

## Daily Treasury Outlook

17 June 2020

### Highlights

**Global:** US retail sales jumped a record 17.7% mom in May on pent-up demand, following a revised 14.7% fall in April and lifting hopes that pent-up consumer demand would drive the US' reopening recovery. Coupled with talk that the Trump administration is preparing another \$1 trillion infrastructure package to spur growth, this buoyed risk sentiments further. The S&P500 added 1.9% led by energy, healthcare and material stocks, while VIX retreated to 33.67. UST bonds sold off with the 10-year yield rising to 0.76%. The 3-month LIBOR edged up to 0.3079%. Crude oil prices ignored IEA's comments that demand would not fully recover until at least 2022. That said, geopolitical tensions returned on the Korean peninsula as North Korea blew up the South Korean liaison office, whilst China-Indian border tensions also escalated with casualties on both sides. The United Nations also tip that global FDI will fall by up to 40% this year and continue to decline in 2021 with developing nations being the hardest hit. Beijing shut schools and cancelled 40% of outbound flights on second outbreak fears.

**Market watch:** Asian markets may extend gains today. In his testimony to the Senate Banking Committee, Fed chair Powell reiterated that "the levels of output and employment remain far below the pre-pandemic levels and significant uncertainty remains about the timing and the strength of the recovery" and "until the public is confident that the disease is contained, a full recovery is unlikely". On yield curve control, he opined that "we've made absolutely no decision to go forward on it". Today's economic data comprises of US housing starts, Eurozone CPI, and UK CPI/RPI/PPI. Fed vice chair Clarida is also speaking.

**US:** Industrial production rebounded less than expected by 1.4% mom in May, with capacity utilisation climbing from 64.0% to 64.8%. The NAHB housing market index rose a record 21 points from 37 to 58 in June amid increased demand.

**EU:** Eurozone's ZEW survey expectations surged from 46.0 in May to 58.6 in June, German CPI, while its German counterpart also jumped from 51.0 to 63.4, suggesting that a 2H economic recovery in the pipeline.

**AU:** RBA's June minutes flagged that monetary and fiscal support will likely be needed for some time and the central bank is prepared to scale up bond purchases if needed.

**Singapore:** S'pore remains the most competitive economy for the second straight year according to the IMD World Competitiveness Ranking. NODX unexpectedly fell 4.5% yoy (-4.5% mom sa) in May, down from the 9.7% yoy (-5.1% mom sa) seen in April. This disappointed both market estimates and our expectations. Electronics exports rose 12.5% yoy, but non-electronics fell 8.8%, dragged down by petrochemicals (-31.2%) especially to India, China and Indonesia. 6 of the top 10 NODX markets saw declines in May with the exception of US, Japan, Taiwan and South Korea.

### Key Market Movements

Equity	Value	% chg
S&P 500	3124.7	1.9%
DJIA	26290	2.0%
Nikkei 225	22582	4.9%
SH Comp	2931.7	1.4%
STI	2666.9	2.0%
Hang Seng	24344	2.4%
KLCI	1517.7	1.3%
Currencies	Value	% chg
DXY	96.958	0.3%
USDJPY	107.32	0.0%
EURUSD	1.1264	-0.5%
GBPUSD	1.2573	-0.3%
USDIDR	14090	-0.2%
USDSGD	1.3947	0.2%
SGDMYR	3.0734	0.3%
Rates	Value	chg (bp)
3M UST	0.15	-0.05
10Y UST	0.75	3.13
1Y SGS	0.26	0.10
10Y SGS	0.92	0.05
3M LIBOR	0.30	-2.19
3M SIBOR	0.54	0.00
3M SOR	0.15	-4.77
Commodities	Value	% chg
Brent	40.96	3.1%
WTI	38.38	3.4%
Gold	1727	0.1%
Silver	17.46	0.4%
Palladium	1938	0.0%
Copper	5729	0.4%
BCOM	63.94	0.5%

Source: Bloomberg

## Daily Treasury Outlook

17 June 2020

### Major Markets

**US:** Markets rallied on the back of the 17.7% increase in retail sales for May and Trump administration's possible \$1 trillion infrastructure proposal. Meanwhile, trial results have shown dexamethasone can help reduce Covid-19 deaths of critically ill coronavirus patients by up to one-third. The S&P500 index closed 1.9% higher. Risk sentiment appears to have been lifted across the past 48 hours, but markets will likely continue to remain volatile.

**Singapore:** The STI rallied 2.03% to close at 2666.85 yesterday and may try to extend the rally today amid positive overnight cues from Wall Street. With the UST bonds pressured by the prospect of increased issuance to finance the potential \$1 trillion infrastructure proposal for the US, the SGS bonds which were little changed yesterday, may also come under some selling pressure today.

**China:** As of 16 June, Beijing has identified 106 confirmed cases linked to the Xinfadi wholesale market. Beijing lifted its emergency response to level 2 from level 3 and closed all schools in the city. However, Beijing is unlikely to impose lockdown at the current stage as the available mass testing capacity will give the capital city more room to strike the balance between containing virus and keeping the economy going.

