

## Daily Treasury Outlook

11 February 2020

### Highlights

**Global:** Global risk appetite remained mixed. Wall Street rose with the S&P500 and Nasdaq registering record closes overnight, with Amazon, Tesla and Microsoft leading gains. Still, the UST bonds traded with a firmer tone with the 10-year UST bond yield down to 1.55% and the 3-month to 10-year yield curve briefly inverting as investors worried about the economic impact of the coronavirus outbreak. The death toll for China has topped 1,011 with the mortality rate now estimated at 1%, according to a new study.

**Market watch:** Asian markets may attempt to open firmer this morning, taking the cue from Wall Street's overnight rally as well as news that China's factory production is gradually coming back on stream. Key to watch will be Fed chair Powell's congressional testimony to the House Financial Services, as well as South Korea's early February export data which could shed light on the spillover impact from the coronavirus outbreak. Japanese financial markets are closed for a holiday today. The economic data calendar comprises US' NIFB small business optimism and JOLTS job openings, UK's 4Q19 GDP growth, trade and industrial production data and Philippines' December trade data. Speakers include ECB chief Lagarde, BOE governor Carney and Haskel, Fed's Quarles, Bullard and Kashkari, and RBA's Heath.

**US:** Fed's Daly opined that "barring a material change in the outlook, then I'm comfortable with policy where it's at for the foreseeable future". President Trump's \$4.8tn budget includes \$1tn for infrastructure spending, \$2b for the border wall with Mexico, and assumes growth will be 3% for the coming years and \$4.6tn deficit reduction over the next decade. This contrasted with the CBO's forecast of 2.2% growth for the current fiscal year and less than 2% for the coming years.

**EU:** The Sentix investor confidence index eased from 7.6 in January to 5.2 in February, as both the current situation and expectations gauges both softened, likely attributed to concerns regarding the coronavirus outbreak.

**China:** China's consumer inflation rose by 5.4% yoy in January beating market expectation driven by both pork prices and non-food prices ahead of Chinese New Year holiday season. 51% of CPI was driven by rising pork prices. Core CPI excluding energy and food reaccelerated to 1.5% yoy from 1.4% yoy in December mainly due to Chinese New Year effect. We think 5.4% reading will mark the peak for 2020 and we expect CPI to trend down gradually as a result of softening pork prices and base effect.

**Singapore:** The Singapore Airshow kicks off today. There were another two cases of coronavirus reported in Singapore, bringing the total to 45, with 7 discharged and another 7 in critical condition.

Key Market Movements		
Equity	Value	% chg
S&P 500	3352.1	0.7%
DJIA	29277	0.6%
Nikkei 225	23686	-0.6%
SH Comp	2890.5	0.5%
STI	3163.2	-0.6%
Hang Seng	27241	-0.6%
KLCI	1542.8	-0.8%
Currencies	Value	% chg
DXY	98.832	0.1%
USDJPY	109.77	0.0%
EURUSD	1.0911	-0.3%
GBPUSD	1.2915	0.2%
USIDR	13712	0.3%
USDSGD	1.3895	0.0%
SGDMYR	2.9868	0.3%
Rates	Value	chg (bp)
3M UST	1.54	0.76
10Y UST	1.57	-1.38
1Y SGS	1.60	1.10
10Y SGS	1.71	1.88
3M LIBOR	1.73	-0.32
3M SIBOR	1.72	0.13
3M SOR	1.63	-6.12
Commodities	Value	% chg
Brent	53.27	-2.2%
WTI	49.57	-1.5%
Gold	1572	0.1%
Silver	17.77	0.4%
Palladium	2361	1.7%
Copper	5667	0.1%
BCOM	74.20	-0.7%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rose last night after declining earlier in the session as investors continue to weigh the impact of the coronavirus outbreak. The S&P500 index rose by 0.7% to reach a record high. For the past week, investors are torn between robust economic data and the coronavirus impact. However, with signs showing that measures to contain the coronavirus outbreak may be slowing the rate of infection in China, the upward momentum on US equities may continue in the short term.

