

Daily Treasury Outlook

11 March 2020

Highlights

Global: Another roller-coaster session as Maniac Monday selling gave way to a Turnaround Tuesday bounce in both Wall Street (S&P500 +4.9%) and the USD amid hopes of forthcoming US fiscal stimulus. Russian energy insider also signalled his willingness to return to the negotiation table which gave oil prices a bump higher. Japan also announced a second \$4b Covid-19 spending package to aid the economy. UST bonds bear-steepened, with the 10-year yield up to 0.8% amid a sloppy 3-year auction, albeit the repo operations remained well bid.

Market watch: Expect Asian markets to try to capitalise on the bounce but it remains to be seen if the momentum can be sustained today. Today's economic calendar is light and comprises of UK's industrial production and trade data as well as the 2020 Budget (with hopes for a more stimulative Budget and potential coordinated policy easing with the BOE), and US' CPI.

China: President Xi's visit to Wuhan on 10 March, first time since the covid19 outbreak, sent a strong signal that the situation has been under control. Meanwhile, Hubei will also resume the inter-city travel within the province gradually. China's CPI rose by 5.2% yoy in February while PPI fell by 0.3%. The CPI is higher than our expectation due to surging food prices (up by 21.9% yoy), which were disrupted by supply and transportation shock due to covid-19 outbreak. CPI jumped by 0.8% mom in February, deviating from the usual seasonal pattern which CPI falls on month-on-month post Chinese New Year holiday, led by 4.3% mom increase of food prices. We think the supply driven inflation shock in February was one-off, which is expected to subside in March as China's economic activity and connection is on track to normalize. In terms of policy implications, we think there is still room for China to ease its monetary policy. We expect the LPR to fall further in the upcoming fixing on 20 March on the back of lower PPI. However, we think the chance of 1-year deposit rate cut is low in the near term due to higher CPI reading.

Malaysia: Malaysia's King, the Agong, swore in the new cabinet yesterday, including Finance Minister Zafrul Aziz. Separately, the now-in-opposition coalition of Pakatan Harapan is due to meet to decide on its leader. Former Deputy PM Wan Azizah said that her husband, Anwar Ibrahim, is most likely to lead the bloc.

Indonesia: President Jokowi is reportedly considering a bid to host 2032 Olympics in its yet-to-be-built and -named new capital city. Softbank's Masayoshi Son is reportedly one of the potential investors for the bid. Now, more immediate concerns of market volatility might take a breather today for Indonesian assets given better Wall Street performance overnight.

Oil: Oil prices continued to stage its recovery but it remains a long way back to the pre-crash levels of \$50 and above. Brent closed 8.3% higher to end the session at \$37.22/bbl. Following news that Saudi Aramco plans to pump more than 12mbpd from its current 9-10mbpd, it is unlikely prices may find its way above \$40/bbl in the short term.

Key Market Movements

Equity	Value	% chg
S&P 500	2882.2	4.9%
DJIA	25018	4.9%
Nikkei 225	19867	0.9%
SH Comp	2996.8	1.8%
STI	2832.5	1.8%
Hang Seng	25393	1.4%
KLCI	1430.5	0.4%
Currencies	Value	% chg
DXY	96.414	1.6%
USDJPY	105.64	3.2%
EURUSD	1.1281	-1.5%
GBPUSD	1.2911	-1.6%
USDIDR	14352	-0.3%
USDSGD	1.3915	0.5%
SGDMYR	3.0499	0.1%
Rates	Value	chg (bp)
3M UST	0.43	9.17
10Y UST	0.80	26.23
1Y SGS	1.04	-1.10
10Y SGS	1.17	16.12
3M LIBOR	0.77	-12.79
3M SIBOR	1.36	-10.51
3M SOR	0.78	-4.38
Commodities	Value	% chg
Brent	37.22	8.3%
WTI	34.36	10.4%
Gold	1649	-1.8%
Silver	16.89	-0.7%
Palladium	2419	-3.2%
Copper	5566	0.6%
BCOM	69.30	2.1%

Source: Bloomberg

Daily Treasury Outlook

11 March 2020

Major Markets

US: US equity markets rebounded from their worst sell-off since the 2008 financial crisis in a volatile trading session as investors weighed potential fiscal stimulus by the government against the continued spread of Covid-19. The S&P500 index rose 4.9%. Expect more volatility in the days ahead, given that the prospect of major stimulus proposed by Trump is still an unknown while the coronavirus continues spreading in the US.

Macau: Macau's unemployment rate held static at 1.7% during the three-month period through January with labor force participation rate rising to a nearly one-year high of 70.7%.

Analyzed by sector, the employed population of gaming (+0.9% yoy), retail (+4.1% yoy) as well as hotel and similar activities (+4.2% yoy) all increased. This however has not yet reflected the impact of the coronavirus outbreak. With all casinos closed for 15 days in February and inbound tourism at a standstill, we are concerned that the employment in gaming and tourism-related sectors would have weakened. Besides, as covid-19 outbreak has prompted households to stay at home, catering sector has also taken a hard hit. As such, the employment of restaurant and similar activities (-5.5% yoy) may worsen further. In conclusion, since the virus has clouded the economic outlook, the overall labor demand is expected to soften. We expect the unemployment rate will move over 2.5% in the coming year, a level last seen since 2011. If this is the case, it may feed through into the retail sector and the housing market.