**Hong Kong:** Unemployment rate soared to an over 15-year high of 5.9% in the three months to May, worse than expected. Meanwhile, underemployment rate jumped to a nearly 17-year high of 3.5%. Among all the industries, consumption- and tourism-related sectors (10.6%, the highest since post-SARS period), manufacturing sector (7%, last seen in 2009) and construction sector (10.8%, the highest since mid-2009) rose faster by 7.2, 4.1 and 6.6 percentage points respectively from last year's trough amid ongoing containment measures. These sectors contributed to 25% of total employment. Going forward, we expect overall jobless rate to climb above 6% albeit at a slower pace thanks to the relaxation of containment measures and the relief measures. Even if the pandemic is contained, its impact on the lower-end services sectors may last for some time and therefore hinder the recovery of the labour market as well as the private consumption.

**Japan:** BOJ left its policy settings unchanged, but revised the estimated size of its support package to JPY110 trillion, up from JPY75 trillion. BOJ governor Kuroda opined that the central bank not monetizing debt with its bond purchases despite owning 60-70% of JGB market.

**Malaysia:** Malaysia's position as the supplier of 2/3 of global rubber glove supplies is said to have minted two new billionaires, according to Bloomberg. The founders of Supermax and Kossan Rubber are said to see their net worth exceeding \$1bn, following their fellow glove suppliers TopGlove and Hartalega, in seeing their companies' shares lifted by a surge in demand for protective gears. As a sign of how covid-19 has lifted some fortunes while hurt others, the casino-and-hospitality giant Genting announced that it is cutting 15% of its 20,000 workforce.

## Daily Treasury Outlook

17 June 2020

**Indonesia:** Finance Minister Sri Mulyani said that Indonesia may see growth between 0-1% this year, compared to the baseline of 2.3% that was previously anticipated. She warned that a full-year contraction is a possibility as well. She expects Q2 growth to shrink by 3.1% but to expand in the following quarters - hence avoiding a technical recession.

**Oil:** Another risk on session last night saw crude Brent rising 3.1% to \$40.96/bbl. The move higher came on the back of strong US consumer spending, which rose 17.7% from April against expectations of 8.4% m/m. The market shrugged off concerns over what was deemed a “second wave” of cases that sent the markets into a risk-off mode last week and even the disappointing US industrial production numbers last night did not seem to dampen sentiment. We think Brent might trade around \$35-\$45/bbl in the medium term.

## Daily Treasury Outlook

17 June 2020

### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with the shorter tenors trading 1-3bps higher while the belly and longer tenors traded 3-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 205bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 13bps to 803bps. The HY-IG Index Spread tightened 10bps to 598bps. Flows in SGD corporates were heavy, with flows in OUECT 4%'25s, CS5.625%-PERPs, STANLN 5.375%-PERPs, CELSP 3.9%-PERPs and SOCGEN 6.125%-PERPs. 10Y UST Yields gained 3bps to 0.75% on recovery in U.S. retail sales in May and hopes of further fiscal stimulus.

**New Issues:** Perusahaan Penerbit SBSN Indonesia III (Obligor: The Government of the Republic of Indonesia, represented by the Ministry of Finance) priced a USD750mn 5-year green bond at 2.30%, tightening from IPT of 3.00% area, a USD1bn 10-year bond at 2.80%, tightening from IPT of 3.50% area and another USD750mn 30-year bond at 3.80%, tightening from IPT of 4.50% area. Xianyang Financial Holding Group Co., Ltd priced a USD100mn 3-year bond at 3.8%, tightening from IPT of 4.0% area. PLDT Inc. priced a USD300mn long 10-year bond at T+180bps, tightening from IPT of CT10+240bps area and another USD300mn 30-year bond at T+195bps, tightening from IPT of OLB30+260bps area. CNPC Global Capital Limited (Guarantor: China National Petroleum Corporation) priced a USD600mn 3-year bond at T+90bps, tightening from IPT of T+160bps area, a USD900mn 5-year bond at T+103bps, tightening from IPT of T+170bps area and another USD500mn 10-year bond at T+133bps, tightening from IPT of T+200bps area. Fuqing Investment Management Limited (Guarantor: Pingan Real Estate Capital Limited) priced a USD500mn 5-year bond at T+295bps, tightening from IPT of T+330bps area. Hengjian International Investment Limited (Guarantor: Guangdong Hengjian Investment Holding Co., Ltd.) priced a USD500mn 5-year bond at T+160bps, tightening from IPT of T+220bps area. NWD Finance (BVI) Limited (Guarantor: New World Development Company Limited) priced a USD650mn PerpNC6 bond at 5.25%, tightening from IPT of 5.75% area. Skyland Mining (BVI) Ltd. (Guarantor: China Gold International Resources Corp.) priced a USD300mn 3-year bond at T+260bps, tightening from IPT of T+280bps area. Industrial & Commercial Bank of China Limited of Dubai priced a USD100mn 3-year bond at 3m-US LIBOR+60bps. Housing & Development Board priced a SGD800mn 10 year bond at 1.265%.

