

## Daily Treasury Outlook

17 March 2020

### Highlights

**Global:** All for naught? All of the Fed's moves yesterday including its second emergency rate cut of 100bps and a slew of other measures to inject liquidity did not stem the bleeding in Wall Street overnight as investors stayed spooked. The Dow fell 12.93% yesterday, losing nearly 3000 points, in its third worst session ever (also the worst day since Black Monday 1987), whilst UST bonds rallied with the 10-year bond yield closed lower at 0.72% as the New York Fed bought \$40b of bonds and total foreign holdings of UST bonds surged \$161.7b to \$6.86tn in January (with China's holdings growing for the first time since June by \$8.7b to \$1.08tn). VIX hit a record 83 and Brent dipped below \$30 per barrel. The IMF said it is ready to tap its \$1tn fund to help Covid-hit economies, while G7 nations have pledged to do "whatever is necessary". Over in Asia, Malaysia will ban overseas visitors and shut schools, businesses and worship places from 18-31 March after reporting 125 new cases yesterday to push the total confirmed cases to 553 (highest in Southeast Asia). Beyond the city/country lockdowns that is happening globally to slow the Covid-19 outbreak, keep a lookout for more direct policy aid including Covid-hit industries like airlines, bank loan guarantees and other forms of backstops.

**Market watch:** Asian markets may be in for another wild ride this morning as market sentiments remain fragile and in risk-off territory. The inability of gold prices to rally amid the flight to safety suggests that margin calls and deleveraging have been a catalyst, but deflationary concerns may be starting to seep in as well. Today's economic data releases comprises of Japan's industrial production, HK's unemployment, UK's jobless claims, Eurozone/Germany's ZEW survey expectations, US' retail sales, industrial production, JOLTs job openings and NAHB housing market index. ECB's Rehn is also speaking.

**US:** US president Trump called for Americans to avoid gathering in groups of more than 10. Meanwhile, US airlines are seeking a \$50b aid package, which is more than 3x the bailout post 9-11. Separately, the Empire manufacturing index plunged the most on record.

**Emergency rate cut bandwagon:** RBNZ and BOK both did emergency rate cuts of 75bps and 50bps respectively to 0.25% and 0.75% yesterday, whilst RBA injected liquidity again.

**France:** President Macron said bank loans will be guaranteed up to EUR300b, halt all reforms, and allow companies to delay paying tax and social security contributions.

**Singapore:** NODX unexpectedly rebounded 3.0% yoy (-4.8% mom sa) in February, contrary to our forecast of -7.0% yoy (-8.8% mom sa). Electronics NODX recovered 2.5% yoy (forecast: -17.0% yoy) versus a 13.0% drop in January. This is partly due to the low base last year (CNY holidays in Feb19), but more importantly we think there is downside risk going forward with the accelerating Covid-19 outbreak globally and growing lockdowns and travel bans that suggest global supply chains and global demand may take a step back again.

Key Market Movements		
Equity	Value	% chg
S&P 500	2386.1	-12.0%
DJIA	20189	-12.9%
Nikkei 225	17002	-2.5%
SH Comp	2789.3	-3.4%
STI	2495.8	-5.2%
Hang Seng	23064	-4.0%
KLCI	1280.6	-4.8%
Currencies	Value	% chg
DXY	98.069	-0.7%
USDJPY	105.83	-1.7%
EURUSD	1.1183	0.7%
GBPUSD	1.2271	-0.1%
USDIDR	14933	1.0%
USDSGD	1.4209	0.4%
SGDMYR	3.0313	-0.4%
Rates	Value	chg (bp)
3M UST	0.19	-5.08
10Y UST	0.72	-24.21
1Y SGS	0.96	-4.00
10Y SGS	1.36	-11.75
3M LIBOR	0.84	10.26
3M SIBOR	1.22	-10.37
3M SOR	0.58	12.26
Commodities	Value	% chg
Brent	30.05	-11.2%
WTI	28.7	-9.5%
Gold	1514	-1.0%
Silver	12.91	-12.3%
Palladium	1601	-11.7%
Copper	5291	-3.1%
BCOM	62.57	-4.2%

Source: Bloomberg

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**Major Markets**

**US:** US markets plummeted last night as the sell-off sparked by coronavirus fears continued despite the Fed announcing massive monetary stimulus measures. The S&P500 index fell by 12.0%. For today, markets are likely to remain volatile as investors continue to watch out for new stimulus measures by the central banks and governments, and the coronavirus outbreak in the US and Europe.

