

## Daily Treasury Outlook

9 March 2020

### Highlights

**Global:** Covid-19 fears continued to wreck havoc over the weekend amid news of Italy restricting movement for a quarter of its population around Milan, New York City declaring a state of emergency, and Malaysia banning all cruise ships from entering the country effective immediately. Adding to the market fears is the imminent prospect of an oil price war after the collapse of the OPEC+ alliance with Russia, which prompted Saudi Arabia to boost its output to well above 10mbpd possibly to a record 12mbpd. On Friday, the Dow declined 0.9% whereas UST bonds continued to rally, with the 10-year yield plunging to a fresh record 0.66%. Austria's 100-year bond yield is now yielding only 0.48%. US' nonfarm payrolls had surged 273k last month, marking its largest jump since May 2018, while the previous month's data was also revised higher to 273k. The unemployment rate dipped back to a half-century low of 3.5%, while average hourly earnings rose 3% yoy (+0.3% mom). However, this robust set of economic data was largely ignored as pre-Covid-19 outbreak.

**Market watch:** Asian markets may be off to a shaky start today as investors contemplate the flight to safety due to the widening Covid-19 fears. Today's economic calendar comprises of Germany's January trade and industrial production, Taiwan's February trade data, Europe's Sentix investor confidence and Singapore's foreign reserves. With the Fed officials in blackout period ahead of the 17-18 March FOMC meeting (where at least another 50bps rate cut has already been priced in, with 75bps now looking even plausible), for the week ahead keep your eye on the US Treasury auctions (including \$78b of 3- and 6-month T-bills today, followed by \$24b of 10-year note re-openings on 11 March and \$16b of 30-year bond re-opening on 12 March), the potential co-ordinated policy easing by the UK Chancellor Sunak for his 2020 budget announcement (to deliver "whatever action is required" to deal with the Covid-19 outbreak) together with BOE on 11 March, and the ECB policy meeting on 12 March (where at least a 10bp rate cut may not satisfy markets unless it is accompanied by targeted TLTRO liquidity assistance and/or more quantitative easing, as well as hints that fiscal policy stimulus may follow).

**China:** The 17.2% decline of China's exports in the first two months offered market a first glimpse of how bad the shock to global supply chain would be. China's total trade with US, EU and Japan fell by 20.9% yoy, 15.5% yoy and 16.6% yoy respectively. The impact of Covid-19 was mainly on exports in the initial stage. Imports beat market expectation as imports of major commodities remained strong partially due to restocking activity as a result of improving trade relationship between US and China. The imports of crude oil and iron ore rose by 14.7% yoy and 17.1% yoy respectively in dollar term. The only bright spot is China's total trade with ASEAN, which managed to grow by 0.5%. ASEAN has also taken over EU in the first two months of 2020 becoming China's largest trading partners. Looking ahead, China's export may continue to contract as the supply shock persists due to slow resumption of production. Meanwhile, the spread of coronavirus to rest of the world may also expose China's exporters to demand shock other than existing supply shock.

Key Market Movements		
Equity	Value	% chg
S&P 500	2972.4	-1.7%
DJIA	25865	-1.0%
Nikkei 225	20750	-2.7%
SH Comp	3034.5	-1.2%
STI	2961.0	-1.9%
Hang Seng	26147	-2.3%
KLCI	1483.1	-0.5%
Currencies	Value	% chg
DX	95.951	-0.9%
USDJPY	105.39	-0.7%
EURUSD	1.1284	0.4%
GBPUSD	1.3048	0.7%
USDIDR	14243	0.5%
USDSGD	1.3785	-0.3%
SGDMYR	3.0237	0.8%
Rates	Value	chg (bp)
3M UST	0.45	-16.05
10Y UST	0.76	-14.97
1Y SGS	1.08	-12.30
10Y SGS	1.22	-12.14
3M LIBOR	1.00	-0.17
3M SIBOR	1.47	-10.83
3M SOR	0.90	-4.06
Commodities	Value	% chg
Brent	45.27	-9.4%
WTI	41.28	-10.1%
Gold	1674	0.1%
Silver	17.35	-0.5%
Palladium	2584	1.5%
Copper	5607	-1.2%
BCOM	70.79	-2.6%

Source: Bloomberg

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### Major Markets

**US:** US equity markets fell on Friday to end a volatile trading week as risk sentiment continues to be dented by the worsening coronavirus outbreak, although markets managed to eke out a small gain for the week. The S&P500 index was down 1.7%. Looking ahead, markets are likely to trade lower for the week as the coronavirus continues to spread in the US and Europe while an oil price war would dent sentiment further.

