

## Daily Treasury Outlook

17 April 2020

### Highlights

**Global:** Global risk sentiments continued to see-saw amid the wax and wane of news pertaining to US president Trump's plans to reopen some states and hopes for Gilead's Remdesivir drug trials. Despite weak US economic data in the form of another 5.25m print for initial jobless claims to bring the month's total to 22 million and erase the past decade's job gains, the S&P500 still gained 0.5%, led by Walmart, Amazon.com and Netflix, while Nasdaq rallied 1.6% to wipe off its losses year-to-date and VIX retreated to 40. UST bonds ground a tad higher overnight with the 10-year bond yield at 0.63%. Fed's Bullard hoped for a V-shape rebound despite a lot of downside risks, while Williams suggested the US economy will underperform for "some time" and tipped more market volatility, and Kaplan suggested consumers may only get their footing back in 2021. Over in Europe, the ECB announced temporary capital relief for banks' trading activities and will allow lower capital requirements. The ECB is also considering swap lines requests for central banks outside the Euro area, according to Lagarde.

**Market watch:** Asian markets may be sidelined this morning ahead of China's 1Q GDP growth reading with market players eyeing a -6% yoy contraction. Today's economic data calendar comprises of China's industrial production, retail sales, fixed asset investments and jobless rate, and Eurozone's CPI. Fed's Bullard and ECB's Ren are also speaking.

**US:** New York extended its lockdown to 15 May. Meanwhile, the US Small Business Administration has stopped accepting applications for new lenders after funding ran out for the \$350b federal relief program in just two weeks. The Philadelphia Fed index's outlook gauge declined from -12.7 to -56.6 in April, while housing starts also slumped 22% in March to a 1.22m rate.

**EU:** Germany will partially lift Covid-19 containment measures. Meanwhile, French president Macron suggested the EU may have no choice but to issue common debt to support smaller members.

**UK:** The UK lockdown will be extended for three weeks.

**Japan:** PM Abe has expanded the state of emergency to nationwide.

**Singapore:** Another record 728 Covid-19 infections reported yesterday. NODX surprised with a 17.6% yoy (21.8% mom sa) outperformance in March due to a low base last year and following 3.1% yoy growth in February. This exceeded both the Bloomberg market consensus of -8.0% yoy (-2.7% mom sa) and our forecast of -9.9% yoy (-16.6% mom sa). Electronics exports also expanded 5.8% yoy, following 2.5% growth in February and led by disk media, ICs and IC parts, while non-electronics surged 20.5% yoy, led by non-monetary gold (+242.5% yoY), specialised machinery and pharmaceuticals. NODX to 7 of the top 10 NODX markets rose with the exception of Malaysia (-27.0% yoy with the MCO), Indonesia (-2.1% yoy) and China (-0.5% yoy). That said, April is when the one-month circuit breaker kicks in, so there may be still downside risk when the April NODX data is released.

### Key Market Movements

Equity	Value	% chg
S&P 500	2799.6	0.6%
DJIA	23538	0.1%
Nikkei 225	19290	-1.3%
SH Comp	2819.9	0.3%
STI	2612.3	0.3%
Hang Seng	24006	-0.6%
KLCI	1386.5	-0.1%
Currencies	Value	% chg
DXY	100.025	0.6%
USDJPY	107.92	0.4%
EURUSD	1.0840	-0.6%
GBPUSD	1.2457	-0.5%
USDIDR	15640	0.4%
USDSGD	1.4279	0.3%
SGDMYR	3.0671	0.7%
Rates	Value	chg (bp)
3M UST	0.11	-0.51
10Y UST	0.63	-0.49
1Y SGS	0.66	-5.00
10Y SGS	1.03	-4.04
3M LIBOR	1.13	-4.13
3M SIBOR	0.99	-0.15
3M SOR	0.88	-1.40
Commodities	Value	% chg
Brent	27.82	0.5%
WTI	19.87	0.0%
Gold	1718	0.0%
Silver	15.50	0.2%
Palladium	2171	-0.4%
Copper	5140	0.6%
BCOM	62.05	0.1%

Source: Bloomberg

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### Major Markets

**US:** The S&P500 index rose by 0.58%. For today, investors' risk sentiment is likely to be determined by China's Q1 GDP release (due 10am SGT). Procter & Gamble is among the companies to report earnings today.

