

Daily Treasury Outlook

10 March 2020

Highlights

Global: Global risk appetite tumbled further overnight amid the weight of the Covid-19 spread and the oil price shock, with S&P500 triggering circuit breakers for the first time since 1997 and finally closing down 7.6%. The market rout prompted the Fed to boost its repo operations from \$100b to \$150b to head off any liquidity squeezes, but it was the prospect of further US fiscal stimulus, especially the talk of a payroll tax cut, that may buy Asian markets some temporary relief from the selling pressures today. Note that the WHO warned that the pandemic threat is “very real” and Italian PM Conte is extending travel restrictions throughout the country. VIX spiked to 54.46 overnight (highest since January 2009), while the UST bond market had another flash rally with the 30-year bond yield plunging 59bps to a record 0.6999% and the 10-year bond yield down to 0.3228% before closing higher for the session, and crude oil prices whipsawed wildly in its worst session since 1991 before ending around \$31.13 (WTI) and \$34.36 (Brent).

Market watch: Asian markets are likely to open choppy this morning but may hopefully see some consolidation and stabilization after a manic Monday session, but it is still too premature to suggest this is anything other than a short-term breather pending a significant fiscal stimulus package from the US or any other major economies. Stay tuned. Today's economic data calendar comprises China's CPI/PPI, final 4Q19 GDP print from Eurozone, and US' NFIB small business optimism index for February. RBA's Debelle is also speaking.

US: While hopes for a fiscal stimulus package is running high, time may not be on their side as Congress will leave for a week-long recess from Thursday. Meanwhile, Treasury Secretary Mnuchin said he is conversing with Powell daily and President Trump had pledged to use all tools to help the US economy to combat the virus.

EZ: The Eurozone Sentix investor confidence index fell from 5.2 to a near 7-year low of -17.1 in March amid the Covid-19 outbreak, with both the current situation and expectations gauges both slipping to -14.3 and -20.0 respectively.

Malaysia: PM Muhyiddin Yassin announced his new cabinet line-up yesterday, appointing CIMB CEO Tengku Zafrul Aziz as Finance Minister. To the extent that he is not a political appointee and possesses deep banking experience, market should take to him warmly. But the fiscal challenges are considerable, given the drop in oil price that threaten petroleum revenues, which was budgeted to contribute 20.7% of total revenue.

Indonesia: Finance Minister Sri Mulyani said that budget deficit is likely to widen to 2.2-2.5% of GDP compared to the initial target of 1.76%, due to the impact of viral outbreak and oil price drop. The recent global volatility has resulted in JCI closing 6.6% lower and 10y bond yields to pick up to 7.1%. The overnight deterioration in US market sentiment is likely to weigh on Indonesia still today.

Key Market Movements		
Equity	Value	% chg
S&P 500	2746.6	-7.6%
DJIA	23851	-7.8%
Nikkei 225	19699	-5.1%
SH Comp	2943.3	-3.0%
STI	2782.4	-6.0%
Hang Seng	25040	-4.2%
KLCI	1424.2	-4.0%
Currencies	Value	% chg
DXY	94.895	-1.1%
USDJPY	102.36	-2.9%
EURUSD	1.1450	1.5%
GBPUSD	1.3117	0.5%
USDIDR	14393	1.1%
USDSGD	1.3846	0.4%
SGDMYR	3.0457	0.7%
Rates	Value	chg (bp)
3M UST	0.34	-10.95
10Y UST	0.54	-22.16
1Y SGS	1.05	-3.00
10Y SGS	1.01	-21.24
3M LIBOR	0.90	-10.29
3M SIBOR	1.46	-0.89
3M SOR	0.82	-7.57
Commodities	Value	% chg
Brent	34.36	-24.1%
WTI	31.13	-24.6%
Gold	1680	0.4%
Silver	17.02	-1.9%
Palladium	2498	-3.3%
Copper	5535	-1.3%
BCOM	67.85	-4.2%

Source: Bloomberg

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Major Markets

US: US equity markets suffered their worst day since the 2008 financial crisis as fears over the worsening coronavirus outbreak and an oil price war sparked a scramble for safety. The S&P500 index plunged 7.6% and triggered the circuit breaker after the session opened for four minutes. For today, investors will be looking out for the set of economic measures that President Trump will announce on Tuesday. A less than satisfactory package may result in another sell-off.

Singapore: The STI careened lower to close down 6.03% at 2782.37 (lowest since November 2016) yesterday, but may continue to plumb depths around 2730 and 2800 in the interim amid the fragile risk sentiments. With the flight to safety, SGS bond yields rallied by up to 13-34bps yesterday, led by the long end. Front-end rates continued to ease lower, with the 3-month SIBOR and SOR at 1.35% (lowest since February 2018) and 0.78% (lowest since July 2017) respectively.

Oil: Shambles. Oil prices lost as much as 31.4% yesterday, although it eventually recovered to lose 24%. The opening bell saw Brent dropped to as low as \$31.02/bbl from \$45.27/bbl on Friday, a jaw-dropping decline that almost denies belief. We wrote earlier in the day that we expect Brent to go to as low as \$30/bbl and that is looking (or has already) materialised, and we think prices could stay here for a while more. Not because Covid-19 is wrecking havoc on demand, but because there is a competition for market share among oil producing countries following last Friday's OPEC+ fiasco.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-7bps lower, while the belly and the longer tenors traded 8-16bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 18bps to 168bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 79bps to 666bps. The HY-IG Index Spread widened 61bps to 498bps. 10Y UST Yields fell 22bps to 0.54%, and at one point touched 0.32% intra-day, due to a combination of a plunge in oil prices and worries about the spread of COVID-19. The global stock markets also tumbled.

