

## Daily Treasury Outlook

11 September 2020

### Highlights

**Global:** Tech stock rout continues, pushing the S&P 500 index and the Nasdaq 100 index down 2.8% and 4.1% respectively, with Tesla leading declines (-21%) and VIX up to 31.46. As investor risk appetite wavered, UST bonds rallied with the yield curve bull-flattening and the 10-year yield lower by 4bps to 0.68% despite the IG issuance deluge. USD rose while oil prices slipped with Brent below \$40 per barrel for the first time since June. Meanwhile, prospects for the next US fiscal stimulus remains remote as House Speaker Nancy Pelosi called Senate Majority Leader Mitch McConnell's proposal "fraudulent". Elsewhere, US-China tensions continued to simmer, with US banning imports from three Xinjiang-based companies and plans to add six more firms, while China is said to be planning to sanction US officials who visit Taiwan. President Trump continued to talk about decoupling with China saying the US loses "billions of dollars".

**Market watch:** Asian markets are likely to open. BOC is likely to keep its policy settings static when it meets today, but probably will stress the need to keep policy accommodative for longer. Today's economic data calendar comprises of China's August CPI and PPI, Thailand's consumer confidence, Japan's August preliminary machine tool orders, S'pore's COE premiums, and US' JOLTS job openings.

**US:** The NFIB small business optimism index improved from 98.8 in July to 100.2 in August.

**EU:** Eurozone's 2Q20 GDP growth was revised to -11.8% qoq and -14.7% yoy.

**UK:** Social gatherings will be capped at six persons amid new restrictions as Covid-19 cases rise in the UK, but with some exceptions for work, weddings and funerals etc.

**SG:** Temasek Holdings' one-year total shareholder return fell into negative territory and shrank 2.28% for the 12 months ending 31 March 2020 amid the Covid pandemic, and its 29% China exposure has overtaken Singapore's 24% for the first time.

**Oil:** Crude oil prices took a heavy beating yesterday, with Brent dropping 5.3% in a single session to \$39.78/bbl. This was the first time since mid-June that Brent is trading below \$40/bbl. The decline is part of a broad selloff across risk assets. Crude oil may see further downside in the coming days if market sentiment continues to sour.

**Gold:** Gold declined less than 0.1% for the second day in a row, ending yesterday's session at \$1932.03/oz. Intraday trading saw gold sink to as low as \$1906.66/oz, but safe haven demand ultimately meant losses on the precious metal were far less than that saw in other risk assets.

### Key Market Movements

Equity	Value	% chg
S&P 500	3331.8	-2.8%
DJIA	27501	-2.2%
Nikkei 225	23274	0.8%
SH Comp	3316.4	0.7%
STI	2504.8	-0.3%
Hang Seng	24624	0.1%
KLCI	1519.3	0.2%
	Value	% chg
DXY	93.445	0.8%
USDJPY	106.03	-0.2%
EURUSD	1.1778	-0.3%
GBPUSD	1.2982	-1.4%
USDIDR	14765	0.2%
USDSGD	1.3708	0.3%
SGDMYR	3.0444	0.1%
	Value	chg (bp)
3M UST	0.11	1.02
10Y UST	0.68	-3.92
1Y SGS	0.29	-1.00
10Y SGS	0.95	-1.58
3M LIBOR	0.24	-0.63
3M SIBOR	0.41	0.00
3M SOR	0.17	0.00
	Value	% chg
Brent	39.78	-5.3%
WTI	36.76	-7.6%
Gold	1932	-0.1%
Silver	26.67	-0.6%
Palladium	2289	-0.6%
Copper	6668	-1.8%
BCOM	71.40	-1.4%

Source: Bloomberg

## Daily Treasury Outlook

11 September 2020

### Major Markets

**US:** US equities slid further as the tech rout continues. The S&P 500 closed 2.8% lower and the Nasdaq 100 Composite index declined 4.8%. Renewed focus on the US-China tensions is likely to weigh on market sentiments. Risk sentiments has turned increasingly sour and that is likely to weigh on equity markets at the moment.

