

Daily Treasury Outlook

9 July 2020

Highlights

Global: Wall Street saw a late tech-fuelled rally even as US' Covid-19 cases crossed a record single-day spike of more than 60k cases (led by California) which brought the total to exceed 3 million cases. Nasdaq again hit another record. The S&P500 rose 0.8% while VIX fell to 28.11. The UST bonds fell with the 10-year bond yield at 0.66% despite a well-bid 10-year auction that fetched a record low 0.653%. The 3-month LIBOR rebounded slightly from a 5-year low to 0.2729% amid a raft of CP issue, whereas gold topped \$1,800 per ounce. Elsewhere, Fitch warned that the Covid-crisis related downgrades will see non-IG sovereign ratings overtake IG sovereign ratings for the first time.

Market watch: Asian markets may open with a modestly firmer tone today with the rally in Chinese equities eyed for greater clarity. The economic data calendar comprises China's CPI/PPI, Malaysia's May industrial production, Japan's June machine tool orders, US' initial jobless claims and wholesale inventories.

US: White House adviser Kudlow opined that we do not want the US railroad retirement fund to invest in China, but we are still very much "engaged in the Phase 1 China trade deal". Separately, United Airlines warned that 36,000 jobs (45% of its US workforce) are at risk after federal payroll aid expires at end-Sep.

HK: Hong Kong dollar continued to touch the strong side of the trading band. The strength was mainly supported by the real demand associated with dividend payouts, equity inflows and expectations of more IPOs. The HKMA sold another HK\$15.76 billion to defend the currency peg and brought the aggregate balance up to HK\$164.9 billion, the highest since April 2018. This guided HIBOR lower across the curve. In the coming sessions, we expect USDHKD spot to keep testing 7.75 and aggregate balance to move towards HK\$180 billion. If this is the case, HIBOR may take another leg lower.

JP: The Eco Watchers survey jumped a record 23.3 points to 38.8 in June amid the re-opening of businesses after restriction measures were lifted.

UK: Chancellor Sunak has pledged an extra GBP30b to head off the unemployment crisis but said he would return to a sustainable fiscal footing over the medium term.

SG: Today is Cooling Off Day ahead of Polling Day tomorrow.

Gold: Gold closed above \$1800/oz yesterday, as fears of a more contagious second wave in the US climbed. Cases in the US rose at an above-average rate of 2% while California had its biggest daily jump. We now think that gold's bull run is set to continue and that a new record high may be in sight.

Key Market Movements

Equity	Value	% chg
S&P 500	3169.9	0.8%
DJIA	26067	0.7%
Nikkei 225	22439	-0.8%
SH Comp	3403.4	1.7%
STI	2669.5	0.3%
Hang Seng	26129	0.6%
KLCI	1583.5	1.1%
Currencies	Value	% chg
DXY	96.428	-0.5%
USDJPY	107.26	-0.2%
EURUSD	1.1330	0.5%
GBPUSD	1.2610	0.5%
USDIDR	14410	-0.2%
USDSGD	1.3912	-0.3%
SGDMYR	3.0622	0.0%
Rates	Value	chg (bp)
3M UST	0.13	-0.50
10Y UST	0.66	2.47
1Y SGS	0.28	1.00
10Y SGS	0.88	-0.48
3M LIBOR	0.27	-0.81
3M SIBOR	0.55	-0.12
3M SOR	0.15	-2.58
Commodities	Value	% chg
Brent	43.29	0.5%
WTI	40.9	0.7%
Gold	1809	0.8%
Silver	18.72	2.5%
Palladium	1926	-0.3%
Copper	6232	0.7%
BCOM	66.79	0.4%

Source: Bloomberg

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Major Markets

US: US markets saw yet another reversal in risk sentiment as the S&P500 closed 0.8% higher. Tech stocks led the rally with the Nasdaq index closing 1.4% higher. While investors appeared to be optimistic, the rise in gold likely indicates caution as Covid-19 cases continue to rise above the 3 million mark in the US. We expect the market to be range bound moving forward as investors look to US Initial Jobless Claims tonight for more clarity on the impact of the rising new number of new cases.

Singapore: The STI added 0.35% to close at 2669.49 yesterday and may attempt to trade firmer today, but profit-taking may seep in before polling day tomorrow. SGS bonds may range trade with a softer tone today.

Malaysia: AirAsia's shares traded down almost 18% yesterday in KLSE yesterday, after news that auditor EY said that it has "significant doubt" that the airline can continue to operate as a going concern. It noted that AirAsia's current liabilities have already exceeded its current assets by as much as MYR1.84bn (USD430mn) at the end of 2019, before the corona crisis hit. AirAsia's CEO, Tony Fernandes, had previously said that it is in talks for joint-ventures and collaborations, and that it had also applied for bank loans and is weighing capital-raising proposals.

Indonesia: Bloomberg reported that much of Indonesia's stimulus packages remain held up by bureaucratic red tape. For instance, it noted that the health ministry has spent just 4.68% of its allocated IDR87.6tn (USD6bn) stimulus. While it is a relative improvement compared to 1.5% rate that President Jokowi had touted in his speech before, it has nonetheless remained at an abysmal level. The delays are purportedly due to lack of supporting rules and data issue.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened, with the shorter tenors trading 1-2bps lower while the belly and longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 200bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 741bps. The HY-IG Index Spread tightened 5bps to 541bps. Flows in SGD corporates were heavy, with flows in SINTEC 4.1%-PERPs, HSBC 4.7%-PERPs, STANLN5.375%-PERPs, FPLSP 4.98%-PERPs, CAPLSP 3.65%-PERPs, HSBC 5%-PERPs and ARASP 5.2%-PERPs. 10Y UST Yields gained 2bps to 0.67% due to continuing demand for safe haven assets despite new economic stimulus to finance the recovery.