**Japan:** BOJ will buy JPY100b each in the 3-5 and 5-10 year JGBs outside of its monthly scheduled operations to supply extra liquidity to markets. Meanwhile, BOJ governor Kuroda remains cautious about deeper negative rates, echoing that of ECB's Lagarde.

**Hong Kong:** HKMA followed the Fed to cut base rate but by a smaller magnitude of 64bps to 0.86%, reflecting the five-day moving average of overnight and one-month HIBOR. This suggests that HKD liquidity condition has not yet factored in Fed's sharp rate cuts as aggregate balance stabilizes at a relatively low level of HK\$54 billion. Due to the spill-over effect of US dollar funding crunch which coincides with quarter-end window dressing, front-end HKD liquidity tightened. Against the backdrop, some banks continued to stay put on prime rate. Going forward, if US dollar squeeze cannot be eased, we may see short-dated HIBOR go up ahead of quarter-end.

Elsewhere, visitor arrivals dropped by 96% yoy while those from Mainland China fell by 98% yoy in February, reflecting that the coronavirus outbreak brought the inbound tourism to a standstill. To tide tourism-related industries over, the Hong Kong Tourism Board will launch a HK\$400 million trade support plan. Meanwhile, the government will unveil the Retail Sector Subsidy Scheme under the Anti-epidemic Fund on 23rd March, which is expected to benefit 70,000 retailers with each receiving a one-off subsidy of HK\$80,000. This may temporarily ease the financial burden on the SMEs in tourism-related sectors and buy some time to save jobs. However, if the coronavirus outbreak continues with an increasing number of countries implementing travel restrictions, more SMEs in the tourism-related sectors could go out of business and as a result push the unemployment rate of the sectors up further over the coming months. This could feed through into retail sector and the housing market.

**Singapore:** The STI slumped another 5.25% to close at 2495.77 yesterday, but may try to consolidate today. With the risk-off sentiments, SGS bonds may extend their yield declines after falling by 6-12bps yesterday. The 3-month SIBOR eased further to 1.08125% whilst the SOR rebounded to 0.73838%.

**Malaysia:** Malaysia's PM Muhyiddin Yassin announced a drastic 2-week movement restriction to fight the outbreak, after a sharp spike in cases. All religious institutions, schools, businesses and government offices - bar essentials like supermarkets, banks, pharmacies, and gas stations - will be closed until March 31st. Malaysians are barred from travelling overseas, and incoming visits are banned too.

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**Indonesia:** Indonesia recorded Feb trade surplus of USD2.34bn - the biggest since Sept 2011, against estimated deficit of 125mn. Exports rose 11%, bolstered by shipment of agriculture goods, while imports shrank by 5.1% - driven by huge slump in capital and consumption goods. As a measure of supply chain disruption, imports from China was essentially halved.

**Oil:** Brent briefly dipped below \$30/bbl yesterday during intraday trading, touching an intraday low of \$29.45/bbl and ultimately closing at \$30.05/bbl to end the day 11.2% lower. With many countries looking to shut part or whole of its borders in the coming weeks, expect demand for oil fall even further. Brent has a strong psychological support at \$30/bbl but if broken, might see it nosedive quickly to \$25/bbl.

## Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-4bps lower, while the belly and the longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 17bps to 208bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 75bps to 879bps. The HY-IG Index Spread widened 59bps to 671bps. Flows in SGD corporates were heavy, with flows in SOCGEN 6.125%-PERPs, SPHSP 4%-PERPs, DBSSP 3.98%-PERPs, HSBC 4.7%-PERPs and OLAMSP 5.5%-PERPs. 10Y UST Yields fell 24bps to 0.72%, but still above the all-time lows last week, as the Fed and global central banks acted aggressively. President Trump now acknowledges the gravity of the outbreak of COVID-19 and advised Americans to avoid gathering in groups of more than 10 people.

