

Daily Treasury Outlook

15 May 2020

Highlights

Global: US-China noise levels ratcheted higher overnight - US president Trump said he does not want to speak to China's Xi Jinping and would not renegotiate the phase one trade deal, while hinting the US could "save \$500 billion" if he "could cut off the whole relationship". Meanwhile, he also threatened to replace board members of the Thrift Savings Plan, who have also delayed the plan to transfer roughly \$50 billion to invest in global markets including EM and China. Notwithstanding US' initial jobless claims rising by 2.98m (down from 3.18m in the previous week) and BOE's Bailey and BOJ's Kuroda joining in the bandwagon to push back against negative rates speculation, the S&P500 climbed 1.2%, led by banks and energy shares, while UST bonds bull-flattened with the 10-year yield lower by 3bps to 0.62%. The 3-month LIBOR eased further to 0.38563%.

Market watch: Asian markets may tread water this morning, awaiting the data dump from China later, including its April industrial production, retail sales, property investment and fixed asset investment. Today's economic data includes Germany's 1Q20 GDP growth and PPI, revised 1Q20 GDP growth from HK, Indonesia's April trade data, and US' retail sales, industrial production, existing home sales and University of Michigan sentiments.

US: The Fed bought \$305m of ETFs in its first day of its Secondary Market Corporate Credit Facility. The US Treasury will auction \$20b of a new 20-year bond on 20 May.

EU: The Johnson Cabinet has doubled down against EU demands for fishing access and EU laws, with no compromise in sight for trade talks that end today.

China: China's utilized foreign direct investment rose by 11.8% in April yoy, however, for the first four months of 2020, foreign direct investment fell by 6.1%. PBoC unveiled new measures to support the financial cooperation in the Greater Bay area to further open China's domestic financial market.

Singapore: SIA posted a net loss of \$732.4m and warned of further fuel hedging losses ahead.

Indonesia: Indonesia is battling a rising risk of food inflation that has come in part from global supply chain disruption. In recent weeks, the price of sugar has risen more than 40% above the government's reference price, for instance. Economics Minister said this is due to delay in overseas shipments due to lockdowns in supplier countries. President Jokowi has repeatedly warned of the risk of rising food prices at a time of weaker purchasing power by consumers.

Oil: Barring a collapse tonight, crude oil may be set for a third consecutive weekly gain. Brent closed yesterday at \$31.13/bbl, up 0.5% on the week, and has risen so far during Asian trading hours. WTI has a clearer lead, with gains of 11.4% up on the week so far. Saudi Aramco yesterday said that it plans to further curb output in June by reducing its supply to at least two long term Asian customers and to cut sales to US and Europe by half.

Key Market Movements

Equity	Value	% chg
S&P 500	2852.5	1.2%
DJIA	23625	1.6%
Nikkei 225	19915	-1.7%
SH Comp	2870.3	-1.0%
STI	2522.3	-1.9%
Hang Seng	23830	-1.4%
KLCI	1397.3	0.0%
Currencies	Value	% chg
DX	100.466	0.2%
USDJPY	107.25	0.2%
EURUSD	1.0805	-0.1%
GBPUSD	1.2230	0.0%
USDIDR	14885	0.1%
USDSGD	1.4235	0.2%
SGDMYR	3.0514	0.0%
Rates	Value	chg (bp)
3M UST	0.11	0.00
10Y UST	0.62	-3.07
1Y SGS	0.26	-8.00
10Y SGS	0.74	-5.02
3M LIBOR	0.39	-3.16
3M SIBOR	0.65	-3.12
3M SOR	0.23	-2.33
Commodities	Value	% chg
Brent	31.13	6.6%
WTI	27.56	9.0%
Gold	1730	0.8%
Silver	15.87	1.9%
Palladium	1844	0.6%
Copper	5202	-0.4%
BCOM	61.29	1.1%

Source: Bloomberg

Daily Treasury Outlook

15 May 2020

Major Markets

US: US markets gained on Thursday after a volatile session. Stocks fell initially before recovering in a sharp rally, with the S&P500 index eventually gaining 1.15%. Markets are likely to remain volatile in the near term on warnings of an overvalued stock market and risks of a second wave of infections.

Hong Kong: The PBOC issued a joint statement last week to announced measures to support the financial market development of the Greater Bay Area. The measures include supporting the development of offshore yuan market and the RMB funds raising to support the Belt and Road Initiative. Besides, cross-board cash pool business, cross-border private equity investments, cross-border bank lending as well as wealth management connect will be other key areas to be explored. Against the backdrop of global monetary easing, interest rates in the developed markets are at historical low. This makes the higher-yielding RMB assets attractive thanks to PBOC's prudent monetary policy. Adding on the inclusion of A-shares and Chinese bonds into global indices, foreign investors have increased their holdings of onshore RMB assets. On the other hand, regional trade activities may grow due to the trend of de-globalization following US-China trade war and Covid-19 outbreak. This may increase the need of RMB for trade settlement. With the booming demand for RMB assets, HK could broaden the channels for foreign investors to tap the onshore market and provide the highly demanded risk hedging tools. This may buoy the offshore RMB market and facilitate the liberalization of China's capital account.

Singapore: The STI retreated 1.93% to close at 2522.31 yesterday and may tread water today awaiting the China data cues for fresh direction and as investors digest the somewhat unfriendly comments by US president Trump. With the UST bond market bull-flattening again, SGS bond may stay supported ahead of the weekend. The 3-month SOR and SIBOR were at 0.23757% and 0.62325% respectively.

