

Daily Treasury Outlook

11 August 2020

Highlights

Global: Despite a relatively robust US labour market print last Friday, with nonfarm payrolls adding 1.8m and the unemployment rate improving to 10.2%, global risk sentiments may be weighed down by the rising risk of tit-for-tat US-China tensions in the form of sanctions on 11 individuals (including HK leader Carrie Lam and US senators Marco Rubio and Ted Cruz) coupled with US president Trump's targeting TikTok and WeChat even as US and China are due to hold high-level trade talks on 15 August. Meanwhile, amid the ongoing Congressional impasse, Trump signed four executive orders for temporarily extending the weekly unemployment benefits by \$400 (with states expected to bear \$100), deferring payroll taxes, reducing the interest for student loans and helping renters and homeowners. S&P500 added 0.27% to approach its pre-pandemic high in February, with VIX a tad lower at 22.13. UST bonds steepened amid a heavy issuance slate, with the 10-year yield hovering around 0.57%. The 3-month LIBOR also edged up to 0.2569%.

Market watch: Asian markets may open with a firm tone but is likely to trade sideways today amid the prospect of escalating US-China tensions. Today's economic data calendar comprises of UK's jobless claims and ILO unemployment rate, German ZEW survey, US' NFIB small business optimism and PPI. Fed's Barkin and Daly are also speaking. For the week ahead, watch China's monetary aggregates, RBNZ policy decision on 12 August (with no change to the 0.25% OCR tipped), and 2Q20 GDP prints from Malaysia, Taiwan and Eurozone.

US: JOLTS job openings rose from 5371 in May to 5889 in June.

SG: 2Q20 GDP growth was revised down from the initial flash estimate of -12.6% yoy to -13.2% yoy (in line with our forecast), as the manufacturing sector (-0.7% yoy) saw the drag from the June industrial production data. The official 2020 growth forecast was narrowed from -4% to -7% to -5% to -7%, recognising that the S'pore economy's outlook has weakened slightly since May. Our full-year growth forecast remains unchanged at -5.5% yoy

Malaysia: Malaysian ringgit should trade at a fairly stable level today, as USD traded sideways against major counterparts overnight. It should also benefit from the recent uptick in oil price. WTI traded 2% higher to around \$42pb, as market anticipate recovery on comments from Saudi Aramco that crude demand in Asia has gone back to almost pre-coronavirus levels.

Key Market Movements

Equity	Value	% chg
S&P 500	3360.5	0.3%
DJIA	27791	1.3%
Nikkei 225	22330	0.0%
SH Comp	3379.3	0.8%
STI	2545.5	0.0%
Hang Seng	24377	-0.6%
KLCI	1571.7	-0.4%

	Value	% chg
DX	93.582	0.2%
USDJPY	105.96	0.0%
EURUSD	1.1738	-0.4%
GBPUSD	1.3073	0.2%
USDIDR	14648	0.2%
USDSGD	1.3739	0.1%
SGDMYR	3.0540	-0.1%

	Value	chg (bp)
3M UST	0.09	0.25
10Y UST	0.58	1.15
1Y SGS	0.30	0.00
10Y SGS	0.82	0.00
3M LIBOR	0.25	0.93
3M SIBOR	0.44	0.00
3M SOR	0.18	0.00

	Value	% chg
Brent	44.99	1.3%
WTI	41.94	1.7%
Gold	2027	-0.4%
Silver	29.13	2.9%
Palladium	2233	2.6%
Copper	6397	1.4%
BCOM	70.90	0.6%

Source: Bloomberg

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Major Markets

US: US Market sentiment was broadly stable with the S&P500 index gaining 0.3% overnight while the NASDAQ pulled back 0.4%. Investors continue to eye renewed Sino-US tensions as well as a deadlock between US lawmakers on fresh stimulus.

Singapore: The STI slipped 0.53% to close at 2545.51 last Thursday, but may attempt to play catch-up today. SGS bond yields may remain pressured today after climbing higher by some 1-6bps led by the longer-tenors last Thursday.

Indonesia: Fitch, the ratings agency, affirmed Indonesia's sovereign ratings at BBB at stable on favourable medium-term outlook. It noted that prudent fiscal policy in previous years has provided headroom for relief measures, and that the government is expected to resume adhering to 3% of deficit-to-GDP ratio by 2023. It sees higher government spending and lower revenue to swell the fiscal deficit to 6% this year, before narrowing to 5.0% and 3.5% in the next two years.

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Bond Market Updates

Market Commentary: The SGD swap curve slightly flattened yesterday, with the shorter and belly tenors trading 0-0.3bps higher while the longer tenors traded slightly lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 685bps. The HY-IG Index Spread widened 13bps to 517bps. There were no flows in SGD corporates over the National Day public holiday. 10Y UST Yields gained 1bps to 0.58% before the Treasury starts record funding for August starting today.

