

Daily Treasury Outlook

10 June 2020

Highlights

Global: The global equity market rally appears to be taking a breather after a record-breaking rally saw \$21 trillion being added to stock markets and investors decided to reassess if the recent rally has run too far for now. The S&P500 slipped 0.78% while VIX rose to 25.57. UST bonds bull-flattened with the 10-year yield at 0.83% and as the 10-year note auction fizzled. The 3-month LIBOR edged up slightly to 0.31463%. Elsewhere, S&P revised Japan's outlook from positive to stable and South Korean unemployment rate spiked to a 10-year high of 4.5% in May as the number of jobs dropped by 392k compared to a year ago.

Market watch: Asian markets may be poised for a softer start and a more consolidative session today amid the pullback in bullish momentum. Market players are awaiting the FOMC meeting where Fed chair Powell's policy guidance and the dots plot (missing in March during the peak of the Covid-19 pandemic) will be key. Today's economic data comprises China's CPI/PPI, and US' CPI and mortgage applications, and the OECD is also publishing its economic outlook. Speakers include the ECB's Muller, Schnabel and Guindos.

US: The NFIB small business optimism index rose more than expected from 90.9 in April to 94.4 in May, registering its biggest improvement since 2017 as the outlook gauge signalled that small businesses see a short-lived recession. Meanwhile, wholesale inventories rose 0.3% mom in April and the JOLTS job openings fell from a revised 6.01 million in March to 5.05 million in April. President Trump had tweeted "transition to greatness" and "the reawakening of America".

EU: 1Q20 GDP growth contracted by a revised 3.6% while German exports plunged 31.1% yoy in April, the most since 1950.

China: China's regular State Council meeting reiterated yesterday the proceeds from the issuance of special government bonds and incremental fiscal deficit will be given to primary government on the county level directly to bypass the provincial government so that the money can be channelled to smaller companies more efficiently.

Singapore: The Manpower survey net employment outlook gauge fell from +9% in 2Q20 to -27% in 3Q20, with the most bearish sectors being mining/construction (-56%), services (-35%), and manufacturing (-20%). MAS sold 28-day bills at 0.22%.

Oil: Brent rose 0.9% to \$41.18/bbl yesterday, but has erased all the gains from early Asian trading. Prices rose on concerns that sanctions on carriers by the US to limit Iran-Venezuela oil trade will further reduce the vessels available to transport oil globally. This morning's decline may have been a response to the increasing risk-off sentiment taking hold across global asset markets.

Key Market Movements

Equity	Value	% chg
S&P 500	3207.2	-0.8%
DJIA	27272	-1.1%
Nikkei 225	23091	-0.4%
SH Comp	2956.1	0.6%
STI	2794.2	-0.1%
Hang Seng	25057	1.1%
KLCI	1575.2	1.2%
Currencies	Value	% chg
DXY	96.324	-0.3%
USDJPY	107.76	-0.6%
EURUSD	1.1340	0.4%
GBPUSD	1.2728	0.0%
USDIDR	13890	0.0%
USDSGD	1.3892	0.1%
SGDMYR	3.0702	0.1%
Rates	Value	chg (bp)
3M UST	0.16	0.04
10Y UST	0.83	-4.99
1Y SGS	0.26	-0.90
10Y SGS	0.99	-6.87
3M LIBOR	0.31	-0.31
3M SIBOR	0.55	-1.14
3M SOR	0.15	-2.25
Commodities	Value	% chg
Brent	41.18	0.9%
WTI	38.94	2.0%
Gold	1715	1.0%
Silver	17.53	-1.4%
Palladium	1954	-2.8%
Copper	5774	1.3%
BCOM	64.73	0.1%

Source: Bloomberg

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Major Markets

US: The S&P500 index closed lower by 0.78% on overheating concerns about recent rally, as investors take profit ahead of the two-day FOMC meeting. A clear signal by the Fed that they plan to keep rates lower for longer, or even the consideration of negative interest rates, are likely to send equities higher. Today's session will likely be volatile.

