

Daily Treasury Outlook

13 February 2020

Highlights

Global: Global risk appetite remained buoyant in US financial markets overnight, with Wall Street hitting record highs and the 10-year UST bond yield climbed further by 4bps to 1.64% amid abating Covid-19 fears. This was despite China reporting higher Covid-19 numbers of 14,840 additional cases in Hubei due to a revised methodology. Separately, Meanwhile, RBNZ kept its official cash rate unchanged at 1% as expected, opining that “we can stay on hold, keep rates low for a long time” in a “genuine neutral bias” as it forecasts 2020 growth at 3.1% up from 1.6% in 2019. In Asia, both Taiwan and Malaysia’s 4Q19 GDP growth missed market expectations at 3.31% and 3.6% yoy respectively, versus forecasts of 3.4% and 4.1%.

Market watch: Asian markets may start to take a breather soon after three sessions of risk recovery, albeit risk appetites should remain generally supportive. The economic data calendar comprises US’ CPI and initial jobless claims, European Commission’s forecast updates and German CPI. Speakers include Fed’s Kaplan and Williams, and ECB’s Lane and Panetta.

US: Fed chair Powell told the Senate Banking Committee that “we will have less room to cut” and “we’ve explored every possible way to find every scrap of policy space” and “I believe we will use them aggressively”. Meanwhile, mortgage financing rose 1.1% last week, but refinancing jumped 5.0% to extend the 15.3% increase in the prior week as borrowers reacted to falling mortgage rates.

China: In the latest Politburo meeting, China’s top policy makers vowed to step up more counter cyclical measures via larger fiscal stimulus to support the growth. Meanwhile, it also ordered the prudent monetary policy to be more flexible, hinting possible more liquidity injection and rate cut in the pipeline. Risk sentiment was overshadowed this morning by the jump of confirmed cases reported by Hubei province as a result of revision of the counting method. The “clinically diagnosed” cases will also be included in daily disclosure. Nevertheless, after the revision, the fatality rate in Wuhan dropped significantly to 3.1% from 4.2% while % of patients in critical condition also fell to 15.6% from 24.4%. The ratio in Wuhan started to converge to national average. This is positive in my opinion as this may alleviate the concern that this virus is still evolving in the epicenter Wuhan.

Singapore: DBS’s 4Q profit rose 7% to \$1.51b, but warned that Covid-19 could wipe 1-2% from revenue this year assuming it is controlled by summer.

Key Market Movements		
Equity	Value	% chg
S&P 500	3379.5	0.6%
DJIA	29551	0.9%
Nikkei 225	23861	0.7%
SH Comp	2926.9	0.9%
STI	3223.4	1.5%
Hang Seng	27824	0.9%
KLCI	1542.9	-0.6%
Currencies	Value	% chg
DXY	99.049	0.3%
USDJPY	110.09	0.3%
EURUSD	1.0874	-0.4%
GBPUSD	1.2960	0.1%
USDIDR	13674	0.0%
USDSGD	1.3865	0.0%
SGDMYR	2.9860	0.2%
Rates	Value	chg (bp)
3M UST	1.57	1.02
10Y UST	1.63	3.27
1Y SGS	1.61	1.10
10Y SGS	1.71	0.62
3M LIBOR	1.71	-0.59
3M SIBOR	1.72	0.00
3M SOR	1.52	-8.91
Commodities	Value	% chg
Brent	55.79	3.3%
WTI	51.17	2.5%
Gold	1566	-0.1%
Silver	17.49	-0.9%
Palladium	2400	2.1%
Copper	5764	0.3%
BCOM	75.16	1.0%

Source: Bloomberg

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Major Markets

US: US equity markets rose last night to record new highs as investors grew increasingly confident that the impact of the Covid-19 on the global economy might be stabilising. The S&P500 index rose by 0.65%. Unless headlines reflect the Covid-19 situation is once again taking a turn for the worse, we expect the upward momentum in US equities to continue.

