

Daily Treasury Outlook

14 April 2020

Highlights

Global: Global risk sentiments remained tentative despite further signs of Covid-19 flattening in parts of US and Europe. The S&P500 retreated 1.01% overnight, with Caterpillar, Carnival Corp and Ford Motor declining, albeit Nasdaq added 0.5%. UST bonds remained under pressure with the 10-year bond yield up to 0.76%. Overnight repo rates may edge higher with the T-bill supply coming onstream. Crude oil prices traded mixed post-OPEC+ agreement amid a weak demand outlook, even as President Trump suggested that OPEC is looking to cut oil output by up to 20mbpd. Separately, the World Bank is seeing a “huge willingness” on official bilateral creditors to suspend debt payments for the poorest countries.

Market watch: Asian markets may trade with a cautious tone today as investors await the US earnings season, especially with the bank dividends at stake. BI is also meeting today and bias is to execute a 25bp cut to 4.25% if IDR allows. Today’s economic data calendar comprises of Australia’s NAB business confidence, China’s trade data, and US’ import prices. Fed’s Bullard and Evans and Bostic are also speaking. JPMorgan and Wells Fargo are reporting earnings.

US: President Trump opined that “it is the decision of the President” on when to reopen the US economy, even as a number of states have extended their social distancing measures beyond 1 May. Meanwhile, Fed’s Clarida opined that Covid-19 would not push the US economy into deflation amid the Fed’s lending programs. Separately, Bernie Sanders has formally endorsed Joe Biden for president.

EU: France has extended the nation’s lockdown to 11 May.

UK: Finance Minister Sunak warned that GDP growth could contract by up to 30% in 2Q due to the Covid-19 lockdown.

Singapore: Singapore reported a record 386 new Covid-19 cases to bring the total to 2,918 and the 9th death.

Indonesia: President Jokowi said that Indonesia may add to its IDR450tn stimulus package to fight the coronavirus and to widen the budget deficit further, if necessary. “If the virus lasts longer than six months, we definitely can go for a wider deficit,” he said in a press briefing. He added that social stability can be preserved via provisions of social safety net to the poor and informal sector workers.

Oil: Brent prices stayed stable yesterday, closing 0.8% higher on the day to \$31.74/bbl, despite confirmation on Sunday night that OPEC+ would officially go ahead with the 9.7mbpd output cuts. WTI closed 1.5% lower on the day at \$22.41/bbl, which means that the Brent-WTI spread is now close to the \$10/bbl level at \$9.33/bbl. With the next OPEC+ meeting not until June, the main driver of prices in the next two months would likely be Covid-19 developments.

Key Market Movements

| Equity | Value | % chg |
|-------------|--------|----------|
| S&P 500 | 2761.6 | -1.0% |
| DJIA | 23391 | -1.4% |
| Nikkei 225 | 19043 | -2.3% |
| SH Comp | 2783.0 | -0.5% |
| STI | 2567.3 | -0.2% |
| Hang Seng | 24300 | 0.0% |
| KLCI | 1356.0 | -0.1% |
| Currencies | Value | % chg |
| DXY | 99.348 | -0.1% |
| USDJPY | 107.77 | -0.6% |
| EURUSD | 1.0914 | -0.2% |
| GBPUSD | 1.2515 | 0.5% |
| USDIDR | 15630 | -1.6% |
| USDSGD | 1.4155 | 0.2% |
| SGDMYR | 3.0539 | 0.1% |
| Rates | Value | chg (bp) |
| 3M UST | 0.19 | 0.00 |
| 10Y UST | 0.77 | 5.22 |
| 1Y SGS | 0.79 | -0.90 |
| 10Y SGS | 1.10 | 0.34 |
| 3M LIBOR | 1.22 | 0.00 |
| 3M SIBOR | 0.99 | 0.00 |
| 3M SOR | 0.82 | 0.00 |
| Commodities | Value | % chg |
| Brent | 31.74 | 0.8% |
| WTI | 22.41 | -1.5% |
| Gold | 1715 | 1.1% |
| Silver | 15.41 | -1.0% |
| Palladium | 2212 | 1.6% |
| Copper | 5020 | 0.0% |
| BCOM | 63.38 | -0.1% |

Source: Bloomberg

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Major Markets

US: US equity indices, with the exception of Nasdaq, fell overnight as investors prepared for a potentially ugly earnings seasons due to the Covid-19 outbreak. The S&P500 index fell by 1.01%. For today, investors are likely to focus on the first batch of earnings results to have an indication of the extent of the damage from the pandemic. JPMorgan Chase, Wells Fargo, and Johnson & Johnson are among the companies to report earnings later today.

Singapore: The STI declined 0.16% to close at 2567.25 yesterday but may trade sideways with a potential soft tone today amid unconvincing signals from Wall Street overnight. With the UST bond market under pressure as global risk sentiments stabilise, SGS bonds may also tread lower.

Malaysia: The data is well-outdated and before all this mess, but it's nice having some cheery prints nonetheless. Malaysia's Feb manufacturing sales data showed a surge of 7% yoy, considerably higher than expectations. Elsewhere, some relatively positive news as well, with Health chief Dr Nour Hisham Abdullah saying that the number of infections has been lower than some had predicted, highlighting the importance of the MCO, including the third extended phase to bring down the number of cases further.

Bond Market Updates

Market Commentary: The SGD swap curve mostly traded 0-3bps higher apart from the longer end (20yr was 2bps lower and 30yr was around 4bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 270bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 24bps to 1060bps. The HY-IG Index Spread tightened 22bps to 790bps. Flows in SGD corporates were light yesterday, with flows seen in UOBSP 3.58%-PERPs. 10Y UST Yields gained 5bps to 0.77% due to a major agreement to cut global oil output and signs that the COVID-19 outbreak may be nearing a peak in the U.S.