**Taiwan:** CPI declined by 0.33% yoy in Aug. Specifically, the price of fuels and lubricants dropped by 15.03% yoy as international oil prices decreased compared to previous year. The price of vegetables edged lower by 8.52% yoy amid the high base effect driven by typhoon last year. Meanwhile, affected by global pandemic, the price of entertainment expenses fell by 2.92% yoy. Moving forward, we expect that inflation may return to positive territory gradually in the rest of this year, as "Triple Stimulus Voucher" plan and stimulus measures may help to boost consumption. Nevertheless, given the uncertain economic outlook and labor market, it is unlikely to see sharp price adjustments in the near term.

**HK:** The government further eased the containment measures given the receding local pandemic. Specifically, the size of public gatherings and the maximum number of diners at each table will be increased to 4 from 2. Meanwhile, more businesses including all sports venues and game centers will be allowed to re-open. The easing of measures will take effect from 11<sup>th</sup> September. The government hinted that convention centers and theme parks may be exempted from social distancing measures next Friday, if conditions allow. This will pave way for a gradual recovery in local consumption and the economy.

**SG:** The STI retreated 0.25% to close at 2504.76 yesterday and may flirt with the 2500 handle today given weak leads from Wall Street overnight. SGS bonds are likely to see a flight to quality today amid the retreating risk sentiments.

**Malaysia:** The soft US market sentiment may present a challenging day ahead for Malaysian assets. The backdrop of declining oil prices may become a narrative for taking profits as well given Malaysia's net oil exporter status. This may be particularly so given the lack of major news flow or data ahead of Bank Negara's MPC decision tomorrow, whereby we continue to see a case for 25bps rate cut on balance.

**Indonesia:** Indonesia's government sold IDR22tn worth of conventional bonds in an auction yesterday, exceeding its target of 20tn. The ministry of finance received IDR52.3tn worth of incoming bids. Foreign investors are said to have accounted for 10.57% of total incoming bids and rewarded 8.38% of the total awarded bids.

## Daily Treasury Outlook

11 September 2020

### Bond Market Updates

**Market Commentary:** The SGD swap curve bull flattened yesterday, with the shorter tenors trading 1-2bps lower while the belly and longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 166bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 654bps. The HY-IG Index Spread widened 6bps to 487bps. Flows in SGD corporates were heavy, with flows in LOGOHC 6%'23s, HSBC 5%-PERPs, OLAMSP 4%'26s, STANLN 4.4%'26s, HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, CMZB 4.875%'27s, WINGTA 4.35%-PERPs, CMZB 4.2%'28s, UBS 4.85%-PERPs and UOBSP 4%-PERPs. 10Y UST Yields fell 4bps to 0.68%, as the decline in the US stock market boosted demand for safe haven US treasuries before the sale of USD35bn 10-year notes on Wednesday.

**New Issues:** United Overseas Bank Ltd priced a USD600mn 10.5NC5.5 Tier 2 at T+152bps, tightening from IPT of T+195bps area. BOC Aviation Ltd priced a USD750mn 10-year bond at T+197.5bps, tightening from IPT of T+240bps area. Housing & Development Board priced a SGD800mn 5-year bond at 0.69%. Transurban Group, Linyi City Construction Investment Group Co., Ltd., Nissan Motor Co., Ltd. and ENN Energy Holdings Ltd. have arranged investor calls commencing 8 September 2020 for their proposed USD bond offerings respectively.