Singapore: The STI rallied another 1.51% to close at 3223.37 yesterday and Wall Street's overnight gains and early morning gains in Kospi may lend a firmer tone for the STI today. STI's resistance is at 3231 followed by with support at 3200. With UST bonds trading lower by another 1-3bps across the curve overnight and the curve steepening into today's \$19b 30-year bond auction, SGS bonds may also face some steepening pressure ahead of 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 came in at 3.6% yoy, the lowest in a decade and markedly softer than expectations. Even as private consumption stayed robust, weaknesses were prevalent in exports, compounded by supply disruptions in CPO, oil and gas sectors. BNM struck a dovish tone, and may cut rate by another notch on 3 March.

Indonesia: Given the sentiment flip-flop, Indonesian assets might trade with a cautionary tinge today. Concern about potential virus case in Cirebon near Jakarta was in the news as well, although thankfully, it proved to be a false alarm. Meanwhile, Economics Ministry estimates a \$2.9bn hit to tourism receipts due to the drop in tourist arrivals.

Oil: The American Petroleum Institute has warned the White House that US refiners may struggle to produce the quantity stipulated for China under the phase one trade deal, bringing into question once more the supply feasibility of the agreement. Previously we had calculated that it would take a perfect alignment of stars in the US soybean market (no weather, pest or logistical disruption on top of record high crop yields) to produce the required amount for shipping to China. This task will be made even more difficult once hog levels return to normal in China and diminish the need for livestock imports from the US.

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Bond Market Updates

Market Commentary: The SGD swap curve fell slightly yesterday, with the shorter tenors trading 1bps lower while the belly and the longer tenors remained mostly unchanged. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 119bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 480bps. The HY-IG Index Spread tightened 6bps to 361bps. 10Y UST Yields gained 3bps to 1.63%, as investors become more assured after the reported number of new cases of COVID-19 in China dropped.

New Issues: Tongling Development Investment Group Co. Ltd priced a USD200mn 3-year bond at 3.98%, tightening from IPT of 4.2% area. India Infoline Finance Limited priced a USD400mn 3-year 2-month bond at 5.95%, tightening from IPT of 6.2% area. Sinosing Services Pte. Ltd (Guarantor: Huaneng Power International, Inc.) priced a USD300mn 5-year bond at T+88bps and a USD300mn 10-year bond at T+108bps, tightening from IPT of T+125bps and T+145bps area respectively. Network i2i Ltd. (Guarantor: Bharti Airtel Ltd.) priced a USD250mn re-tap of its BHARTI 5.65%-PERPNC5.5 bond at 5.497%, tightening from IPT of 5.65%. Hopson Capital International Group Co. (Guarantors: Hopson Development Holdings Ltd. and certain of the guarantor's restricted subsidiaries outside of the PRC) priced a USD500mn 364-day bond at 6.0%, tightening from IPT of 6.5% area. Yuzhou Properties Co Ltd priced a USD400mn 5NC3 bond at 7.7%, tightening from IPT of 8.125% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.049	0.33%	USD-SGD	1.3865	0.01%
USD-JPY	110.090	0.27%	EUR-SGD	1.5076	-0.38%
EUR-USD	1.0874	-0.38%	JPY-SGD	1.2595	-0.27%
AUD-USD	0.6737	0.34%	GBP-SGD	1.7969	0.07%
GBP-USD	1.2960	0.06%	AUD-SGD	0.9341	0.35%
USD-MYR	4.1367	0.08%	NZD-SGD	0.8964	0.97%
USD-CNY	6.9714	0.09%	CHF-SGD	1.4174	-0.23%
USD-IDR	13674	-0.01%	SGD-MYR	2.9860	0.18%
USD-VND	23242	--	SGD-CNY	5.0280	0.03%

