

Daily Treasury Outlook

14 August 2020

Highlights

Global: Global risk appetite remained sidelined with S&P500 closing down 0.2% even though Nasdaq continued to chalk up gains led by Apple. US initial jobless claims dipped below the 1 million handle for the first time since March (partially attributable to the expiry of the unemployment benefits?), but Congress showed no signs of a compromise on the fiscal stimulus package. Meanwhile, UST bonds continued to decline with a bear-steepening bias as the 10-year yield climbed up to 0.72% (highest since 24 June) following a soft 30-year auction. The 3-month LIBOR was up at 0.2801%. The New York Fed announced it will keep its repo operation parameters unchanged for a second straight month. Elsewhere, Israel and UAE agreed to normalise relations.

Market watch: Asian markets may trade with a mixed tone this morning, awaiting fresh catalysts which could include China's July data dump of industrial production, retail sales and fixed asset investments and could affirm the Chinese economy's status as first-in-first-out of the pandemic. Today's economic data calendar also comprises of Malaysia, Taiwan, Hong Kong, and Eurozone's 2Q GDP growth, Eurozone's 2Q unemployment rate and June industrial production, and US' July retail sales, industrial production and University of Michigan sentiments. US-China trade talks starting tomorrow may not yield significant or immediate progress given China's shortfall on its purchases of US goods, however market players are likely to take any sign of a status quo with agreement to continue talking as a pass for now as long as the Phase 1 trade deal remains intact.

US: President Trump has tied his opposition to the proposed \$25b lifeline for the postal service to his opposition to mail-in voting.

SG: S'pore and Japan have agreed to work on green lane arrangements for essential travel.

NZ: The government is considering another lockdown after fresh Covid-19 cases emerged.

Malaysia: Malaysia is due to report its Q2 GDP today, with a sharp contraction expected compared to 0.7% yoy of Q1. We see growth coming in at -7.0% yoy, while market consensus has moved sharply down to -10.9% yoy. While the pandemic impact is going to be felt keenly, the impact on private consumption may have been blunted by government stimulus handouts and the imposition of loans moratorium.

Oil: Oil prices declined yesterday, with Brent falling 1.0% to \$44.93/bbl yesterday in a broad risk off sentiment that swept most risk assets. Prices are likely to consolidate in the near term. China's industrial production numbers today will be the key data to watch for.

Key Market Movements

Equity	Value	% chg
S&P 500	3373.4	-0.2%
DJIA	27897	-0.3%
Nikkei 225	23250	1.8%
SH Comp	3320.7	0.0%
STI	2596.0	1.3%
Hang Seng	25231	-0.1%
KLCI	1576.4	1.3%
	Value	% chg
DXY	93.335	-0.1%
USDJPY	106.93	0.0%
EURUSD	1.1814	0.3%
GBPUSD	1.3067	0.3%
USDIDR	14775	0.1%
USDSGD	1.3728	0.1%
SGDMYR	3.0572	0.2%
	Value	chg (bp)
3M UST	0.09	0.00
10Y UST	0.72	4.61
1Y SGS	0.30	-0.10
10Y SGS	0.87	-1.27
3M LIBOR	0.26	1.13
3M SIBOR	0.44	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	44.96	-1.0%
WTI	42.24	-1.0%
Gold	1954	2.0%
Silver	27.51	7.8%
Palladium	2179	1.9%
Copper	6256	-2.7%
BCOM	70.84	0.8%

Source: Bloomberg

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Major Markets

US: The S&P500 index closed 0.2% lower as investors weighed positive initial jobless claims data with stalled stimulus talks. China's industrial production numbers this morning is likely to set risk sentiment for the rest of the day.

CN: China's assistant minister of Commerce urged the US to end restrictive and discriminatory measures yesterday ahead of the phase one trade deal review. China attributed the slow progress of purchase to the impact of the covid-19 pandemic and tightening export curbs placed by the US on China's purchase of certain products and services. Market will continue to watch out for the review of phase one deal.

Singapore: The STI added 1.28% to close at 2595.97 yesterday but may surrender some ground today amid mixed cues from Wall Street overnight. SGS bonds may continue to feel the chills from the UST bond market's bear-steepening bias.

Indonesia: Jakarta's governor, Anies Baswedan, has extended social restrictions for another fortnight after an uptick in coronavirus cases since the start of August. It has seen an average of 489 cases per day in August, compared to 323 in July. Jakarta has recently overtaken East Java as the province with the highest case counts last week. The current so-called "transition period", where operation of malls and businesses are supposed to be at 50% capacity, has been extended to August 27.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with most of the tenors trading 2-3bps lower while the 30-year traded 4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 167bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 660bps. The HY-IG Index Spread tightened 1bps to 493bps. Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, UBS 4.85%-PERPs, SOCGEN 6.125%-PERPs, CMZB 4.875%'27s, SPHRSP 4.1%-PERPs, FPLSP 4.15%'27s and NTUCSP 3.1%'50s. 10Y UST Yields gained 5bps to 0.72%, after the record supply of 30-year bonds draw tepid demand from investors.