Malaysia: Malaysia's government is said to have reached a settlement with Riza Aziz, the stepson of former PM Najib Razak, to recoup USD107mn of assets linked to the 1MDB case. The deal allows him to be discharged and may be fully acquitted pending fulfilment of agreement terms. While the government said that the agreement was struck by former AG Tommy Thomas, he has since denied doing so before his resignation from the post.

Daily Treasury Outlook

15 May 2020

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors trading 0-3bps higher while the belly and the longer tenors traded 0-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 252bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 961bps. The HY-IG Index Spread widened 4bps to 709bps. Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, UBS 4.85%-PERPs, FPLSP 4.98%-PERPs, SOCGEN 6.125%-PERPs, UOBSP 3.58%-PERPs, CTRAIJ 4.85%'21s, ARASP 5.2%-PERPs, HSBC 4.7%-PERPs, STHSP 3.95%-PERPs and UBS 5.875%-PERP. 10Y UST Yields fell 3bps to 0.62% despite the S&P index closing higher by the end of the day, after another round of bad jobless claims data, with investors worried about a second wave of infections after economies gradually reopen.

New Issues: Zhenro Properties Group Limited priced a USD200mn 3.8NCNP2.8 bond at 8.35% (yield to put), tightening from IPT of 8.9% area (yield to put).

Daily Treasury Outlook

15 May 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.466	0.22%	USD-SGD	1.4235	0.25%
USD-JPY	107.250	0.21%	EUR-SGD	1.5381	0.12%
EUR-USD	1.0805	-0.12%	JPY-SGD	1.3273	0.05%
AUD-USD	0.6462	0.11%	GBP-SGD	1.7407	0.22%
GBP-USD	1.2230	-0.02%	AUD-SGD	0.9198	0.29%
USD-MYR	4.3390	0.26%	NZD-SGD	0.8544	0.36%
USD-CNY	7.0957	0.04%	CHF-SGD	1.4628	0.16%
USD-IDR	14885	0.13%	SGD-MYR	3.0514	-0.05%
USD-VND	23363	0.10%	SGD-CNY	4.9781	-0.43%

Equity and Commodity

Index	Value	Net change
DJIA	23,625.34	377.37
S&P	2,852.50	32.50
Nasdaq	8,943.72	80.56
Nikkei 225	19,914.78	-352.27
STI	2,522.31	-49.70
KLCI	1,397.25	0.12
JCI	4,513.83	-40.53
Baltic Dry	398.00	--
VIX	32.61	-2.67

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4540	0.50%	O/N	0.0610	0.04%
2M	-0.3360	0.04%	1M	0.1836	-0.03%
3M	-0.2530	-0.03%	2M	0.3153	-1.66%
6M	-0.1420	-1.66%	3M	0.3924	-3.16%
9M	-0.1940	-3.16%	6M	0.6751	1.65%
12M	-0.0680	1.65%	12M	0.7694	0.06%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.25 (-0.09)	0.15 (-0.01)
5Y	0.41 (-0.08)	0.31 (-0.01)
10Y	0.74 (-0.05)	0.62 (-0.03)
15Y	0.97 (-0.04)	--
20Y	1.13 (-0.04)	--
30Y	1.12 (-0.04)	1.29 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.007	0.7	0.002	0.053
29/07/2020	-0.015	-2.2	-0.004	0.047
16/09/2020	-0.056	-4.1	-0.014	0.037
05/11/2020	-0.079	-2.3	-0.02	0.032
16/12/2020	-0.119	-4	-0.03	0.021
27/01/2021	-0.195	-7.6	-0.049	0.002

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	21.60	-0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.04
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	27.56	9.0%	Corn (per bushel)	3.2025	--
Brent (per barrel)	31.13	6.6%	Soybean (per bushel)	8.353	-0.1%
Heating Oil (per gallon)	0.8948	7.6%	Wheat (per bushel)	5.1050	--
Gasoline (per gallon)	0.9145	7.2%	Crude Palm Oil (MYR/MT)	2,081.0	0.5%
Natural Gas (per MMBtu)	1.6810	4.0%	Rubber (JPY/KG)	139.4	-0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,202	-0.4%	Gold (per oz)	1,730.3	0.8%
Nickel (per mt)	12,072	-1.5%	Silver (per oz)	15.873	1.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
05/15/2020	IN	Exports YoY	Apr	--	--	-34.60%	--
05/15/2020	PH	Overseas Remittances YoY	Feb	3.70%	--	6.60%	--
05/15/2020 05:00	NZ	REINZ House Sales YoY	Apr	--	-78.50%	-4.80%	--
05/15/2020 06:30	NZ	BusinessNZ Manufacturing PMI	Apr	--	26.1	--	--
05/15/2020 07:50	JN	PPI YoY	Apr	-1.40%	-2.30%	-0.40%	--
05/15/2020 10:00	CH	Industrial Production YoY	Apr	1.50%	--	-1.10%	--
05/15/2020 10:00	CH	Retail Sales YoY	Apr	-6.00%	--	-15.80%	--
05/15/2020 15:30	TH	Foreign Reserves	May-08	--	--	\$235.2b	--
05/15/2020 16:30	HK	GDP YoY	1Q F	-8.90%	--	-8.90%	--
05/15/2020 17:00	EC	GDP SA QoQ	1Q P	-3.80%	--	-3.80%	--
05/15/2020 17:00	EC	GDP SA YoY	1Q P	-3.30%	--	-3.30%	--
05/15/2020 20:30	US	Retail Sales Advance MoM	Apr	-12.00%	--	-8.70%	-8.40%
05/15/2020 20:30	US	Empire Manufacturing	May	-60	--	-78.2	--
05/15/2020 21:15	US	Industrial Production MoM	Apr	-12.00%	--	-5.40%	--
05/15/2020 22:00	US	U. of Mich. Sentiment	May P	68	--	71.8	--

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).