**Singapore:** The STI slid another 0.58% to close at 3163.15 yesterday amid weak sentiments across Asian bourses, but may attempt to stabilise today amid more positive cues from Wall Street overnight and early morning gains in Kospi. The STI's support and resistance are tipped at 3153 and 3181 respectively. Even with UST bonds rallying another 2bps across the curve overnight, it remains to be seen if SGS bonds may be able to capitalise on the flight to quality as market players are awaiting for the 19 February announcement for the issue size for the new 30-year SGS bond that will be auctioned on 26 February for issue on 2 March.

**Malaysia:** Opposition party UMNO has reportedly sacked Datuk Lokman Adam, a party leader who allegedly leaked news about internal plan to support PM Mahathir Mohamad. A "Pakatan Nasional" movement to express confidence for the PM's continued rule, with support from UMNO and PAS, has been in the news lately.

**Indonesia:** Current account deficit for Q4 2019 was at \$8.1bn (2.84% of GDP), wider than a revised 2.6% of Q3, as exports bore the brunt of impact from the US-China trade war. For the whole of 2019, the gap was at 2.72% of GDP, narrower than the 2.94% of 2018. Tackling CAD and trade shortfall have been a focus of the government lately.

**Oil:** Crude oil fell yesterday as concerns over the coronavirus continue to weigh on energy markets. Brent dipped -2.2% on the day to fall to \$53.27/bbl. Failure by Russia to confirm its stand on the proposed 600kbpd production cut across OPEC+, in addition to news that the cartel may be cancelling its meeting this month, sent prices spiralling downwards on fears of a supply glut.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 2-3bps lower (with the exception of the 4-year tenor trading 1bps higher), while the belly and longer tenors traded 1-2bps higher. 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 3bps to 495bps. The HY-IG Index Spread widened 3bps to 373bps. 10Y UST Yields fell 1bps to 1.57%, with the yield curve at one point inverted, as investors remained nervous about the 2019 Novel Coronavirus.

**New Issues:** CICC Hong Kong Finance 2016 MTN Limited (Guarantor: China International Capital Corporation (Hong Kong) Limited) priced a USD1bn 3-year bond at 3m-US LIBOR+90bps, tightening from IPT of 3m-US LIBOR+120bps area. The Korea Development Bank priced a USD750mn 3-year bond at 3m-US LIBOR+35bps and a USD750mn 5-year bond at T+45bps, tightening from IPT of 3m-US LIBOR+60bps and T+70bps area respectively. Theta Capital Pte Ltd (Parent guarantor: PT Lippo Karawaci) priced a USD95mn re-tap of its LPKRIJ 8.125%'25s at 7.80%, tightening from IPT of 8.0% area. Zhongliang Holdings Group Company Limited priced a USD250mn 364-day bond at 9.0%, tightening from IPT of 9.375% area. Far East Horizon Ltd arranged investor calls commencing Feb 10 for its proposed USD bond offering. Chouzhou International Investment Limited and guarantor Yiwu State-owned Capital Operation Co. arranged investor calls commencing Feb 10 for its proposed USD bond offering. Huaneng Power International, Inc. arranged investor calls commencing Feb 11 for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.832	0.15%	<b>USD-SGD</b>	1.3895	--
<b>USD-JPY</b>	109.770	0.02%	<b>EUR-SGD</b>	1.5161	-0.32%
<b>EUR-USD</b>	1.0911	-0.32%	<b>JPY-SGD</b>	1.2657	-0.04%
<b>AUD-USD</b>	0.6687	0.21%	<b>GBP-SGD</b>	1.7946	0.19%
<b>GBP-USD</b>	1.2915	0.18%	<b>AUD-SGD</b>	0.9291	0.19%
<b>USD-MYR</b>	4.1470	0.18%	<b>NZD-SGD</b>	0.8871	-0.27%
<b>USD-CNY</b>	6.9844	-0.26%	<b>CHF-SGD</b>	1.4217	0.03%
<b>USD-IDR</b>	13712	0.27%	<b>SGD-MYR</b>	2.9868	0.25%
<b>USD-VND</b>	23256	0.10%	<b>SGD-CNY</b>	5.0280	-0.15%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4580	0.10%	<b>O/N</b>	1.5774	0.54%
<b>2M</b>	-0.3360	0.54%	<b>1M</b>	1.6653	-0.56%
<b>3M</b>	-0.4000	-0.56%	<b>2M</b>	1.7238	-0.41%
<b>6M</b>	-0.3390	-0.41%	<b>3M</b>	1.7309	-0.32%
<b>9M</b>	-0.1940	-0.32%	<b>6M</b>	1.7404	-0.92%
<b>12M</b>	-0.2690	-0.92%	<b>12M</b>	1.8349	-0.77%

