

## Daily Treasury Outlook

15 April 2020

### Highlights

**Global:** The Great Lockdown Recession as the IMF titled it will see the global economy contract by 3% this year, led by the US (-5.9%) and Europe (-7.5%) while India (1.9%) and China (1.2%) brought up the rear. US equities still remained buoyant overnight as seven state governors formed a working group to plan for an easing of the lockdown and ahead of Kudlow's suggestion of some "important announcements" by president Trump on re-opening the US economy. The S&P500 added 3.1% to a 1-month high, with J&J reporting stronger sales and higher quarterly dividends even though bank earnings from JPMorgan and Wells Fargo reported a surge in loan-loss provisions to the highest since the GFC. UST bonds gained overnight with the 10-year bond yield at 0.75%, whereas oil prices tanked again, which suggested that risk appetite was still wavering. Meanwhile, the Fed kicked off its CP purchase facility, while elsewhere, India extended its lockdown for another 19 days and BI opted to keep its policy rate unchanged at 4.5% but cut its RRR instead by 200bps (50bps for Islamic banks).

**Market watch:** Asian markets may attempt to ride on Wall Street's overnight optimism today. First up is the Bank of Canada rate decision (likely static at 0.25%). Today's economic data calendar comprises of Indonesian and Indian March trade data, and US' retail sales, mortgage applications, industrial production and NAHB housing market index, all of which are likely to mirror the deep gouging from the Covid-19 pandemic. US bank earnings continue with Citigroup, Bank of America and Goldman Sachs due today.

**US:** Import prices slumped by 2.3% in March, the most since January 2015, following a revised 0.7% decline in February. Meanwhile, Bullard opined that the US economy may see a strong recovery in 2H20, while Bostic noted that there "is a fair amount of variation in terms of how stringent the lockdowns have been" and Evans called for protocols to guard against a resurgence of Covid-19 as the US economy recovers. Separately, President Trump has cut funding to the World Health Organisation.

**UK:** The UK economy could shrink by 13% this year due to the shutdown, with 2Q seeing up to 35% contraction and unemployment hitting 10%, according to the Office for Budget Responsibility. The IMF has tipped a 6.5% recession for the UK economy before recovering to 4.0% in 2021.

**Japan:** BOJ officials may discuss further steps to tackle the corporate funding squeeze according to sources.

**Singapore:** It is now mandatory to wear masks when leaving the house amid 344 new Covid-19 cases and the 10<sup>th</sup> death.

**Oil:** Oil prices fell yesterday and with it, has retraced about half the gains from April's rally. Brent closed slightly below \$30/bbl at \$29.60/bbl yesterday to record a 6.7% decline. We had previously mentioned that the supply cut of 9.7mbpd is insufficient compared to the estimated global demand slack of 20-35mbpd, and while it may provide a firmer floor beneath prices, it is unlikely to fuel a rally in oil prices.

### Key Market Movements

Equity	Value	% chg
S&P 500	2846.1	3.1%
DJIA	23950	2.4%
Nikkei 225	19639	3.1%
SH Comp	2827.3	1.6%
STI	2634.6	2.6%
Hang Seng	24435	0.6%
KLCI	1371.7	1.2%
Currencies	Value	% chg
DX	98.887	-0.5%
USDJPY	107.22	-0.5%
EURUSD	1.0980	0.6%
GBPUSD	1.2623	0.9%
USDIDR	15645	0.1%
USDSGD	1.4139	-0.1%
SGDMYR	3.0605	0.2%
Rates	Value	chg (bp)
3M UST	0.14	-5.60
10Y UST	0.75	-1.93
1Y SGS	0.72	-6.10
10Y SGS	1.10	0.38
3M LIBOR	1.22	0.00
3M SIBOR	0.99	-0.31
3M SOR	0.82	0.00
Commodities	Value	% chg
Brent	29.6	-6.7%
WTI	20.11	-10.3%
Gold	1727	0.7%
Silver	15.75	2.2%
Palladium	2230	0.8%
Copper	5163	2.9%
BCOM	63.05	-0.5%

Source: Bloomberg

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### Major Markets

**US:** US markets rose overnight despite unsatisfactory earnings releases as risk sentiment was boosted by increasing optimism that the global pandemic is stabilising. The S&P500 index rose by 3.06%. Markets are likely to continue taking cues from the pandemic outbreak while also looking out for earnings releases. Citigroup, Bank of American and Goldman Sachs are among the companies to report earnings on Wednesday.