Hong Kong: The government will invest HK\$27.3 billion via the Land Fund in Cathay Pacific Group in an effort to sustain HK's crucial aviation industry. Financial Secretary noted that the government expects a 4% to 7.5% of internal rate of return of the investment which they plans to exit in three to five years. On the HKD liquidity front, HKD demand remained strong on active carry trade, seasonal factors and large IPOs. Since last week, the HKMA has sold totally HK\$21 billion to defend the currency peg. As a result, the aggregate balance will increase to HK\$115.7 billion. In the coming session, we may see the HKD keep retesting the strong side and prompt more interventions. We expect aggregate balance will grow to HK\$120-150 billion, which will in turn guide HIBOR lower. Still, we will closely monitor the uncertainty about political issue. Should political concern increase again, we may see renewed volatility of both HKD exchange rate and interest rates.

Singapore: The STI slipped 0.10% to close at 2794.17 yesterday and may consolidate and range trade today while waiting for fresh catalysts from Fed. With the UST bonds bull flattening, SGS bond may also sustain gains today after yields fell by 2-6bps yesterday led by the longer tenors.

Indonesia: Governor Perry Warjiyo of Bank Indonesia said that rupiah remains undervalued due to low inflation expectations, current account deficit of below 2.5% of GDP and high yield differential between Indonesia's and US sovereign bonds. Lower risk premiums as indicated by a pullback of CDS should also be supportive. Nonetheless, he added that the rupiah will remain favourable for exporters - in response to Economics Minister's comments that rupiah should not be too strong.

Malaysia: KLCI stock index gains 1.2% yesterday, and briefly wiped out all of 2020 losses intraday. Beaten-up stocks such as airport services and hospitality sector tickers surged considerably, as lockdown measures are eased further. The government had announced that most activities including domestic tourism will be allowed to resume on June 10, under the Recovery MCO phase.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with the shorter tenors trading 1-6bps lower while the belly and the longer tenors broadly traded 8-13bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 769bps. The HY-IG Index Spread tightened 8bps to 566bps. Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, CATHAY3.375%'23s, CS 5.625%-PERPs, CAPLSP 3.15%'29s, UOBSP 3.58%-PERPs, MAPLSP 3.95%-PERPs, FPLSP 4.98%-PERPs, CELSP 3.9%-PERPs, UBS 4.85%-PERPs, CAPLSP 3.08%'27s, STANLN 4.4%'26s, FPLSP 3.95%-PERPs, CMZB 4.2%'28s, HSBC 5%-PERPs and CMZB 4.875%'27s. 10Y UST Yields fell 5bps to 0.83%, as investors are expecting news about yield curve control and negative interest rates from the Federal Reserve.

New Issues: YONGDA Investment Limited (Guarantor: Shanghai Construction Group Co., Ltd.) priced a USD600mn 5-year bond at T+195bps, tightening from IPT of T+245bps area. Ronshine China Holdings Limited priced a USD250mn 3.5NC2.5 bond at 7.35%, tightening from IPT of 7.95% area. UPL Corp. priced a USD500mn 10-year bond at T+385bps, tightening from IPT of T+435bps area. CFLD (Cayman) Investment Ltd. (Guarantor: China Fortune Land Development Co., Ltd) priced a USD300mn 2-year bond at 6.92%, tightening from IPT of 7.5% area. Hysan (MTN) Limited priced a USD225mn 15-year bond at 3.55%. International Container Terminal Services Inc. has mandated banks for its USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.324	-0.30%	USD-SGD	1.3892	0.09%
USD-JPY	107.760	-0.62%	EUR-SGD	1.5756	0.51%
EUR-USD	1.1340	0.41%	JPY-SGD	1.2894	0.73%
AUD-USD	0.6961	-0.85%	GBP-SGD	1.7683	0.14%
GBP-USD	1.2728	0.03%	AUD-SGD	0.9677	-0.70%
USD-MYR	4.2770	0.24%	NZD-SGD	0.9051	-0.59%
USD-CNY	7.0774	0.08%	CHF-SGD	1.4613	0.82%
USD-IDR	13890	0.04%	SGD-MYR	3.0702	0.09%
USD-VND	23205	-0.15%	SGD-CNY	5.0980	0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4810	--	O/N	0.0608	-0.18%
2M	-0.3360	-0.18%	1M	0.1766	-0.35%
3M	-0.3650	-0.35%	2M	0.2613	-0.45%
6M	-0.1950	-0.45%	3M	0.3098	-0.31%
9M	-0.1940	-0.31%	6M	0.4834	0.21%
12M	-0.1200	0.21%	12M	0.6299	-0.41%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
06/10/2020	0.019	1.9	0.005	0.078
07/29/2020	-0.002	-2.1	-0.001	0.072
09/16/2020	-0.054	-5.1	-0.013	0.06
11/05/2020	-0.086	-3.3	-0.022	0.052
12/16/2020	-0.087	-0.1	-0.022	0.051
01/27/2021	-0.142	-5.5	-0.036	0.038