### 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%	10.20%	0.00%	0.00%	10.20%
29/04/2020	0.00%	30.20%	0.00%	2.30%	27.90%
10/06/2020	0.00%	47.10%	0.60%	8.50%	38.10%
29/07/2020	0.00%	59.70%	2.40%	15.50%	41.60%
16/09/2020	0.00%	70.50%	6.00%	22.50%	41.20%
05/11/2020	0.00%	74.80%	8.30%	25.20%	39.60%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.57	-1.5%	Corn (per bushel)	3.8175	-0.5%
Brent (per barrel)	53.27	-2.2%	Soybean (per bushel)	8.843	0.3%
Heating Oil (per gallon)	1.6125	-1.9%	Wheat (per bushel)	5.5200	-1.2%
Gasoline (per gallon)	1.5213	-0.2%	Crude Palm Oil (MYR/MT)	2,800.0	-2.5%
Natural Gas (per MMBtu)	1.7660	-5.0%	Rubber (JPY/KG)	144.2	-1.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,667	0.1%	Gold (per oz)	1,572.2	0.1%
Nickel (per mt)	12,885	0.9%	Silver (per oz)	17.767	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	29,276.82	174.31
<b>S&amp;P</b>	3,352.09	24.38
<b>Nasdaq</b>	9,628.39	107.88
<b>Nikkei 225</b>	23,685.98	-142.00
<b>STI</b>	3,163.15	-18.33
<b>KLCI</b>	1,542.80	-11.69
<b>JCI</b>	5,952.08	-47.52
<b>Baltic Dry</b>	415.00	--
<b>VIX</b>	15.04	-0.43

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.54 (+0.03)	1.39 (-0.01)
<b>5Y</b>	1.55 (+0.02)	1.39 (-0.02)
<b>10Y</b>	1.71 (+0.02)	1.57 (-0.01)
<b>15Y</b>	1.80 (+0.01)	--
<b>20Y</b>	1.87 (-0.01)	--
<b>30Y</b>	2.00 (-0.01)	2.04 (-0.01)

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.70	0.10
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.58
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/11/2020 08:30	AU	NAB Business Confidence	Jan	--	--	-2	--
02/11/2020 08:30	AU	NAB Business Conditions	Jan	--	--	3	--
02/11/2020 09:00	PH	Imports YoY	Dec	1.00%	--	-8.00%	--
02/11/2020 09:00	PH	Exports YoY	Dec	4.90%	--	-0.70%	--
02/11/2020 09:00	PH	Trade Balance	Dec	-\$3850m	--	-\$3342m	--
02/11/2020 17:30	UK	Trade Balance Non EU GBP/Mn	Dec	-£2000m	--	£1734m	--
02/11/2020 17:30	UK	GDP QoQ	4Q P	0.00%	--	0.40%	--
02/11/2020 17:30	UK	GDP YoY	4Q P	0.80%	--	1.10%	--
02/11/2020 17:30	UK	Industrial Production MoM	Dec	0.30%	--	-1.20%	--
02/11/2020 17:30	UK	Manufacturing Production MoM	Dec	0.50%	--	-1.70%	--
02/11/2020 17:30	UK	Trade Balance GBP/Mn	Dec	-£350m	--	£4031m	--
02/11/2020 17:30	UK	Industrial Production YoY	Dec	-0.80%	--	-1.60%	--
02/11/2020 17:30	UK	Visible Trade Balance GBP/Mn	Dec	-£10000m	--	-£5256m	--
02/11/2020 17:30	UK	Manufacturing Production YoY	Dec	-1.00%	--	-2.00%	--
02/11/2020 19:00	US	NFIB Small Business Optimism	Jan	103.5	--	102.7	--

Source: Bloomberg

## Treasury Research & Strategy

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