

Daily Treasury Outlook

13 April 2020

Highlights

Global: Before the long Easter weekend, the S&P500 closed at +1.45% on Thursday, aided by investor hopes that US and European Covid-19 infections may be reaching a turning point soon and drug experiments were promising. That said, US' Covid-19 fatalities crossed 20,500, basically overtaking Italy, even as US president Trump said he would announce on Tuesday a council of "very, very great doctors and business people" to advise him on when to reopen the US economy. The 3-month LIBOR fell to 1.21888% last Thursday after the Fed announced another \$2.3 trillion of measures. Meanwhile, ECB's de Guindos warned that Europe may see a more severe recession than the rest of the world, but the first signs of growth may be visible from 3Q20. This came after EU finance ministers agreed on a EUR540b stimulus package, which includes deploying the European Stability Mechanism to offer credit lines of up to EUR240b, subject to approval as soon as this week, whilst Italy extended its nationwide lockdown until 3 May. OPEC+ also finally agreed to cut output by 9.7m barrels per day, but failed to lift crude oil prices. Over in Asia, Fitch cut Malaysia's sovereign credit rate outlook from stable to negative, citing that the economy is "heavily affected" by Covid-19 and may shrink 1% this year. Malaysia had announced the extension of its Movement Control Order for another two weeks till 28 April.

Market watch: Asian markets are likely to start the week on a positive tone after the long Easter weekend, but the momentum is unlikely to be unbridled at this juncture given a very light economic data calendar comprising of just Malaysia's February industrial production and India's CPI. For the week ahead, watch for BI's policy decision (likely to cut 25bps to 4.25%) as well as the IMF's likely downward revision of its global growth forecasts on Tuesday, Bank of Canada's policy decision (likely static at 0.25%) on Wednesday, Fed's Beige Book on Thursday and China's CPI and new loans data on Friday. Fed speakers include Bullard tomorrow and Evans and Bostic on Wednesday.

US: Fed's Mester opined that "we're likely not done" in terms emergency aid and "if we think it's needed, we're going to do it", while Kashkari warned that the US could face up to 18 months of rolling shutdowns amid waves of flareups and controls for Covid-19.

UK: PM Johnson has been discharged from hospital.

Gold: The precious metal came within a whisker of closing above the \$1700/oz level last Thursday, eventually ending at \$1696.65/oz. It is a remarkable turnaround for gold, which endured a selloff below \$1500/oz briefly in April during the period of the dollar crunch. Based on model-implied values, we see gold prices trading within range of fair value, based on current inputs of the dollar strength and interest rates.

Key Market Movements		
Equity	Value	% chg
S&P 500	2789.8	0.0%
DJIA	23719	0.0%
Nikkei 225	19499	0.8%
SH Comp	2796.6	-1.0%
STI	2571.3	0.0%
Hang Seng	24300	0.0%
KLCI	1357.5	-0.9%
Currencies	Value	% chg
DXY	99.482	0.0%
USDJPY	108.47	0.0%
EURUSD	1.0937	0.1%
GBPUSD	1.2455	0.0%
USDIDR	15880	0.0%
USDSGD	1.4129	-0.3%
SGDMYR	3.0502	0.1%
Rates	Value	chg (bp)
3M UST	0.19	0.00
10Y UST	0.72	0.00
1Y SGS	0.79	0.00
10Y SGS	1.09	0.00
3M LIBOR	1.22	-9.25
3M SIBOR	0.99	0.02
3M SOR	0.82	-27.24
Commodities	Value	% chg
Brent	31.48	0.0%
WTI	22.76	0.0%
Gold	1697	0.8%
Silver	15.57	0.9%
Palladium	2178	0.6%
Copper	5020	0.0%
BCOM	63.48	0.0%

Source: Bloomberg

Daily Treasury Outlook

13 April 2020

Major Markets

US: US equity markets rose on Thursday, capping off one of their strongest weekly gains ever as risk sentiment improved on the back of an apparent improvement in the US coronavirus outbreak. The S&P500 rose 1.45%, and jumped 12.1% for the entire week, which is its biggest one-week gain since 1974. Looking ahead, markets are likely to continue taking cues from the US coronavirus outlook as well as earnings releases which start this week.

China: China's March credit expansion beat market expectation. The stronger than expected credit expansion showed that China's counter cyclical measures are taking effect. It was mainly driven by three factors including balance sheet expansion, stronger credit bond issuance and higher bill financing.