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	38.94	2.0%	Corn (per bushel)	3.2750	-1.9%
Brent (per barrel)	41.18	0.9%	Soybean (per bushel)	8.633	-0.2%
Heating Oil (per gallon)	1.1547	3.0%	Wheat (per bushel)	5.0450	-1.4%
Gasoline (per gallon)	1.2103	1.3%	Crude Palm Oil (MYR/MT)	2,415.0	0.4%
Natural Gas (per MMBtu)	1.7670	-1.2%	Rubber (JPY/KG)	137.9	1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,774	1.3%	Gold (per oz)	1,715.3	1.0%
Nickel (per mt)	12,913	-1.2%	Silver (per oz)	17.534	-1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,272.30	-300.14
S&P	3,207.18	-25.21
Nasdaq	9,953.75	29.01
Nikkei 225	23,091.03	-87.07
STI	2,794.17	-2.80
KLCI	1,575.16	18.83
JCI	5,035.06	-35.51
Baltic Dry	698.00	--
VIX	27.57	1.76

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.29 (-0.07)	0.20 (-0.02)
5Y	0.52 (-0.09)	0.40 (-0.05)
10Y	0.99 (-0.07)	0.83 (-0.05)
15Y	1.31 (-0.07)	--
20Y	1.37 (-0.07)	--
30Y	1.42 (-0.06)	1.58 (-0.07)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	10.42	-0.08
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.07
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/10/2020 06:15	CH Money Supply M2 YoY	May	11.30% --	11.10% --	
06/10/2020 06:19	PH Overseas Remittances YoY	Mar	-0.80% --	2.50% --	
06/10/2020 06:19	PH Overseas Workers Remittances	Mar	\$2255m --	\$2358m --	
06/10/2020 07:00	SK Unemployment rate SA	May	4.00%	4.50%	3.80% --
06/10/2020 07:50	JN PPI YoY	May	-2.40% --	-2.30% --	
06/10/2020 07:50	JN Core Machine Orders YoY	Apr	-13.20% --	-0.70% --	
06/10/2020 09:00	PH Exports YoY	Apr	-25.80% --	-24.90% --	
06/10/2020 09:00	PH Trade Balance	Apr	-\$2346m --	-\$2380m --	
06/10/2020 09:30	CH CPI YoY	May	2.70% --	3.30% --	
06/10/2020 09:30	CH PPI YoY	May	-3.30% --	-3.10% --	
06/10/2020 14:00	DE CPI YoY	May	-0.10% --	0.00% --	
06/10/2020 14:00	DE CPI MoM	May	-0.10% --	-0.10% --	
06/10/2020 19:00	US MBA Mortgage Applications	Jun-05 --	--	-3.90% --	
06/10/2020 20:30	US CPI MoM	May	0.00% --	-0.80% --	
06/10/2020 20:30	US CPI Ex Food and Energy MoM	May	0.00% --	-0.40% --	

Source: Bloomberg

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