

## Daily Treasury Outlook

19 March 2020

### Highlights

**Global:** ECB joins the QE party with its emergency EUR750b temporary asset purchase program to buy public and private sector securities till at least end-2020 and will be extended to commercial papers of sufficient credit quality. ECB's Lagarde reacted to this move saying "extraordinary times require extraordinary action" and this came after European banks tapped \$130b in USD swap lines from the Fed yesterday. Note that Europe has surpassed China in terms of the number of Covid-19 cases, and German Chancellor Merkel is now signalling she may be open to joint EU debt issuance to combat Covid-19, albeit she cautioned about tapping the ESM's EUR410b firepower. With more lockdowns after the EU closed its borders for 30 days and many large manufacturers (eg. Volkswagen, Airbus, Daimler, Fiat Chrysler and Renault) idling plants in Europe, Europe has become the new epicentre of the Covid-19 outbreak. Overnight, the Dow fell 1339 points (-6.3%) while UST bonds bear-steepened as T-bill yields turned negative with 1- and 3-month yields as low as -0.089% and -0.0178% respectively. VIX remained elevated at 76.45 and the USD benefited from the risk-off sentiments.

**Market watch:** Asian markets are likely to see some interim relief today from the ECB's temporary asset purchase program. Central banks take center stage today with RBA, BI, BSP and CBC meeting and are under pressure to cut interest rates amid the Covid-19 fallout, albeit BI may be in a dilemma due to the ongoing IDR volatility (-9% against USD YTD). RBA will also be closely watched if it will embark on unconventional measures like QE beyond cutting its cash rate further to 0.25% following its 3 March 25bps cut. Today's economic data releases comprises of German IFO, US' initial jobless claims and Philadelphia Fed business index.

**US:** Economic advisor Kudlow said the Trump administration may consider taking an equity position in companies and "call it Bailout Nation or Ownership Nation", it's an unprecedented degree of government command, control and planning, all in the name of a tough economic downturn".

**Japan:** Core CPI rose 0.6% yoy in February, moderating from January's 0.8%.

**Singapore:** All inbound travellers to Singapore will see a 14-day stay home notice from 11.59pm tomorrow and all Singaporeans are advised to defer all travel abroad with immediate effect. This came after 47 new Covid-19 cases were reported yesterday, of which 33 were imported.

**Oil:** Crude oil collapsed again yesterday, with WTI falling 24% and Brent declining 13.4%. Markets continue to be choppy, with a strong increase in oil prices this morning following the double positive news flow of US fiscal stimulus and ECB monetary stimulus. WTI is up 17% and Brent is up 9% at time of writing, almost reversing all of yesterday's losses. Expect prices to remain choppy short-term and to sit at depressed levels in the medium-term.

### Key Market Movements

Equity	Value	% chg
S&P 500	2398.1	-5.2%
DJIA	19899	-6.3%
Nikkei 225	16727	-1.7%
SH Comp	2728.8	-1.8%
STI	2425.6	-1.2%
Hang Seng	22292	-4.2%
KLCI	1239.0	-1.4%
Currencies	Value	% chg
DXY	101.160	1.6%
USDJPY	108.08	0.4%
EURUSD	1.0915	-0.7%
GBPUSD	1.1608	-3.7%
USDIDR	15223	0.3%
USDSGD	1.4445	1.1%
SGDMYR	3.0446	-0.3%
Rates	Value	chg (bp)
3M UST	-0.01	-15.00
10Y UST	1.19	11.31
1Y SGS	1.07	5.10
10Y SGS	1.61	20.94
3M LIBOR	1.05	16.25
3M SIBOR	0.99	-9.04
3M SOR	0.80	5.78
Commodities	Value	% chg
Brent	24.88	-13.4%
WTI	20.37	-24.4%
Gold	1486	-2.8%
Silver	11.98	-5.0%
Palladium	1603	-3.0%
Copper	4745	-7.8%
BCOM	59.48	-4.1%

Source: Bloomberg

## Daily Treasury Outlook

19 March 2020

### Major Markets

**US:** US equity markets tumbled last night as worries over the pandemic's impact on the global economy continued to dent risk sentiment. The S&P500 index fell by 5.2%. Looking ahead, with the ECB announcing a massive bond purchase program and further details emerging on the fiscal stimulus measures in the US, markets may see short-term relief but expect volatility to remain high in the near-term.

**Singapore:** The STI slipped 1.18% to close at 2425.62 yesterday, but may try to capitalise today on the better risk appetite fuelled by ECB's emergency move. With the ongoing flight for cash, SGS bonds are likely to mirror the overnight UST bond rally today. The 3-month SIBOR eased further to 0.99490% (lowest since Apr17) but the SOR rebounded to 0.87151%.

**Malaysia:** PM Muhyiddin Yassin said that the 2-week movement control order may have to be extended if the Covid-19 virus continues to spread. He asked Malaysians to stay at home and refrain from moving around. This comes after reports of mass gatherings, including people who take this as an opportunity to leave the cities to go back to their hometowns.

**Indonesia:** Indonesia saw a sharp uptick in Covid-19 cases. Death toll is now at 19, with total number of cases at 227. The government has announced a stricter set of controls including banning arrivals from some European countries, but stopped short of a lockdown. Separately, Bank Indonesia is due to announce its rates decision today. Given the overt market volatility, we expect it to refrain from cutting rate at this point.

