

Daily Treasury Outlook

15 June 2020

Highlights

Global: Risk appetite remained supported on Friday despite the IMF warning that it will downgrade its 2020 global growth forecast again later this month. The S&P500 index gained 1.31% on Friday amid choppy trading by the Dow Jones index, while VIX slipped to 36.09. UST bonds bear-steepened with investors unwinding Thursday's flattening bias amid stabilizing equity markets, and the 10-year yield closed at 0.7%. The 3-month LIBOR edged up to 0.32088% and may remain supported ahead of the quarter end with funding conditions tipped to tighten amid increased supply of Treasury bills. White House economic advisor Kudlow said that the \$600-a-week payments will end in July as planned as "we are reopening, and businesses are coming back, and therefore jobs are coming back" ..

Market watch: Asian markets are likely to open softer this morning as concerns about a second wave of Covid-19 infections emerging in China weighs. Today's economic data comprises of China's May industrial production, retail sales, new home sales, property investment and fixed asset investments, US' Empire manufacturing index, Indonesia and India's May trade data. Fed's Kaplan is also speaking. For the week ahead, watch for Fed chair Powell's testimony to lawmakers starting Tuesday to the Senate Banking Committee and Wednesday to the House Financial Services Committee, albeit the message may not deviate in substance from last week's FOMC press conference. BOJ is also meeting on Tuesday, but is likely to be static after recent stimulus. On Thursday, the BOE policy meeting could see a further increase of GBP100-200b to its bond-purchase program and potentially an extension beyond July till end of the year, whilst BI may also stay pat whereas CBC may cut its benchmark interest rate from 1.125% to 1.0%.

US: The University of Michigan sentiments rose more than expected from 72.3 in May to 78.9 in June, aided by improved current accounts and expectations gauges at 87.8 and 73.1 respectively. However, the 1- and 5-10 year inflation expectations were muted at 3.0% and 2.6%, down from 3.2% and 2.7% previously. Export prices rose 1.0% mom in May, but fell 6.0% yoy.

UK: Jobless rate could rise to a record 4.5 million over next year, with a Chartered Management Institute survey showing about 34% plan to dismiss employees while another 26% are expecting to do so this year.

Singapore: Trade and Industry Minister Chan Chun Sing pledged to resist protectionist trade policies and make Singapore a "more attractive safe harbour" for talent, ideas and intellectual property.

Oil: Brent ended last week 8.4% lower, bringing a halt to its 6-week advance. The Fed's negative economic outlook and increasing fears of a second wave contagion, in addition to a record high US crude oil inventory last week, all combined to stop crude oil's rally. Brent has rallied as much as 68% from trough to peak in about five weeks. We think Brent might undergo a correction to \$35/bbl – approximately a 20% correction – in the coming weeks. Longer term, we expect crude oil prices to continue rallying.

Key Market Movements

Equity	Value	% chg
S&P 500	3041.3	1.3%
DJIA	25606	1.9%
Nikkei 225	22305	-0.7%
SH Comp	2919.7	0.0%
STI	2684.6	-0.7%
Hang Seng	24301	-0.7%
KLCI	1546.0	-0.7%
Currencies	Value	% chg
DXY	97.319	0.6%
USDJPY	107.38	0.5%
EURUSD	1.1256	-0.4%
GBPUSD	1.2540	-0.5%
USDIDR	14133	0.8%
USDSGD	1.3926	0.0%
SGDMYR	3.0677	0.1%
Rates	Value	chg (bp)
3M UST	0.15	-1.02
10Y UST	0.70	3.44
1Y SGS	0.25	0.10
10Y SGS	0.95	0.69
3M LIBOR	0.31	-0.50
3M SIBOR	0.54	0.00
3M SOR	0.18	0.93
Commodities	Value	% chg
Brent	38.73	0.5%
WTI	36.26	-0.2%
Gold	1731	0.2%
Silver	17.49	-0.9%
Palladium	1931	-0.5%
Copper	5785	0.3%
BCOM	63.71	-0.6%

Source: Bloomberg

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Major Markets

US: US market rebounded on Friday, with the S&P500 index closing 1.31% higher. Markets are likely to be volatile in the coming days due to concerns of a second wave in the US and China, while investors continue to struggle to assess the economic damage of the coronavirus.

China: The covid-19 outbreak linked to Beijing's largest wholesale markets showed that the risk of second wave infection is real. This is the largest local cluster in China since February in one of the most heavily guarded cities against the covid-19 in the world. The virus has been circulating quietly for at least 1-2 weeks. Preliminary results from viral gene sequencing show that the virus strain is not the similar type circulated in Beijing before. As the source of infection remains unknown, this fuels the speculation that the virus may be imported to China via the frozen food. The small outbreak in Beijing came at a bad timing when market's concerns about the second wave of transmission heightened in the past few days. This may weigh down on sentiment further. What had happened in Beijing offered us a fresh perspective that food supply chain could also be susceptible to coronavirus.

Singapore: The STI declined 0.72% to close at 2684.63 on Friday amid sustained profit-taking post-FOMC, but may see some bargain-hunting today. With the UST bonds seeing a strong rally amid a weak equity tone, with longer-dated bonds leading gains, SGS bonds are likely to follow suit today. The \$3.8b sale of 182-day bills had fetched a yield of 0.24%.

Malaysia: Malaysia's Finance Minister is slated to table the budget for 2021 on November 6th instead of October 2nd, according to the parliament speaker. Meanwhile, the tabling of the 12th Malaysia Plan, which was originally planned for August 6th, has been postponed due to the coronavirus and more consultations are needed. The parliament is due to re-convene on July 13th to August 27th, whereby there are some expectations that the government will ask for an approval to increase the debt-to-GDP ratio cap from the existing 55%.