**Singapore:** The STI fell again on Friday by 1.9% to end the trading session below the 3,000 level, the first time since late October 2018. With the other Asian markets plunging more than 3% at the start of today's session, the STI is likely to open on a much weaker footing today following a plunge in oil prices and rising coronavirus infections globally.

**Malaysia:** Malaysia issued a ban on all cruise ships entering the country, as the country's virus confirmed case count now goes to 99. The government has also announced an expansion in its entry ban on visitors from parts of Japan, Italy, and Iran. Overall, the continued virus fear, together with the oil price volatility which would impact fiscal balance adversely would likely mark a soft start of the week for Malaysian assets.

**Indonesia:** Indonesia reported a number of new cases that brings the total Covid-19 case tally to 6 nationwide. Domestic fear factor has started to play out - despite or perhaps because of the low case count - with government officials urging people that there is no need to stockpile essential items. With the choppy global backdrop, it looks to be another soft week for Indonesian assets, in part due to the impact of the shocking drop of oil price on commodities.

**Oil:** Russia walked away from the OPEC+ negotiation table last Friday, causing oil prices to plunge 10% in a single day. Russia refused to be coerced by OPEC in further reducing producing, having already once turned down their proposal for output cuts last month. The result of this fallout between Russia and Saudi Arabia is not only just a lack of further output cuts, but possible supply increase as both parties say they will produce what they desire from April onwards. There is a decent chance that Brent might be headed for \$30/bbl, which is the average marginal cost of production among OPEC Middle East producers. Watch this space for further developments.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 11-16bps lower, while the belly and the longer tenors traded 16-21bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 6bps to 151bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 588bps. The HY-IG Index Spread widened 9bps to 437bps. 10Y UST Yields fell 15bps to 0.76% despite strong U.S. job data, as the market is still worried about the global economic impact of COVID-19.

**New Issues:** Zensun Enterprises Limited priced a USD200mn 2.5-year bond at 13%, tightening from IPT of 13.375% area. Xi'an Aerospace Science & Technology Industry Company priced a USD200mn 3-year bond at 6.5%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	95.951	-0.90%	<b>USD-SGD</b>	1.3785	-0.33%
<b>USD-JPY</b>	105.390	-0.73%	<b>EUR-SGD</b>	1.5554	0.07%
<b>EUR-USD</b>	1.1284	0.42%	<b>JPY-SGD</b>	1.3073	0.35%
<b>AUD-USD</b>	0.6636	0.33%	<b>GBP-SGD</b>	1.7991	0.42%
<b>GBP-USD</b>	1.3048	0.73%	<b>AUD-SGD</b>	0.9146	-0.01%
<b>USD-MYR</b>	4.1727	0.23%	<b>NZD-SGD</b>	0.8762	0.53%
<b>USD-CNY</b>	6.9314	-0.07%	<b>CHF-SGD</b>	1.4701	0.51%
<b>USD-IDR</b>	14243	0.48%	<b>SGD-MYR</b>	3.0237	0.76%
<b>USD-VND</b>	23206	-0.04%	<b>SGD-CNY</b>	5.0300	0.47%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.5010	-0.30%	<b>O/N</b>	1.0798	-0.56%
<b>2M</b>	-0.3360	-0.56%	<b>1M</b>	0.8626	-1.11%
<b>3M</b>	-0.4730	-1.11%	<b>2M</b>	0.8766	-1.05%
<b>6M</b>	-0.4270	-1.05%	<b>3M</b>	0.8960	-0.17%
<b>9M</b>	-0.1940	-0.17%	<b>6M</b>	0.8799	-1.43%
<b>12M</b>	-0.3480	-1.43%	<b>12M</b>	0.8456	-2.33%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-2.706	-270.6	-0.677	0.38
29/04/2020	-3.265	-55.9	-0.816	0.24
10/06/2020	-3.585	-32.1	-0.896	0.16
29/07/2020	-3.745	-15.9	-0.936	0.12
16/09/2020	-3.734	1.1	-0.934	0.123
05/11/2020	-3.733	0.1	-0.933	0.123

