

Daily Treasury Outlook

12 February 2020

Highlights

Global: Global risk appetite remained supported overnight as Fed Chair Powell affirmed that the current monetary policy stance will support continued growth, a strong labor market and inflation returning to 2% but noted that the Fed is closely monitoring the coronavirus outbreak which “could lead to disruptions in China that spill over to the rest of the global economy”. Wall Street eked out modest gains overnight, with S&P500 adding 0.17% after paring gains on news of an antitrust probe by the US Federal Trade Commission into tech takeovers, whilst UST bonds remained under pressure with the 10-year UST bond yield rising 3bps to 1.60%. Separately, the WHO has named the coronavirus COVID-19, even as Japan found another 39 new cases on the cruise ship to bring the total to 174.

Market watch: Asian markets may extend its risk recovery theme today while awaiting the RBNZ rate decision (likely to be static for now even though Finance Minister Robertson has warned that the coronavirus will affect 1Q20 GDP growth). The economic data calendar comprises Taiwan and Malaysia’s 4Q19 GDP growth estimates, S’pore’s retail sales (our forecast: -2.9% yoy and -0.2% momsa), Japan’s machine tool orders, India’s CPI and industrial production, China’s monetary aggregates, and US’ mortgage applications. ECB’s Lane, Fed’s Harker and RBA’s Lowe are speaking, in addition to Fed chair Powell who is testifying again to the Senate Banking Committee.

US: On the repo funding position, Powell noted the intention to gradually transition away from the active use of repo operations. Meanwhile, the NIFB small business optimism rose from 102.7 in December to 104.3 in January, as 6 of its 10 components improved, while the JOLTS job openings fell to a 2-year low of 364k in December and marking the first annual decline since 2009.

EU: ECB chief Lagarde again warned that “the longer our accommodative measures remain in place, the greater the risk that side effects will become more pronounced” and “when interest rates are low, fiscal policy can be highly effective”.

China: China’s top epidemic expert Mr. Zhong Nanshan expects the peak of the virus outbreak will come at mid or late February. Meanwhile, he also replied that the longest incubation period of 24 days was only discovered from one patient out of 1099 patients based on patient’s description in the clinical report. As such, it may not be representative.

Singapore: STB warned that Singapore is losing up to 20,000 visitors per day due to the coronavirus outbreak and may see a 25-30% fall in visitor arrivals this year, which will be worse than the 19% decline in 2003 during SARS. Meanwhile, South Korea’s health ministry has advised its citizens to minimise travel to S’pore, Japan, Malaysia, Vietnam, Thailand and Taiwan.

Key Market Movements		
Equity	Value	% chg
S&P 500	3357.8	0.2%
DJIA	29276	0.0%
Nikkei 225	23686	0.0%
SH Comp	2901.7	0.4%
STI	3175.6	0.4%
Hang Seng	27584	1.3%
KLCI	1551.5	0.6%
Currencies	Value	% chg
DXY	98.721	-0.1%
USDJPY	109.79	0.0%
EURUSD	1.0916	0.0%
GBPUSD	1.2952	0.3%
USDIDR	13675	-0.3%
USDSGD	1.3864	-0.2%
SGDMYR	2.9806	-0.2%
Rates	Value	chg (bp)
3M UST	1.56	1.57
10Y UST	1.60	3.10
1Y SGS	1.59	-0.10
10Y SGS	1.70	-1.23
3M LIBOR	1.71	-1.77
3M SIBOR	1.72	0.00
3M SOR	1.61	-1.10
Commodities	Value	% chg
Brent	54.01	1.4%
WTI	49.94	0.7%
Gold	1568	-0.3%
Silver	17.65	-0.7%
Palladium	2351	-0.4%
Copper	5745	1.4%
BCOM	74.38	0.3%

Source: Bloomberg

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Major Markets

US: US major indices, with the exception of the Dow Jones Industrial Average, rose slightly to end the session at new record highs on the back of Powell's testimony to the House Financial Services. The S&P500 index rose 0.2%. We maintain our view that the upward momentum in US markets may continue, particularly as the rate of new confirmed cases in China is slowing while the US economic fundamentals appear robust.

