

Daily Treasury Outlook

17 February 2020

Highlights

Global: Global risk appetite was mixed on Friday, with the S&P500 gaining a modest 0.18%, but UST bonds also advancing and the 10-year yield touching 1.57% amid the long President's Day weekend. Meanwhile, China's Hubei province reported 19,33 new cases with additional 100 deaths. Separately, IMF chief Georgieva also warned that "the monetary policy space is shrinking and the reliance on fiscal measures as well as on structural reforms to boost growth ought to be stronger" and there is a lack of "a more aggressive swing in structural reforms".

Market watch: Asian markets may tread carefully today, awaiting fresh cues from the Covid-19 outbreak and anticipated policy responses from Asia. Today's economic data calendar is relatively light and comprises Thailand's 4Q19 GDP growth and Indonesia's January trade data. For the week ahead, look for Singapore's potential blockbuster Budget 2020 tomorrow at 3pm, BI's rate decision on 20 February, and a slew of Fed speakers including Bostic, Kashakri, Kaplan, Barkin, Brainard, Clarida and Mester.

US: Retail sales rose 0.3% mom in January as expected, but was largely supported by building materials amid warmer weather whereas discretionary spending was mixed, while the December data was also revised down to 0.2% mom. However, industrial production unexpectedly shrank 0.3% mom in January, with capacity utilisation falling to 76.8%, albeit the February preliminary University of Michigan sentiments improved to 100.9, led by the expectations gauge (92.6 versus 90.5 previously) outweighing the current conditions gauge (113.8 versus 114.4 previously).

EU: The Trump administration is hiking the additional duty rate on EU-imported aircraft from 10% to 15% effective 18 March.

China: We think President Xi has set the tone for striking the balance between fighting the virus and ensuring the stable economic growth. On one hand, China will further step up its efforts to contain the spread of disease in the epicentre of Hubei province via further restricting people movement. On the other hand, China will try to encourage companies outside Hubei province to restart operations as soon as possible. The data outside Hubei has been supportive given the newly confirmed cases outside Hubei have fallen for thirteen consecutive days. On virus outbreak, the Dean of Leishenshan hospital, a special hospital designed to take care of severely ill coronavirus infected patients, said he believed the real turning point has come.

Singapore: 4Q19 GDP growth was revised up to 1.0% yoy (0.6% qoq saar), from the flash estimates of 0.8% yoy (0.1% qoq saar), with full year 2019 growth unchanged at 0.7% yoy compared to 3.4% in 2018. However, the official 2020 growth forecast was downgraded from 0.5-2.5% to -0.5%-1.5% with midpoint of 0.5%, citing the Covid-19 risks. This is slightly more bearish than our 0-2% growth forecast with a downside bias. January NODX fell 3.3% yoy (+4.6% mom sa) with electronics exports shrinking 13.0% yoy.

Key Market Movements

Equity	Value	% chg
S&P 500	3380.2	0.2%
DJIA	29398	-0.1%
Nikkei 225	23688	-0.6%
SH Comp	2917.0	0.4%
STI	3220.0	0.0%
Hang Seng	27816	0.3%
KLCI	1544.5	0.3%
Currencies	Value	% chg
DXY	99.124	0.1%
USDJPY	109.78	0.0%
EURUSD	1.0831	-0.1%
GBPUSD	1.3047	0.0%
USDIDR	13693	0.0%
USDSGD	1.3923	0.2%
SGDMYR	2.9779	-0.2%
Rates	Value	chg (bp)
3M UST	1.57	-0.28
10Y UST	1.58	-3.25
1Y SGS	1.60	0.00
10Y SGS	1.67	-1.89
3M LIBOR	1.69	-1.21
3M SIBOR	1.71	-0.04
3M SOR	1.52	2.57
Commodities	Value	% chg
Brent	57.32	1.7%
WTI	52.05	1.2%
Gold	1584	0.5%
Silver	17.74	0.5%
Palladium	2435	0.0%
Copper	5760	-0.5%
BCOM	75.38	0.1%

Source: Bloomberg

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Major Markets

US: US equity markets were little changed last Friday as investors continued to assess the Covid-19 situation in China. The S&P500 index rose 0.2% on the back of stronger than expected US retail sales data. In the week ahead, unless the Covid-19 situation takes a turn for the worse, we expect US markets to continue their upward trend. US markets are closed on Monday for President's Day.