New Issues: Yunnan Energy Investment Overseas Finance Co Ltd (Guarantor: Yunnan Provincial Energy Investment Group Co Ltd) priced a USD150mn 3-year at 3.58%, tightening from IPT of 4.2% area and another USD150mn PerpNC3 at 4.8%, tightening from IPT of 5.2% area respectively.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.335	-0.12%	USD-SGD	1.3728	0.05%
USD-JPY	106.930	0.02%	EUR-SGD	1.6218	0.30%
EUR-USD	1.181	0.25%	JPY-SGD	1.2838	0.02%
AUD-USD	0.715	-0.18%	GBP-SGD	1.7939	0.31%
GBP-USD	1.307	0.25%	AUD-SGD	0.9814	-0.14%
USD-MYR	4.192	-0.04%	NZD-SGD	0.8988	-0.42%
USD-CNY	6.945	0.11%	CHF-SGD	1.5090	0.30%
USD-IDR	14775	0.10%	SGD-MYR	3.0572	0.16%
USD-VND	23176	0.04%	SGD-CNY	5.0642	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	27,896.72	-80.12
S&P	3,373.43	-6.92
Nasdaq	11,042.50	30.26
Nikkei 225	23,249.61	405.65
STI	2,595.97	32.77
KLCI	1,576.42	19.78
JCI	5,239.25	5.80
Baltic Dry	1,540.00	30.00
VIX	22.13	-0.15

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5110	-0.51%	O/N	0.0854	0.09%
2M	-0.3360	-0.34%	1M	0.1580	0.16%
3M	-0.4860	-0.48%	2M	0.2221	0.22%
6M	-0.4280	-0.43%	3M	0.2648	0.25%
9M	-0.1940	-0.20%	6M	0.3368	0.34%
12M	-0.3530	-0.36%	12M	0.4579	0.46%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.24 (-)	0.16(-)
5Y	0.48 (-0.03)	0.32 (+0.02)
10Y	0.87 (-0.01)	0.72 (+0.05)
15Y	1.12 (-0.01)	--
20Y	1.18 (-)	--
30Y	1.09 (-)	1.43 (+0.05)

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	-0.109	-1.8	0.067	0.067
12/16/2020	-0.152	-4.3	0.056	0.056
01/27/2021	-0.185	-3.3	0.047	0.047
03/17/2021	-0.222	-3.7	0.038	0.038

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-1.52	(-)
TED	35.36	--

Secured Overnight Fin. Rate	
SOFR	0.09

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	42.24	-1.01%	Corn (per bushel)	3.253	3.4%
Brent (per barrel)	44.96	-1.03%	Soybean (per bushel)	9.073	1.9%
Heating Oil (per gallon)	123.81	-1.52%	Wheat (per bushel)	4.968	1.1%
Gasoline (per gallon)	123.48	-0.72%	Crude Palm Oil (MYR/MT)	28.800	0.0%
Natural Gas (per MMBtu)	2.18	1.39%	Rubber (JPY/KG)	1.659	0.9%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6256.00	-2.74%	Gold (per oz)	1953.7	2.0%
Nickel (per mt)	14101.00	-1.10%	Silver (per oz)	27.5	7.8%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/14/2020 05:00	NZ REINZ House Sales YoY	Jul	--	24.6%	7.1%
08/14/2020 06:30	NZ BusinessNZ Manufacturing PMI	Jul	--	58.80	56.30
08/14/2020 08/15	IN Exports YoY	Jul	--	--	-12.4%
08/14/2020 10:00	CH Industrial Production YoY	Jul	5.2%	--	4.8%
08/14/2020 10:00	CH Retail Sales YoY	Jul	0.1%	--	-1.8%
08/14/2020 12:00	MA GDP YoY	2Q	-10.9%	--	0.7%
08/14/2020 12:30	JN Tertiary Industry Index MoM	Jun	6.4%	--	-2.1%
08/14/2020 14:30	IN Wholesale Prices YoY	Jul	-0.5%	--	-1.8%
08/14/2020 15:30	TH Foreign Reserves	01-Aug	--	--	\$250.4b
08/14/2020 16:30	HK GDP YoY	2Q F	-9.0%	--	-9.0%
08/14/2020 17:00	EC GDP SA QoQ	2Q P	-12.1%	--	-12.1%
08/14/2020 17:00	EC GDP SA YoY	2Q P	-15.0%	--	-15.0%
08/14/2020 20:30	US Retail Sales Advance MoM	Jul	2.1%	--	7.5%
08/14/2020 21:15	US Industrial Production MoM	Jul	3.0%	--	5.4%
08/14/2020 22:00	US U. of Mich. Sentiment	Aug P	72.00	--	72.50

Source: Bloomberg

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