

Daily Treasury Outlook

12 August 2020

Highlights

Global: Global risk sentiments have hit a roadblock as US Congress remains deadlocked over fresh stimulus. The S&P500 snapped a 7-day winning streak and declined 0.80% while VIX rose to 24.03. UST bonds extended losses with the yield curve steepening and the 10-year bond yield up at 0.64% amid a heavy issuance calendar that will continue with \$38b of 10-year auction today and \$26b 30-year tomorrow. The 3-month LIBOR stood at 0.2535%. The USD was lower while gold tumbled 5.3%. Meanwhile, presidential candidate Joe Biden has picked Kamala Harris as his running mate.

Market watch: Asian markets may open mixed this morning, awaiting RBNZ's policy decision (likely no change to its policy rate but market is divided if RBNZ will increase the size of its asset purchase program as fresh Covid-19 cases has re-emerged). Today's economic data calendar also comprises the UK's 2Q20 GDP growth, industrial production and trade data, Eurozone's industrial production, US' CPI and MBA mortgage applications. Fed speakers include Rosengren, Kaplan and Daly.

US: Barkin warned that an escalation in the virus may make a "pothole into a sinkhole".

UK: Job losses saw a record plunge of 220k for the three months through June.

SG: MAS is selling \$9.5b of 84-day bills.

CN: China's credit expansion slowed down in July. Both aggregate social financing and new Yuan loan increased at a slower than expected pace due to China's gradual exit from counter cyclical measures. During the Politburo meeting in late July, China's tone has shifted from counter cyclical to looking beyond the short-term economic cycle. This shows that drivers to China's credit expansion in the coming months will change from supply side factors to demand side factors. China's medium to long term loan to both corporates and household in July remain strong. This shows a resilient demand for loan growth, which may continue to support credit expansion in the second half.

Gold: Gold posted its largest one-day drop in more than seven years, falling 5.7% in a single session to end overnight at \$1911.89/oz. A rise in risk sentiment, propelled by falling hospitalisation rates in California and New York, potential payroll tax cuts in the US, and a rise in Treasury yields on expectations of above average issuances, pushed gold below \$2000/oz.

Key Market Movements

Equity	Value	% chg
S&P 500	3333.7	-0.8%
DJIA	27687	-0.4%
Nikkei 225	22750	1.9%
SH Comp	3340.3	-1.2%
STI	2544.2	-0.1%
Hang Seng	24891	2.1%
KLCI	1564.7	-0.4%

	Value	% chg
DXY	93.628	0.0%
USDJPY	106.49	0.5%
EURUSD	1.1740	0.0%
GBPUSD	1.3048	-0.2%
USDIDR	14680	0.2%
USDSGD	1.3734	0.0%
SGDMYR	3.0586	0.2%

	Value	chg (bp)
3M UST	0.10	0.74
10Y UST	0.64	6.60
1Y SGS	0.30	0.10
10Y SGS	0.87	4.32
3M LIBOR	0.26	0.44
3M SIBOR	0.44	0.00
3M SOR	0.18	0.00

	Value	% chg
Brent	44.5	-1.1%
WTI	41.61	-0.8%
Gold	1912	-5.7%
Silver	24.79	-14.9%
Palladium	2095	-6.2%
Copper	6386	-0.2%
BCOM	69.89	-1.4%

Source: Bloomberg

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Major Markets

US: The S&P500 index erased its intraday gains in the last hour of trading and closed 0.8% lower after Senate Majority Leader Mitch McConnell said that there had been no talks on a fresh stimulus package. The tech-heavy NASDAQ Composite index also fell 1.7%. In the near term, we expect the market to be supported by an uptick of risk sentiment from a rise in treasury yields, falling hospitalization rates in California and New York and potential payroll and capital gains tax cuts.

Macau: Zhuhai will lift the ban on visa for travelling to Macau from 12 August. This will be applied to the rest of Guangdong from 26 August and to the rest of China from 23 September. As China is set to gradually resume the issuance of individual travel visas for visits to Macau, it may help to provide further impetus for the recovery of Macau's battered gaming and tourism sector. Still, we doubt that the two pillar industries could show any strong rebound given China's sharp economic slowdown, the lingering pandemic uncertainty and the tedious procedures required for Mainlanders to get access to Macau (including proof of negative Nucleic Acid Testing result and health code).

Singapore: The STI retreated 0.05% to close at 2544.15 yesterday despite the revised 2Q GDP growth estimates but may open on a softer tone this morning, tracking weak overnight cues from Wall Street. SGS bonds may be caught between the risk breather mode and the overnight UST market selloff.

Indonesia: Indonesia has begun the third phase of a coronavirus vaccine trial using China's Sinovac product. The target is to begin commercial production in 6 months. The trial is involving as many as 1620 volunteers. President Jokowi said that, once the vaccine clears the trials successfully, state-owned PT Bio Farma may begin production from January next year.

Malaysia: Malaysia's major glove producer, Top Glove, is reportedly still in talks with US customs about resuming shipments there. In a Bloomberg interview, the company said that it will pay MYR53mn to reimburse migrant workers who joined before it banned recruiters from imposing fees. The US customs had accused the company of "forced labor". This comes at a time when US demand of gloves from the company has surged more than 2.5 times in the last few months.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading 4-7bps higher while the longer tenors traded 8-10bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 167bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 22bps to 664bps. The HY-IG Index Spread tightened 21bps to 496bps. Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, UBS 4.85%-PERPs, NTUCSP 3.1%'50s, STANLN 5.375%-PERPs, UOBSP 3.58%-PERPs, HSBC 4.7%-PERPs, NTUCSP 3.65%'27s, OLAMSP 6%'22s, SOCGEN 6.125%-PERPs and UBS 5.875%-PERPs. 10Y UST Yields gained 7bps to 0.64%, the highest since 6 July, ahead of the record-size 10-year notes auction this week.