New Issues: Keppel Corp Ltd priced a SGD250mn 5-year bond at 2.25%.

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Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 99.348 | -0.13% | USD-SGD | 1.4155 | 0.18% |
| USD-JPY | 107.770 | -0.65% | EUR-SGD | 1.5447 | -0.07% |
| EUR-USD | 1.0914 | -0.21% | JPY-SGD | 1.3135 | 0.69% |
| AUD-USD | 0.6382 | 0.52% | GBP-SGD | 1.7710 | 0.61% |
| GBP-USD | 1.2515 | 0.48% | AUD-SGD | 0.9032 | 0.60% |
| USD-MYR | 4.3238 | 0.33% | NZD-SGD | 0.8618 | 0.20% |
| USD-CNY | 7.0516 | 0.22% | CHF-SGD | 1.4628 | -0.04% |
| USD-IDR | 15630 | -1.57% | SGD-MYR | 3.0539 | 0.12% |
| USD-VND | 23436 | -- | SGD-CNY | 4.9830 | 0.11% |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 23,390.77 | -328.60 |
| S&P | 2,761.63 | -28.19 |
| Nasdaq | 8,192.43 | 38.85 |
| Nikkei 225 | 19,043.40 | -455.10 |
| STI | 2,567.25 | -4.07 |
| KLCI | 1,356.03 | -1.47 |
| JCI | 4,623.89 | -25.18 |
| Baltic Dry | 635.00 | -- |
| VIX | 41.17 | -0.50 |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3870 | -- | O/N | 0.0678 | -- |
| 2M | -0.3360 | -- | 1M | 0.8140 | -- |
| 3M | -0.2200 | -- | 2M | 1.0648 | -- |
| 6M | -0.1790 | -- | 3M | 1.2189 | -- |
| 9M | -0.1940 | -- | 6M | 1.2259 | -- |
| 12M | -0.0870 | -- | 12M | 1.0509 | -- |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 0.63 (-0.01) | 0.25 (+0.02) |
| 5Y | 0.75 (-0.01) | 0.45 (+0.04) |
| 10Y | 1.10 (--) | 0.77 (+0.05) |
| 15Y | 1.34 (--) | -- |
| 20Y | 1.49 (+0.01) | -- |
| 30Y | 1.51 (+0.01) | 1.41 (+0.06) |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | % Hike/Cut | Implied Rate Change | Implied Rate |
|------------|-----------------|------------|---------------------|--------------|
| 29/04/2020 | 0.119 | 11.9 | 0.03 | 0.087 |
| 10/06/2020 | 0.095 | -2.4 | 0.024 | 0.081 |
| 29/07/2020 | 0.079 | -1.6 | 0.02 | 0.077 |
| 16/09/2020 | 0.038 | -4.1 | 0.009 | 0.067 |
| 05/11/2020 | 0.063 | 2.5 | 0.016 | 0.073 |
| 16/12/2020 | 0.079 | 1.6 | 0.02 | 0.078 |

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) | 22.41 | -1.5% | Corn (per bushel) | 3.3150 | -0.1% |
| Brent (per barrel) | 31.74 | 0.8% | Soybean (per bushel) | 8.543 | -1.1% |
| Heating Oil (per gallon) | 0.9946 | 2.3% | Wheat (per bushel) | 5.5500 | -0.3% |
| Gasoline (per gallon) | 0.7033 | 3.8% | Crude Palm Oil (MYR/MT) | 2,302.0 | -3.6% |
| Natural Gas (per MMBtu) | 1.7240 | -0.5% | Rubber (JPY/KG) | 142.0 | 0.0% |

| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|---------|-------|-----------------|---------|-------|
| Copper (per mt) | 5,020 | -- | Gold (per oz) | 1,715.3 | 1.1% |
| Nickel (per mt) | 11,672 | -- | Silver (per oz) | 15.415 | -1.0% |

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

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised |
|------------------|-----------------------------------|--------------|--------|--------|----------|
| 04/14/2020 | CH Trade Balance | Mar \$20.00b | -- | -- | \$47.29b |
| 04/14/2020 | CH Exports YoY | Mar -13.90% | -- | -- | -- |
| 04/14/2020 | CH Imports YoY | Mar -9.80% | -- | -- | -- |
| 04/14/2020 | CH Exports YoY CNY | Mar -12.80% | -- | -- | -- |
| 04/14/2020 | CH Trade Balance CNY | Mar 158.50b | -- | -- | -- |
| 04/14/2020 | CH Imports YoY CNY | Mar -7.00% | -- | -- | -- |
| 04/14/2020 05:00 | SK Export Price Index YoY | Mar -- | -3.30% | -1.80% | -2.00% |
| 04/14/2020 05:00 | SK Import Price Index YoY | Mar -- | -7.70% | -0.90% | -1.00% |
| 04/14/2020 05:00 | SK Export Price Index MoM | Mar -- | -1.10% | 1.20% | 0.90% |
| 04/14/2020 05:00 | SK Import Price Index MoM | Mar -- | -5.20% | -1.30% | -1.40% |
| 04/14/2020 09:30 | AU NAB Business Confidence | Mar -- | -- | -4 | -- |
| 04/14/2020 09:30 | AU NAB Business Conditions | Mar -- | -- | 0 | -- |
| 04/14/2020 15:20 | ID Bank Indonesia 7D Reverse Repo | Apr-14 4.25% | -- | 4.50% | -- |
| 04/14/2020 20:30 | US Import Price Index MoM | Mar -3.20% | -- | -0.50% | -- |
| 04/14/2020 20:30 | US Import Price Index YoY | Mar -5.00% | -- | -1.20% | -- |

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

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