

## Daily Treasury Outlook

18 February 2020

### Highlights

**Global:** With the US markets closed yesterday for President's day holiday, global risk appetite appeared supportive on the back of market expectations for further policy support to mitigate the Covid-19 outbreak, especially for China. Disappointing 4Q19 GDP growth prints from Japan and Thailand and Singapore's 2020 growth forecast downgrade suggest that the regional economic environment is tepid and the Covid-19 outbreak is set to take a clear toll. WTO has warned that its goods trade barometer fell from 96.6 in November to 95.5 in December even before factoring in the Covid-19 impact. China also reported 1,807 new Covid-19 cases and 93 deaths in Hubei, bringing the total to 72,335 and 1,863 respectively. Meanwhile, Apple said it might miss its quarterly revenue target due to a slower return to normal conditions than expected in China, whilst Macau's casinos will reopen from 20 February.

**Market watch:** Asian markets may tread cautiously today, with Asian suppliers to Apple likely under scrutiny after Apple's warning. Today's economic data calendar comprises US' NAHB housing market index, TIC flows, Empire manufacturing, Eurozone and German ZEW survey, UK's initial jobless claims and ILO unemployment rate, and Hong Kong's unemployment rate. ECB's Panetta is also speaking.

**US:** The Commerce Department is considering drafting changes to its foreign direct product rule to potentially ask chip factories to get licenses if they plan to use US equipment to produce chips for Huawei.

**UK:** PM Johnson's chief Brexit negotiator Frost opined "we must have the ability to set laws that suit us" and criticised EU saying they "simply fails to see the point of what we are doing".

**AU:** RBA minutes released this morning showed the central bank leaning towards an increasing dovish stance, stating that the coronavirus outbreak is expected to dent Australia's export prospects. The RBA reiterated its easing bias and said that rates were expected to stay low for an extended period, although it remained broadly optimistic about the overall economy,

**China:** China stepped up its counter cyclical measures on Monday via cutting its 1-year MLF rate by 10bps after injecting CNY200 billion liquidity. Given China's LPR fixing will depend on two parameters including MLF rate and credit spread, it is almost done deal that LPR fixing on 20 Feb will be lowered by at least 10bps, which will help lower the funding costs to the real economy. China's central bank denied the rumor that it will revise the property loan in the macro prudential assessment and reiterated that housing market is not for speculation. This signals that China will not ease its property tightening any time soon.

**Singapore:** Following the official 2020 growth forecast downgrade to -0.5% to 1.5% yoy, the Budget 2020 to be released at 3pm is likely to see a bigger expansionary fiscal impulse, with an overall \$8b budget deficit (1.5% of GDP) and featuring a substantial Covid-19 relief package and also a GST offset package.

### Key Market Movements

| Equity      | Value  | % chg    |
|-------------|--------|----------|
| S&P 500     | 3380.2 | 0.0%     |
| DJIA        | 29398  | 0.0%     |
| Nikkei 225  | 23523  | -0.7%    |
| SH Comp     | 2983.6 | 2.3%     |
| STI         | 3213.0 | -0.2%    |
| Hang Seng   | 27960  | 0.5%     |
| KLCI        | 1537.1 | -0.5%    |
| Currencies  | Value  | % chg    |
| DXY         | 99.003 | -0.1%    |
| USDJPY      | 109.88 | 0.1%     |
| EURUSD      | 1.0836 | 0.0%     |
| GBPUSD      | 1.3008 | -0.3%    |
| USDIDR      | 13660  | -0.2%    |
| USDSGD      | 1.3893 | -0.2%    |
| SGDMYR      | 2.9818 | 0.1%     |
| Rates       | Value  | chg (bp) |
| 3M UST      | 1.57   | 0.00     |
| 10Y UST     | 1.58   | 0.00     |
| 1Y SGS      | 1.60   | 0.00     |
| 10Y SGS     | 1.66   | -1.08    |
| 3M LIBOR    | 1.69   | 0.01     |
| 3M SIBOR    | 1.71   | -0.01    |
| 3M SOR      | 1.56   | 3.71     |
| Commodities | Value  | % chg    |
| Brent       | 57.67  | 0.6%     |
| WTI         | 52.05  | 0.0%     |
| Gold        | 1581   | -0.2%    |
| Silver      | 17.69  | -0.3%    |
| Palladium   | 2520   | 3.5%     |
| Copper      | 5812   | 0.9%     |
| BCOM        | 75.38  | 0.0%     |

Source: Bloomberg

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### Major Markets

**US:** US equity markets were closed yesterday for President's Day. For today, US markets may open softer on the back of Apple announcing that they do expect challenges in meeting revenue guidance for 1Q20 due to supply constraints caused by the Covid-19 outbreak in China.

