

## Daily Treasury Outlook

10 February 2020

### Highlights

**Global:** At least \$10 billion is what China is spending to combat the coronavirus, even as China's death toll climbed to 908 and surpassed SARS, and WHO experts head to the epicenter. China will provide the first batch of special re-lending funds today aimed at helping affected businesses. Meanwhile, US' nonfarm payrolls surprised on the upside with 225k, far exceeding the 165k market consensus, albeit the unemployment rate edged up from 3.5% to 3.6% and the average hourly earnings rose a softer 0.2% mom (3.1% yoy). With the coronavirus outbreak continuing to play with global risk appetites, Wall Street slipped on Friday, with the S&P500 -0.54%, while UST bonds gained with the 10-year UST bond yield down 6bps to 1.58%.

**Market watch:** Asian markets may see a cautious start to the week this morning, awaiting China's CPI/PPI data and as investors continue to assess the coronavirus's impact on supply chains as Chinese workers return to work today. Today's economic data calendar is relatively light with only Japan's Eco Watchers survey and Europe's Sentix investor confidence. Speakers include Fed's Bowman, Daly and Harker today. For the week ahead, watch for Fed chair Powell's semi-annual testimony to the House Financial Services tomorrow and the Senate Banking Committee on Wednesday, Wednesday's rate decisions by RBNZ (likely static at 1%) and Riksbank (also likely unchanged at 0%), and European Commission's forecast updates on Thursday.

**US:** With a net 7k upward revision to the past two months' nonfarm payrolls, as education and healthcare hiring drove the jobs rebound, and an uptick of the labor force participation rate to 63.4%, the underlying labor market momentum remains healthy.

**China:** In the latest Politburo meeting, President Xi said the economic development shall go hand in hand together with fighting the disease though containing the virus is still the top priority at the moment. PBoC together with NDRC, Ministry of Finance and other relevant departments unveiled the detailed measures on how to provide the financial support to fight the disease. Financial institutions will be able to get the funding from the central bank at the cost of 1Y LPR minus 250bp via re-lending. The lending costs to companies will be capped at 1Y LPR minus 100bps. Meanwhile, 50% of interest costs will be subsidised by the fiscal money.

**Australia:** RBA governor Lowe warned that if the coronavirus persists for an expected period, the effect on economic activity is likely to be larger than currently projected. The RBA cut its forecast by 0.5% point to 2.5% for the period to June 2020 and revised its half-year average growth rate for 2020 from 2.5% to 2.25%, and tips the inflation rate to return to 2% by end-2021 (slightly ahead of earlier forecasts).

**Singapore:** With the raising to DORSCON Orange (which is on par with SARS), the STI declined 1.55% on Friday. The number of confirmed cases has risen to 43. Meanwhile, MAS has urged financial institutions to adopt additional measures.

### Key Market Movements

Equity	Value	% chg
S&P 500	3327.7	-0.5%
DJIA	29103	-0.9%
Nikkei 225	23828	-0.2%
SH Comp	2876.0	0.3%
STI	3181.5	-1.5%
Hang Seng	27404	-0.3%
KLCI	1554.5	0.1%
Currencies	Value	% chg
DXY	98.684	0.2%
USDJPY	109.75	-0.2%
EURUSD	1.0946	-0.3%
GBPUSD	1.2892	-0.3%
USDIDR	13675	0.3%
USDSGD	1.3895	0.3%
SGDMYR	2.9793	0.1%
Rates	Value	chg (bp)
3M UST	1.54	-2.32
10Y UST	1.58	-5.88
1Y SGS	1.58	0.00
10Y SGS	1.69	-1.02
3M LIBOR	1.73	-0.75
3M SIBOR	1.71	-0.11
3M SOR	1.69	6.17
Commodities	Value	% chg
Brent	54.47	-0.8%
WTI	50.32	-1.2%
Gold	1570	0.2%
Silver	17.70	-0.7%
Palladium	2321	-1.1%
Copper	5663	-1.3%
BCOM	74.76	-0.3%

Source: Bloomberg

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### Major Markets

**US:** US equity markets fell last Friday as worries over the coronavirus' impact on the global economy unsettled investors, despite stronger than expected nonfarm payrolls data. The S&P500 index fell by 0.5%. For the week ahead, risk rally is likely to be on hold for now as investors monitor the coronavirus outbreak which has not shown any signs of being contained. Support for the S&P500 index is likely to be around the 3300 handle.

**Singapore:** The STI declined 1.55% to close at 3181.48 on Friday, tracking the broad sell-off across Asian bourses and as domestic sentiments stayed soft amid expectations of DORSCON Orange. Given Friday's sell-off in Wall Street and soft morning cues from Kospi, STI is likely to open softer today. The STI's support and resistance are tipped at 3160 and 3200 respectively. With UST bonds rallying on Friday amid the flight to safety, SGS bonds may also be better bid on a flight to quality.

**Malaysia:** Finance Minister Lim Guan Eng said that Malaysia is free from recession risks despite the coronavirus outbreak's impact. He had previously announced a plan to draft a stimulus package to help cushion the impact. The package is likely to be targeted at the tourism and sectors hit most badly.

**Indonesia:** President Jokowi is in Australia for an official visit, to sign a free trade deal with the country. The bilateral trade is worth USD7.8bn in 2019. According to Bloomberg, the deal will see more than 99% of Australian goods enter Indonesia on slashed or free duties, while Australia will eliminate all tariffs on Indonesian imports.

