

## Daily Treasury Outlook

17 July 2020

### Highlights

**Global:** A slight risk off tone prevailed overnight as US economic data like initial jobless claims suggested that the labour market recovery was slowing and second wave concerns rose in Florida and California and Colorado and Arkansas become the latest states to mandate mask wearing. The S&P500 declined 0.3% (with Netflix's subscriber outlook disappointing investors, whereas Morgan Stanley saw a 45% profit surge), while VIX stood at 28. The UST bonds firmed slightly with the 10-year bond yield at 0.62%. The 3-month LIBOR stood at 0.2719%. China had earlier reported yesterday that 2Q GDP growth rebounded to 3.2% (still the weakest on record), but the Shanghai Composite Index still fell 4.5% in its largest one-day drop since early February. Meanwhile, the ECB kept its policy settings unchanged and committed to its current monetary policy accommodation stance, with president Lagarde opining that it will spend the full pandemic bond-buying program. Meanwhile BI cut 25bps whereas BOK held at 0.5%.

**Market watch:** Asian markets may see some consolidative pressure today. Today's economic data calendar comprises Eurozone's CPI, and US' University of Michigan confidence, housing starts and building permits. The ECB's Guidos and Snabel and BOE's Bailey are also speaking.

**US:** Initial jobless claims fell only 10k to 1.3m in its smallest drop since March, but retail sales rose more than expected by 7.5% in June amid a consumer demand snap-back, driven by autos (+8.2%) and core retail sales excluding autos still rose 5.6%. Fed's Williams warned that fiscal effort is essential to get the US economy back on track. Meanwhile, President Trump is leaning towards including a payroll tax cut in the new stimulus bill.

**SG:** MAS's Ravi Menon warned that the Singapore economy remains dire and even if subsequent waves of infection are more limited globally, it is not clear whether confidence in resuming normal economic activity will be restored. Meanwhile, Trade minister Chan Chun Sing noted the greatest uncertainty is the global external demand and more stimulus may not help. NODX surged 16.1% yoy in June, beating our and market expectations, aided by non-electronics (+14.5% yoy, namely lifted by non-monetary gold, specialised machinery and pharmaceuticals) and electronics (+22.2% yoy, mainly led by ICs). NODX of 7 of our top 10 NODX markets also rose in June, except for HK, Indonesia and Thailand.

### Key Market Movements

Equity	Value	% chg
S&P 500	3215.6	-0.3%
DJIA	26735	-0.5%
Nikkei 225	22770	-0.8%
SH Comp	3210.1	-4.5%
STI	2623.7	-1.0%
Hang Seng	24971	-2.0%
KLCI	1573.3	-0.8%
Currencies	Value	% chg
DXY	96.259	-0.2%
USDJPY	107.27	0.3%
EURUSD	1.1384	-0.2%
GBPUSD	1.2553	-0.3%
USDIDR	14625	0.3%
USDSGD	1.3925	0.2%
SGDMYR	3.0656	-0.1%
Rates	Value	chg (bp)
3M UST	0.10	-2.28
10Y UST	0.62	-1.31
1Y SGS	0.28	0.00
10Y SGS	0.87	-2.83
3M LIBOR	0.27	0.20
3M SIBOR	0.44	0.00
3M SOR	0.18	1.45
Commodities	Value	% chg
Brent	43.37	-1.0%
WTI	40.75	-1.1%
Gold	1797	-0.7%
Silver	19.16	-1.3%
Palladium	1991	0.6%
Copper	6437	0.8%
BCOM	66.47	-0.3%

Source: Bloomberg

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### Major Markets

**US:** The S&P500 closed 0.3% lower despite positive sentiment arising from strong China GDP growth. US Initial Jobless claims were higher than expected at 1.3 million against an expected 1.25 million, likely dampening hopes of a v-shaped recovery. We expect markets to remain volatile as investors focus on upcoming earnings releases.

**China:** The Chinese economy rebounded strongly by 3.2% yoy in the second quarter of 2020. On sequential basis, the economy surged by 11.50% qoq, much higher than our expectation of 8-10% qoq. We expect China's growth to return to above 6% in the second half despite uncertainty from geopolitical tensions and resurgence of virus. China's property prices continued to edge higher in June. 61 major cities out of 70 cities tracked by China's National Bureau of Statistics reported increase of prices mom. Since July, cities including Hangzhou, Ningbo, Dongguan have announced further cooling measures to keep the prices in check. We think more cities may follow should prices continue to go up.

**Singapore:** The STI fell 0.95% yesterday to close at 2623.67 and may consolidate further today. The SGS bonds may be better bid today amid the slight risk-off tone.

**Malaysia:** Malaysia's major gloves producer, Top Glove, suspended its shares trading yesterday, after news that the US customs authorities had placed a detention order on disposable gloves made by two of its units. Reportedly, the US authorities had done so allegedly due to labor-related issues. The company is the world's largest glove maker, accounting for a quarter of global supply.

**Indonesia:** Bank Indonesia opted to cut its policy rate yesterday by 25bps to 4.0% as we and broad market expected. At this level, it would mark the lowest since BI adopted 7-day reverse repo as its policy rate in 2016. BI noted the rising downside risks to global and domestic economies in its decision. Going forward, to us, the bar for further rate cuts will be set higher given the need to anchor yield differential.

**Thailand:** Finance Minister Uttama Savanayana, together with several senior ministers, have resigned from their positions to pave the way for a Cabinet reshuffle. The other names include deputy premier Somkid Jatusripitak, Energy Minister Sontirat Jatusripitak, and Higher Education Minister Suwit Maesincee.