**Singapore:** The STI slipped 0.22% to close at 3213.00 yesterday following the 2020 GDP growth forecast downgrade. With Wall Street out overnight due to holiday and weak morning leads from Kospi, STI may still face a consolidative session ahead with initial support at 3200. SGS bonds may trade with a supportive tone, while investors await MAS's issue size announcement tomorrow for the new 30-year SGS bond that will be auctioned on 26 February for issue on 2 March.

**Malaysia:** Tourism Minister Datuk Mohamaddin Ketapi said that, while Malaysia should still focus on the Visit Malaysia 2020 campaign, it should shift direction in terms of promotion activities. Instead of tourist flows from China, travel companies should broaden the customer base to ASEAN, India, West Asia and South Korea.

**Indonesia:** January trade data was a surprise on the downside. Exports came in at -3.71% yoy vs. +1.2% expected. Commodities exports, in particular, slumped. Trade balance was a deep deficit of \$864mn, vs. \$375mn expected. Imports of consumptions goods were strong (+20.3%yoy) against weakness in raw materials and capital goods.

**Thailand:** Q4 GDP expanded 1.6% yoy, with all growth expenditures putting in a disappointing performance. Consumption continued its slowing growth, government expenditure contracted due to the budget delay and fixed capital formation grew 0.9% yoy, the lowest in four years. As the economy continues to grapple with the economic fallout from the coronavirus and drought, the Thai economy may likely get worse before it gets better.

**Oil:** Crude oil continued its revival, with Brent closing at \$57.67/bbl to register gains of 0.6% on the day. CFTC data last week suggests that long liquidation is almost completed, with 80% of net longs who participated in the October-January rally all flushed out, by our estimates.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull steepened yesterday, with the shorter tenors trading 2bps lower, while the belly and the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS was at 119bps and 476bps respectively. As such, the HY-IG Index Spread was at 356bps. 10Y UST yields also remained unchanged at 1.59% as the market was closed yesterday to observe President's Day.

**New Issues:** FEC Finance Limited (Guarantor: Far East Consortium International Ltd) is proposing to issue a USD60mn re-tap of its FAEACO 7.375%-PERPNC5.1 at 7.375%. China Aoyuan Group Limited priced a USD188mn 363-day bond at 4.8%, tightening from IPT of 5.125% area. CITIC Ltd. arranged investor calls commencing 17 Feb for its proposed USD bond offering.

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### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX      | 99.003    | -0.12%   | USD-SGD | 1.3893    | -0.22%   |
| USD-JPY | 109.880   | 0.09%    | EUR-SGD | 1.5055    | -0.15%   |
| EUR-USD | 1.0836    | 0.05%    | JPY-SGD | 1.2644    | -0.31%   |
| AUD-USD | 0.6714    | --       | GBP-SGD | 1.8071    | -0.51%   |
| GBP-USD | 1.3008    | -0.30%   | AUD-SGD | 0.9328    | -0.18%   |
| USD-MYR | 4.1435    | 0.13%    | NZD-SGD | 0.8942    | -0.20%   |
| USD-CNY | 6.9813    | -0.08%   | CHF-SGD | 1.4165    | -0.07%   |
| USD-IDR | 13660     | -0.24%   | SGD-MYR | 2.9818    | 0.13%    |
| USD-VND | 23230     | -0.06%   | SGD-CNY | 5.0271    | 0.14%    |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.4800 | -0.60% | O/N   | 1.5761    | 0.28%  |
| 2M    | -0.3360 | 0.28%  | 1M    | 1.6583    | -0.03% |
| 3M    | -0.4130 | -0.03% | 2M    | 1.6625    | -0.57% |
| 6M    | -0.3590 | -0.57% | 3M    | 1.6918    | 0.01%  |
| 9M    | -0.1940 | 0.01%  | 6M    | 1.7100    | -0.29% |
| 12M   | -0.2930 | -0.29% | 12M   | 1.7984    | -0.36% |