**China:** China's March trade beat market expectation despite the global pandemic. Exports fell by 6.6% yoy in dollar term while imports only fell by 0.9% yoy in dollar term but went up by 2.4% yoy in RMB term. The better than expected trade data was the result of making up for the overhanging orders in February. In the first quarter of 2020, ASEAN has officially taken over European Union becoming China's largest trading partners. US's trade deficit with China narrowed significantly due to strong demand for US agriculture products. Overall, China's goods trade surplus narrowed to US\$12.8 billion, lowest since 1Q 2012. Given the stop of global economic activity deepened in April, we expect export growth to decelerated again.

**Singapore:** The STI added 2.62% to close at 2634.57 yesterday but may open firmer today following the Wall Street overnight gains. With the UST bond market rally rallying overnight, SGS bonds may see a supportive tone today as well. The 3-month SIBOR eased to 0.99059% while SOR recovered to 0.89379%.

**Indonesia:** Bank Indonesia opted to keep its policy rate unchanged at 4.5% yesterday, against market and our expectations for another cut. It cited the need to continue to preserve exchange rate stability despite recent relative improvement. Instead of cutting rates that might jeopardise Rupiah stability, BI decided to provide more easing via RRR cuts by as much as 200 bps for conventional banks that would release up to IDR102tn liquidity.

**Malaysia:** While the IMF's forecast of Malaysia's 2020 growth at -1.7% looks painful, it is still within the BNM forecast range of -2.0 to 0.5% (and our -2.5 to 1.5%). For added consolation, Malaysia is expected by the IMF to rebound very sharply in 2021, by 9% compared to the 7.8% expected for ASEAN-5 economies overall.

**Gold:** The precious metal continues its ascent above the \$1700/oz level, rising 0.7% to close at \$1726.97/oz yesterday. Gold is now 11.2% away from testing its all-time high of \$1921.17/oz.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve steepened yesterday, with the shorter and the belly tenors trading 2-4bps lower, while the longer tenors traded 0-2bps lower (with the exception of the 30-year tenor trading 3bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 5bps to 264bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 50bps to 1010bps. The HY-IG Index Spread tightened 45bps to 745bps. Flows in SGD corporates were heavy, with flows in CS 5.625%-PERPs, UBS 4.85%-PERPs, SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, MAPLSP 4.5%-PERPs, OLAMSP 6%'22s, STANLN 4.4%'26s and UBS 5.875%-PERPs. 10Y UST Yields fell slightly by 2bps to 0.75% at the end of the day despite U.S. stocks rallying amid signs of a slowing of the COVID-19 outbreak in the U.S.