Broad money supply M2 accelerated to 10.1% yoy in March from 8.8% in February. The rebound of both M1 and M2 was the result of easing monetary policy and proactive fiscal policy. According to PBoC, as of March, China's money multiplier rose to a high of 6.55. Meanwhile, fiscal deposit fell by CNY735.3bn, 42.5 billion more than that in March 2019.

China's household sector re-leveraged again in March after de-leverage in February. New Yuan loan to household sector increased by CNY989.2 billion including CNY514.40 billion short term loan, highest in record. Total deposits in household sector rose to CNY87.8 trillion, up by 13% yoy. This implied that the rapid accumulation of household saving may provide buffer to the volatility in job market.

China's inflation softened with CPI fell by 1.2% mom, the largest month-on-month decline since June 2003 as a result of falling food prices and fuel costs in March. The discussion about the deflation risk may return to the spotlight in the second half as CPI may collapse after high base effect kicks in.

Macau: In February, housing transaction volume dropped by 48.4% yoy to 161 deals, the lowest since record. During the same month, approved new residential mortgage loans declined to the lowest since January 2012 at MOP1.44 billion while the average housing price fell 7.2% YTD to MOP97,897/square meter. This could be attributed to the stalling of economic activities in February amid Covid-19 outbreak. As the economy has resumed normalcy gradually from March, housing transaction volume will likely rebound from the record low. That said, we expect housing market to remain sluggish in the near term due to souring demand on faltering growth outlook, housing control measures, job uncertainty and stock market rout. Meanwhile, small business owners may liquidate their residential property at whatever price while some homeowners may be more willing to cut selling price in anticipation of weak demand. Taken all together, we expect average housing price to drop by 15% yoy this year.

Daily Treasury Outlook

13 April 2020

Singapore: The STI added 1.26% to close at 2571.32 last Thursday and may attempt to trade with a firmer tone today. Although the UST bond market rallied last Thursday following the Fed's \$2.3 trillion package to help SMEs and state and local governments, SGS bonds may not see the same support today.

Indonesia: Following tighter restrictions adopted in Jakarta over the long weekend to combat the spread of the coronavirus, neighbouring provinces have followed suit. West Java Governor Ridwan Kamil said that large-scale social restrictions will be put in place from Wednesday for at least two weeks, and testings will be ramped up as well. Overall, cases continue to rise with the total national tally at 4241 as of Sunday.

Malaysia: Malaysia's PM Muhyiddin Yassin extended the country's MCO (Movement Control Order) for a further two weeks, to 28 April, in a bid to continue controlling the spread of the virus. Some sectors will be allowed to gradually resume operations, however, including automotive, machinery, aerospace as well as selected construction works. Separately, the ratings agency Fitch has lowered Malaysia's sovereign outlook from stable to negative while retaining the long-term foreign-currency issuer rating at A- due to impact from the virus.

Oil: OPEC+ done deal: -9.7mbpd in May and June, -7.7mbpd in 2H 2020 and -5.8mbpd in Jan-Apr 2021. It is a big number but falls short of expectations. Firstly, going into the meeting the expectations were for 10-15mbpd reduction, so at 10mbpd this is on the lower end. Secondly, G20 meeting on Saturday saw OPEC+ fail to garner the additional -5mbpd that OPEC+ was lobbying from producers outside the cartel. Thirdly, it remains a question mark on how the US plans to chip in the 250kbpd of cuts for Mexico, with no clear baseline. Overall, despite the big production cut from OPEC+, the curbs are still on the low side of expectations. Oil prices have retraced since Thursday and appear to have priced in most of the confirmed deal since last week. We do not expect any big reaction to oil prices expected related to the cuts for now.

Bond Market Updates

Market Commentary: The SGD swap curve mostly fell last Thursday, with 5-6bps decline in the shorter to the belly parts of the curve and 4-5bps decline in the longer tenors. This follows movements in the USD curve, which saw 10Y yields compressing 5bps to 0.72%. The Bloomberg Barclays Asia USD IG Bond Index traded 2bps tighter to 271bps while the Bloomberg Barclays Asia USD IG Bond Index compressed 33bps to 1084bps. As a result, the IG-HY index tightened by 31bps to 812bps. Moderate flows were seen with trades in UOBSP 3.58% PERP, CATHAY 3.375% '22s and MAPLSP 4.5% PERP last Thursday. Meanwhile, the market was quiet last Friday to observe Good Friday with most indices remaining broadly unchanged.

