

Daily Treasury Outlook

18 March 2020

Highlights

Global: Finally getting their act together – with the Trump administration now proposing a \$1.2tn fiscal stimulus package (with \$1000 checks supposedly to go out within two weeks), the Fed reinstating a commercial paper funding facility, and the UK also announcing a GBP330b aid package for Covid-19 hit package, this was sufficient to send the USD higher, S&P500 +6% and the UST bond market buckling overnight. The 10- and 30-year bond yields shot up more than 36bps to 1.08% and 1.69% respectively in its biggest one-day sell-off since 1982. The US also plans to keep markets open but is considering shorter hours. Elsewhere, Italy and Belgium have banned short-selling in their equity markets for three months and until 17 April respectively, and European leaders have agreed to restrict most travel into the continent in an unprecedented move. With more countries effectively shutting down their borders and practising social distancing to slow down the pace of Covid-19 transmission, the impact on the global economy may be more severe and requiring that fiscal prudence rules be ignored for the interim.

Market watch: Asian markets are likely to attempt to tack on to the Wall Street rally overnight amid what appears to be a more coordinated US policy approach to the Covid-19 crisis. Economic data releases for today comprise of S'pore's COE tender results, Eurozone's trade and CPI, and US' housing starts and building permits.

China: China's State Council said job stability tops the priority. Meanwhile, China will also push the resumption of key infrastructure projects to stabilize the investment. China will further unwind measures of people movement control to support the job market. Meanwhile, more measures will also be rolled out to support the key groups such as new graduate and migrant workers etc. In addition, China has given approval for clinical trials on human of the vaccine developed by China's Academy of Military Medical Sciences.

Singapore: The government will subsidize accommodation for affected Malaysian workers for \$50 per night for the two-week period amid the Malaysian lockdown from 18-31 March, encouraged Singaporean students to return from overseas and MND minister Lawrence Wong said it cannot rule out a lock down if things worsen.

Malaysia: BNM said that it will continue to provide sufficient liquidity in the FX, bond and money markets with trading at regular hours, despite the restricted movement measure. It added that public will continue to have nationwide access to essential financial services. Separately, the government has postponed APEC preparatory ministerial-level meetings from April to June.

Oil: Oil prices crashed below \$30/bbl last night, with Brent and WTI closing \$28.73/bbl and \$26.95/bbl yesterday. The bearish momentum in the energy market continues and looks headed for the 2016 low of \$26/bbl for now. It is also noteworthy that the spread between Brent and WTI have eroded to almost none to reflect the lower costs of storage in the US.

Key Market Movements

Equity	Value	% chg
S&P 500	2529.2	6.0%
DJIA	21237	5.2%
Nikkei 225	17012	0.1%
SH Comp	2779.6	-0.3%
STI	2454.5	-1.7%
Hang Seng	23264	0.9%
KLCI	1256.6	-1.9%
Currencies	Value	% chg
DXY	99.575	1.5%
USDJPY	107.7	1.8%
EURUSD	1.0997	-1.7%
GBPUSD	1.2055	-1.8%
USDIDR	15173	1.6%
USDSGD	1.4292	0.6%
SGDMYR	3.0530	0.7%
Rates	Value	chg (bp)
3M UST	0.14	-5.60
10Y UST	1.08	36.02
1Y SGS	1.02	6.10
10Y SGS	1.40	3.50
3M LIBOR	0.89	4.62
3M SIBOR	1.08	-13.56
3M SOR	0.74	15.74
Commodities	Value	% chg
Brent	28.73	-4.4%
WTI	26.95	-6.1%
Gold	1528	0.9%
Silver	12.62	-2.3%
Palladium	1652	3.2%
Copper	5144	-2.8%
BCOM	62.01	-0.9%

Source: Bloomberg

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Major Markets

US: US equity markets rebounded last night from their deep sell-off on the back of reports that the US government is weighing a fiscal stimulus package worth up to \$1.2tn, which includes sending \$1,000 or more in cash to Americans. The S&P500 index rose by 6.0%. For today, investors will continue to watch for developments on the coronavirus outbreak and markets are likely to take cues from there.

Hong Kong: Unemployment rate surged to a more than 9-year high of 3.7% during the three months through February. Rise in jobless rate was seen in all sectors. First, the unemployment rate of retail, accommodation and food services sectors edged up to a nearly 10-year high of 6.1%. Going forward, as HK government announced new restrictions on visitors and labor market outlook is deteriorating, we expect inbound tourism and local consumption to continue softening, in turn further pushing up the sector's jobless rate. Second, the jobless rate of construction sector rose notably from 5.7% to 6.8%, highest since 2011, as the covid-19 outbreak has stalled construction activities. The situation could worsen as the covid-19 epidemic is not yet under control. Overall, should the pandemic persist, some SMEs especially those in the hard-hit sectors may not be able to survive. In this case, those employees currently on no pay leave may lose their job sooner or later. Therefore, as a lagging indication, overall jobless rate is expected to edge higher to 4% or above in the coming months. This could then feed through into local consumption and housing market.

Singapore: The STI continued on its downward trend as it fell by 1.7% to close at 2454.53 yesterday after US markets plunged on Monday. Following the relief rally in US markets overnight, the STI is likely to open on a stronger footing today, although gains are likely to be capped.

Indonesia: Indonesian Rupiah traded above 15000 level against the USD yesterday, amidst bouts of global risk off sentiment. The stock market tumbled more than 5%, with circuit breaker triggered for the third time in a week. 10y government bond yield picked up 17bps. While such episodes may rear their ugly heads given the unsettled situation globally, there is some hope for some respite today following a relative improvement in global sentiment.

