

Daily Treasury Outlook

16 April 2020

Highlights

Global: Global risk appetite was shaken after the US retail sales plunged a historic 8.7% mom in March, while factory output also contracted a worse than expected 5.4%. The Fed's Beige Book also warned that "economic activity contracted sharply and abruptly across all regions in the United States as a result of the Covid-19 pandemic". The S&P500 slipped 2.2% with bank stocks leading the decline as Bank of America and Citigroup also set billions for loan losses. UST bonds extended gains amid the bull-flattening bias with the 10-year bond yield falling by up to 13bps overnight to close at 0.63%. Foreign holdings of UST bonds also surged \$209.7b to a record high of \$7.067 trillion in February, ahead of the global spread of the Covid-19 pandemic. Oil prices also remained choppy with WTI dipping below \$20 per barrel and testing 18-year lows, albeit the Trump administration is considering paying US oil producers to leave crude oil in the ground to alleviate the supply glut, which may provide some near-term support. The G20 agreed to back the IMF proposal to provide temporary debt relief for the poorest nations.

Market watch: Asian markets may slip amid the flight to safety today. South Korea markets return after the ruling party saw a strong victory in yesterday's elections. Today's economic data calendar comprises of China's new home prices, Australia's unemployment data, Germany's CPI, BOE's credit conditions survey, Eurozone's February industrial production and US' housing starts, building permits, and initial jobless claims. Fed's Bostic, Williams, Barkin, Daly and Bullard are also speaking.

US: President Trump has abandoned plans for a new task force to reopen the US economy and opted to hold calls with US business leaders instead. New Yorkers must also wear masks in public. Homebuilders also turned bearish for the first time in nearly six years and the New York Empire manufacturing index fell to -78.2 the fastest pace on record.

CA: Bank of Canada kept its policy rate static at 0.25%, but said it would broaden the asset types it was purchasing to include provincials and corporates support the economy.

China: PBoC unexpectedly injected CNY100 billion liquidity via 1-year MLF. Meanwhile, the interest rate for 1-year MLF was lowered by 20bps to 2.95%, 2nd cut in 2020. The timing of MLF operation is interesting for two reasons. First, it is two days ahead of the maturity of CNY200 billion MLF. Second, it coincides with the date when the targeted RRR cut took effect, which injected CNY200 billion liquidity to smaller banks. We think the choice of timing signalled that the easing is universal and PBoC remains flexible to support the economy. Meanwhile, the interest rate cut ahead of LPR fixing on 20 April also showed China's commitment to guide the LPR lower.

Singapore: Another record 447 Covid-19 cases reported yesterday, with 68% linked to known clusters. Meanwhile, DBS will hold its AGM on 30 April.

Oil: Brent endured a heavy selloff on Tuesday and Wednesday of 6.7% and 6.5% respectively. It is now trading back below \$30/bbl, the first since 1 April.

Key Market Movements

Equity	Value	% chg
S&P 500	2783.4	-2.2%
DJIA	23504	-1.9%
Nikkei 225	19550	-0.5%
SH Comp	2811.2	-0.6%
STI	2605.6	-1.1%
Hang Seng	24145	-1.2%
KLCI	1387.8	1.2%
Currencies	Value	% chg
DX	99.461	0.6%
USDJPY	107.46	0.2%
EURUSD	1.0910	-0.6%
GBPUSD	1.2518	-0.8%
USDIDR	15575	-0.4%
USDSGD	1.4236	0.7%
SGDMYR	3.0468	-0.4%
Rates	Value	chg (bp)
3M UST	0.12	-2.03
10Y UST	0.63	-12.04
1Y SGS	0.71	-1.00
10Y SGS	1.07	-3.31
3M LIBOR	1.18	-4.27
3M SIBOR	0.99	-0.03
3M SOR	0.89	7.75
Commodities	Value	% chg
Brent	27.69	-6.5%
WTI	19.87	-1.2%
Gold	1717	-0.6%
Silver	15.46	-1.8%
Palladium	2179	-2.3%
Copper	5112	-1.0%
BCOM	61.97	-1.7%

Source: Bloomberg

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Major Markets

US: US equity markets fell overnight as risk sentiment was dented following dire economic data releases that signalled that the US economy is facing a sharp contraction. The S&P500 fell by 2.2%. For today, markets are likely to take cues from the weekly jobless claims release. Morgan Stanley and Bank of New York Mellon Corp are among the companies to report earnings on Thursday.

Singapore: The STI declined 1.10% to close at 2605.56 yesterday and may lose more ground today amid the turn towards flight to safety with Wall Street overnight slippage. With the UST bond market rally rallying overnight, SGS bonds may also be supported.

Indonesia: March's trade numbers were relatively encouraging for Indonesia, with a surplus of USD743mn. Exports fell by 0.2% yoy against estimates of a decline of 5.5%. Imports shrank by less than expected as well, at a rate of 0.75% yoy vs. 7.51% yoy expected. Trade flows across both inbound and outbound saw big upticks against China as that country started to open up during the period.

Malaysia: Malaysia's national oil-and-gas giant, Petronas, raised USD6bn yesterday in a multi-tranche bond offering, with tenors ranging from 10 to 40 years. The USD2.25bn 10-year tranche was priced at 290bps over 10yr Treasury to yield 3.65%, USD2.75bn 30yr tranche at 4.55% and USD1bn 40yr tranche at 4.80%. The book was oversubscribed by 6.2 times indicating healthy demand.