**Oil:** Oil prices once again failed to break above their respective resistances, with Brent falling almost 1% to \$43.37/bbl and WTI losing 1.1%. Soft US labour market numbers last night dampened risk sentiment, leading to a decline in prices. We expect oil prices to remain trading in its consolidation range in the short term.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull flattened yesterday, with the shorter and belly tenors trading 2-4bps lower while the longer tenors traded 5-7bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 197bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 754bps. The HY-IG Index Spread widened 3bps to 557bps. Flows in SGD corporates were heavy, with flows in NTUCSP 3.1%'50s, HSBC 5%-PERPs, TMGSP 4.05%'25s, OLAMSP 6%'22s, SINTEC 4.1%-PERPs, STANLN 5.375%-PERPs, OLAMSP 5.5%-PERPs, FPLSP 3.95%-PERPs, METRO 4%'21s and NOLSP 4.65%'20s. 10Y UST Yields fell 1bp to 0.62% due to concerns that further recovery in the US economy would be stymied by new economic shutdowns.

**New Issues:** Globe Telecom Inc priced a USD300mn 10-year bond at T+190bps, tightening from IPT of T+230bps area and another USD300mn 15-year bond at T+245bps, tightening from IPT of T+280bps area respectively. Redsun Properties Group Limited priced a USD155mn re-tap of its REDSUN 9.7%'23s at 10.2%, tightening from IPT of 10.6% area. DoubleDragon has mandated banks for its proposed USD bond offering.

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	Day Close	% Change		Day Close	% Change
DXY	96.258	-0.09%	USD-SGD	1.3916	-0.06%
USD-JPY	107.350	0.07%	EUR-SGD	1.5852	0.00%
EUR-USD	1.139	0.05%	JPY-SGD	1.2964	-0.12%
AUD-USD	0.698	0.16%	GBP-SGD	1.7487	0.03%
GBP-USD	1.257	0.10%	AUD-SGD	0.9716	0.08%
USD-MYR	4.269	0.01%	NZD-SGD	0.9109	0.08%
USD-CNY	6.990	0.02%	CHF-SGD	1.4723	0.00%
USD-IDR	14625	0.25%	SGD-MYR	3.0676	0.07%
USD-VND	23175	0.00%	SGD-CNY	5.0306	0.00%

Index	Value	Net change
DJIA	26,734.71	-135.39
S&P	3,215.57	-10.99
Nasdaq	10,473.83	-76.66
Nikkei 225	22,817.12	46.76
STI	2,623.67	-25.23
KLCI	1,573.31	-12.25
JCI	5,098.37	22.58
Baltic Dry	1,696.00	-46.00
VIX	28.00	0.24

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5130	-0.51%	O/N	0.0843	0.08%
2M	-0.3360	-0.34%	1M	0.1809	0.18%
3M	-0.4430	-0.43%	2M	0.2331	0.23%
6M	-0.3330	-0.33%	3M	0.2729	0.27%
9M	-0.1940	-0.20%	6M	0.3346	0.34%
12M	-0.2730	-0.27%	12M	0.4769	0.48%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.24 (--)	0.15(--)
5Y	0.51 (-0.01)	0.28(--)
10Y	0.87 (-0.03)	0.62(--)
15Y	1.15 (-0.02)	--
20Y	1.19 (-0.02)	--
30Y	1.21 (-0.03)	1.31(--)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.048	-4.8	0.077	0.077
09/16/2020	-0.131	-8.3	0.057	0.057
11/05/2020	-0.176	-4.5	0.045	0.045
12/16/2020	-0.211	-3.5	0.037	0.037
01/27/2021	-0.278	-6.7	0.02	0.02

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	2.70	(--)
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.13
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.75	-1.09%	Corn (per bushel)	3.303	1.2%
Brent (per barrel)	43.37	-0.96%	Soybean (per bushel)	8.935	0.8%
Heating Oil (per gallon)	122.79	-1.36%	Wheat (per bushel)	5.353	-2.8%
Gasoline (per gallon)	123.39	-2.42%	Crude Palm Oil (MYR/MT)	26.050	2.6%
Natural Gas (per MMBtu)	1.72	-3.09%	Rubber (JPY/KG)	1.487	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6436.50	0.79%	Gold (per oz)	1797.2	-0.7%
Nickel (per mt)	13459.00	-0.51%	Silver (per oz)	19.2	-1.3%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/17/2020 04:00	US Net Long-term TIC Flows	May	--	\$127.0b	-\$128.4b
07/17/2020 04:00	US Total Net TIC Flows	May	--	-\$4.5b	\$125.3b
07/17/2020 06:30	NZ BusinessNZ Manufacturing PMI	Jun	--	5630.0%	3970.0%
07/17/2020 07:21	HK Composite Interest Rate	Jun	--	--	0.8%
07/17/2020 08:30	SI Non-oil Domestic Exports YoY	Jun	8.0%	--	-4.5%
07/17/2020 08:30	SI Non-oil Domestic Exports SA MoM	Jun	-4.6%	--	-4.5%
07/17/2020 08:30	SI Electronic Exports YoY	Jun	20.8%	--	12.5%
07/17/2020 15:30	TH Foreign Reserves	40360	--	--	\$241.9b
07/17/2020 17:00	EC CPI YoY	Jun F	0.3%	--	0.1%
07/17/2020 17:00	EC CPI MoM	Jun F	0.3%	--	0.3%
07/17/2020 17:00	EC CPI Core YoY	Jun F	0.8%	--	0.8%
07/17/2020 20:30	US Housing Starts	Jun	1189k	--	974k
07/17/2020 20:30	US Building Permits	Jun	1293k	--	1220k
07/17/2020 20:30	CA Wholesale Trade Sales MoM	May	0.079	--	-0.216
07/17/2020 22:00	US U. of Mich. Sentiment	Jul P	7900.0%	--	7810.0%

Source: Bloomberg

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