

Daily Treasury Outlook

11 September 2020

Highlights

Global: Tech bears return, driving the S&P 500 index and the Nasdaq 100 Composite index down 1.76% and 1.99% respectively, as heavyweight tech stocks resumed their declines. VIX rose to 29.71, while UST bonds bull-flattened with the 10-year yield lower to 0.68% amid a strong \$23b 30-year auction that fetched 1.473%. The 3-month LIBOR eased to 0.2491%. Meanwhile, the ECB kept its policy settings static while ECB president Lagarde signalled comfort with the current recovery pace and beyond saying that the central bank will focus on the inflation effects of the recent Euro strength, dismissed market speculation about targeting any exchange rate. The ECB also revised up its 2020 growth forecast to show a less severe contraction of 8% (previously -8.7%), but pared its 2021 prospects 5% (previously 5.2%). Elsewhere, BNM also kept its OPR static at 1.75%.

Market watch: Asian markets are due for a likely choppy start to the day, given the return of the US tech rout overnight. Today's economic data calendar comprises of US' August CPI, China's new lending and monetary aggregates data, and Malaysia, India and UK' July industrial output, Thailand's foreign reserves. ECB's Lagarde, Weidmann, Villeroy, Schnabel, Mersch, Holzmann and Lane are all speaking as well.

US: Initial jobless claims was unchanged at 884k, but continuing claims rose to 13.4m. Separately, August headline and core PPI rose more than expected by 0.3% mom (0.2% yoy) and 0.4% mom (0.6% yoy) respectively. The GOP's "skinny" bill is also being blocked by Democrats in the Senate, suggesting that a breakthrough for the stimulus is unlikely in the near-term.

UK: EU leaders have warned the UK of "extremely serious violation" of the Withdrawal Agreement signed last year and demanded UK to scrap its intended changes by end of the month or face legal action.

SG: MAS will expand its SORA FRN program. Meanwhile, SIA will cut 4,300 jobs.

Oil: Brent fell 1.8% to \$40.06/bbl yesterday, after weekly data showed the US posted its first increase in crude oil inventories in seven weeks.

Gold: Gold rose to as high as \$1966.60/oz but ultimately ended the session almost unchanged from the previous day. We see gold continuing its consolidation at around \$1950/oz in the short term.

Malaysia: Bank Negara Malaysia opted to keep its policy rate unchanged at 1.75% yesterday, in line with a slim majority of market consensus. We had expected it to cut rate as an insurance against potential growth uncertainties, but it appears that the BNM is comfortable enough with the recovery momentum thus far to stay on hold for now. Still, it pointed to the potential downside risks to growth on both global and domestic fronts, and would stand ready to ease should its baseline scenario of continued economic pickup comes under threat.

Key Market Movements

Equity	Value	% chg
S&P 500	3339.2	-1.8%
DJIA	27535	-1.5%
Nikkei 225	23235	0.9%
SH Comp	3234.8	-0.6%
STI	2492.1	-0.3%
Hang Seng	24314	-0.6%
KLCI	1490.1	-0.4%
	Value	% chg
DX	93.336	0.1%
USDJPY	106.13	0.0%
EURUSD	1.1815	0.1%
GBPUSD	1.2805	-1.5%
USIDR	14855	0.4%
USDSGD	1.3699	0.3%
SGDMYR	3.0433	0.0%
	Value	chg (bp)
3M UST	0.10	0.26
10Y UST	0.68	-2.29
1Y SGS	0.29	0.10
10Y SGS	0.93	-0.62
3M LIBOR	0.25	0.07
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	40.06	-1.8%
WTI	37.3	-2.0%
Gold	1946	0.0%
Silver	26.88	-0.4%
Palladium	2301	-0.1%
Copper	6669	-1.0%
BCOM	71.49	-0.3%

Source: Bloomberg

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Major Markets

US: US equities retreated once more, paring back yesterday's gains as the tech rout resumes. The S&P 500 index fell 1.8% and the Nasdaq 100 composite index declined 2.1%. Risk sentiment has turned sour as the market remains wary of further downside. This is likely to weigh on equity markets at the moment.