Thailand: The additional 1 trillion baht stimulus to combat the economic fallout from the coronavirus is due to commence from May or June. Part of this stimulus would be used for cash handouts among Thais to spur local consumption. The IMF yesterday downgraded Thailand's 2020 growth to 6.7%, a contraction more severe than the Bank of Thailand's -5.3%.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 2-5bps lower, while the belly and the longer tenors traded 5-8bps lower (with the exception of the 30-year tenor trading 18bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 264bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 39bps to 970bps. The HY-IG Index Spread tightened 39bps to 707bps. Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, SOCGEN 6.125%-PERPs, CS 5.625%-PERPs, HSBC 4.7%-PERPs, ABNANV 4.75%'26s, DBSSP 3.98%-PERPs, STANLN 4.4%'26s, HSBC 5%-PERPs, OLAMSP 6%'22s, ARASP 5.2%-PERPs and HRINTH 3.8%'25s. 10Y UST Yields fell 12bps to 0.63% alongside S&P falling over 2% by the end of the day, due to very weak U.S. economic data and weak bank earnings which reflected the impact brought about by the global outbreak of COVID-19.

New Issues: The Kingdom of Saudi Arabia acting through the ministry of finance priced a USD7bn deal in 3 parts: (1) a USD2.5bn 5.5-year at T+260bps, (2) a USD1.5bn 10.5-year at T+270bps, and (3) a USD3.9bn 40-year at T+327bps, tightening from IPT of T+315bps, T+325bps, and 5.15% area. China National Travel Service Group Corporation Limited has arranged investor calls commencing 15 April for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.461	0.58%	USD-SGD	1.4236	0.69%
USD-JPY	107.460	0.22%	EUR-SGD	1.5531	0.04%
EUR-USD	1.0910	-0.64%	JPY-SGD	1.3249	0.47%
AUD-USD	0.6319	-1.91%	GBP-SGD	1.7821	-0.16%
GBP-USD	1.2518	-0.83%	AUD-SGD	0.8996	-1.23%
USD-MYR	4.3392	0.12%	NZD-SGD	0.8538	-1.07%
USD-CNY	7.0676	0.23%	CHF-SGD	1.4759	0.28%
USD-IDR	15575	-0.45%	SGD-MYR	3.0468	-0.45%
USD-VND	23436	--	SGD-CNY	4.9668	-0.31%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4040	-1.80%	O/N	0.0716	0.39%
2M	-0.3360	0.39%	1M	0.7941	-1.99%
3M	-0.2480	-1.99%	2M	1.0423	-2.25%
6M	-0.1950	-2.25%	3M	1.1761	-4.27%
9M	-0.1940	-4.27%	6M	1.1588	-6.71%
12M	-0.1050	-6.71%	12M	1.0259	-2.50%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.119	11.9	0.03	0.082
10/06/2020	0.084	-3.5	0.021	0.074
29/07/2020	0.079	-0.5	0.02	0.072
16/09/2020	0.038	-4.1	0.009	0.062
05/11/2020	0.051	1.3	0.013	0.066
16/12/2020	0.061	1	0.015	0.068

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	19.87	-1.2%	Corn (per bushel)	3.1925	-2.1%
Brent (per barrel)	27.69	-6.5%	Soybean (per bushel)	8.420	-0.6%
Heating Oil (per gallon)	0.9138	-3.2%	Wheat (per bushel)	5.4025	-1.5%
Gasoline (per gallon)	0.7204	0.1%	Crude Palm Oil (MYR/MT)	2,312.0	--
Natural Gas (per MMBtu)	1.5980	-3.2%	Rubber (JPY/KG)	143.6	0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,112	-1.0%	Gold (per oz)	1,717.0	-0.6%
Nickel (per mt)	11,773	-1.0%	Silver (per oz)	15.464	-1.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,504.35	-445.41
S&P	2,783.36	-62.70
Nasdaq	8,393.18	-122.56
Nikkei 225	19,550.09	-88.72
STI	2,605.56	-29.01
KLCI	1,387.79	16.13
JCI	4,625.91	-80.59
Baltic Dry	679.00	--
VIX	40.84	3.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.61 (-0.02)	0.20 (-0.02)
5Y	0.70 (-0.05)	0.34 (-0.08)
10Y	1.07 (-0.03)	0.63 (-0.12)
15Y	1.32 (-0.03)	--
20Y	1.46 (-0.03)	--
30Y	1.48 (-0.02)	1.27 (-0.14)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	21.27	-0.23
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.06
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/16/2020 04:00	US Net Long-term TIC Flows	Feb	--	\$49.4b	\$21.8b
04/16/2020 04:00	US Total Net TIC Flows	Feb	--	-\$13.4b	\$127.3b
04/16/2020 09:30	AU Unemployment Rate	Mar	5.40%	--	5.10%
04/16/2020 09:30	AU Employment Change	Mar	-30.0k	--	26.7k
04/16/2020 09:30	AU Participation Rate	Mar	65.90%	--	66.00%
04/16/2020 14:00	GE CPI YoY	Mar F	1.40%	--	1.40%
04/16/2020 14:00	GE CPI MoM	Mar F	0.10%	--	0.10%
04/16/2020 14:00	GE CPI EU Harmonized YoY	Mar F	1.30%	--	1.30%
04/16/2020 14:00	GE CPI EU Harmonized MoM	Mar F	0.10%	--	0.10%
04/16/2020 20:30	US Initial Jobless Claims	Apr-11	5500k	--	6606k
04/16/2020 20:30	US Housing Starts	Mar	1300k	--	1599k
04/16/2020 20:30	US Philadelphia Fed Business Outlook	Apr	-32	--	-12.7
04/16/2020 20:30	CA Manufacturing Sales MoM	Feb	0.10%	--	-0.20%
04/16/2020 20:30	US Continuing Claims	Apr-04	13260k	--	7455k
04/16/2020 21:45	US Bloomberg Consumer Comfort	Apr-12	--	--	49.9

Source: Bloomberg

Treasury Research & Strategy

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