**China:** In G20 finance ministers and central bankers video conference, China reiterated that its fiscal policy will be more proactive. In addition, China rolled out its trial of digital currency in Suzhou with some workers will receive their pay in digital currency format. This opened the door for China to replace the M0 gradually. Focus will be on 1Q GDP later.

**Hong Kong:** Both visitor arrivals (about -99% yoy) and passenger numbers of HK International Airport (-91% yoy) dropped at the fastest pace on record in March. Visitor arrivals from Mainland China decreased by over 99% yoy. This points out clearly that worldwide lockdowns and stronger travel restrictions imposed by HK and Mainland China have taken a heavier toll on HK's tourism and aviation industries. The same could be true to the hospitality, retail, transportation and MICE sectors. As such, unlike China's growth, HK's economy might have not yet bottomed out.

**Singapore:** The STI added 0.26% to close at 2612.25 yesterday and may await further direction from China's Q1 GDP print despite Wall Street's modest gains overnight. Given modest moves in the UST bond market overnight, SGS bonds may also tread water and range trade today pending the China's data dump.

**Indonesia:** The Indonesian government estimated that the coronavirus outbreak will deprive its tourism sector of more than USD10bn worth of income this year. President Jokowi said that he is preparing stimulus packages for the tourism industry and safety net for the workers to cushion the impact. He did add that he expects tourism to rebound sharply next year and urge the industry to prepare to take advantage of that.

**Malaysia:** Malaysia's Securities Commission announced further relief measures for listed companies yesterday. It would effectively suspend the classification of Main Market listed companies from the PN 17 classification from 17 April this year to 30 June 2021. The PN17 classification typically refers to companies that are undergoing financial difficulties, including those that have suspended or ceased their operations, or have defaulted in loan interest and principal repayments.

**Philippines:** The BSP has reduced the benchmark interest rate by 50bp in an unscheduled rate cut.

**Oil:** Oil continues to trade in the sub-\$20 levels. WTI closed at \$19.87/bbl, the same as yesterday and the second consecutive day where it has traded below the \$20 handle. Brent closed 0.5% higher at \$27.82/bbl. The Brent-WTI spread has shrunk from a high of \$9.49/bbl on Tuesday to \$7.95/bbl at yesterday's close.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly fell yesterday, with the shorter tenors trading 0.5-1bps lower, while the belly and the longer tenors traded 2-3.5bps lower (with the exception of the 20-year and 30-year tenors trading 0.5bps and 1.5bps higher respectively). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 262bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 973bps. The HY-IG Index Spread widened 4bps to 710bps. Flows in SGD corporates were heavy yesterday, with flows seen in SOCGEN 6.125%-PERPs, MAPLSP 3.15%'31s, STANLN 4.4%'26s, SOCGEN 4.3%'26s and HSBC 5%-PERPs. 10Y UST Yields fell marginally by 0.4bps to 0.63% at the end of the day despite the U.S. indices rallying with Nasdaq up 1.66%, as U.S. weekly unemployment numbers were released and U.S. housing numbers were worse than expected. However, President Trump said that he will announce new guidelines on reopening the U.S. economy.

