

Daily Treasury Outlook

13 August 2020

Highlights

Global: Despite the stalling of US Congressional stimulus talks with no compromise in sight, global risk sentiments remain supported overnight. House Speaker Nancy Pelosi said she had rebuffed an overture from Treasury Secretary Mnuchin to restart talks. S&P500 rallied 1.4% after briefly surpassing the pre-Covid record, led by tech, healthcare, and utility shares, while VIX pushed lower to 22.28. UST bonds also bear-steepened with the 30-year at a one-month high and the 10-year yield 0.67% despite a solid \$38b 10-year note auction. There is a \$26b 30-year sale today. The 3-month LIBOR rose to a two-week high of 0.2648% amid the global bond selloff. Meanwhile, Fed's Rosengren warned that over-eagerness to reopen commercial activity may backfire on the economy and called for "continued stimulative monetary and fiscal policy", with Kaplan also sounding cautious, while Daly opined that the recovery is going to be a "w, with a little bit of a wiggly toe at the end" and there may come a time when additional forward guidance will be needed. Separately, China plans to widen weekend talks with US on their trade deal progress to include the recent crackdown on TikTok and WeChat. The US Trade Representative office will remove some Greek and UK products from its tariff lists, but would add a 25% duty on France and Germany from 1 September.

Market watch: Asian markets may open with a firmer tone this morning on the back of positive overnight cues from Wall Street. Today's economic data calendar only comprises of US' initial jobless claims and import prices, and Germany's CPI. Fed's Bostic and Brainard, and RBA's Lowe are also speaking.

US: Consumer prices rose more than expected by 0.6% mom (1.0% yoy), with core CPI also rising by 0.6% mom (1.6% yoy), driven by higher auto, apparel, and energy costs. The July budget deficit narrowed to \$63b, down from \$119.7b a year ago. President Trump has turned up the pressure spigot for schools to reopen despite US Covid-19 cases climbing 1.1%.

EU: Industrial production rose 9.1% mom in June, but missed market estimates, while the May data was also revised downward, suggesting that the recovery is still lagging behind expectations.

UK: The UK economy contracted a record 20.4% in 2Q20, marking its first recession since 2009.

SG: MAS' DMD Jacqueline Loh warned that the financial services sector could see new job creation slow and retrenchments are likely to pick up in the second half of this year.

NZ: RBNZ increased its large-scale asset program to \$100b to last until June 2022.

Key Market Movements

Equity	Value	% chg
S&P 500	3380.4	1.4%
DJIA	27977	1.0%
Nikkei 225	22844	0.4%
SH Comp	3319.3	-0.6%
STI	2563.2	0.7%
Hang Seng	25244	1.4%
KLCI	1556.6	-0.5%
	Value	% chg
DXY	93.443	-0.2%
USDJPY	106.91	0.4%
EURUSD	1.1784	0.4%
GBPUSD	1.3034	-0.1%
USDIDR	14760	0.5%
USDSGD	1.3721	-0.1%
SGDMYR	3.0523	-0.2%
	Value	chg (bp)
3M UST	0.09	-0.51
10Y UST	0.67	3.32
1Y SGS	0.30	0.00
10Y SGS	0.88	1.65
3M LIBOR	0.25	-0.34
3M SIBOR	0.43	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	45.43	2.1%
WTI	42.67	2.5%
Gold	1916	0.2%
Silver	25.51	2.9%
Palladium	2137	2.0%
Copper	6433	0.7%
BCOM	70.27	0.5%

Source: Bloomberg

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Major Markets

US: The S&P500 index gained 1.4% overnight, closing at 3,380.35, just 0.2% below the record high of 3,393.52. US tech stocks rallied as well, with the NASDAQ composite index closing 2.1% higher. In the near term we expect the US equity market to be supported by positive risk sentiment.

CN: China's State Council unveiled 15 measures to stabilize the international trade. Other than credit support to small and medium sized exporters, China also plans to increase the flight frequency with its major trading partners.

Singapore: The STI added 0.75% to close at 2563.20 yesterday and rally further today. SGS bonds may continue its bear-steepening bias today amid the ongoing global bond selloff.

Malaysia: Malaysian government is due to sell its 20year bonds in an auction today, worth MYR4bn, with an indicative coupon of 3.757%. Its fundraising came as fiscal deficit is slated to head up due to lower revenue and larger stimulus spending. Deputy Finance Minister I Abdul Rahim Bakri told the parliament yesterday that Malaysia's debt level stands at 53.6% of GDP. The government is seeing to raise the debt ceiling from the current 55% to 60% of GDP.

Indonesia: President Jokowi is due to present his 2021 budget plan in the parliament tomorrow. Deficit is expected to be set at 5.2% of GDP for 2021 compared with an estimated 6.34% this year. Market will be looking out for signs that the government is serious about fiscal consolidation and returning to the 3% of GDP deficit rule in 2023, even as sentiment has remained supportive of the ongoing stimulus plan.

Oil: Oil prices rose yesterday, with Brent edging 2.1% higher to \$45.43/bbl after data from the US showed domestic crude stockpiles declined 4mil barrels last week. The return of US gasoline demand may prove to be bullish for crude oil and we now think oil is headed for the resistance of \$50/bbl, possibly before the end of 2020.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading 1-3bps higher while the longer tenors traded 3-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 167bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 661bps. The HY-IG Index Spread tightened 2bps to 494bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, SOCGEN 4.3%'26s, UBS 4.85%-PERPs, CMZB 4.875%'27s, STTGDC 3.13%'28s, STANLN 5.375%-PERPs, NOLSP 4.4%'21s and IOCLIN 4.1%'22s. 10Y UST Yields gained 3bps to 0.67% driven by the record USD38bn 10-year notes auction.