### 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.

## Daily Treasury Outlook

19 March 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	101.160	1.59%	<b>USD-SGD</b>	1.4445	1.07%
<b>USD-JPY</b>	108.080	0.35%	<b>EUR-SGD</b>	1.5764	0.29%
<b>AUD-USD</b>	1.0915	-0.75%	<b>JPY-SGD</b>	1.3349	0.53%
<b>AUD-USD</b>	0.5773	-3.78%	<b>GBP-SGD</b>	1.6773	-2.64%
<b>GBP-USD</b>	1.1608	-3.71%	<b>AUD-SGD</b>	0.8337	-2.75%
<b>USD-MYR</b>	4.3737	0.51%	<b>NZD-SGD</b>	0.8283	-2.47%
<b>USD-CNY</b>	7.0475	0.60%	<b>CHF-SGD</b>	1.4902	0.21%
<b>USD-IDR</b>	15223	0.33%	<b>SGD-MYR</b>	3.0446	-0.28%
<b>USD-VND</b>	23247	--	<b>SGD-CNY</b>	4.8799	-0.53%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	19,898.92	-1338.46
<b>S&amp;P</b>	2,398.10	-131.09
<b>Nasdaq</b>	6,989.84	-344.94
<b>Nikkei 225</b>	16,726.55	-284.98
<b>STI</b>	2,425.62	-28.91
<b>KLCI</b>	1,239.01	-17.57
<b>JCI</b>	4,330.67	-126.08
<b>Baltic Dry</b>	629.00	17.00
<b>VIX</b>	76.45	0.54

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4950	0.50%	<b>O/N</b>	0.2581	1.89%
<b>2M</b>	-0.3360	1.89%	<b>1M</b>	0.7500	13.84%
<b>3M</b>	-0.4080	13.84%	<b>2M</b>	0.9033	18.65%
<b>6M</b>	-0.3730	18.65%	<b>3M</b>	1.0519	16.25%
<b>9M</b>	-0.1940	16.25%	<b>6M</b>	0.9130	6.93%
<b>12M</b>	-0.2630	6.93%	<b>12M</b>	0.8618	4.24%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.10 (+0.18)	0.53 (+0.04)
<b>5Y</b>	1.24 (+0.19)	0.79 (+0.04)
<b>10Y</b>	1.61 (+0.21)	1.19 (+0.11)
<b>15Y</b>	1.68 (+0.17)	--
<b>20Y</b>	1.68 (+0.11)	--
<b>30Y</b>	1.66 (+0.09)	1.79 (+0.1)

### 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	-0.073	-5.3	-0.018	0.104
29/07/2020	-0.081	-0.8	-0.02	0.103
16/09/2020	-0.101	-2.1	-0.025	0.097
05/11/2020	-0.053	4.9	-0.013	0.109
16/12/2020	-0.004	4.9	-0.001	0.122

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	9.43	-0.87
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.54
-------------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	20.37	-24.4%	Corn (per bushel)	3.3525	-2.5%
Brent (per barrel)	24.88	-13.4%	Soybean (per bushel)	8.255	0.2%
Heating Oil (per gallon)	0.9542	-7.9%	Wheat (per bushel)	5.0825	1.8%
Gasoline (per gallon)	0.6377	-10.4%	Crude Palm Oil (MYR/MT)	2,321.0	-0.2%
Natural Gas (per MMBtu)	1.6040	-7.2%	Rubber (JPY/KG)	154.2	0.1%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,745	-7.8%	Gold (per oz)	1,486.1	-2.8%
Nickel (per mt)	11,395	-3.3%	Silver (per oz)	11.981	-5.0%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/19/2020	TA	CBC Benchmark Interest Rate	Mar-19	1.25%	--	1.38%	--
03/19/2020 05:45	NZ	GDP SA QoQ	4Q	0.50%	0.50%	0.70%	0.80%
03/19/2020 07:30	JN	NatI CPI YoY	Feb	0.50%	0.40%	0.70%	--
03/19/2020 08:30	AU	Unemployment Rate	Feb	5.30%	--	5.30%	--
03/19/2020 08:30	AU	Employment Change	Feb	6.3k	--	13.5k	--
03/19/2020 08:30	AU	Participation Rate	Feb	66.10%	--	66.10%	--
03/19/2020 12:30	JN	All Industry Activity Index MoM	Jan	0.30%	--	0.00%	--
03/19/2020 15:20	ID	Bank Indonesia 7D Reverse Repo	Mar-19	4.50%	--	4.75%	--
03/19/2020 16:00	PH	BSP Overnight Borrowing Rate	Mar-19	3.38%	--	3.75%	--
03/19/2020 17:00	GE	Ifo Business Climate	Mar P	--	--	96.1	--
03/19/2020 17:00	GE	Ifo Expectations	Mar P	--	--	93.4	--
03/19/2020 17:00	GE	Ifo Current Assessment	Mar P	--	--	98.9	--
03/19/2020 20:30	US	Initial Jobless Claims	Mar-14	220k	--	211k	--
03/19/2020 20:30	US	Philadelphia Fed Business Outlook	Mar	8	--	36.7	--
03/19/2020 22:00	US	Leading Index	Feb	0.10%	--	0.80%	--

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).