

Daily Treasury Outlook

13 March 2020

Highlights

Global: Another risk-off session overnight, with the Dow slumping 10% and VIX spiking to 75.47, as financial markets expressed their dissatisfaction with US President Trump's lack of details on fiscal stimulus and the lack of a clear strategy to cope with the health crisis that Covid-19 presents, even as the Fed will provide \$1.5 trillion in overnight operations and pledged to inject \$5 trillion over the next month to combat "temporary disruptions" in funding markets. The ECB surprised investors by holding interest rates steady, albeit it boosted its bond purchases by EUR120 billion this year, provided more liquidity support and introduced a new TLTRO for SMEs. ECB chief Lagarde repeated her call for "fiscal first and foremost". Meanwhile, France will close schools from today, Germany is preparing to ditch a balanced Budget policy, and Philippines has ordered Manila to be lockdown to fight Covid-19.

Market watch: Asian markets are set for another risk-off session on Friday 13th, as investors digest the overnight market sell-off amid fears that global policymakers, especially in major economies like the US, is lagging behind in the curve in combating Covid-19. Today's economic data calendar comprises Malaysia's industrial production, Germany's CPI, and US' existing home sales, University of Michigan sentiments, and import prices.

China: China's National Health Commission said the peak of outbreak has passed. China's Commerce Ministry said it will further expedite the export tax rebate to ease the burden on exporters.

Singapore: PM Lee reassured that the Covid-19 situation remains under control in Singapore and the government is planning for more stringent measure but is not moving to Dorscon red alert level.

Malaysia: Given the overt global volatility, Asian assets are unlikely to be spared. Nikkei and Hang Seng futures are pointing towards 5-7% down. Malaysian assets may come under similar pressure, though perhaps in less magnitude. Separately, on the virus front, the authorities called for cancellation of all mass gatherings after news that a religious event with more than 10000 participants because of transmission cluster.

Oil: Oil tumbled again yesterday, not surprising given the carnage in global assets worldwide. Brent tumbled 7.2% to \$33.22/bbl, ending even lower than Monday's rout. Expect prices to remain suppressed as uncertainty remains high.

Gold: Gold fell yesterday, knocking back its status as a safe haven. spot gold closed at \$1576.15/oz, down 3.61% on the day. Investors are reportedly raising cash over fears of a liquidity crunch and are selling most assets, including gold, to get their hands on dollars.

Key Market Movements

Equity	Value	% chg
S&P 500	2480.6	-9.5%
DJIA	21201	-10.0%
Nikkei 225	18560	-4.4%
SH Comp	2923.5	-1.5%
STI	2678.6	-3.8%
Hang Seng	24309	-3.7%
KLCI	1419.4	-1.7%
Currencies	Value	% chg
DXY	97.468	1.0%
USDJPY	104.64	0.1%
EURUSD	1.1185	-0.8%
GBPUSD	1.2571	-1.9%
USDIDR	14522	1.0%
USDSGD	1.4094	1.0%
SGDMYR	3.0420	0.0%
Rates	Value	chg (bp)
3M UST	0.30	-9.16
10Y UST	0.80	-6.53
1Y SGS	1.00	-4.00
10Y SGS	1.26	7.25
3M LIBOR	0.77	-1.16
3M SIBOR	1.35	0.36
3M SOR	0.68	-4.92
Commodities	Value	% chg
Brent	33.22	-7.2%
WTI	31.5	-4.5%
Gold	1576	-3.6%
Silver	15.82	-5.6%
Palladium	1852	-19.9%
Copper	5440	-1.6%
BCOM	66.16	-3.1%

Source: Bloomberg

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Major Markets

US: US equity markets suffered another bloodbath this week as indices suffered their worst day since the “Black Monday” in 1987 and are now all in bear territory. The S&P500 index fell by 9.5%. Investors were disappointed by President Trump’s speech which failed to quell worries over the economic slowdown caused by the coronavirus outbreak. Markets are likely to face further losses in the near term.

Macau: Housing transaction volume dropped by 15.2% yoy to 420 deals while average housing price decreased by 1.4% yoy to MOP100,636/square meter in January, both reaching the lowest since February 2019. Approved new mortgage loans shrank for the third consecutive month by 32% yoy to MOP3 billion in January, the weakest since April 2019. The outbreak of covid-19 might have weighed further on the slowing housing market in February by sidelining the prospective homebuyers and denting investment demand. Going forward, though covid-19 outbreak has been almost under control in Macau, the economy would still suffer negative economic fallout of global spread of the coronavirus. As such, housing demand is expected to remain sour in the near term. Having said that, we expect any correction in the housing market to be rather moderate due to low base from 2019, limited housing supply (housing starts dropped for the fourth straight year by 78% yoy to merely 325 units in 2019) and the prospect of lower borrowing costs. In conclusion, we expect that the housing prices to show low single-digit decrease in 2020.

Singapore: The STI fell 3.8% yesterday as risk sentiment was dented further by WHO declaring the Covid-19 outbreak as a pandemic while President Trump’s speech did not help to quell concerns either. The index is set to face further losses today, following its Asian counterparts who have plummeted more than 6% at the time of writing.