**New Issues:** Petronas priced a USD6bn deal across three tranches: (1) a USD2.25bn 10-year bond at T+290bps, (2) a USD2.75bn 30-year bond at 4.55%, and (3) a USD1bn 40-year bond at 4.8%, tightening from IPT of T+340bps, 5.0%, 5.25% area respectively. Sumcowry Co. Ltd priced a USD200mn 3-year bond at 2.69%. Bank of China Limited of Singapore priced a SGD30mn 1-year bond at 1%. Industrial & Commercial Bank of China Ltd. of Sydney priced a SGD20mn 1-year bond at 1.35%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.887	-0.46%	<b>USD-SGD</b>	1.4139	-0.11%
<b>USD-JPY</b>	107.220	-0.51%	<b>EUR-SGD</b>	1.5525	0.50%
<b>EUR-USD</b>	1.0980	0.60%	<b>JPY-SGD</b>	1.3187	0.40%
<b>AUD-USD</b>	0.6442	0.94%	<b>GBP-SGD</b>	1.7849	0.78%
<b>GBP-USD</b>	1.2623	0.86%	<b>AUD-SGD</b>	0.9108	0.84%
<b>USD-MYR</b>	4.3342	0.24%	<b>NZD-SGD</b>	0.8630	0.14%
<b>USD-CNY</b>	7.0512	-0.01%	<b>CHF-SGD</b>	1.4718	0.62%
<b>USD-IDR</b>	15645	0.10%	<b>SGD-MYR</b>	3.0605	0.22%
<b>USD-VND</b>	23436	--	<b>SGD-CNY</b>	4.9820	-0.02%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	23,949.76	558.99
<b>S&amp;P</b>	2,846.06	84.43
<b>Nasdaq</b>	8,515.74	323.32
<b>Nikkei 225</b>	19,638.81	595.41
<b>STI</b>	2,634.57	67.32
<b>KLCI</b>	1,371.66	15.63
<b>JCI</b>	4,706.49	82.60
<b>Baltic Dry</b>	635.00	--
<b>VIX</b>	37.76	-3.41

### Interbank Offer Rates (%)

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

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.63 (--)	0.22 (-0.03)
<b>5Y</b>	0.75 (--)	0.42 (-0.03)
<b>10Y</b>	1.10 (--)	0.75 (-0.02)
<b>15Y</b>	1.35 (--)	--
<b>20Y</b>	1.49 (--)	--
<b>30Y</b>	1.51 (--)	1.40 (-0.01)

### 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	0.099	-0.9	0.025	0.08
29/07/2020	0.069	-3.1	0.017	0.072
16/09/2020	0.037	-3.1	0.009	0.065
05/11/2020	0.049	1.1	0.012	0.067
16/12/2020	0.086	3.8	0.022	0.077

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	24.30	0.30
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.02
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	20.11	-10.3%	Corn (per bushel)	3.2600	-1.7%
Brent (per barrel)	29.60	-6.7%	Soybean (per bushel)	8.470	-0.8%
Heating Oil (per gallon)	0.9442	-5.1%	Wheat (per bushel)	5.4875	-1.1%
Gasoline (per gallon)	0.7200	2.4%	Crude Palm Oil (MYR/MT)	2,312.0	0.4%
Natural Gas (per MMBtu)	1.6500	-4.3%	Rubber (JPY/KG)	142.5	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,163	2.9%	Gold (per oz)	1,727.0	0.7%
Nickel (per mt)	11,889	1.9%	Silver (per oz)	15.752	2.2%

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

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/15/2020	IN Exports YoY	Mar	--	2.90%	--
04/15/2020	PH Overseas Remittances YoY	Feb	3.90%	6.60%	--
04/15/2020	PH Overseas Workers Remittances	Feb	\$2421m	\$2648m	--
04/15/2020 05:00	NZ REINZ House Sales YoY	Mar	--	-4.80%	9.20%
04/15/2020 06:45	NZ Food Prices MoM	Mar	--	0.70%	0.00%
04/15/2020 08:30	AU Westpac Consumer Conf SA MoM	Apr	--	-3.80%	--
04/15/2020 12:00	ID Exports YoY	Mar	-5.49%	11.00%	--
04/15/2020 12:00	ID Trade Balance	Mar	\$800m	\$2336m	--
04/15/2020 14:30	IN Wholesale Prices YoY	Mar	1.41%	2.26%	--
04/15/2020 19:00	US MBA Mortgage Applications	Apr-10	--	-17.90%	--
04/15/2020 20:30	US Retail Sales Advance MoM	Mar	-8.00%	-0.50%	--
04/15/2020 20:30	US Empire Manufacturing	Apr	-35	-21.5	--
04/15/2020 20:30	US Retail Sales Ex Auto MoM	Mar	-5.00%	-0.40%	--
04/15/2020 21:15	US Industrial Production MoM	Mar	-4.00%	0.60%	--
04/15/2020 22:00	CA Bank of Canada Rate Decision	Apr-15	0.25%	0.25%	--

Source: Bloomberg

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