Equity and Commodity

Index	Value	Net change
DJIA	29,551.42	275.08
S&P	3,379.45	21.70
Nasdaq	9,725.96	87.02
Nikkei 225	23,861.21	175.23
STI	3,223.37	47.80
KLCI	1,542.94	-8.54
JCI	5,913.08	-41.32
Baltic Dry	418.00	--
VIX	13.74	-1.44

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4770	-0.70%	O/N	1.5713	-0.34%
2M	-0.3360	-0.34%	1M	1.6528	-0.51%
3M	-0.4090	-0.51%	2M	1.6796	-3.31%
6M	-0.3500	-3.31%	3M	1.7073	-0.59%
9M	-0.1940	-0.59%	6M	1.7245	0.39%
12M	-0.2760	0.39%	12M	1.8071	0.66%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.54 (+0.01)	1.44 (+0.02)
5Y	1.56 (+0.01)	1.45 (+0.03)
10Y	1.71 (+0.01)	1.63 (+0.03)
15Y	1.82 (+0.02)	--
20Y	1.89 (+0.03)	--
30Y	2.04 (+0.03)	2.09 (+0.02)

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%	11.00%	0.00%	0.00%	11.00%
29/04/2020	0.00%	23.90%	0.00%	1.60%	22.30%
10/06/2020	0.00%	40.50%	0.30%	6.10%	34.00%
29/07/2020	0.00%	53.70%	1.60%	12.30%	39.70%
16/09/2020	0.00%	67.10%	4.70%	20.20%	41.60%
05/11/2020	0.00%	72.20%	7.10%	23.60%	40.20%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.85	-0.05
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)	51.17	2.5%	Corn (per bushel)	3.8300	0.9%
Brent (per barrel)	55.79	3.3%	Soybean (per bushel)	8.925	0.9%
Heating Oil (per gallon)	1.6757	3.0%	Wheat (per bushel)	5.4750	1.0%
Gasoline (per gallon)	1.5810	4.4%	Crude Palm Oil (MYR/MT)	2,736.0	-0.1%
Natural Gas (per MMBtu)	1.8440	3.1%	Rubber (JPY/KG)	143.0	-0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,764	0.3%	Gold (per oz)	1,566.1	-0.1%
Nickel (per mt)	13,100	-0.1%	Silver (per oz)	17.487	-0.9%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/13/2020 03:00	US	Monthly Budget Statement	Jan	-\$10.0b	-\$32.6b	\$8.7b	--
02/13/2020 07:50	JN	PPI YoY	Jan	1.50%	1.70%	0.90%	--
02/13/2020 07:50	JN	PPI MoM	Jan	0.00%	0.20%	0.10%	--
02/13/2020 08:01	UK	RICS House Price Balance	Jan	3%	17%	-2%	0%
02/13/2020 15:00	GE	CPI YoY	Jan F	1.70%	--	1.70%	--
02/13/2020 15:00	GE	CPI MoM	Jan F	-0.60%	--	-0.60%	--
02/13/2020 21:30	US	Initial Jobless Claims	Feb-08	210k	--	202k	--
02/13/2020 21:30	US	CPI MoM	Jan	0.20%	--	0.20%	--
02/13/2020 21:30	US	CPI Ex Food and Energy MoM	Jan	0.20%	--	0.10%	--
02/13/2020 21:30	US	CPI YoY	Jan	2.40%	--	2.30%	--
02/13/2020 21:30	US	Continuing Claims	Feb-01	1734k	--	1751k	--
02/13/2020 21:30	US	CPI Ex Food and Energy YoY	Jan	2.20%	--	2.30%	--
02/13/2020 21:30	US	CPI Core Index SA	Jan	266.45	--	265.921	265.832
02/13/2020 21:30	US	CPI Index NSA	Jan	257.863	--	256.974	--
02/13/2020 22:45	US	Bloomberg Consumer Comfort	Feb-09	--	--	66.5	--

Source: Bloomberg

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