### Bond Market Updates

**Market Commentary:** The SGD swap curve rose yesterday, with the shorter and belly tenors trading 0-3bps higher (with the exception of the 2-year tenor trading 5bps higher), while the longer tenors remain mostly unchanged. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 122bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 491bps. The HY-IG Index Spread widened 5bps to 370bps. 10Y UST Yields fell 6bps to 1.58%, as concerns about the outbreak of the 2019 Novel Coronavirus outweighed positive data on the U.S. labour market.

**New Issues:** There were no new issues or mandates.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.684	0.19%	USD-SGD	1.3895	0.27%
USD-JPY	109.750	-0.22%	EUR-SGD	1.5209	-0.07%
EUR-USD	1.0946	-0.34%	JPY-SGD	1.2662	0.51%
AUD-USD	0.6673	-0.85%	GBP-SGD	1.7912	-0.03%
GBP-USD	1.2892	-0.30%	AUD-SGD	0.9273	-0.58%
USD-MYR	4.1395	0.41%	NZD-SGD	0.8895	-0.60%
USD-CNY	7.0025	0.46%	CHF-SGD	1.4213	-0.03%
USD-IDR	13675	0.29%	SGD-MYR	2.9793	0.06%
USD-VND	23232	0.06%	SGD-CNY	5.0357	0.09%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4580	0.80%	O/N	1.5774	-0.31%
2M	-0.3360	-0.31%	1M	1.6653	0.12%
3M	-0.4000	0.12%	2M	1.7238	0.22%
6M	-0.3390	0.22%	3M	1.7309	-0.75%
9M	-0.1940	-0.75%	6M	1.7404	-0.92%
12M	-0.2690	-0.92%	12M	1.8349	1.15%

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
18/03/2020	0.00%	12.30%	0.00%	0.00%	12.30%
29/04/2020	0.00%	32.70%	0.00%	2.80%	29.80%
10/06/2020	0.00%	49.40%	0.70%	9.50%	39.10%
29/07/2020	0.00%	60.10%	2.60%	15.80%	41.60%
16/09/2020	0.00%	72.70%	6.80%	23.90%	41.00%
05/11/2020	0.00%	77.00%	9.40%	26.60%	38.90%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.32	-1.2%	Corn (per bushel)	3.8350	1.1%
Brent (per barrel)	54.47	-0.8%	Soybean (per bushel)	8.820	0.1%
Heating Oil (per gallon)	1.6433	-1.3%	Wheat (per bushel)	5.5875	0.4%
Gasoline (per gallon)	1.5239	1.7%	Crude Palm Oil (MYR/MT)	2,872.0	-0.9%
Natural Gas (per MMBtu)	1.8580	-0.2%	Rubber (JPY/KG)	146.0	-2.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,663	-1.3%	Gold (per oz)	1,570.4	0.2%
Nickel (per mt)	12,770	-2.2%	Silver (per oz)	17.701	-0.7%

### Equity and Commodity

Index	Value	Net change
DJIA	29,102.51	-277.26
S&P	3,327.71	-18.07
Nasdaq	9,520.51	-51.64
Nikkei 225	23,827.98	-45.61
STI	3,181.48	-50.07
KLCI	1,554.49	1.72
JCI	5,999.61	12.46
Baltic Dry	415.00	-16.00
VIX	15.47	0.51

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.52 (-0.01)	1.40 (-0.04)
5Y	1.53 (-0.01)	1.40 (-0.06)
10Y	1.69 (-0.01)	1.58 (-0.06)
15Y	1.80 (-0.01)	--
20Y	1.87 (-0.02)	--
30Y	2.01 (-0.03)	2.05 (-0.06)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.60	-0.05
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.59
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Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/10/2020 02:15	CH	Money Supply M2 YoY	Jan	8.60%	--	8.70%	--
02/10/2020 02:15	CH	New Yuan Loans CNY	Jan	3103.5b	--	1140.0b	--
02/10/2020 02:15	CH	Money Supply M1 YoY	Jan	4.80%	--	4.40%	--
02/10/2020 02:15	CH	Money Supply M0 YoY	Jan	--	--	5.40%	--
02/10/2020 02:20	CH	Foreign Direct Investment YoY CNY	Jan	--	--	--	--
02/10/2020 07:50	JN	BoP Current Account Balance	Dec	¥464.7b	¥524.0b	¥1436.8b	--
02/10/2020 07:50	JN	Trade Balance BoP Basis	Dec	¥28.0b	¥120.7b	¥2.5b	--
02/10/2020 07:50	JN	BoP Current Account Adjusted	Dec	¥1677.2b	¥1714.7b	¥1794.9b	--
02/10/2020 07:50	JN	Bank Lending Incl Trusts YoY	Jan	--	1.90%	1.80%	--
02/10/2020 09:30	CH	CPI YoY	Jan	4.90%	--	4.50%	--
02/10/2020 09:30	CH	PPI YoY	Jan	0.00%	--	-0.50%	--
02/10/2020 11:00	ID	BoP Current Account Balance	4Q	-\$8050m	--	-\$7665m	--
02/10/2020 12:30	JN	Bankruptcies YoY	Jan	--	--	13.18%	--
02/10/2020 21:15	CA	Housing Starts	Jan	205.0k	--	197.3k	--
02/10/2020 21:30	CA	Building Permits MoM	Dec	2.80%	--	-2.40%	--

Source: Bloomberg

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