

Daily Treasury Outlook

19 May 2020

Highlights

Global: Wall Street and Euro Stoxx 50 both closed higher on hopes of Moderna's promising vaccine for Covid-19 and news that Germany and France have also agreed to back a EUR500b recovery fund. Fed chair Powell also reiterated that the Fed remains committed to using our full range of tools to support the economy". Meanwhile, Chinese president Xi also promised to make any Covid-19 vaccine universally available once developed in his speech to the WHO, whereas US president Trump said he is taking hydroxychloroquine. The S&P500 added 3.15% on Monday with VIX down to 29.30 and UST bonds bear-steepening with the 10-year yield at 0.73% overnight, with the latter tracking bund losses and also ahead of the \$20b 20-year UST bond auction today.

Market watch: Asian markets may see a solid session ahead for today, while awaiting Powell and Mnuchin's speech before the Senate's first quarterly CARES Act Report, as well as BI's policy decision where a 25bp rate cut to 4.25% is on the cards given USDIDR remains subdued below the 15,000 handle. Today's economic data calendar comprises of UK's jobless claims and unemployment rate, HK's April unemployment rate, German ZEW survey and US' housing starts and building permits. ECB's Lane and Fed's Kashkari and Rosengren are also speaking today.

US: NAHB housing market index rose to 37 in May, following the largest one-month drop in April.

EU: ECB chief Lagarde said "we will not hesitate to adjust the size, duration and composition of the PEPP to the extent necessary" and the German court ruling against the PEPP is "no psychological obstacle to our action".

Singapore: MAS is selling \$8.9b of 84-day bills and \$3b of 28-day bills today, as well as announcing the re-opening size for the 15-year SGS bond maturing on 1 Aug 2036.

Thailand: Q1 GDP growth contracted 1.8% yoy, with all three broad sectors of agriculture, industrial and services posting negative growth. Manufacturing posted its third consecutive contraction yoy, with the hospitality and transport sectors now joining the negative growth ranks. With the lockdown measures only imposed at the end of March, Q2 growth in Thailand is likely to be worse before it may get better.

Oil: Oil prices rose yesterday, continuing its winning momentum from the last three weeks. News from Moderna on a potential breakthrough in the coronavirus vaccine lifted crude oil further. WTI June contract is due to expire today, but we see a repeat of the negative price that occurred in last month's WTI May expiry as highly unlikely to happen.

Key Market Movements		
Equity	Value	% chg
S&P 500	2953.9	3.2%
DJIA	24597	3.9%
Nikkei 225	20134	0.5%
SH Comp	2875.4	0.2%
STI	2539.3	0.6%
Hang Seng	23935	0.6%
KLCI	1410.2	0.5%
Currencies	Value	% chg
DXY	99.665	-0.7%
USDJPY	107.34	0.3%
EURUSD	1.0913	0.9%
GBPUSD	1.2194	0.6%
USDIDR	14850	-0.1%
USDSGD	1.4183	-0.6%
SGDMYR	3.0640	0.3%
Rates	Value	chg (bp)
3M UST	0.10	0.51
10Y UST	0.73	8.29
1Y SGS	0.27	1.10
10Y SGS	0.71	-1.30
3M LIBOR	0.38	-0.51
3M SIBOR	0.62	-0.10
3M SOR	0.23	-0.52
Commodities	Value	% chg
Brent	34.81	7.1%
WTI	31.82	8.1%
Gold	1733	-0.6%
Silver	16.97	2.1%
Palladium	1998	6.2%
Copper	5318	2.6%
BCOM	63.03	2.2%

Source: Bloomberg

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Major Markets

US: US markets surged on Monday as positive news on a coronavirus vaccine trial boosted risk sentiment among investors. The S&P500 index rose 3.15%. Looking ahead, markets are likely to build on the momentum, but investors would have to be aware of a potential spike in infections in countries that have begun to reopen.

Singapore: The STI added 0.62% to close at 2539.28 yesterday and may trade firmer today amid the positive cues from Wall Street overnight on hopes of a promising vaccine and greater solidarity for an EU recovery fund. SGS bonds may track bear-steepening bias today. The 3-month SOR and SIBOR were at 0.20624% and 0.62225% respectively.

Indonesia: Finance Minister Sri Mulyani said that 2020 budget deficit is expected to widen to 6.27% of GDP, higher than 5.07% flagged a few months ago and more than double the 3% of the now-suspended cap. Meanwhile, Bank Indonesia is due to announce its MPC decision today. While global risks remain, we reckon that the recent relative strength in Rupiah should give it enough comfort to cut by 25bps to bring rate to 4.25%.

Malaysia: Malaysian assets should be able to ride on the coattails of better global market sentiment today, despite a sense that political uncertainties have risen again. Yesterday's one-day sitting of parliament went without fireworks, although, in his speech, the King did call for national unity and urged the MPs not to create another political crisis "at a time when the people are facing hardship and an uncertain future".

Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter and the belly tenors trading 1-4bps lower while the longer tenors (>15yrs) traded 1-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 4bps to 245bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 957bps. The HY-IG Index Spread tightened 2bps to 712bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, EBIUH 3.05%'30s, EBIUH 4.75%'28s, UBS 5.875%-PERPs, STANLN 5.375%-PERPs, ADENVX 0.875%'25s, OLAMSP 6%'22s, CS 5.625%-PERPs, UBS 4.85%-PERPs, BENAUF 6.125%'22s, SOCGEN 6.125%-PERPs, TPNZ 6.95%'20s and MAPLSP 3.95%-PERPs. 10Y UST Yields gained 8bps to 0.73%, as risk-on sentiment rose with news on the development of a possible vaccine.

New Issues: Industrial Investment Overseas Limited (Guarantor: New & High (HK) Limited; Provider of Keepwell and Liquidity Support Deed and Deed of Equity Interest Purchase Undertaking: Nanjing Jiangbei New Area Industrial Investment Group) priced a USD300mn 364-day bond at 3.8%, tightening from IPT of 4.15% area. Scentre Group Limited arranged investor calls commencing 18 May for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.665	-0.73%	USD-SGD	1.4183	-0.60%
USD-JPY	107.340	0.26%	EUR-SGD	1.5479	0.27%
EUR-USD	1.0913	0.86%	JPY-SGD	1.3214	-0.87%
AUD-USD	0.6524	1.73%	GBP-SGD	1.7294	0.03%
GBP-USD	1.2194	0.64%	AUD-SGD	0.9253	1.09%
USD-MYR	4.3720	0.48%	NZD-SGD	0.8567	1.17%
USD-CNY	7.1096	0.11%	CHF-SGD	1.4603	-0.58%
USD-IDR	14850	-0.07%	SGD-MYR	3.0640	0.26%
USD-VND	23340	-0.04%	SGD-CNY	5.0088	0.65%

Equity and Commodity

Index	Value	Net change
DJIA	24,597.37	911.95
S&P	2,953.91	90.21
Nasdaq	9,234.83	220.27
Nikkei 225	20,133.73	96.26
STI	2,539.28	15.73
KLCI	1,410.16	6.72
JCI	4,511.06	3.45
Baltic Dry	407.00	--
VIX	29.30	-2.59

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4670	--	O/N	0.0620	0.05%
2M	-0.3360	0.05%	1M	0.1724	-0.97%
3M	-0.2660	-0.97%	2M	0.2945	-0.76%
6M	-0.1310	-0.76%	3M	0.3805	-0.51%
9M	-0.1940	-0.51%	6M	0.6590	-0.64%
12M	-0.0780	-0.64%	12M	0.7554	-0.64%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.23 (-0.01)	0.18 (+0.03)
5Y	0.39 (-0.02)	0.37 (+0.06)
10Y	0.71 (-0.01)	0.73 (+0.08)
15Y	0.94 (-0.01)	--
20Y	1.11 (-0.01)	--
30Y	1.11 (--)	1.44 (+0.11)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.044	4.4	0.011	0.065
29/07/2020	0.035	-0.9	0.009	0.063
16/09/2020	-0.016	-5.1	-0.004	0.05
05/11/2020	-0.025	-0.9	-0.006	0.047
16/12/2020	-0.073	-4.8	-0.018	0.036
27/01/2021	-0.125	-5.2	-0.031	0.023

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	20.30	0.08
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.05
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	31.82	8.1%	Corn (per bushel)	3.2075	0.5%
Brent (per barrel)	34.81	7.1%	Soybean (per bushel)	8.450	0.8%
Heating Oil (per gallon)	1.0064	9.3%	Wheat (per bushel)	4.9700	-0.6%
Gasoline (per gallon)	1.0258	5.7%	Crude Palm Oil (MYR/MT)	2,186.0	3.4%
Natural Gas (per MMBtu)	1.7830	8.3%	Rubber (JPY/KG)	138.6	-1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,318	2.6%	Gold (per oz)	1,732.6	-0.6%
Nickel (per mt)	12,250	3.3%	Silver (per oz)	16.966	2.1%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/19/2020 11:00	NZ Non Resident Bond Holdings	Apr	--	0.499	--
05/19/2020 12:30	JN Industrial Production MoM	Mar F	--	-3.70%	--
05/19/2020 12:30	JN Industrial Production YoY	Mar F	--	-5.20%	--
05/19/2020 12:30	JN Capacity Utilization MoM	Mar	--	-1.80%	--
05/19/2020 14:00	UK Jobless Claims Change	Apr	--	12.2k	--
05/19/2020 14:00	UK ILO Unemployment Rate 3Mths	Mar	4.30%	4.00%	--
05/19/2020 14:00	UK Claimant Count Rate	Apr	--	3.50%	--
05/19/2020 14:00	UK Average Weekly Earnings 3M/YoY	Mar	2.70%	2.80%	--
05/19/2020 15:20	ID Bank Indonesia 7D Reverse Repo	May-19	4.25%	4.50%	--
05/19/2020 16:30	HK Unemployment Rate SA	Apr	4.60%	4.20%	--
05/19/2020 17:00	GE ZEW Survey Expectations	May	30	28.2	--
05/19/2020 17:00	GE ZEW Survey Current Situation	May	-86.6	-91.5	--
05/19/2020 17:00	EC ZEW Survey Expectations	May	--	25.2	--
05/19/2020 20:30	US Housing Starts	Apr	900k	1216k	--
05/19/2020 20:30	US Building Permits	Apr	1000k	1353k	1350k

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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