New Issues: YUNDA Holding Co., Ltd. has arranged investor calls commencing 10 August 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.582	0.16%	USD-SGD	1.3739	0.09%
USD-JPY	105.960	0.04%	EUR-SGD	1.6127	-0.34%
EUR-USD	1.174	-0.42%	JPY-SGD	1.2965	0.05%
AUD-USD	0.715	-0.10%	GBP-SGD	1.7959	0.25%
GBP-USD	1.307	0.16%	AUD-SGD	0.9821	-0.04%
USD-MYR	4.197	0.20%	NZD-SGD	0.9055	-0.14%
USD-CNY	6.962	-0.09%	CHF-SGD	1.5004	-0.27%
USD-IDR	14648	0.16%	SGD-MYR	3.0540	-0.09%
USD-VND	23166	0.00%	SGD-CNY	5.0701	-0.15%

Equity and Commodity

Index	Value	Net change
DJIA	27,791.44	357.96
S&P	3,360.47	9.19
Nasdaq	10,968.36	-42.62
Nikkei 225	22,329.94	-88.21
STI	2,545.51	-13.59
KLCI	1,571.66	-6.48
JCI	5,157.83	13.94
Baltic Dry	1,501.00	1.00
VIX	22.13	-0.08

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5100	-0.51%	O/N	0.0851	0.09%
2M	-0.3360	-0.34%	1M	0.1634	0.16%
3M	-0.4780	-0.47%	2M	0.2266	0.23%
6M	-0.4180	-0.42%	3M	0.2525	0.24%
9M	-0.1940	-0.20%	6M	0.3091	0.29%
12M	-0.3500	-0.34%	12M	0.4490	0.45%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (-)	0.13(-)
5Y	0.47 (-0.03)	0.24(-)
10Y	0.82 (-0.01)	0.58 (+0.01)
15Y	1.04 (-0.01)	--
20Y	1.09 (-0.01)	--
30Y	1.01 (-0.01)	1.26 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.122	-12.2	0.063	0.063
11/05/2020	-0.129	-0.7	0.062	0.062
12/16/2020	-0.161	-3.2	0.054	0.054
01/27/2021	-0.205	-4.4	0.043	0.043
03/17/2021	-0.225	-2	0.037	0.037

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-0.72	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.09
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.94	1.75%	Corn (per bushel)	3.105	0.9%
Brent (per barrel)	44.99	1.33%	Soybean (per bushel)	8.765	0.7%
Heating Oil (per gallon)	123.69	1.39%	Wheat (per bushel)	4.910	-0.9%
Gasoline (per gallon)	122.93	1.80%	Crude Palm Oil (MYR/MT)	28.680	-0.6%
Natural Gas (per MMBtu)	2.15	-3.80%	Rubber (JPY/KG)	1.647	1.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6396.50	1.40%	Gold (per oz)	2027.3	-0.4%
Nickel (per mt)	14286.00	-0.65%	Silver (per oz)	29.1	2.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/09/2020 08/15	VN Domestic Vehicle Sales YoY	Jul	--	-11.0%	--
08/11/2020 07:50	JN BoP Current Account Balance	Jun	¥132.6b	¥167.5b	¥1176.8b
08/11/2020 08/14	NZ REINZ House Sales YoY	Jul	--	7.1%	--
08/11/2020 08/15	CH Money Supply M2 YoY	Jul	11.2%	--	11.1%
08/11/2020 08:00	SI GDP YoY	2Q F	-12.9%	-13.2%	-12.6%
08/11/2020 08:00	SI GDP SAAR QoQ	2Q F	-43.0%	-42.9%	-41.2%
08/11/2020 09:30	AU NAB Business Confidence	Jul	--	--	1.0
08/11/2020 14:00	UK Jobless Claims Change	Jul	--	--	-28.1k
08/11/2020 14:00	UK ILO Unemployment Rate 3Mths	Jun	4.2%	--	3.9%
08/11/2020 14:00	UK Claimant Count Rate	Jul	--	--	7.3%
08/11/2020 17:00	GE ZEW Survey Expectations	Aug	55.80	--	59.30
08/11/2020 17:00	GE ZEW Survey Current Situation	Aug	-69.50	--	-80.90
08/11/2020 20:00	IN Industrial Production YoY	Jun	-21.0%	--	--
08/11/2020 20:15	CA Housing Starts	Jul	205.0k	--	211.7k
08/11/2020 20:30	US PPI Final Demand MoM	Jul	0.3%	--	-0.2%

Source: Bloomberg

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