Singapore: The STI added 0.39% to close at 3175.57 yesterday and Wall Street's modest gains overnight and early morning gains in Kospi may help the STI to gradually extend towards its 3200 resistance, with support tipped at 3163. UST bonds treaded lower by another 2-3bps across the curve overnight, but SGS bonds may remain moribund as investors are waiting 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: Q4 2019 GDP is due out today. We see it printing 4.5% yoy, a slight pickup from 4.4% of the previous quarter, yielding 4.6% for the whole of 2019. Private consumption is expected to stay relatively supported, albeit at a less robust pace than before. Exports may pick up a tad, but investment activities are likely to remain subdued.

Indonesia: With the lack of definitive guidance from overnight risk sentiment and lack of major domestic data today, Indonesian assets likely to be tracking sideways today. Foreign ownership of government bonds has been at a relatively stable 38% level, albeit lower than the 39.3% in late January before the coronavirus outbreak began.

Oil: Brent prices staged a recovery on Tuesday, rising together with US equities. Brent prices appear to have stabilised around the \$53-\$55/bbl consolidation region for now as market participants assess if further downside is warranted from the Covid-19 situation. Any upside would hinge on Russia accepting the OPEC+ proposal to cut a further 600k bpd across the bloc. Russia, after days of hesitation, has now agreed to study the proposal and is set to meet with major oil producers for production discussions, although it is far from certain that they would eventually agree to the 600k bpd production cut.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-steepened yesterday, with the shorter and belly tenors trading 2-4bps lower, while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 488bps. The HY-IG Index Spread tightened 6bps to 367bps. 10Y UST Yields gained 3bps to 1.6%, after Chairman Powell said the U.S. economy appears resilient despite the risk of COVID-19 and the current Fed policy remains appropriate.

New Issues: China ZhengTong Auto Services Holdings Limited priced a USD13mn re-tap of its ZHTONG 12%'22s at 12.0%. Far East Horizon Limited priced a USD300mn 5-year bond at T+200bps, tightening from IPT of T+240bps area. Chouzhou International Investment Limited (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) priced a USD400mn 5-year bond at 4.08%, tightening from IPT of 4.5% area. Vigorous Champion International Limited (Guarantor: China Ping An Insurance Overseas (Holdings) Limited) priced a SGD625mn 364-day bond at 2.25%. Tongling Development Investment Group Co., Ltd mandated banks for its proposed USD bond offering. CCCI Treasure Ltd and its guarantor China Communications Construction Co. arranged investor calls commencing Feb 12 for their proposed USD bond offering. Vena Energy arranged investor meetings commencing Feb 12 for its proposed USD green bond. S.F. Holding Co. arranged investor calls commencing Feb 11 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.721	-0.11%	USD-SGD	1.3864	-0.22%
USD-JPY	109.790	0.02%	EUR-SGD	1.5134	-0.18%
EUR-USD	1.0916	0.05%	JPY-SGD	1.2629	-0.22%
AUD-USD	0.6714	0.40%	GBP-SGD	1.7957	0.06%
GBP-USD	1.2952	0.29%	AUD-SGD	0.9308	0.18%
USD-MYR	4.1335	-0.33%	NZD-SGD	0.8878	0.08%
USD-CNY	6.9653	-0.27%	CHF-SGD	1.4207	-0.07%
USD-IDR	13675	-0.27%	SGD-MYR	2.9806	-0.21%
USD-VND	23242	-0.06%	SGD-CNY	5.0263	-0.03%