SG: The STI retreated 0.29% to close at 2492.09 yesterday and continue to consolidate today amid weak overnight cues from Wall Street, whereas SGS bonds are likely to see a flight to quality today.

HK: A big bank scrapped the fees and charges of 26 types of basic banking services to promote inclusive finance. Given the increasing competition amid virtual bank launches, we expect more traditional banks will follow suit to scrap the services fees and charges. Meanwhile, traditional banks may have accelerated the pace of digitalization due to the threat from virtual banks as well as the expected long-term change to people's behavior post Covid-19.

Indonesia: Indonesian assets saw a relatively rough day yesterday as market players digested the impact of the new PSBB or social restriction measures that were announced by the Jakarta authorities the night before. The JCI equity index was down by 5%, the biggest drop in nearly half a year. This comes amid concerns about the spread of the pandemic. Indonesia reported a record-high daily increment of 3861 in new Covid cases yesterday, signalling a challenging period ahead.

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Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter and belly tenors trading 0-1bps higher (with the exception of 1-year and 2-year trading 0-1bps lower) while the longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 168bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 670bps. The HY-IG Index Spread widened 1bps to 502bps. Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, NOLSP 4.4%'21s, CMZB 4.875%'27s, HSBC 5%-PERPs and AREIT 4.75%-PERPs. 10Y UST Yields fell 2bps to 0.68%, on the back of a solid performance of the USD23bn 30-year bonds auction.

New Issues: Nissan Motor Co Ltd priced a USD1.5bn 3-year bond at T+287.5bps, a USD1.5bn 5-year bond at T+325bps, and another USD5.0bn at T+387.5bps for a 7-year tranche (USD2.5bn) and T+412.5 for a 10-year tranche (USD2.5bn). Guangzhou Metro Investment Finance BVI Ltd (Guarantor: Guangzhou Metro Investment Finance HK Ltd) priced a USD500mn 5-year bond at T+122.5bps, tightening from IPT of T+170bps area and another USD330mn 10-year bond at T+160bps, tightening from IPT of T+210bps area respectively. Xinyuan Real Estate Co Ltd priced a USD300mn 3NP2 bond at 14.5%. Filinvest Development Cayman Islands (Guarantor: Filinvest Development Corp.) priced a USD200mn 5-year bond at 4.25%, tightening from IPT of 4.5% area. ENN Energy Holdings Ltd priced a USD750mn 10-year green bond at T+200bps, tightening from IPT of T+250bps area. Contemporary Ruiding Development Limited (Guarantor : Contemporary Amperex Technology Co., Limited) priced a USD1bn 5-year bond at T+165bps, tightening from IPT of T+215bps area and another USD500mn 10-year bond at T+200bps, tightening from IPT of T+255bps area. HSBC Institutional Trust Services (Singapore) Ltd. (in its capacity as trustee of Ascendas Real Estate Investment Trust) priced a SGD300mn PerpNC5 green bond at 3.0%, tightening from IPT of 3.25% area. Bangkok Bank PCL has arranged investor calls commencing 11 September 2020 for its proposed USD bond offering. CNAC (HK) Finbridge Company Limited (Guarantor: China National Chemical Corporation Limited) has arranged investor calls commencing 10 September 2020 for a possible USD bond offering. Tongyang Life Insurance Co., Ltd. has arranged investor calls commencing 10 September 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.336	0.09%	USD-SGD	1.3699	0.26%
USD-JPY	106.130	-0.05%	EUR-SGD	1.6185	0.35%
EUR-USD	1.182	0.10%	JPY-SGD	1.2908	0.30%
AUD-USD	0.726	-0.34%	GBP-SGD	1.7546	-1.24%
GBP-USD	1.281	-1.52%	AUD-SGD	0.9942	-0.10%
USD-MYR	4.164	-0.18%	NZD-SGD	0.9111	-0.25%
USD-CNY	6.834	0.01%	CHF-SGD	1.5044	0.45%
USD-IDR	14855	0.38%	SGD-MYR	3.0433	-0.02%
USD-VND	23167	-0.01%	SGD-CNY	5.0029	0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5190	-0.52%	O/N	0.0821	0.08%
2M	-0.3360	-0.34%	1M	0.1513	0.16%
3M	-0.4930	-0.49%	2M	0.2045	0.20%
6M	-0.4630	-0.46%	3M	0.2503	0.25%
9M	-0.1940	-0.20%	6M	0.2853	0.30%
12M	-0.4080	-0.40%	12M	0.4148	0.43%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.047	-4.7	0.082	0.082
11/05/2020	-0.071	-2.4	0.076	0.076
12/16/2020	-0.114	-4.3	0.066	0.066
01/27/2021	-0.147	-3.3	0.058	0.058
03/17/2021	-0.209	-6.3	0.042	0.042
04/28/2021	-0.227	-1.8	0.038	0.038
06/16/2021	-0.236	-0.9	0.035	0.035
07/28/2021	-0.267	-3.1	0.027	0.027
09/22/2021	-0.277	-1	0.025	0.025
11/03/2021	-0.287	-1	0.023	0.023
12/15/2021	-0.311	-2.4	0.017	0.017
01/26/2022	-0.327	-1.6	0.012	0.012