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.28	-10.1%	Corn (per bushel)	3.7725	-1.9%
Brent (per barrel)	45.27	-9.4%	Soybean (per bushel)	8.833	-0.6%
Heating Oil (per gallon)	1.3852	-6.9%	Wheat (per bushel)	5.2125	-0.6%
Gasoline (per gallon)	1.3890	-8.7%	Crude Palm Oil (MYR/MT)	2,448.0	-3.3%
Natural Gas (per MMBtu)	1.7080	-3.6%	Rubber (JPY/KG)	166.7	-2.7%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,607	-1.2%	Gold (per oz)	1,673.8	0.1%
Nickel (per mt)	12,840	-0.4%	Silver (per oz)	17.348	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,864.78	-256.50
<b>S&amp;P</b>	2,972.37	-51.57
<b>Nasdaq</b>	8,575.62	-162.98
<b>Nikkei 225</b>	20,749.75	-579.37
<b>STI</b>	2,960.98	-57.29
<b>KLCI</b>	1,483.10	-7.93
<b>JCI</b>	5,498.54	-139.59
<b>Baltic Dry</b>	617.00	18.00
<b>VIX</b>	41.94	2.32

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.94 (-0.13)	0.51 (-0.09)
<b>5Y</b>	1.02 (-0.14)	0.61 (-0.07)
<b>10Y</b>	1.22 (-0.12)	0.76 (-0.15)
<b>15Y</b>	1.41 (-0.1)	--
<b>20Y</b>	1.50 (-0.09)	--
<b>30Y</b>	1.70 (-0.08)	1.29 (-0.25)

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	7.30	0.38
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.12
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/09/2020 07:50	JN	GDP SA QoQ	4Q F	-1.70%	-1.80%	-1.60%	--
03/09/2020 07:50	JN	GDP Annualized SA QoQ	4Q F	-6.60%	-7.10%	-6.30%	--
03/09/2020 07:50	JN	BoP Current Account Balance	Jan	¥623.5b	¥612.3b	¥524.0b	--
03/09/2020 07:50	JN	GDP Deflator YoY	4Q F	1.30%	1.20%	1.30%	--
03/09/2020 07:50	JN	Trade Balance BoP Basis	Jan	-¥962.0b	-¥985.1b	¥120.7b	--
03/09/2020 07:50	JN	GDP Nominal SA QoQ	4Q F	-1.30%	-1.50%	-1.20%	--
03/09/2020 15:00	GE	Industrial Production SA MoM	Jan	1.70%	--	-3.50%	--
03/09/2020 15:00	GE	Industrial Production WDA YoY	Jan	-3.90%	--	-6.80%	--
03/09/2020 15:00	GE	Trade Balance	Jan	15.3b	--	15.2b	--
03/09/2020 15:00	GE	Exports SA MoM	Jan	0.90%	--	0.10%	0.20%
03/09/2020 16:00	TA	Exports YoY	Feb	2.30%	--	-7.60%	--
03/09/2020 16:00	TA	Trade Balance	Feb	\$4.43b	--	\$3.46b	--
03/09/2020 20:15	CA	Housing Starts	Feb	206.5k	--	213.2k	--
03/09/2020 20:30	CA	Building Permits MoM	Jan	-3.00%	--	7.40%	--
03/09/2020 03:15	VN	Domestic Vehicle Sales YoY	Feb	--	--	--	--

Source: Bloomberg

## Treasury Research & Strategy

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