Singapore: The STI rose 1.8% yesterday as markets attempted to recover from Monday's huge sell off. The index had opened 0.8% lower, but bounced back to end the trading session higher. For today, it is likely to be a subdued trading as investors continue to be cautious while watching for further stimulus by governments around the world.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 8-16bps higher (with the exception of the 1-year tenor trading 4bps lower), while the belly and the longer tenors traded 17-20bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 7bps to 161bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 662bps. The HY-IG Index Spread widened 3bps to 501bps. 10Y UST Yields gained 26bps from all-time lows to 0.81%, as talks of fiscal stimulus boosted investor confidence and President Trump was supposed to announce a "major" stimulus package on Tuesday afternoon.

New Issues: Huantaihu International Investment Co., Ltd. (Guarantor: Huzhou Economic Development Group Co., Ltd.) priced a USD200mn 3-year bond at 4.5%. Beijing Capital Group Co., Ltd arranged investor calls commencing 10 Mar for its proposed USD bond offering.

Daily Treasury Outlook

11 March 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.414	1.60%	USD-SGD	1.3915	0.50%
USD-JPY	105.640	3.20%	EUR-SGD	1.5698	-0.97%
EUR-USD	1.1281	-1.48%	JPY-SGD	1.3170	-2.62%
AUD-USD	0.6505	-1.24%	GBP-SGD	1.7965	-1.13%
GBP-USD	1.2911	-1.57%	AUD-SGD	0.9052	-0.71%
USD-MYR	4.2385	0.51%	NZD-SGD	0.8724	-0.56%
USD-CNY	6.9581	0.17%	CHF-SGD	1.4803	-1.08%
USD-IDR	14352	-0.28%	SGD-MYR	3.0499	0.14%
USD-VND	23190	-0.06%	SGD-CNY	5.0127	-0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4960	-0.40%	O/N	1.0811	0.14%
2M	-0.3360	0.14%	1M	0.7249	-13.78%
3M	-0.4680	-13.78%	2M	0.7104	-16.63%
6M	-0.4210	-16.63%	3M	0.7681	-12.79%
9M	-0.1940	-12.79%	6M	0.7354	-14.45%
12M	-0.3520	-14.45%	12M	0.7435	-10.21%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-2.495	-249.5	-0.624	0.413
29/04/2020	-3.158	-66.2	-0.789	0.248
10/06/2020	-3.36	-20.3	-0.84	0.197
29/07/2020	-3.448	-8.7	-0.862	0.175
16/09/2020	-3.4	4.7	-0.85	0.187
05/11/2020	-3.382	1.9	-0.845	0.192

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	34.36	10.4%	Corn (per bushel)	3.8000	1.5%
Brent (per barrel)	37.22	8.3%	Soybean (per bushel)	8.730	1.1%
Heating Oil (per gallon)	1.2499	7.5%	Wheat (per bushel)	5.2675	0.9%
Gasoline (per gallon)	1.1571	1.8%	Crude Palm Oil (MYR/MT)	2,339.0	0.1%
Natural Gas (per MMBtu)	1.9360	8.9%	Rubber (JPY/KG)	160.5	4.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,566	0.6%	Gold (per oz)	1,649.4	-1.8%
Nickel (per mt)	12,680	0.2%	Silver (per oz)	16.894	-0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,018.16	1167.14
S&P	2,882.23	135.67
Nasdaq	8,344.25	393.58
Nikkei 225	19,867.12	168.36
STI	2,832.54	50.17
KLCI	1,430.47	6.31
JCI	5,220.83	84.02
Baltic Dry	627.00	11.00
VIX	47.30	-7.16

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.86 (+0.06)	0.53 (+0.15)
5Y	0.96 (+0.13)	0.67 (+0.19)
10Y	1.17 (+0.16)	0.80 (+0.26)
15Y	1.27 (+0.15)	--
20Y	1.31 (+0.13)	--
30Y	1.42 (+0.06)	1.28 (+0.28)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	9.20	-1.80
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.09
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/11/2020 07:00	SK	Unemployment rate SA	Feb	4.10%	3.30%	4.00%	--
03/11/2020 07:30	AU	Westpac Consumer Conf SA MoM	Mar	--	-3.80%	2.30%	--
03/11/2020 17:30	UK	Industrial Production MoM	Jan	0.30%	--	0.10%	--
03/11/2020 17:30	UK	Manufacturing Production MoM	Jan	0.20%	--	0.30%	--
03/11/2020 17:30	UK	Trade Balance GBP/Mn	Jan	-£356m	--	£7715m	--
03/11/2020 17:30	UK	Industrial Production YoY	Jan	-2.60%	--	-1.80%	--
03/11/2020 17:30	UK	Visible Trade Balance GBP/Mn	Jan	-£7000m	--	£845m	--
03/11/2020 17:30	UK	Manufacturing Production YoY	Jan	-3.50%	--	-2.50%	--
03/11/2020 17:30	UK	Trade Balance Non EU GBP/Mn	Jan	-£2000m	--	£6721m	--
03/11/2020 19:00	US	MBA Mortgage Applications	Mar-06	--	--	15.10%	--
03/11/2020 20:30	US	CPI Ex Food and Energy MoM	Feb	0.20%	--	0.20%	--
03/11/2020 20:30	US	CPI YoY	Feb	2.20%	--	2.50%	--
03/11/2020 20:30	US	CPI MoM	Feb	0.00%	--	0.10%	--
03/11/2020 03/15	CH	Money Supply M2 YoY	Feb	8.50%	--	8.40%	--
03/11/2020 03/15	CH	New Yuan Loans CNY	Feb	1120.0b	--	3340.0b	--

Source: Bloomberg

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