New Issues: Kaisa Group Holdings Ltd. priced a USD400mn 3.2NC2.2 bond at 10%, tightening from IPT of 10.375% area and another USD300mn 4.75NC2.75 bond at 11.5%, tightening from IPT of 11.75% area respectively. Overseas Chinese Town (Asia) Holdings Limited (Guarantor: Overseas Chinese Town Enterprises Limited Company) priced a USD500mn Perp NC3 bond at 4.5%, tightening from IPT of 4.95% area. Yango Justice International Limited (Guarantor: Yango Group Co., Ltd.) priced a USD300mn 3.75NCNP2.25 bond at 7.85%, tightening from IPG of 8.35% area (yield-to-put). Inventive Global Investments Ltd. (Guarantor: ABC International Holdings Ltd.) priced a USD450mn 3-year bond at T+140bps, tightening from IPG of T+180bps area. Studio City Finance Limited priced a USD500mn 5NC2 bond at 6% and another USD500mn 7.5NC3 bond at 6.5%. PTT Public Company Limited has arranged investor calls commencing 8 July 2020 for its proposed USD bond offering. NongHyup Bank has arranged investor calls commencing 9 July 2020 for its proposed USD bond offering. Hangzhou Finance and Investment Group Co., Ltd. has mandated banks for possible USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.428	-0.47%	USD-SGD	1.3912	-0.28%
USD-JPY	107.260	-0.24%	EUR-SGD	1.5763	0.22%
EUR-USD	1.133	0.50%	JPY-SGD	1.2970	-0.05%
AUD-USD	0.698	0.50%	GBP-SGD	1.7543	0.26%
GBP-USD	1.261	0.54%	AUD-SGD	0.9712	0.21%
USD-MYR	4.272	-0.09%	NZD-SGD	0.9147	0.15%
USD-CNY	7.014	-0.07%	CHF-SGD	1.4833	0.20%
USD-IDR	14440	-0.35%	SGD-MYR	3.0622	-0.04%
USD-VND	23188	-0.02%	SGD-CNY	5.0355	-0.12%

Equity and Commodity

Index	Value	Net change
DJIA	26,067.28	177.10
S&P	3,169.94	24.62
Nasdaq	10,492.50	148.61
Nikkei 225	22,438.65	0.00
STI	2,669.49	8.07
KLCI	1,583.50	16.78
JCI	5,076.17	89.09
Baltic Dry	1,949.00	-7.00
VIX	28.08	-1.35

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5080	-0.50%	O/N	0.0829	0.08%
2M	-0.3360	-0.34%	1M	0.1659	0.16%
3M	-0.4410	-0.44%	2M	0.2355	0.23%
6M	-0.3080	-0.31%	3M	0.2765	0.28%
9M	-0.1950	-0.20%	6M	0.3643	0.37%
12M	-0.2430	-0.24%	12M	0.5156	0.51%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (-0.02)	0.16(--)
5Y	0.5 (-0.01)	0.3(--)
10Y	0.88 (--)	0.66 (+0.01)
15Y	1.17 (-0.02)	--
20Y	1.22 (-0.04)	--
30Y	1.24 (--)	1.4 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.059	-5.9	-0.015	0.072
09/16/2020	-0.12	-6.1	-0.03	0.057
11/05/2020	-0.163	-4.3	-0.041	0.047
12/16/2020	-0.216	-5.3	-0.054	0.033
01/27/2021	-0.259	-4.3	-0.065	0.023

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.00	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.90	-0.10%	Corn (per bushel)	3.483	0.2%
Brent (per barrel)	43.29	0.00%	Soybean (per bushel)	8.953	-0.1%
Heating Oil (per gallon)	123.44	0.07%	Wheat (per bushel)	5.175	3.9%
Gasoline (per gallon)	129.09	-0.33%	Crude Palm Oil (MYR/MT)	2423.0	2.1%
Natural Gas (per MMBtu)	1.82	0.33%	Rubber (JPY/KG)	143.0	0.8%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6188.00	0.71%	Gold (per oz)	1808.9	-0.1%
Nickel (per mt)	13469.00	0.18%	Silver (per oz)	18.7	-0.2%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/09/2020 07:17	PH Overseas Remittances YoY	Apr -0.096	--	-0.047	--
07/09/2020 07:17	PH Overseas Workers Remittances	Apr \$2243m	--	\$2397m	--
07/09/2020 07:50	JN Core Machine Orders MoM	May -5.00%	--	-0.12	--
07/09/2020 07:50	JN Money Stock M2 YoY	Jun 5.7%	--	5.1%	--
07/09/2020 07:50	JN Money Stock M3 YoY	Jun 4.4%	--	4.1%	--
07/09/2020 07:50	JN Core Machine Orders YoY	May -0.17	--	-0.18	--
07/09/2020 09:00	NZ ANZ Business Confidence	Jul P --	--	-3440.0%	--
07/09/2020 09:30	CH CPI YoY	Jun 0.025	--	0.024	--
07/09/2020 09:30	CH PPI YoY	Jun -3.2%	--	-3.7%	--
07/09/2020 12:00	MA Industrial Production YoY	May -29.0%	--	-32.0%	--
07/09/2020 14:00	JN Machine Tool Orders YoY	Jun P --	--	-0.528	--
07/09/2020 20:15	CA Housing Starts	Jun 195.0k	--	193.5k	--
07/09/2020 20:30	US Initial Jobless Claims	38169	1375k	1427k	--
07/09/2020 20:30	US Continuing Claims	46539	18750k	19290k	--
07/09/2020 22:00	US Wholesale Inventories MoM	May F -0.01	--	-0.01	--

Source: Bloomberg

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