Equity and Commodity

Index	Value	Net change
DJIA	29,276.34	-0.48
S&P	3,357.75	5.66
Nasdaq	9,638.94	10.55
Nikkei 225	23,685.98	--
STI	3,175.57	12.42
KLCI	1,551.48	8.68
JCI	5,954.40	2.31
Baltic Dry	411.00	--
VIX	15.18	0.14

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4710	--	O/N	1.5746	-0.28%
2M	-0.3360	-0.28%	1M	1.6579	-0.74%
3M	-0.3970	-0.74%	2M	1.7128	-1.10%
6M	-0.3460	-1.10%	3M	1.7131	-1.77%
9M	-0.1940	-1.77%	6M	1.7206	-1.98%
12M	-0.2690	-1.98%	12M	1.8005	-3.44%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (-0.01)	1.42 (+0.03)
5Y	1.54 (--)	1.42 (+0.03)
10Y	1.70 (-0.01)	1.60 (+0.03)
15Y	1.80 (--)	--
20Y	1.87 (--)	--
30Y	2.01 (+0.01)	2.07 (+0.03)

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%	9.30%	0.00%	0.00%	9.30%
29/04/2020	0.00%	23.10%	0.00%	1.40%	21.70%
10/06/2020	0.00%	41.80%	0.30%	6.40%	35.10%
29/07/2020	0.00%	53.20%	1.50%	12.00%	39.70%
16/09/2020	0.00%	67.30%	4.70%	20.30%	41.80%
05/11/2020	0.00%	71.60%	6.70%	23.10%	40.60%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.10	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.58
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.94	0.7%	Corn (per bushel)	3.7975	-0.5%
Brent (per barrel)	54.01	1.4%	Soybean (per bushel)	8.848	0.1%
Heating Oil (per gallon)	1.6267	0.9%	Wheat (per bushel)	5.4200	-1.8%
Gasoline (per gallon)	1.5142	-0.5%	Crude Palm Oil (MYR/MT)	2,740.0	-2.1%
Natural Gas (per MMBtu)	1.7880	1.2%	Rubber (JPY/KG)	144.2	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,745	1.4%	Gold (per oz)	1,567.9	-0.3%
Nickel (per mt)	13,110	1.7%	Silver (per oz)	17.647	-0.7%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/12/2020 02:15	CH	Money Supply M2 YoY	Jan	8.60%	--	8.70%	--
02/12/2020 02:15	CH	New Yuan Loans CNY	Jan	3100.0b	--	1140.0b	--
02/12/2020 07:00	SK	Unemployment rate SA	Jan	3.80%	4.00%	3.80%	3.70%
02/12/2020 07:30	AU	Westpac Consumer Conf SA MoM	Feb	--	2.30%	-1.80%	--
02/12/2020 07:50	JN	Money Stock M2 YoY	Jan	2.70%	2.80%	2.70%	--
02/12/2020 07:50	JN	Money Stock M3 YoY	Jan	2.30%	2.30%	2.30%	--
02/12/2020 09:00	NZ	RBNZ Official Cash Rate	Feb-12	1.00%	--	1.00%	--
02/12/2020 12:00	MA	GDP YoY	4Q	4.10%	--	4.40%	--
02/12/2020 13:00	SI	Retail Sales YoY	Dec	-2.50%	--	-4.00%	--
02/12/2020 13:00	SI	Retail Sales SA MoM	Dec	-0.20%	--	0.20%	--
02/12/2020 14:00	JN	Machine Tool Orders YoY	Jan P	--	--	-33.50%	--
02/12/2020 16:00	TA	GDP YoY	4Q F	3.40%	--	3.38%	--
02/12/2020 16:30	SW	Riksbank Interest Rate	Feb-12	0.00%	--	0.00%	--
02/12/2020 18:00	EC	Industrial Production SA MoM	Dec	-2.00%	--	0.20%	--
02/12/2020 20:00	US	MBA Mortgage Applications	Feb-07	--	--	5.00%	--

Source: Bloomberg

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