

## Daily Treasury Outlook

8 April 2020

### Highlights

**Global:** Global risk sentiments remained cautious overnight even as New York saw a third consecutive day of slowing Covid-19 infections and several European nations plan to ease Covid-19 restrictions, albeit UK PM Johnson remained in intensive care. The S&P500 erased earlier gains and slipped 0.16% overnight in a volatile session, while UST bonds bear-steepened with the 10-year bond leading losses to close at 0.71% amid a sloppy auction and investors are bracing for a record \$125bn cash-management bill sales today. The 3-month LIBOR fixed lower for a second day at 1.3199%, with the LIBOR-OIS narrowing to 123bps. Crude oil prices slumped amid fading hopes of an OPEC+ agreement.

**Market watch:** Asian markets may open on a softer tone this morning as conviction levels remain tentative. Today's economic data releases comprises of Japan's Eco Watchers survey, Taiwan's trade and CPI, and US' mortgage applications and FOMC minutes.

**US:** The JOLTS job openings fell 130k to 6.9m in February whilst the NFIB small business confidence tumbled by a record to its lowest since October 2016. Meanwhile, the Trump administration is aiming to reopen the US economy and has asked Congress for an extra US\$250bn in emergency economic aid for small businesses to add to the US\$350bn enacted on 27 March.

**EU:** The European finance ministers are hoping to agree on EUR500bn of fiscal aid, with potential joint backstops for government financing and liquidity extension to companies to mitigate a recession.

**Australia:** RBA kept its cash rate target unchanged at 0.25% and signalled its intention to taper its bond-purchase program if market conditions continued to improve.

**China:** China will postpone its largest export fair, Canton Fair to June. Instead of a physical fair, it will be changed to an online fair.

**Singapore:** MAS announced the easing of capital requirements to allow banks more room to boost lending but said the release of surplus capital should not be used to fund share buybacks. Meanwhile, the government is tightening laws on public and private gatherings to stem the Covid-19 spread, and has introduced a bill in Parliament for new temporary measures to allow voting during an election.

**Oil:** Oil prices continue to blow hot and cold, with Brent declining 3.6% yesterday only to rebound 1.9% this morning at time of writing. The possibility of output cuts from OPEC+ and beyond continue to be the main driver for prices and is expected to remain so until the output decision is reached on Thursday. For such an unprecedented output cut to occur, we think some kind of participation from the US needs to materialise, otherwise there are little incentives for global cooperation.

Key Market Movements		
Equity	Value	% chg
S&P 500	2659.4	-0.2%
DJIA	22654	-0.1%
Nikkei 225	18950	2.0%
SH Comp	2820.8	2.1%
STI	2571.9	4.1%
Hang Seng	24253	2.1%
KLCI	1369.9	2.1%
Currencies	Value	% chg
DXY	99.900	-0.8%
USDJPY	108.76	-0.4%
EURUSD	1.0892	0.9%
GBPUSD	1.2332	0.8%
USDIDR	16200	-1.3%
USDSGD	1.4233	-0.6%
SGDMYR	3.0462	-0.1%
Rates	Value	chg (bp)
3M UST	0.11	6.10
10Y UST	0.71	4.24
1Y SGS	0.79	5.10
10Y SGS	1.11	3.74
3M LIBOR	1.35	-3.50
3M SIBOR	0.99	-0.12
3M SOR	1.03	7.88
Commodities	Value	% chg
Brent	31.87	-3.6%
WTI	23.63	-9.4%
Gold	1648	-0.8%
Silver	15.02	0.1%
Palladium	2183	0.9%
Copper	5040	3.2%
BCOM	63.22	0.6%

Source: Bloomberg

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**Major Markets**

**US:** US equity markets closed slightly lower last night, giving up their more than 3% gains earlier in the day as investors continued to assess the coronavirus outbreak. The S&P500 closed 0.16% lower. Looking ahead, major downside risks are curbed for now, with confirmed cases in some states showing signs of plateauing, although markets are likely to remain volatile.

