market watch:** Asian markets may hope to ride on the improved overnight risk showing in US financial markets, but the rally momentum could be constrained. RBA policy decision is due today, but with the cash rate target already at 0.25% there may not be much room to cut further. Today's economic releases comprise of FX reserves for China, Indonesia, Malaysia, Hong Kong, Singapore and Philippines, Thailand's CPI, German industrial production, and US' NFIB small business optimism and JOLTS job openings.

**US:** The Fed said it would create a program to help financing for small-business stimulus loans, while the New York Fed announced its CP purchases will start on 14 April. Meanwhile, House Speaker Pelosi opined that the next stimulus bill could top \$1 trillion.

**EU:** The Sentix Investor Index fell to a record low of -42.9 in April, compared to -17.1 in March and suggested a deep recession in the Euro region.

**Japan:** PM Abe pledged a "massive" stimulus package amounting to JPY108 trillion or 20% of GDP to battle Covid-19, but did not give further details.

**Singapore:** The Solidarity Budget of \$5.1 billion will require another \$4 billion draw on past reserves and extend more assistance for firms and Singaporeans ahead of the one-month circuit breaker measures. Read our [report](#) for more information.

**Oil:** Brent fell 3% to \$33.05/bbl yesterday, after news emerged over the weekend that the OPEC+ meeting is delayed as Russia and Saudi Arabia continued to trade barbs over the current oil slump. CNBC reported yesterday afternoon that members were "very, very close" to an agreement. With a lack of details, it is still unknown on how such deep output cuts can be achieved without the participation of the US, which is the world's biggest crude oil producer at 13mbpd.

### Key Market Movements

Equity	Value	% chg
S&P 500	2663.7	7.0%
DJIA	22680	7.7%
Nikkei 225	18576	4.2%
SH Comp	2764.0	0.0%
STI	2470.6	3.4%
Hang Seng	23749	2.2%
KLCI	1341.7	0.8%
Currencies	Value	% chg
DXY	100.685	0.1%
USDJPY	109.22	0.6%
EURUSD	1.0793	-0.1%
GBPUSD	1.2231	-0.3%
USDIDR	16413	-0.1%
USDSGD	1.4325	-0.5%
SGDMYR	3.0480	0.4%
Rates	Value	chg (bp)
3M UST	0.05	-0.51
10Y UST	0.67	7.50
1Y SGS	0.73	1.90
10Y SGS	1.07	3.21
3M LIBOR	1.39	1.44
3M SIBOR	0.99	-0.03
3M SOR	0.95	10.27
Commodities	Value	% chg
Brent	33.05	-3.1%
WTI	26.08	-8.0%
Gold	1661	2.5%
Silver	15.00	4.3%
Palladium	2164	0.0%
Copper	4884	0.9%
BCOM	62.82	1.0%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rallied sharply last night on the back of signs that the coronavirus outbreak in the US is improving with the death toll in New York plateauing. The S&P500 surged 7.03%. We maintain our view that signs of stabilization in the coronavirus outbreak are likely to sustain the rally for now.

**Singapore:** The STI gained 3.4% to close at 2470.59 yesterday and may extend further today amid positive overnight cues from Wall Street. With the UST bond bear-steepening bias, SGS bonds may also be under some selling pressure today.

**Indonesia:** Finance Minister Sri Mulyani said that the authorities expect the Covid-19 infections to peak in May, but warned that it might infect as many as 95,000 Indonesians by then. The projections are said to be done by Indonesia's intelligence agency and major universities, and come after the authorities urge everyone to wear masks in public.

**Malaysia:** Malaysian government added MYR10bn to its stimulus package yesterday, after criticism that the previous MYR250bn package left out SMEs that contribute up to 40% of the economy. The latest measures include wage subsidies for workers earning less than MYR4000/month and a special grant for micro entrepreneurs.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 7-10bps higher, while the belly and longer tenors traded around 8-11bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 273bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 1138bps. The HY-IG Index spread widened 2bps to 865bps. Flows in SGD corporates were somewhat heavy with flows seen in perpetuals including DBSSP 3.98%-PERP, MAPLSP 4.5%-PERPs and UBS 5.875%-PERPs, as well as SIASP 3.22% '20s. 10Y UST Yields gained 8bps to 0.67% with a broad-based rise in risk sentiments with S&P 500 rising 7.0% y/y with fall in death toll from COVID-19.