## Daily Treasury Outlook

11 September 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	93.445	0.78%	<b>USD-SGD</b>	1.3708	0.34%
<b>USD-JPY</b>	106.030	-0.23%	<b>EUR-SGD</b>	1.6145	0.01%
<b>EUR-USD</b>	1.178	-0.33%	<b>JPY-SGD</b>	1.2928	0.56%
<b>AUD-USD</b>	0.721	-0.87%	<b>GBP-SGD</b>	1.7796	-1.06%
<b>GBP-USD</b>	1.298	-1.40%	<b>AUD-SGD</b>	0.9890	-0.51%
<b>USD-MYR</b>	4.168	0.19%	<b>NZD-SGD</b>	0.9073	-0.77%
<b>USD-CNY</b>	6.846	0.23%	<b>CHF-SGD</b>	1.4935	0.13%
<b>USD-IDR</b>	14765	0.17%	<b>SGD-MYR</b>	3.0444	0.10%
<b>USD-VND</b>	23167	-0.04%	<b>SGD-CNY</b>	4.9991	-0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.5130	-0.52%	<b>O/N</b>	0.0816	0.08%
<b>2M</b>	-0.3360	-0.34%	<b>1M</b>	0.1556	0.15%
<b>3M</b>	-0.4870	-0.48%	<b>2M</b>	0.1833	0.18%
<b>6M</b>	-0.4590	-0.45%	<b>3M</b>	0.2418	0.25%
<b>9M</b>	-0.1940	-0.20%	<b>6M</b>	0.2933	0.29%
<b>12M</b>	-0.4010	-0.40%	<b>12M</b>	0.4210	0.42%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.084	-8.4	0.077	0.077
11/05/2020	-0.108	-2.4	0.072	0.072
12/16/2020	-0.151	-4.3	0.061	0.061
01/27/2021	-0.184	-3.3	0.052	0.052
03/17/2021	-0.22	-3.6	0.043	0.043
04/28/2021	-0.244	-2.4	0.038	0.038
06/16/2021	-0.243	0.1	0.038	0.038
07/28/2021	-0.264	-2.1	0.032	0.032
09/22/2021	-0.293	-2.9	0.025	0.025
11/03/2021	-0.284	0.9	0.027	0.027
12/15/2021	-0.313	-2.9	0.02	0.02
01/26/2022	-0.334	-2.1	0.015	0.015

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	36.76	-7.57%	Corn (per bushel)	3.510	1.1%
Brent (per barrel)	39.78	-5.31%	Soybean (per bushel)	9.730	0.4%
Heating Oil (per gallon)	107.68	-6.49%	Wheat (per bushel)	5.333	-1.2%
Gasoline (per gallon)	110.28	-6.32%	Crude Palm Oil (MYR/MT)	29.480	1.7%
Natural Gas (per MMBtu)	2.40	-7.26%	Rubber (JPY/KG)	2.000	1.0%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	6668.00	-1.78%	Gold (per oz)	1932.0	-0.1%
Nickel (per mt)	14888.00	-1.96%	Silver (per oz)	26.7	-0.6%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/09/2020 07:00	SK Unemployment rate SA	Aug 4.2%	3.2%	4.2%	--
09/09/2020 07:50	JN Money Stock M2 YoY	Aug 8.1%	--	7.9%	--
09/09/2020 07:50	JN Money Stock M3 YoY	Aug 6.7%	--	6.5%	--
09/09/2020 08:30	AU Westpac Consumer Conf SA MoM	Sep --	--	-9.5%	--
09/09/2020 08:30	AU Westpac Consumer Conf Index	Sep --	--	79.5	--
09/09/2020 08:31	PH Foreign Reserves	Aug --	--	\$98.0b	\$98.6b
09/09/2020 09:00	NZ ANZ Business Confidence	Sep P --	--	-41.8	--
09/09/2020 09:30	CH CPI YoY	Aug 2.4%	--	2.7%	--
09/09/2020 09:30	CH PPI YoY	Aug -1.9%	--	-2.4%	--
09/09/2020 11:30	TH Consumer Confidence Economic	Aug --	--	42.6	--
09/09/2020 14:00	JN Machine Tool Orders YoY	Aug P --	--	-31.1%	--
09/09/2020 16:00	SI Automobile COE Open Bid Cat A	40057 --	--	35710	--
09/09/2020 16:00	SI Automobile COE Open Bid Cat B	40057 --	--	38802	--
09/09/2020 19:00	US MBA Mortgage Applications	38231 --	--	-2.0%	--
09/09/2020 20:15	CA Housing Starts	Aug 217.5k	--	245.6k	--
09/09/2020 22:00	CA Bank of Canada Rate Decision	Sep-09 0.25%	--	0.25%	--

Source: Bloomberg

# Treasury Research & Strategy

## Macro Research

**Selena Ling**

*Head of Research & Strategy*

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

*Head of Greater China Research*

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

*Malaysia & Indonesia*

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Terence Wu**

*FX Strategist*

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

*Thailand & Commodities*

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

*Hong Kong & Macau*

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

*Hong Kong & Macau*

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

## Credit Research

**Andrew Wong**

*Credit Research Analyst*

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

*Credit Research Analyst*

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

*Credit Research Analyst*

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

*Credit Research Analyst*

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).