Indonesia: The Indonesian authorities are implementing new working hours for Jakarta to prevent overcrowding on public transportation during peak hours. From today onward, employees at government agencies, SOEs and private sector firms are told to either start work either between 7-730 am or 10-1030am. Indonesia has continued to see a pickup in the number of coronavirus infections. Total cases now number 38,277 the second-highest in ASEAN, while the mortality ranks highest at 2134.

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Bond Market Updates

Market Commentary: The SGD swap curve was higher, with the shorter and belly tenors trading 1-2bps higher while the longer tenors traded 0-7bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 207bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 20bps to 808bps. The HY-IG Index Spread widened 18bps to 601bps. Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, OLAMSP 5.5%-PERPs, SPHRSP 4.1%-PERPs, UBS 5.875%-PERPs and HSBC 5%-PERPs. 10Y UST Yields gained 3bps to 0.70%, on the back of stocks rebounding from their steepest drop in about three months.

New Issues: Wynn Macau Ltd priced a USD750mn 5.5 NC2 bond at 5.5%. Industrial & Commercial Bank of China Limited of Hong Kong priced a USD100mn 3-year bond at 3m-US LIBOR+60bps. The Export-Import Bank of China priced a USD100mn 3-year bond at 0.9%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.319	0.61%	USD-SGD	1.3926	-0.04%
USD-JPY	107.380	0.48%	EUR-SGD	1.5674	-0.42%
EUR-USD	1.1256	-0.38%	JPY-SGD	1.2969	-0.51%
AUD-USD	0.6866	0.16%	GBP-SGD	1.7463	-0.54%
GBP-USD	1.2540	-0.49%	AUD-SGD	0.9561	0.12%
USD-MYR	4.2635	0.42%	NZD-SGD	0.8973	0.17%
USD-CNY	7.0842	0.27%	CHF-SGD	1.4620	-0.91%
USD-IDR	14133	0.81%	SGD-MYR	3.0677	0.11%
USD-VND	23203	0.02%	SGD-CNY	5.0852	-0.09%

Equity and Commodity

Index	Value	Net change
DJIA	25,605.54	477.37
S&P	3,041.31	39.21
Nasdaq	9,588.81	96.08
Nikkei 225	22,305.48	-167.43
STI	2,684.63	-19.58
KLCI	1,546.02	-11.23
JCI	4,880.36	25.61
Baltic Dry	923.00	84.00
VIX	36.09	-4.70

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4820	--	O/N	0.0661	0.23%
2M	-0.3360	0.23%	1M	0.1951	-0.58%
3M	-0.3660	-0.58%	2M	0.2705	-0.69%
6M	-0.1990	-0.69%	3M	0.3209	-0.50%
9M	-0.1940	-0.50%	6M	0.4320	-0.69%
12M	-0.1240	-0.69%	12M	0.5934	-4.09%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.31 (+0.03)	0.19 (--)
5Y	0.50 (+0.02)	0.33 (--)
10Y	0.95 (+0.01)	0.70 (+0.03)
15Y	1.26 (+0.01)	--
20Y	1.30 (--)	--
30Y	1.37 (+0.01)	1.46 (+0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.021	-2.1	-0.005	0.082
09/16/2020	-0.078	-5.6	-0.019	0.068
11/05/2020	-0.127	-5	-0.032	0.056
12/16/2020	-0.135	-0.8	-0.034	0.054
01/27/2021	-0.201	-6.6	-0.05	0.038

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	10.88	-0.69
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.08
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	36.26	-0.2%	Corn (per bushel)	3.3000	0.1%
Brent (per barrel)	38.73	0.5%	Soybean (per bushel)	8.713	0.6%
Heating Oil (per gallon)	1.1014	1.2%	Wheat (per bushel)	5.0200	0.6%
Gasoline (per gallon)	1.1243	0.5%	Crude Palm Oil (MYR/MT)	2,433.0	1.2%
Natural Gas (per MMBtu)	1.7310	-4.5%	Rubber (JPY/KG)	140.6	0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,785	0.3%	Gold (per oz)	1,730.8	0.2%
Nickel (per mt)	12,665	0.1%	Silver (per oz)	17.492	-0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/10/2020 06/18 CH	Foreign Direct Investment YoY CNY	May	--	11.80%	--
06/15/2020 06/19 PH	Bank Lending YoY	Apr	--	14.00%	--
06/15/2020 06/19 PH	Bank Lending Net of RRP's YoY	Apr	--	12.90%	13.60%
06/15/2020 05:00 NZ	REINZ House Sales YoY	May	--	-46.60%	-78.50%
06/15/2020 06:45 NZ	Food Prices MoM	May	--	-0.80%	1.00%
06/15/2020 10:00 CH	Industrial Production YoY	May	5.00%	--	3.90%
06/15/2020 10:00 CH	Retail Sales YoY	May	-2.30%	--	-7.50%
06/15/2020 10:00 CH	Industrial Production YTD YoY	May	-3.00%	--	-4.90%
06/15/2020 10:00 CH	Retail Sales YTD YoY	May	-13.50%	--	-16.20%
06/15/2020 10:00 CH	Fixed Assets Ex Rural YTD YoY	May	-6.00%	--	-10.30%
06/15/2020 12:00 ID	Exports YoY	May	-19.60%	--	-7.02%
06/15/2020 12:00 ID	Trade Balance	May	\$629m	--	-\$345m
06/15/2020 12:00 ID	Imports YoY	May	-25.00%	--	-18.58%
06/15/2020 12:30 JN	Tertiary Industry Index MoM	Apr	-7.70%	--	-4.20%
06/15/2020 20:30 US	Empire Manufacturing	Jun	-30	--	-48.5

Source: Bloomberg

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