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Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter and the belly tenors trading 3-7bps higher, while the longer tenors traded 4-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 9bps to 216bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 70bps to 949bps. The HY-IG Index Spread widened 61bps to 732bps. Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, CS 5.625%-PERPs, SINTEC 5%-PERPs, DBSSP 3.98%-PERPs, HSBC 4.7%-PERPs, SPHSP 4%-PERPs, STANLN 5.375%-PERPs and TMGSP 4.05%'25s. 10Y UST Yields gained 36bps to 1.08%, as the Federal Reserve decided to re-launch a commercial paper funding facility and the U.S. government announced a fiscal package which would include sending checks directly to the Americans.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.575	1.54%	USD-SGD	1.4292	0.58%
USD-JPY	107.700	1.77%	EUR-SGD	1.5719	-1.08%
EUR-USD	1.0997	-1.66%	JPY-SGD	1.3278	-1.04%
AUD-USD	0.6000	-1.91%	GBP-SGD	1.7227	-1.19%
GBP-USD	1.2055	-1.76%	AUD-SGD	0.8573	-1.39%
USD-MYR	4.3513	1.02%	NZD-SGD	0.8493	-1.13%
USD-CNY	7.0057	0.18%	CHF-SGD	1.4871	-0.89%
USD-IDR	15173	1.61%	SGD-MYR	3.0530	0.72%
USD-VND	23247	0.09%	SGD-CNY	4.9058	-0.51%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4880	1.90%	O/N	0.2393	-84.56%
2M	-0.3360	-84.56%	1M	0.6116	-18.85%
3M	-0.4100	-18.85%	2M	0.7168	-10.43%
6M	-0.3720	-10.43%	3M	0.8894	4.62%
9M	-0.1940	4.62%	6M	0.8438	2.24%
12M	-0.2680	2.24%	12M	0.8194	-0.22%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.021	2.1	0.005	0.118
10/06/2020	-0.039	-5.9	-0.01	0.103
29/07/2020	-0.059	-2.1	-0.015	0.098
16/09/2020	-0.007	5.2	-0.002	0.111
05/11/2020	0.017	2.4	0.004	0.117
16/12/2020	0.076	6	0.019	0.131

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	26.95	-6.1%	Corn (per bushel)	3.4400	-3.0%
Brent (per barrel)	28.73	-4.4%	Soybean (per bushel)	8.243	0.3%
Heating Oil (per gallon)	1.0357	-1.0%	Wheat (per bushel)	4.9925	0.3%
Gasoline (per gallon)	0.7114	3.1%	Crude Palm Oil (MYR/MT)	2,325.0	2.2%
Natural Gas (per MMBtu)	1.7290	-4.7%	Rubber (JPY/KG)	154.0	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,144	-2.8%	Gold (per oz)	1,528.3	0.9%
Nickel (per mt)	11,780	-1.3%	Silver (per oz)	12.615	-2.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,237.38	1048.86
S&P	2,529.19	143.06
Nasdaq	7,334.78	430.19
Nikkei 225	17,011.53	9.49
STI	2,454.53	-41.24
KLCI	1,256.58	-24.05
JCI	4,456.75	-233.91
Baltic Dry	612.00	-11.00
VIX	75.91	-6.78

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (+0.12)	0.49 (+0.13)
5Y	1.05 (+0.05)	0.74 (+0.25)
10Y	1.40 (+0.03)	1.08 (+0.36)
15Y	1.51 (+0.01)	--
20Y	1.57 (-0.01)	--
30Y	1.57 (+0.01)	1.68 (+0.4)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	10.10	-1.70
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.26
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/18/2020 05:45	NZ	BoP Current Account Balance NZD	4Q	-2.833b	-2.657b	-6.351b	-6.260b
03/18/2020 07:30	AU	Westpac Leading Index MoM	Feb	--	-0.43%	0.05%	0.03%
03/18/2020 07:50	JN	Exports YoY	Feb	-4.20%	-1.00%	-2.60%	--
03/18/2020 07:50	JN	Trade Balance	Feb	¥929.5b	¥1109.8b	-¥1312.6b	-¥1313.2b
03/18/2020 07:50	JN	Trade Balance Adjusted	Feb	¥535.5b	¥498.3b	-¥224.1b	-¥78.7b
03/18/2020 16:00	SI	Automobile COE Open Bid Cat A	Mar-18	--	--	32699	--
03/18/2020 16:00	SI	Automobile COE Open Bid Cat B	Mar-18	--	--	32801	--
03/18/2020 18:00	EC	CPI YoY	Feb F	1.20%	--	1.20%	--
03/18/2020 18:00	EC	CPI MoM	Feb F	0.20%	--	0.20%	--
03/18/2020 18:00	EC	CPI Core YoY	Feb F	1.20%	--	1.20%	--
03/18/2020 19:00	US	MBA Mortgage Applications	Mar-13	--	--	55.40%	--
03/18/2020 20:30	US	Housing Starts	Feb	1500k	--	1567k	--
03/18/2020 20:30	CA	CPI YoY	Feb	2.10%	--	2.40%	--
03/18/2020 20:30	CA	CPI NSA MoM	Feb	0.40%	--	0.30%	--
03/18/2020 20:30	US	Building Permits	Feb	1500k	--	1551k	1550k

Source: Bloomberg

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