**Singapore:** The STI rallied 4.1% to close at 2571.89 yesterday but may surrender some ground today amid weak leads from Wall Street overnight. With the continued UST bond bear-steepening bias, SGS bonds may also trade sideways today.

**Indonesia:** Jakarta has announced tighter measures to combat the spread of the virus. Offices are to be closed and any gathering of more than 5 people is banned. The capital city accounts for about half of the country's total number of cases of 2738. Separately, in a bid to fight the impact of the virus, the government has issued a massive USD4.3bn global bonds, with 3 tranches ranging from 10.5 to 50 years. It's the largest amount the country has ever raised in a dollar bond. Bank Indonesia announced it has concluded an agreement with the Fed for a repo line worth up to USD60bn.

**Malaysia:** Malaysia reported its foreign reserves yesterday. As of March 31<sup>st</sup>, its reserves stood at USD101.7bn compared to 103bn two weeks prior. Bank Negara said it is sufficient to finance 7.7 months of retained imports and covers 1.1 times of short-term external debt.

**Bond Market Updates**

**Market Commentary:** The SGD swap curve bear-flattened yesterday, with the shorter tenors trading 0-3bps higher, while the belly and longer tenors traded around 1bp higher (with the exception of the 15-year tenor trading 2bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 272bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 14bps to 1124bps. The HY-IG Index Spread tightened 13bps to 852bps. Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, BAERVX 5.75%-PERPs, F 4.125%'24s, CS 5.625%-PERPs, HSBC 4.7%-PERPs and STANLN 5.375%-PERPs. 10Y UST Yields gained 4bps to 0.71% by the end of the day, erasing some early gains, as hopes faded that the outbreak of COVID-19 is slowing. The stock market indices, after rallying on Monday and being up most of Tuesday, were negative at the end of the day.

**New Issues:** Qatar priced a USD10bn bond offering in three parts: (1) a USD2bn 5-year bond at T+300bps, (2) a USD3bn 10-year bond at T+305bps, and (3) a USD5bn 30-year bond at 4.4%, tightening from IPT of T+335bps, T+340bps, 4.75% area respectively. The Korea Development Bank priced a USD500mn 3-year bond at 3m-US LIBOR+145bps, tightening from IPT of 3m-US LIBOR+180bps. Petronas Capital Limited (the Issuer) and Petroliam Nasional Berhad have mandated banks for a proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	99.900	-0.78%	<b>USD-SGD</b>	1.4233	-0.64%
<b>USD-JPY</b>	108.760	-0.42%	<b>EUR-SGD</b>	1.5502	0.28%
<b>EUR-USD</b>	1.0892	0.92%	<b>JPY-SGD</b>	1.3084	-0.23%
<b>AUD-USD</b>	0.6170	1.35%	<b>GBP-SGD</b>	1.7551	0.18%
<b>GBP-USD</b>	1.2332	0.83%	<b>AUD-SGD</b>	0.8780	0.69%
<b>USD-MYR</b>	4.3435	-0.43%	<b>NZD-SGD</b>	0.8505	0.08%
<b>USD-CNY</b>	7.0457	-0.64%	<b>CHF-SGD</b>	1.4682	0.31%
<b>USD-IDR</b>	16200	-1.30%	<b>SGD-MYR</b>	3.0462	-0.06%
<b>USD-VND</b>	23464	0.05%	<b>SGD-CNY</b>	4.9532	-0.01%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	22,653.86	-26.13
<b>S&amp;P</b>	2,659.41	-4.27
<b>Nasdaq</b>	7,887.26	-25.98
<b>Nikkei 225</b>	18,950.18	373.88
<b>STI</b>	2,571.89	101.30
<b>KLCI</b>	1,369.92	28.23
<b>JCI</b>	4,778.64	-33.19
<b>Baltic Dry</b>	604.00	--
<b>VIX</b>	46.70	1.46