New Issues: Li & Fung priced a USD300mn 5-year bond at 4.50%, tightening from IPT of 4.90% area. Fantasia Holdings Group Co Ltd priced a USD200mn re-tap of its FTHDGR 7.95%'22s at 7.98%, tightening from IPT of 8.375% area. Redco Properties Group Limited priced a USD300mn 364-day bond at 9.70%, tightening from IPT of 10.125% area. Export-Import Bank of Korea priced a USD100mn 4-year bond at 0.825%. Hangzhou Qiantang New District Construction Investment Group Co. Ltd. priced a USD300mn 3-year bond at 3.2%. Axiata Group Bhd has arranged investor calls commencing, MTR Corporation Limited and Vedanta Holdings Mauritius II Limited have arranged investor calls commencing 11 August 2020 for their proposed USD bond offerings. Hangzhou Qiantang New Area Construction and Investment Group Co. has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.628	0.05%	USD-SGD	1.3734	-0.04%
USD-JPY	106.490	0.50%	EUR-SGD	1.6124	-0.02%
EUR-USD	1.174	0.02%	JPY-SGD	1.2896	-0.53%
AUD-USD	0.714	-0.10%	GBP-SGD	1.7920	-0.22%
GBP-USD	1.305	-0.19%	AUD-SGD	0.9810	-0.11%
USD-MYR	4.194	-0.06%	NZD-SGD	0.9033	-0.24%
USD-CNY	6.946	-0.22%	CHF-SGD	1.4980	-0.16%
USD-IDR	14680	0.22%	SGD-MYR	3.0586	0.15%
USD-VND	23165	0.00%	SGD-CNY	5.0627	-0.15%

Equity and Commodity

Index	Value	Net change
DJIA	27,686.91	-104.53
S&P	3,333.69	-26.78
Nasdaq	10,782.82	-185.54
Nikkei 225	22,750.24	420.30
STI	2,544.15	-1.36
KLCI	1,564.74	-6.92
JCI	5,190.17	32.33
Baltic Dry	1,506.00	5.00
VIX	24.03	1.90

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5190	-0.51%	O/N	0.0860	0.09%
2M	-0.3360	-0.34%	1M	0.1683	0.16%
3M	-0.4780	-0.48%	2M	0.2199	0.23%
6M	-0.4220	-0.42%	3M	0.2569	0.25%
9M	-0.1940	-0.20%	6M	0.3331	0.31%
12M	-0.3500	-0.35%	12M	0.4554	0.45%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.23 (+0.01)	0.15(-)
5Y	0.49 (+0.02)	0.28 (+0.04)
10Y	0.87 (+0.04)	0.63 (+0.07)
15Y	1.09 (+0.05)	--
20Y	1.14 (+0.05)	--
30Y	1.06 (+0.05)	1.32 (+0.08)

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	-0.172	-4.3	0.051	0.051
01/27/2021	-0.205	-3.3	0.043	0.043
03/17/2021	-0.225	-2	0.037	0.037

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-0.65	(-)
TED	35.36	--

Secured Overnight Fin. Rate	
SOFR	0.09

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.61	-0.79%	Corn (per bushel)	3.115	0.3%
Brent (per barrel)	44.50	-1.09%	Soybean (per bushel)	8.780	0.2%
Heating Oil (per gallon)	123.84	0.12%	Wheat (per bushel)	4.950	0.8%
Gasoline (per gallon)	120.45	-2.02%	Crude Palm Oil (MYR/MT)	28.200	-1.7%
Natural Gas (per MMBtu)	2.17	0.84%	Rubber (JPY/KG)	1.649	0.1%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6386.00	-0.16%	Gold (per oz)	1911.9	-5.7%
Nickel (per mt)	14350.00	0.45%	Silver (per oz)	24.8	-14.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/11/2020 08/14	NZ REINZ House Sales YoY	Jul	--	7.1%	--
08/12/2020 07:00	SK Unemployment rate SA	Jul	4.3%	4.3%	--
08/12/2020 07:50	JN Money Stock M2 YoY	Jul	8.4%	7.2%	7.3%
08/12/2020 07:50	JN Money Stock M3 YoY	Jul	7.0%	5.9%	--
08/12/2020 08:30	AU Westpac Consumer Conf SA MoM	Aug	--	-6.1%	--
08/12/2020 10:00	NZ RBNZ Official Cash Rate	12-Aug	0.3%	0.3%	--
08/12/2020 14:00	UK GDP QoQ	2Q P	-20.7%	-2.2%	--
08/12/2020 14:00	UK GDP YoY	2Q P	-22.3%	-1.7%	--
08/12/2020 14:00	UK Industrial Production MoM	Jun	9.0%	6.0%	--
08/12/2020 14:00	UK Manufacturing Production MoM	Jun	10.0%	8.4%	--
08/12/2020 14:00	UK Trade Balance GBP/Mn	Jun	£2600m	£4296m	--
08/12/2020 16:00	IT CPI EU Harmonized YoY	Jul F	0.9%	0.9%	--
08/12/2020 19:00	US MBA Mortgage Applications	07-Aug	--	-5.1%	--
08/12/2020 20:30	US CPI MoM	Jul	0.3%	0.6%	--
08/12/2020 20:30	US CPI Ex Food and Energy MoM	Jul	0.2%	0.2%	--

Source: Bloomberg

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