Hong Kong: HK's government unveiled a HKD 25 billion Anti-Virus Fund. Specifically, government will provide subsidy for the private enterprises producing masks to increase supply, a HKD 4.7 billion subsidization to Hospital Authority and announce cash handouts plan for those poor families and affected parties.

The relief measures might help to buffer the shocks encountered by those affected parties in the near term. Nevertheless, should the uncertainties of epidemic persist, the negative impacts on financial market, trade activities, tourism and retail sector might emerge further. If this is the case, we do not rule out the possibility that the unemployment rate will inch up further in the coming months, especially for those retail, catering, tourism and hotel sectors. Overall speaking, the economic outlook of HK might be highly depending on the impacts and the duration of epidemic.

Singapore: The STI was almost flat last Friday as it closed at 3220.03, just 0.06 points lower than Thursday's close as worries over the Covid-19 situation continued to weigh on investors' minds. The STI is likely to open lower today amid softer openings in Nikkei and Kospi while HSI futures show a soft opening as well. SGS bonds are likely to remain supported, tracking UST Friday's gains and also in the wake of the revised 2020 growth forecast for the Singapore's economy due to the Covid-19 outbreak risk.

Malaysia: FM Lim Guan Eng said that PM Mahathir Mohamad will be unveiling an economic stimulus package on Feb 27 to blunt Covid-19 impact. He said that the package is neither a new budget nor part of the existing one, and that the focus is on helping companies that are affected.

Indonesia: January trade data is due out today, which might signal some preliminary signs of impact from the Covid-19 outbreak, especially for the later part of the month. Exports are expected to remain in expansionary zone, however, growing by 1.2% yoy, but with trade balance at deficit of around \$375mn.

Oil: Brent posted marginal declines on Friday, losing 7c/bbl (-0.1%) on the day to close at \$57.25/bbl. WTI has risen this morning and is set to lead another day of gains in the energy markets, as concerns over the coronavirus continue to stabilise. Trading volume is expected to be thin today as the US is out on holiday.

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Bond Market Updates

Market Commentary: The SGD swap curve fell yesterday, with the shorter tenors trading 0-2bps lower, while the belly and the longer tenors traded 2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 119bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 476bps. The HY-IG Index Spread tightened 1bps to 356bps. 10Y UST Yields fell 3bps to 1.59%, following soft January U.S. retail sales data and concerns on the spread of the COVID-19.