New Issues: There were no new deals or mandates.

Daily Treasury Outlook

13 April 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.482	-0.04%	USD-SGD	1.4129	-0.30%
USD-JPY	108.470	-0.02%	EUR-SGD	1.5458	-0.20%
EUR-USD	1.0937	0.06%	JPY-SGD	1.3045	-0.10%
AUD-USD	0.6349	0.14%	GBP-SGD	1.7602	-0.31%
GBP-USD	1.2455	-0.02%	AUD-SGD	0.8978	-0.08%
USD-MYR	4.3097	-0.61%	NZD-SGD	0.8601	-0.27%
USD-CNY	7.0360	-0.10%	CHF-SGD	1.4634	-0.22%
USD-IDR	15880	--	SGD-MYR	3.0502	0.14%
USD-VND	23436	-0.39%	SGD-CNY	4.9777	0.16%

Equity and Commodity

Index	Value	Net change
DJIA	23,719.37	--
S&P	2,789.82	--
Nasdaq	8,153.58	--
Nikkei 225	19,498.50	152.73
STI	2,571.32	--
KLCI	1,357.50	-12.26
JCI	4,649.08	--
Baltic Dry	635.00	--
VIX	41.67	--

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3870	0.30%	O/N	0.0678	-0.41%
2M	-0.3360	-0.41%	1M	0.8140	-1.49%
3M	-0.2200	-1.49%	2M	1.0648	0.63%
6M	-0.1790	0.63%	3M	1.2189	-9.25%
9M	-0.1940	-9.25%	6M	1.2259	-0.24%
12M	-0.0870	-0.24%	12M	1.0509	-0.22%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.63 (--)	0.23 (--)
5Y	0.76 (--)	0.40 (--)
10Y	1.09 (--)	0.72 (--)
15Y	1.34 (--)	--
20Y	1.49 (--)	--
30Y	1.50 (--)	1.34 (--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.109	10.9	0.027	0.082
10/06/2020	0.084	-2.5	0.021	0.076
29/07/2020	0.089	0.5	0.022	0.077
16/09/2020	0.016	-7.3	0.004	0.059
05/11/2020	0.029	1.3	0.007	0.063
16/12/2020	0.036	0.8	0.009	0.064

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	24.00	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	22.76	--	Corn (per bushel)	3.3175	--
Brent (per barrel)	31.48	0.0%	Soybean (per bushel)	8.635	--
Heating Oil (per gallon)	0.9726	--	Wheat (per bushel)	5.5650	--
Gasoline (per gallon)	0.6773	--	Crude Palm Oil (MYR/MT)	2,389.0	0.3%
Natural Gas (per MMBtu)	1.7330	--	Rubber (JPY/KG)	142.0	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,020	--	Gold (per oz)	1,696.7	0.8%
Nickel (per mt)	11,672	--	Silver (per oz)	15.565	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/10/2020 04:20	CH	Foreign Direct Investment YoY CNY	Mar	--	--	-25.60%	--
04/13/2020 04:24	PH	BoP Overall	Feb	--	--	-\$1355m	--
04/13/2020 04:24	PH	Bank Lending YoY	Feb	--	--	11.20%	--
04/13/2020 04:24	PH	Bank Lending Net of RRP's YoY	Feb	--	--	11.60%	--
04/13/2020 04:24	PH	Money Supply M3 SRF YoY	Feb	--	--	11.90%	--
04/13/2020 07:50	JN	Money Stock M2 YoY	Mar	2.90%	3.30%	3.00%	--
04/13/2020 07:50	JN	Money Stock M3 YoY	Mar	2.50%	2.70%	2.50%	2.40%
04/13/2020 09:10	JN	BOJ Outright Bond Purchase 1~3 Years					
04/13/2020 09:10	JN	BOJ Outright Bond Purchase 3~5 Years					
04/13/2020 12:00	MA	Industrial Production YoY	Feb	0.90%	--	0.60%	--
04/13/2020 12:00	MA	Manufacturing Sales Value YoY	Feb	--	--	2.60%	--
04/13/2020 19:35	IN	RBI MPC Minutes					
04/13/2020 20:00	IN	CPI YoY	Mar	5.90%	--	6.58%	--
04/13/2020 20:00	CA	Bloomberg Nanos Confidence	Apr-10	--	--	42.7	--
04/13/2020 22:00	CA	Bloomberg April Canada Economic Survey					

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).