**New Issues:** Sunny Express Enterprises Corp. (Guarantor: China National Travel Service Group Corporation Limited) priced a USD300mn 5-year bond at T+230bps, and a USD600mn 10-year bond at T+255bps, tightening from IPT of T+280bps and T+295bps area respectively.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.025	0.57%	USD-SGD	1.4279	0.30%
USD-JPY	107.920	0.43%	EUR-SGD	1.5477	-0.35%
EUR-USD	1.0840	-0.64%	JPY-SGD	1.3230	-0.14%
AUD-USD	0.6327	0.13%	GBP-SGD	1.7786	-0.20%
GBP-USD	1.2457	-0.49%	AUD-SGD	0.9033	0.41%
USD-MYR	4.3770	0.87%	NZD-SGD	0.8516	-0.26%
USD-CNY	7.0814	0.20%	CHF-SGD	1.4716	-0.29%
USD-IDR	15640	0.42%	SGD-MYR	3.0671	0.67%
USD-VND	23451	0.06%	SGD-CNY	4.9542	-0.25%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4220	-0.50%	O/N	0.0661	-0.55%
2M	-0.3360	-0.55%	1M	0.7508	-4.34%
3M	-0.2500	-4.34%	2M	1.0385	-0.37%
6M	-0.1960	-0.37%	3M	1.1349	-4.13%
9M	-0.1940	-4.13%	6M	1.1501	-0.86%
12M	-0.1100	-0.86%	12M	1.0141	-1.17%

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.109	10.9	0.027	0.082
10/06/2020	0.085	-2.4	0.021	0.077
29/07/2020	0.049	-3.6	0.012	0.067
16/09/2020	0.039	-1	0.01	0.065
05/11/2020	0.053	1.4	0.013	0.068
16/12/2020	0.054	0.1	0.013	0.069

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	19.87	--	Corn (per bushel)	3.1975	0.2%
Brent (per barrel)	27.82	0.5%	Soybean (per bushel)	8.368	-0.6%
Heating Oil (per gallon)	0.9463	3.6%	Wheat (per bushel)	5.2975	-1.9%
Gasoline (per gallon)	0.7051	-2.1%	Crude Palm Oil (MYR/MT)	2,249.0	-2.7%
Natural Gas (per MMBtu)	1.6860	5.5%	Rubber (JPY/KG)	141.0	-1.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,140	0.6%	Gold (per oz)	1,717.7	0.0%
Nickel (per mt)	11,764	-0.1%	Silver (per oz)	15.497	0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
DJIA	23,537.68	33.33
S&P	2,799.55	16.19
Nasdaq	8,532.36	139.19
Nikkei 225	19,290.20	-259.89
STI	2,612.25	6.69
KLCI	1,386.53	-1.26
JCI	4,480.61	-145.30
Baltic Dry	706.00	--
VIX	40.11	-0.73

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.60 (-0.01)	0.21 (+0.01)
5Y	0.68 (-0.02)	0.36 (+0.02)
10Y	1.03 (-0.04)	0.63 (--)
15Y	1.28 (-0.04)	--
20Y	1.41 (-0.05)	--
30Y	1.44 (-0.05)	1.22 (-0.04)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	21.10	0.03
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.03
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/17/2020 07:00	SK Unemployment rate SA	Mar	3.80%	3.80%	3.30%
04/17/2020 08:30	SI Non-oil Domestic Exports YoY	Mar	-8.00%	--	3.00%
04/17/2020 10:00	CH GDP YoY	1Q	-6.00%	--	6.00%
04/17/2020 10:00	CH Industrial Production YoY	Mar	-6.20%	--	--
04/17/2020 10:00	CH Retail Sales YoY	Mar	-10.00%	--	--
04/17/2020 10:00	CH Industrial Production YTD YoY	Mar	-10.00%	--	-13.50%
04/17/2020 12:30	JN Industrial Production MoM	Feb F	--	--	0.40%
04/17/2020 12:30	JN Tertiary Industry Index MoM	Feb	-0.50%	--	0.80%
04/17/2020 12:30	JN Industrial Production YoY	Feb F	--	--	-4.70%
04/17/2020 12:30	JN Capacity Utilization MoM	Feb	--	--	1.10%
04/17/2020 15:30	TH Foreign Reserves	Apr-10	--	--	\$225.2b
04/17/2020 17:00	EC CPI YoY	Mar F	0.70%	--	1.20%
04/17/2020 17:00	EC CPI MoM	Mar F	0.50%	--	0.50%
04/17/2020 17:00	EC CPI Core YoY	Mar F	1.00%	--	1.00%
04/17/2020 22:00	US Leading Index	Mar	-7.20%	--	0.10%

Source: Bloomberg

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