New Issues: Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd) priced a USD110mn 2-year bond at 13.0%. UPL Corporation Limited arranged investor meetings commencing 17 Feb for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.124	0.06%	USD-SGD	1.3923	0.21%
USD-JPY	109.780	-0.04%	EUR-SGD	1.5077	0.10%
EUR-USD	1.0831	-0.09%	JPY-SGD	1.2683	0.26%
AUD-USD	0.6714	-0.07%	GBP-SGD	1.8164	0.20%
GBP-USD	1.3047	0.01%	AUD-SGD	0.9345	0.11%
USD-MYR	4.1380	-0.08%	NZD-SGD	0.8960	0.18%
USD-CNY	6.9872	0.15%	CHF-SGD	1.4175	-0.06%
USD-IDR	13693	-0.01%	SGD-MYR	2.9779	-0.17%
USD-VND	23245	0.03%	SGD-CNY	5.0203	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4800	0.10%	O/N	1.5761	-0.08%
2M	-0.3360	-0.08%	1M	1.6583	0.84%
3M	-0.4130	0.84%	2M	1.6625	-0.90%
6M	-0.3590	-0.90%	3M	1.6918	-1.21%
9M	-0.1940	-1.21%	6M	1.7100	-1.25%
12M	-0.2930	-1.25%	12M	1.7984	-1.07%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
18/03/2020	0.00%	9.30%	0.00%	0.00%	9.30%
29/04/2020	0.00%	24.90%	0.00%	1.60%	23.30%
10/06/2020	0.00%	43.20%	0.40%	6.90%	35.90%
29/07/2020	0.00%	54.90%	1.70%	12.90%	40.20%
16/09/2020	0.00%	68.20%	5.00%	20.90%	41.70%
05/11/2020	0.00%	72.40%	7.10%	23.70%	40.40%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.05	1.2%	Corn (per bushel)	3.7775	-0.5%
Brent (per barrel)	57.32	1.7%	Soybean (per bushel)	8.938	-0.3%
Heating Oil (per gallon)	1.6982	1.1%	Wheat (per bushel)	5.4275	-0.3%
Gasoline (per gallon)	1.5833	0.2%	Crude Palm Oil (MYR/MT)	2,660.0	-0.2%
Natural Gas (per MMBtu)	1.8370	0.6%	Rubber (JPY/KG)	156.0	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,760	-0.5%	Gold (per oz)	1,584.1	0.5%
Nickel (per mt)	13,015	-2.0%	Silver (per oz)	17.741	0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	29,398.08	-25.23
S&P	3,380.16	6.22
Nasdaq	9,731.18	19.21
Nikkei 225	23,687.59	-140.14
STI	3,220.03	-0.06
KLCI	1,544.46	5.30
JCI	5,866.95	-5.01
Baltic Dry	425.00	4.00
VIX	13.68	-0.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.51 (-0.01)	1.43 (-0.02)
5Y	1.53 (-0.01)	1.42 (-0.03)
10Y	1.67 (-0.02)	1.58 (-0.03)
15Y	1.78 (-0.02)	--
20Y	1.85 (-0.03)	--
30Y	2.02 (-0.01)	2.04 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.50	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.57
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/17/2020 02:18	CH	New Yuan Loans CNY	Jan	3100.0b	--	1140.0b	--
02/17/2020 07:50	JN	GDP Nominal SA QoQ	4Q P	-0.60%	-1.20%	0.60%	0.50%
02/17/2020 07:50	JN	GDP SA QoQ	4Q P	-1.00%	-1.60%	0.40%	--
02/17/2020 07:50	JN	GDP Annualized SA QoQ	4Q P	-3.80%	-6.30%	1.80%	0.50%
02/17/2020 07:50	JN	GDP Deflator YoY	4Q P	1.10%	1.30%	0.60%	--
02/17/2020 08:00	SI	GDP YoY	4Q F	0.80%	1.00%	0.80%	--
02/17/2020 08:00	SI	GDP SAAR QoQ	4Q F	0.10%	0.60%	0.10%	--
02/17/2020 08:30	SI	Non-oil Domestic Exports YoY	Jan	-3.70%	--	2.40%	--
02/17/2020 10:30	TH	GDP YoY	4Q	2.00%	--	2.40%	--
02/17/2020 10:30	TH	GDP SA QoQ	4Q	0.30%	--	0.10%	--
02/17/2020 12:00	ID	Exports YoY	Jan	1.19%	--	1.28%	--
02/17/2020 12:00	ID	Trade Balance	Jan	-\$375m	--	-\$28m	--
02/17/2020 12:30	JN	Industrial Production YoY	Dec F	--	--	-3.00%	--
02/17/2020 12:30	JN	Capacity Utilization MoM	Dec F	--	--	-0.30%	--
02/17/2020 12:30	JN	Industrial Production MoM	Dec F	--	--	1.30%	--

Source: Bloomberg

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