New Issues: Aspiat Corporation Limited priced a SGD50mn 3-year bond at 6.5%. PSA Treasury Pte. Ltd. (Guarantor: PSA International Pte Ltd) priced a SGD500mn 10-year bond at 1.63%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.895	-1.10%	USD-SGD	1.3846	0.44%
USD-JPY	102.360	-2.88%	EUR-SGD	1.5851	1.91%
EUR-USD	1.1450	1.47%	JPY-SGD	1.3524	3.45%
AUD-USD	0.6587	-0.74%	GBP-SGD	1.8171	1.00%
GBP-USD	1.3117	0.53%	AUD-SGD	0.9117	-0.32%
USD-MYR	4.2172	1.07%	NZD-SGD	0.8773	0.13%
USD-CNY	6.9466	0.22%	CHF-SGD	1.4964	1.79%
USD-IDR	14393	1.05%	SGD-MYR	3.0457	0.73%
USD-VND	23204	-0.01%	SGD-CNY	5.0246	-0.11%

Equity and Commodity

Index	Value	Net change
DJIA	23,851.02	-2013.76
S&P	2,746.56	-225.81
Nasdaq	7,950.68	-624.94
Nikkei 225	19,698.76	-1050.99
STI	2,782.37	-178.61
KLCI	1,424.16	-58.94
JCI	5,136.81	-361.73
Baltic Dry	616.00	-1.00
VIX	54.46	12.52

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5010	1.40%	O/N	1.0798	-0.24%
2M	-0.3360	-0.24%	1M	0.8626	-14.25%
3M	-0.4730	-14.25%	2M	0.8766	-13.20%
6M	-0.4270	-13.20%	3M	0.8960	-10.29%
9M	-0.1940	-10.29%	6M	0.8799	-9.48%
12M	-0.3480	-9.48%	12M	0.8456	-9.86%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.81 (-0.13)	0.38 (-0.13)
5Y	0.83 (-0.19)	0.48 (-0.13)
10Y	1.01 (-0.21)	0.54 (-0.22)
15Y	1.12 (-0.29)	--
20Y	1.18 (-0.33)	--
30Y	1.36 (-0.34)	1.00 (-0.29)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-3.164	-316.4	-0.791	0.311
29/04/2020	-3.547	-38.3	-0.887	0.215
10/06/2020	-3.751	-20.4	-0.938	0.164
29/07/2020	-3.797	-4.6	-0.949	0.153
16/09/2020	-3.735	6.2	-0.934	0.168
05/11/2020	-3.653	8.2	-0.913	0.188

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	10.50	3.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	31.13	-24.6%	Corn (per bushel)	3.7425	-0.8%
Brent (per barrel)	34.36	-24.1%	Soybean (per bushel)	8.635	-2.2%
Heating Oil (per gallon)	1.1629	-16.0%	Wheat (per bushel)	5.2225	0.2%
Gasoline (per gallon)	1.1369	-18.1%	Crude Palm Oil (MYR/MT)	2,336.0	-4.6%
Natural Gas (per MMBtu)	1.7780	4.1%	Rubber (JPY/KG)	154.3	-7.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,535	-1.3%	Gold (per oz)	1,680.5	0.4%
Nickel (per mt)	12,650	-1.5%	Silver (per oz)	17.017	-1.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/10/2020 09:30	CH	CPI YoY	Feb	5.20%	--	5.40%	--
03/10/2020 07:50	JN	Money Stock M2 YoY	Feb	2.80%	3.00%	2.80%	--
03/10/2020 07:50	JN	Money Stock M3 YoY	Feb	2.30%	2.50%	2.30%	--
03/10/2020 08:30	AU	NAB Business Confidence	Feb	--	--	-1	--
03/10/2020 08:30	AU	NAB Business Conditions	Feb	--	--	3	--
03/10/2020 09:00	PH	Exports YoY	Jan	3.00%	--	21.40%	--
03/10/2020 09:00	PH	Trade Balance	Jan	-\$3229m	--	-\$2478m	--
03/10/2020 09:30	CH	PPI YoY	Feb	-0.30%	--	0.10%	--
03/10/2020 14:00	JN	Machine Tool Orders YoY	Feb P	--	--	-35.60%	--
03/10/2020 18:00	EC	GDP SA QoQ	4Q F	0.10%	--	0.10%	--
03/10/2020 18:00	EC	GDP SA YoY	4Q F	0.90%	--	0.90%	--
03/10/2020 18:00	US	NFIB Small Business Optimism	Feb	102.8	--	104.3	--
03/10/2020 03:15	CH	Money Supply M2 YoY	Feb	8.50%	--	8.40%	--
03/10/2020 03:15	CH	New Yuan Loans CNY	Feb	1120.0b	--	3340.0b	--
03/10/2020 03:15	CH	Money Supply M1 YoY	Feb	0.70%	--	0.00%	--

Source: Bloomberg

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