Indonesia: Given the overt global volatility, Asian assets are unlikely to be spared. Nikkei and Hang Seng futures are pointing towards 5-7% down. Indonesian assets may come under similar pressure, though perhaps in less magnitude. Separately, the government is due to announce its second stimulus package today. FinMin Sri Mulyani has said that it would include a waiver of personal income tax and deferment of some corporate tax for 6 months.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-steepened yesterday, with the shorter tenors trading 14-21bps lower, while the belly and the longer tenors traded 5-13bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 17bps to 180bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 58bps to 719bps. The HY-IG Index Spread widened 41bps to 539bps. 10Y UST Yields fell 6bps to 0.81%, even as the New York Federal Reserve took drastic measures to boost liquidity in the financial system. President Trump also announced some support for corporates and a 30-day travel ban from Europe. On the other hand, ECB surprised markets by not cutting rates and solely relying on stimulus to cushion the economic impacts of COVID-19.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.468	1.00%	USD-SGD	1.4094	1.03%
USD-JPY	104.640	0.10%	EUR-SGD	1.5770	0.31%
EUR-USD	1.1185	-0.75%	JPY-SGD	1.3479	0.97%
AUD-USD	0.6236	-3.82%	GBP-SGD	1.7721	-0.91%
GBP-USD	1.2571	-1.94%	AUD-SGD	0.8790	-2.83%
USD-MYR	4.2645	0.76%	NZD-SGD	0.8586	-1.83%
USD-CNY	7.0294	0.99%	CHF-SGD	1.4943	0.50%
USD-IDR	14522	1.03%	SGD-MYR	3.0420	0.01%
USD-VND	23190	--	SGD-CNY	4.9896	-0.27%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5030	1.90%	O/N	1.0840	0.20%
2M	-0.3360	0.20%	1M	0.7966	-1.48%
3M	-0.4730	-1.48%	2M	0.7936	0.32%
6M	-0.4290	0.32%	3M	0.7725	-1.16%
9M	-0.1940	-1.16%	6M	0.7440	-2.56%
12M	-0.3390	-2.56%	12M	0.7465	-4.56%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-3.767	-376.7	-0.942	0.148
29/04/2020	-3.87	-10.3	-0.967	0.123
10/06/2020	-3.996	-12.6	-0.999	0.091
29/07/2020	-4.05	-5.4	-1.012	0.077
16/09/2020	-4.039	1.1	-1.01	0.08
05/11/2020	-4.014	2.5	-1.003	0.086

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	31.50	-4.5%	Corn (per bushel)	3.6975	-2.5%
Brent (per barrel)	33.22	-7.2%	Soybean (per bushel)	8.550	-1.5%
Heating Oil (per gallon)	1.1598	-6.3%	Wheat (per bushel)	5.0825	-1.7%
Gasoline (per gallon)	0.8975	-19.2%	Crude Palm Oil (MYR/MT)	2,302.0	-2.9%
Natural Gas (per MMBtu)	1.8410	-2.0%	Rubber (JPY/KG)	155.0	-3.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,440	-1.6%	Gold (per oz)	1,576.2	-3.6%
Nickel (per mt)	11,830	-4.8%	Silver (per oz)	15.822	-5.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,200.62	-2352.60
S&P	2,480.64	-260.74
Nasdaq	7,201.80	-750.25
Nikkei 225	18,559.63	-856.43
STI	2,678.64	-105.08
KLCI	1,419.43	-24.40
JCI	4,895.75	-258.36
Baltic Dry	633.00	2.00
VIX	75.47	21.57

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.82 (-0.07)	0.48 (-0.04)
5Y	0.93 (-0.02)	0.60 (-0.1)
10Y	1.26 (+0.07)	0.80 (-0.07)
15Y	1.38 (+0.08)	--
20Y	1.44 (+0.09)	--
30Y	1.49 (+0.07)	1.44 (+0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.40	-8.27
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.15
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/13/2020	PH	Budget Balance PHP	Jan	--	--	-251.1b	--
03/13/2020 03:16	IN	Exports YoY	Feb	--	--	-1.70%	--
03/13/2020 03:16	IN	Imports YoY	Feb	--	--	-0.70%	--
03/13/2020 05:00	SK	Export Price Index YoY	Feb	--	-1.80%	-2.70%	-2.50%
03/13/2020 05:30	NZ	BusinessNZ Manufacturing PMI	Feb	--	53.2	49.6	49.8
03/13/2020 05:45	NZ	Food Prices MoM	Feb	--	0.00%	2.10%	--
03/13/2020 12:00	MA	Industrial Production YoY	Jan	0.80%	--	1.30%	--
03/13/2020 12:30	JN	Tertiary Industry Index MoM	Jan	0.00%	--	-0.20%	--
03/13/2020 15:00	GE	CPI YoY	Feb F	1.70%	--	1.70%	--
03/13/2020 15:00	GE	CPI MoM	Feb F	0.40%	--	0.40%	--
03/13/2020 15:00	GE	CPI EU Harmonized YoY	Feb F	1.70%	--	1.70%	--
03/13/2020 15:00	GE	CPI EU Harmonized MoM	Feb F	0.60%	--	0.60%	--
03/13/2020 15:30	TH	Foreign Reserves	Mar-06	--	--	\$229.5b	--
03/13/2020 20:30	US	Import Price Index MoM	Feb	-1.00%	--	0.00%	--
03/13/2020 22:00	US	U. of Mich. Sentiment	Mar P	95	--	101	--

Source: Bloomberg

Treasury Research & Strategy

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