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	37.30	-1.97%	Corn (per bushel)	3.573	2.1%
Brent (per barrel)	40.06	-1.79%	Soybean (per bushel)	9.850	0.5%
Heating Oil (per gallon)	108.24	-2.14%	Wheat (per bushel)	5.400	1.1%
Gasoline (per gallon)	109.77	-1.93%	Crude Palm Oil (MYR/MT)	28.970	-0.1%
Natural Gas (per MMBtu)	2.32	-3.45%	Rubber (JPY/KG)	2.033	3.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6668.50	-0.97%	Gold (per oz)	1946.1	0.0%
Nickel (per mt)	14832.00	-0.60%	Silver (per oz)	26.9	-0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/11/2020 07:50	JN PPI YoY	Aug -0.5%	--	-0.9%	--
09/11/2020 07:50	CH New Yuan Loans CNY	Aug 1250.0b	--	992.7b	--
09/11/2020 14:00	UK Industrial Production MoM	Jul 4.1%	--	9.3%	--
09/11/2020 14:00	UK Manufacturing Production MoM	Jul 5.0%	--	11.0%	--
09/11/2020 14:00	GE CPI YoY	Aug F 0%	--	0%	--
09/11/2020 14:00	GE CPI MoM	Aug F -0.1%	--	-0.1%	--
09/11/2020 14:00	GE CPI EU Harmonized YoY	Aug F -0.1%	--	-0.1%	--
09/11/2020 14:00	UK Trade Balance GBP/Mn	Jul £3000m	--	£5336m	--
09/11/2020 14:00	GE CPI EU Harmonized MoM	Aug F -0.2%	--	-0.2%	--
09/11/2020 14:00	UK Industrial Production YoY	Jul -8.7%	--	-12.5%	--
09/11/2020 14:00	UK Manufacturing Production YoY	Jul -10.50%	--	-14.60%	--
09/11/2020 15:30	TH Foreign Reserves	38231	--	\$253.5b	--
09/11/2020 20:30	US CPI Ex Food and Energy MoM	Aug 0.2%	--	0.6%	--
09/11/2020 20:30	US CPI YoY	Aug 1.2%	--	1.0%	--
09/11/2020 20:30	US CPI MoM	Aug 0.3%	--	0.6%	--
09/11/2020 20:30	CH Money Supply M2 YoY	Aug 10.7%	--	10.7%	--

Source: Bloomberg

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