## Daily Treasury Outlook

17 June 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	96.958	0.26%	<b>USD-SGD</b>	1.3947	0.21%
<b>USD-JPY</b>	107.320	-0.01%	<b>EUR-SGD</b>	1.5709	-0.32%
<b>EUR-USD</b>	1.1264	-0.52%	<b>JPY-SGD</b>	1.2996	0.27%
<b>AUD-USD</b>	0.6889	-0.43%	<b>GBP-SGD</b>	1.7535	-0.05%
<b>GBP-USD</b>	1.2573	-0.25%	<b>AUD-SGD</b>	0.9608	-0.21%
<b>USD-MYR</b>	4.2768	-0.04%	<b>NZD-SGD</b>	0.8998	-0.16%
<b>USD-CNY</b>	7.0862	-0.06%	<b>CHF-SGD</b>	1.4660	0.03%
<b>USD-IDR</b>	14090	-0.18%	<b>SGD-MYR</b>	3.0734	0.25%
<b>USD-VND</b>	23208	-0.05%	<b>SGD-CNY</b>	5.0857	0.02%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,289.98	526.82
<b>S&amp;P</b>	3,124.74	58.15
<b>Nasdaq</b>	9,895.87	169.84
<b>Nikkei 225</b>	22,582.21	1051.26
<b>STI</b>	2,666.85	52.97
<b>KLCI</b>	1,517.71	18.88
<b>JCI</b>	4,986.46	170.12
<b>Baltic Dry</b>	973.00	--
<b>VIX</b>	33.67	-0.73

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4840	-1.10%	<b>O/N</b>	0.0698	0.36%
<b>2M</b>	-0.3360	0.36%	<b>1M</b>	0.1939	-0.13%
<b>3M</b>	-0.3550	-0.13%	<b>2M</b>	0.2780	0.75%
<b>6M</b>	-0.2060	0.75%	<b>3M</b>	0.2990	-2.19%
<b>9M</b>	-0.1940	-2.19%	<b>6M</b>	0.4309	-0.11%
<b>12M</b>	-0.1350	-0.11%	<b>12M</b>	0.5908	-0.26%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.29 (-0.01)	0.20 (+0.01)
<b>5Y</b>	0.48 (--)	0.34 (--)
<b>10Y</b>	0.92 (--)	0.75 (+0.03)
<b>15Y</b>	1.24 (+0.01)	--
<b>20Y</b>	1.27 (--)	--
<b>30Y</b>	1.33 (--)	1.54 (+0.08)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.021	-2.1	-0.005	0.087
09/16/2020	-0.104	-8.3	-0.026	0.067
11/05/2020	-0.149	-4.5	-0.037	0.056
12/16/2020	-0.156	-0.6	-0.039	0.054
01/27/2021	-0.201	-4.6	-0.05	0.043

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	13.02	0.82
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.09
-------------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	38.38	3.4%	Corn (per bushel)	3.2900	-0.1%
Brent (per barrel)	40.96	3.1%	Soybean (per bushel)	8.670	-0.2%
Heating Oil (per gallon)	1.1822	4.0%	Wheat (per bushel)	4.9600	-1.7%
Gasoline (per gallon)	1.2073	3.6%	Crude Palm Oil (MYR/MT)	2,455.0	1.4%
Natural Gas (per MMBtu)	1.6140	-3.3%	Rubber (JPY/KG)	139.4	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,729	0.4%	Gold (per oz)	1,726.5	0.1%
Nickel (per mt)	13,024	2.2%	Silver (per oz)	17.457	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/17/2020 07:50	JN Trade Balance	May	-¥1030.0b	--	-¥930.4b	-¥931.9b
06/17/2020 08:30	SI Non-oil Domestic Exports YoY	May	1.00%	--	9.70%	--
06/17/2020 08:30	SI Non-oil Domestic Exports SA MoM	May	-6.90%	--	-5.80%	--
06/17/2020 14:00	UK CPI YoY	May	0.50%	--	0.80%	--
06/17/2020 14:00	UK CPI MoM	May	0.00%	--	-0.20%	--
06/17/2020 14:00	UK CPI Core YoY	May	1.30%	--	1.40%	--
06/17/2020 14:00	UK PPI Output NSA MoM	May	-0.10%	--	-0.70%	--
06/17/2020 14:00	UK PPI Output NSA YoY	May	-1.00%	--	-0.70%	--
06/17/2020 14:00	UK RPI MoM	May	0.10%	--	0.00%	--
06/17/2020 14:00	UK RPI YoY	May	1.20%	--	1.50%	--
06/17/2020 14:00	UK Retail Price Index	May	292.8	--	292.6	--
06/17/2020 17:00	EC CPI YoY	May F	0.10%	--	0.30%	0.30%
06/17/2020 17:00	EC CPI MoM	May F	-0.10%	--	-0.10%	--
06/17/2020 20:30	CA CPI YoY	May	0.00%	--	-0.20%	--
06/17/2020 20:30	US Housing Starts	May	1100k	--	891k	--

Source: Bloomberg

---

## Treasury Research & Strategy

---

### Macro Research

**Selena Ling**

Head of Research & Strategy

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

Malaysia & Indonesia

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Terence Wu**

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).