**New Issues:** Mitsubishi UFJ Lease & Finance Co Ltd priced a USD450mn 5-year at 3m-US LIBOR+320bps, tightening from 3m-US LIBOR+325bps area and a USD350mn 10-year at 3m-US LIBOR+330bps tightening from 3m-US LIBOR+337.5bps area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	100.685	0.11%	<b>USD-SGD</b>	1.4325	-0.47%
<b>USD-JPY</b>	109.220	0.62%	<b>EUR-SGD</b>	1.5459	-0.60%
<b>EUR-USD</b>	1.0793	-0.07%	<b>JPY-SGD</b>	1.3114	-1.13%
<b>AUD-USD</b>	0.6088	1.52%	<b>GBP-SGD</b>	1.7519	-0.78%
<b>GBP-USD</b>	1.2231	-0.31%	<b>AUD-SGD</b>	0.8720	1.05%
<b>USD-MYR</b>	4.3622	0.17%	<b>NZD-SGD</b>	0.8498	0.68%
<b>USD-CNY</b>	7.0913	--	<b>CHF-SGD</b>	1.4637	-0.48%
<b>USD-IDR</b>	16413	-0.10%	<b>SGD-MYR</b>	3.0480	0.39%
<b>USD-VND</b>	23453	-0.40%	<b>SGD-CNY</b>	4.9539	0.60%

## Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	22,679.99	1627.46
<b>S&amp;P</b>	2,663.68	175.03
<b>Nasdaq</b>	7,913.24	540.16
<b>Nikkei 225</b>	18,576.30	756.11
<b>STI</b>	2,470.59	81.30
<b>KLCI</b>	1,341.69	11.04
<b>JCI</b>	4,811.83	188.40
<b>Baltic Dry</b>	616.00	--
<b>VIX</b>	45.24	-1.56

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4380	0.40%	<b>O/N</b>	0.0766	-0.92%
<b>2M</b>	-0.3360	-0.92%	<b>1M</b>	0.9851	0.35%
<b>3M</b>	-0.3410	0.35%	<b>2M</b>	1.2020	-4.05%
<b>6M</b>	-0.2770	-4.05%	<b>3M</b>	1.3874	1.44%
<b>9M</b>	-0.1940	1.44%	<b>6M</b>	1.2089	0.40%
<b>12M</b>	-0.1490	0.40%	<b>12M</b>	1.0499	-1.03%

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.59 (+0.03)	0.26 (+0.03)
<b>5Y</b>	0.73 (+0.05)	0.44 (+0.06)
<b>10Y</b>	1.07 (+0.03)	0.67 (+0.08)
<b>15Y</b>	1.33 (+0.04)	--
<b>20Y</b>	1.47 (+0.04)	--
<b>30Y</b>	1.49 (+0.03)	1.28 (+0.07)

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.119	11.9	0.03	0.087
10/06/2020	0.11	-0.9	0.027	0.085
29/07/2020	0.079	-3.1	0.02	0.077
16/09/2020	0.079	0	0.02	0.077
05/11/2020	0.079	0	0.02	0.077
16/12/2020	0.077	-0.1	0.019	0.077

## Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	11.92	0.22
<b>TED</b>	35.36	--

## Secured Overnight Fin. Rate

<b>SOFR</b>	0.01
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	26.08	-8.0%	Corn (per bushel)	3.2775	-0.9%
Brent (per barrel)	33.05	-3.1%	Soybean (per bushel)	8.555	0.1%
Heating Oil (per gallon)	1.0457	-2.3%	Wheat (per bushel)	5.5575	1.2%
Gasoline (per gallon)	0.7016	1.4%	Crude Palm Oil (MYR/MT)	2,333.0	0.6%
Natural Gas (per MMBtu)	1.7310	6.8%	Rubber (JPY/KG)	134.0	0.0%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,884	0.9%	Gold (per oz)	1,661.0	2.5%
Nickel (per mt)	11,289	0.4%	Silver (per oz)	15.004	4.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/07/2020	HK	Foreign Reserves	Mar	--	--	\$446.1b	--
04/07/2020	CH	Foreign Reserves	Mar	\$3097.50b	--	\$3106.72b	--
04/07/2020 07:00	SK	BoP Current Account Balance	Feb	--	\$6409.2m	\$1006.5m	--
04/07/2020 07:30	JN	Labor Cash Earnings YoY	Feb	0.40%	1.00%	1.50%	1.20%
04/07/2020 09:00	PH	CPI YoY 2012=100	Mar	2.30%	--	2.60%	--
04/07/2020 09:30	AU	Trade Balance	Feb	A\$3800m	--	A\$5210m	--
04/07/2020 11:00	ID	Foreign Reserves	Mar	--	--	\$130.40b	--
04/07/2020 11:30	TH	CPI YoY	Mar	-0.55%	--	0.74%	--
04/07/2020 11:30	TH	CPI Core YoY	Mar	0.53%	--	0.58%	--
04/07/2020 12:30	AU	RBA Cash Rate Target	Apr-07	0.25%	--	0.25%	--
04/07/2020 14:00	GE	Industrial Production SA MoM	Feb	-0.80%	--	3.00%	--
04/07/2020 14:00	GE	Industrial Production WDA YoY	Feb	-3.00%	--	-1.30%	--
04/07/2020 15:00	MA	Foreign Reserves	Mar-31	--	--	\$103.0b	--
04/07/2020 18:00	US	NFIB Small Business Optimism	Mar	--	--	104.5	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

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