New Issues: China Great Wall International Holdings V Ltd (Guarantor: China Great Wall AMC International Holdings Co Ltd) priced a USD500mn 10-year bond at T+172.5bps, tightening from IPT of T+215bps area. Hanhui International Limited (Guarantor: Guotai Leasing Limited Company) priced a USD200mn 3-year benchmark bond at 4%, tightening from IPT of 4.35% area. YUNDA Holding Investment Ltd. (Guarantor: YUNDA Holding Co.) priced a USD500mn 5-year bond at T+197.50bps, tightening from IPT of T+245bps area. MTR Corp Ltd priced a USD1.2bn 10-year green bond at T+108bps, tightening from IPT of T+150bps area. Axiata SPV2 Berhad Axiata SPV5 (Labuan) Limited (Guarantor: Axiata Group Berhad) priced a USD500mn 10-year Sukuk at T+148bps, tightening from IPT of T+200bps area and another USD1bn 30-year bond at T+170bps, tightening from IPT of T+220bps area respectively. Keong Hong Holdings Ltd. priced a SGD48mn 3-year bond at 6.25%. Yunnan Energy Investment Overseas Finance Co. (Guarantor: Yunnan Provincial Energy Investment Group Co.) has arranged investor calls commencing 12 August 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.443	-0.20%	USD-SGD	1.3721	-0.09%
USD-JPY	106.910	0.39%	EUR-SGD	1.6170	0.29%
EUR-USD	1.178	0.37%	JPY-SGD	1.2835	-0.47%
AUD-USD	0.716	0.27%	GBP-SGD	1.7884	-0.20%
GBP-USD	1.303	-0.11%	AUD-SGD	0.9828	0.18%
USD-MYR	4.193	-0.02%	NZD-SGD	0.9026	-0.08%
USD-CNY	6.937	-0.13%	CHF-SGD	1.5045	0.43%
USD-IDR	14760	0.54%	SGD-MYR	3.0523	-0.21%
USD-VND	23166	0.00%	SGD-CNY	5.0575	-0.10%

Equity and Commodity

Index	Value	Net change
DJIA	27,976.84	289.93
S&P	3,380.35	46.66
Nasdaq	11,012.24	229.42
Nikkei 225	22,843.96	93.72
STI	2,563.20	19.05
KLCI	1,556.64	-8.10
JCI	5,233.45	43.29
Baltic Dry	1,506.00	5.00
VIX	22.28	-1.75

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	0.24 (+0.01)	0.15(-)
5Y	0.51 (+0.02)	0.3 (+0.03)
10Y	0.88 (+0.02)	0.63 (+0.03)
15Y	1.13 (+0.04)	--
20Y	1.19 (+0.04)	--
30Y	1.09 (+0.03)	1.32 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.091	-9.1	0.071	0.071
11/05/2020	-0.121	-3	0.063	0.063
12/16/2020	-0.146	-2.5	0.057	0.057
01/27/2021	-0.185	-3.9	0.047	0.047
03/17/2021	-0.217	-3.2	0.04	0.04

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)	42.67	2.55%	Corn (per bushel)	3.145	1.0%
Brent (per barrel)	45.43	2.09%	Soybean (per bushel)	8.905	1.4%
Heating Oil (per gallon)	125.72	1.52%	Wheat (per bushel)	4.913	-0.8%
Gasoline (per gallon)	124.38	3.26%	Crude Palm Oil (MYR/MT)	28.800	2.1%
Natural Gas (per MMBtu)	2.15	-0.88%	Rubber (JPY/KG)	1.645	-0.2%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6432.50	0.73%	Gold (per oz)	1915.8	0.2%
Nickel (per mt)	14258.00	-0.64%	Silver (per oz)	25.5	2.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/13/2020 02:00	US Monthly Budget Statement	Jul	-\$90.0b	-\$63.0b	-\$119.7b
08/13/2020 06:45	NZ Food Prices MoM	Jul	--	1.2%	0.5%
08/13/2020 07:50	JN PPI YoY	Jul	-1.1%	-0.9%	-1.6%
08/13/2020 09:30	AU Unemployment Rate	Jul	7.8%	--	7.4%
08/13/2020 09:30	AU Employment Change	Jul	30.0k	--	210.8k
08/13/2020 09:30	AU Participation Rate	Jul	64.4%	--	64.0%
08/13/2020 14:00	GE CPI YoY	Jul F	0.0	--	-0.1%
08/13/2020 14:00	GE CPI MoM	Jul F	-0.5%	--	-0.5%
08/13/2020 14:00	GE CPI EU Harmonized YoY	Jul F	0.0%	--	0.0%
08/13/2020 14:00	GE CPI EU Harmonized MoM	Jul F	-0.5%	--	-0.5%
08/13/2020 20:00	IN CPI YoY	Jul	6.3%	--	6.1%
08/13/2020 20:30	US Initial Jobless Claims	08-Aug	1100k	--	1186k
08/13/2020 20:30	US Import Price Index MoM	Jul	0.6%	--	1.4%
08/13/2020 20:30	US Continuing Claims	Aug-01	15800k	--	16107k
08/13/2020 21:45	US Bloomberg Consumer Comfort	09-Aug	--	--	44.90

Source: Bloomberg

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