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4310	1.50%	<b>O/N</b>	0.0745	-0.21%
<b>2M</b>	-0.3360	-0.21%	<b>1M</b>	0.9213	-6.39%
<b>3M</b>	-0.3180	-6.39%	<b>2M</b>	1.1100	-9.20%
<b>6M</b>	-0.2530	-9.20%	<b>3M</b>	1.3524	-3.50%
<b>9M</b>	-0.1940	-3.50%	<b>6M</b>	1.2383	2.94%
<b>12M</b>	-0.1340	2.94%	<b>12M</b>	1.0426	-0.72%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.63 (+0.04)	0.26 (--)
<b>5Y</b>	0.77 (+0.04)	0.46 (+0.02)
<b>10Y</b>	1.11 (+0.04)	0.71 (+0.04)
<b>15Y</b>	1.37 (+0.03)	--
<b>20Y</b>	1.50 (+0.03)	--
<b>30Y</b>	1.52 (+0.02)	1.29 (+0.02)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.145	14.5	0.036	0.093
10/06/2020	0.085	-6	0.021	0.077
29/07/2020	0.085	0	0.021	0.077
16/09/2020	0.053	-3.1	0.013	0.07
05/11/2020	0.065	1.1	0.016	0.072
16/12/2020	0.086	2.2	0.022	0.078

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	14.10	-0.12
<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)	23.63	-9.4%	Corn (per bushel)	3.3150	1.1%
Brent (per barrel)	31.87	-3.6%	Soybean (per bushel)	8.548	-0.1%
Heating Oil (per gallon)	1.0275	-1.7%	Wheat (per bushel)	5.4925	-1.2%
Gasoline (per gallon)	0.6482	-7.6%	Crude Palm Oil (MYR/MT)	2,393.0	2.6%
Natural Gas (per MMBtu)	1.8520	7.0%	Rubber (JPY/KG)	137.0	2.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,040	3.2%	Gold (per oz)	1,647.7	-0.8%
Nickel (per mt)	11,471	1.6%	Silver (per oz)	15.021	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time	Event			Survey	Actual	Prior	Revised
04/08/2020 07:50	JN	BoP Current Account Balance	Feb	¥3067.2b	¥3168.8b	¥612.3b	--
04/08/2020 07:50	JN	Core Machine Orders MoM	Feb	-2.90%	2.30%	2.90%	--
04/08/2020 07:50	JN	Core Machine Orders YoY	Feb	-3.00%	-2.40%	-0.30%	--
04/08/2020 07:50	JN	Trade Balance BoP Basis	Feb	¥1215.0b	¥1366.6b	-¥985.1b	--
04/08/2020 09:00	NZ	ANZ Business Confidence	Apr P	--	--	-63.5	--
04/08/2020 09:00	PH	Exports YoY	Feb	3.50%	--	9.70%	--
04/08/2020 09:00	PH	Trade Balance	Feb	-\$2834m	--	-\$3500m	--
04/08/2020 09:00	PH	Imports YoY	Feb	1.00%	--	1.00%	--
04/08/2020 16:00	TA	CPI YoY	Mar	-0.10%	--	-0.21%	--
04/08/2020 16:00	TA	Exports YoY	Mar	-2.20%	--	24.90%	--
04/08/2020 16:00	TA	Trade Balance	Mar	\$3.45b	--	\$3.30b	--
04/08/2020 16:00	TA	Imports YoY	Mar	-4.80%	--	44.70%	--
04/08/2020 19:00	US	MBA Mortgage Applications	Apr-03	--	--	15.30%	--
04/08/2020 20:30	CA	Building Permits MoM	Feb	-4.00%	--	4.00%	--
04/08/2020 21:45	US	Bloomberg Consumer Comfort	Apr-05	--	--	56.3	--

Source: Bloomberg

## Treasury Research & Strategy

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