### 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%     | 43.10%   | 0.40%      | 6.90%      | 35.90%     |
| 29/07/2020 | 0.00%     | 56.10%   | 1.90%      | 13.50%     | 40.60%     |
| 16/09/2020 | 0.00%     | 69.70%   | 5.50%      | 21.90%     | 41.70%     |
| 05/11/2020 | 0.00%     | 74.00%   | 7.80%      | 24.70%     | 40.00%     |

### Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 52.05   | --    | Corn (per bushel)       | 3.7775  | --    |
| Brent (per barrel)       | 57.67   | 0.6%  | Soybean (per bushel)    | 8.938   | --    |
| Heating Oil (per gallon) | 1.6982  | --    | Wheat (per bushel)      | 5.4275  | --    |
| Gasoline (per gallon)    | 1.5833  | --    | Crude Palm Oil (MYR/MT) | 2,725.0 | 2.4%  |
| Natural Gas (per MMBtu)  | 1.8370  | --    | Rubber (JPY/KG)         | 161.7   | 3.7%  |
| Base Metals              | Futures | % chg | Precious Metals         | Futures | % chg |
| Copper (per mt)          | 5,812   | 0.9%  | Gold (per oz)           | 1,581.1 | -0.2% |
| Nickel (per mt)          | 13,110  | 0.7%  | Silver (per oz)         | 17.694  | -0.3% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 29,398.08 | --         |
| S&P        | 3,380.16  | --         |
| Nasdaq     | 9,731.18  | --         |
| Nikkei 225 | 23,523.24 | -164.35    |
| STI        | 3,213.00  | -7.03      |
| KLCI       | 1,537.12  | -7.34      |
| JCI        | 5,867.52  | 0.58       |
| Baltic Dry | 425.00    | --         |
| VIX        | 13.68     | --         |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg) |
|-------|--------------|-----------|
| 2Y    | 1.49 (-0.01) | 1.43 (-)  |
| 5Y    | 1.53 (-0.01) | 1.42 (-)  |
| 10Y   | 1.66 (-0.01) | 1.58 (-)  |
| 15Y   | 1.77 (-0.01) | --        |
| 20Y   | 1.85 (-0.01) | --        |
| 30Y   | 2.01 (-0.01) | 2.04 (-)  |

### Financial Spread (bps)

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

### Secured Overnight Fin. Rate

|      |      |
|------|------|
| SOFR | 1.57 |
|------|------|

## Economic Calendar

| Date Time        |    | Event                          |     | Survey  | Actual | Prior   | Revised |
|------------------|----|--------------------------------|-----|---------|--------|---------|---------|
| 02/18/2020 02:19 | CH | Money Supply M2 YoY            | Jan | 8.60%   | --     | 8.70%   | --      |
| 02/18/2020 02:19 | CH | New Yuan Loans CNY             | Jan | 3100.0b | --     | 1140.0b | --      |
| 02/18/2020 02:19 | CH | Money Supply M1 YoY            | Jan | 4.50%   | --     | 4.40%   | --      |
| 02/18/2020 02:19 | CH | Money Supply M0 YoY            | Jan | --      | --     | 5.40%   | --      |
| 02/18/2020 15:00 | EC | EU27 New Car Registrations     | Jan | --      | --     | 21.70%  | --      |
| 02/18/2020 16:30 | HK | Unemployment Rate SA           | Jan | 3.40%   | --     | 3.30%   | --      |
| 02/18/2020 17:30 | UK | Jobless Claims Change          | Jan | --      | --     | 14.9k   | --      |
| 02/18/2020 17:30 | UK | ILO Unemployment Rate 3Mths    | Dec | 3.80%   | --     | 3.80%   | --      |
| 02/18/2020 17:30 | UK | Claimant Count Rate            | Jan | --      | --     | 3.50%   | --      |
| 02/18/2020 17:30 | UK | Average Weekly Earnings 3M/YoY | Dec | 3.00%   | --     | 3.20%   | --      |
| 02/18/2020 18:00 | GE | ZEW Survey Expectations        | Feb | 21.5    | --     | 26.7    | --      |
| 02/18/2020 18:00 | GE | ZEW Survey Current Situation   | Feb | -10     | --     | -9.5    | --      |
| 02/18/2020 18:00 | EC | ZEW Survey Expectations        | Feb | --      | --     | 25.6    | --      |
| 02/18/2020 21:30 | US | Empire Manufacturing           | Feb | 5       | --     | 4.8     | --      |
| 02/18/2020 23:00 | US | NAHB Housing Market Index      | Feb | 75      | --     | 75      | --      |

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

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