**New Issues:** There were no new issues or mandates.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.069	-0.69%	<b>USD-SGD</b>	1.4209	0.42%
<b>USD-JPY</b>	105.830	-1.66%	<b>EUR-SGD</b>	1.5890	1.09%
<b>EUR-USD</b>	1.1183	0.68%	<b>JPY-SGD</b>	1.3418	2.44%
<b>AUD-USD</b>	0.6117	-1.39%	<b>GBP-SGD</b>	1.7434	0.37%
<b>GBP-USD</b>	1.2271	-0.06%	<b>AUD-SGD</b>	0.8694	-0.96%
<b>USD-MYR</b>	4.3075	0.70%	<b>NZD-SGD</b>	0.8590	-0.53%
<b>USD-CNY</b>	6.9934	-0.22%	<b>CHF-SGD</b>	1.5004	0.91%
<b>USD-IDR</b>	14933	1.05%	<b>SGD-MYR</b>	3.0313	-0.41%
<b>USD-VND</b>	23227	0.06%	<b>SGD-CNY</b>	4.9310	-0.62%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	20,188.52	-2997.10
<b>S&amp;P</b>	2,386.13	-324.89
<b>Nasdaq</b>	6,904.59	-970.28
<b>Nikkei 225</b>	17,002.04	-429.01
<b>STI</b>	2,495.77	-138.23
<b>KLCI</b>	1,280.63	-64.12
<b>JCI</b>	4,690.66	-216.91
<b>Baltic Dry</b>	623.00	-8.00
<b>VIX</b>	82.69	24.86

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4800	8.10%	<b>O/N</b>	1.0849	-0.17%
<b>2M</b>	-0.3360	-0.17%	<b>1M</b>	0.8001	9.55%
<b>3M</b>	-0.4280	9.55%	<b>2M</b>	0.8210	8.78%
<b>6M</b>	-0.3970	8.78%	<b>3M</b>	0.8431	10.26%
<b>9M</b>	-0.1940	10.26%	<b>6M</b>	0.8214	8.35%
<b>12M</b>	-0.2870	8.35%	<b>12M</b>	0.8216	6.19%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.80 (-0.09)	0.36 (-0.13)
<b>5Y</b>	1.00 (-0.08)	0.49 (-0.23)
<b>10Y</b>	1.36 (-0.12)	0.72 (-0.24)
<b>15Y</b>	1.50 (-0.11)	--
<b>20Y</b>	1.58 (-0.09)	--
<b>30Y</b>	1.57 (-0.1)	1.28 (-0.25)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.021	2.1	0.005	0.108
10/06/2020	-0.039	-5.9	-0.01	0.093
29/07/2020	-0.059	-2.1	-0.015	0.087
16/09/2020	-0.064	-0.5	-0.016	0.086
05/11/2020	-0.033	3.1	-0.008	0.094
16/12/2020	-0.011	2.2	-0.003	0.1

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	10.00	2.30
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.10
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	28.70	-9.5%	Corn (per bushel)	3.5475	-4.3%
Brent (per barrel)	30.05	-11.2%	Soybean (per bushel)	8.218	-3.0%
Heating Oil (per gallon)	1.0466	-8.0%	Wheat (per bushel)	4.9800	-3.3%
Gasoline (per gallon)	0.6899	-23.3%	Crude Palm Oil (MYR/MT)	2,276.0	-1.1%
Natural Gas (per MMBtu)	1.8150	-2.9%	Rubber (JPY/KG)	154.5	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,291	-3.1%	Gold (per oz)	1,514.1	-1.0%
Nickel (per mt)	11,935	-3.1%	Silver (per oz)	12.911	-12.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/17/2020 04:00	US	Net Long-term TIC Flows	Jan	--	\$20.9b	\$85.6b	--
03/17/2020 08:30	SI	Non-oil Domestic Exports YoY	Feb	-6.90%	--	-3.30%	--
03/17/2020 12:30	JN	Industrial Production YoY	Jan F	--	--	-2.50%	--
03/17/2020 12:30	JN	Industrial Production MoM	Jan F	--	--	0.80%	--
03/17/2020 12:30	JN	Capacity Utilization MoM	Jan F	--	--	-0.40%	--
03/17/2020 16:00	SP	Labour Costs YoY	4Q	--	--	2.20%	--
03/17/2020 16:30	HK	Unemployment Rate SA	Feb	3.60%	--	3.40%	--
03/17/2020 17:30	UK	Jobless Claims Change	Feb	--	--	5.5k	--
03/17/2020 17:30	UK	ILO Unemployment Rate 3Mths	Jan	3.80%	--	3.80%	--
03/17/2020 17:30	UK	Claimant Count Rate	Feb	--	--	3.40%	--
03/17/2020 18:00	GE	ZEW Survey Expectations	Mar	-30	--	8.7	--
03/17/2020 18:00	GE	ZEW Survey Current Situation	Mar	-30	--	-15.7	--
03/17/2020 20:30	US	Retail Sales Advance MoM	Feb	0.20%	--	0.30%	--
03/17/2020 20:30	CA	Manufacturing Sales MoM	Jan	-0.60%	--	-0.70%	--
03/17/2020 21:15	US	Industrial Production MoM	Feb	0.40%	--	-0.30%	--

Source: Bloomberg

## Treasury Research & Strategy

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