

## Daily Treasury Outlook

20 February 2020

### Highlights

**Global:** Global risk appetite was fairly buoyant overnight, with S&P500 at a fresh record high, led by tech stocks including chipmakers after news that China is planning stimulus measures and could bailout troubled industries. The USD also saw a four month high amid stronger than expected housing starts and building permits data. UST bonds softened slightly. The January FOMC minutes reinforced that the current policy stance will “remain appropriate for a time” and also highlighted plans to start moderating Treasury bill purchases in 2Q and several members favour a standing repo facility going forward.

**Market watch:** Asian markets may open on a firmer tone this morning. Key things to watch include China’s LPR fixings and BI rate decision. The economic data calendar comprises German GfK, Hong Kong’s CPI, US’ initial jobless claims and Philadelphia Fed business outlook.

**China:** In its 4Q monetary policy report, China’s central bank expected the impact of Covid-19 on Chinese economy to be short-lived. PBoC said it would roll out more counter cyclical measures to ensure the growth rate remains within a reasonable range. However, PBoC reiterated it will not flood the market with excessive liquidity. For today, market will watch out for the LPR fixing this morning, which is expected to be cut by 10bps. On Covid-19, China reported a much smaller newly confirmed cases in the epicenter of Hubei province, reinforcing expectation that we are approaching the turning point. However, the bad news is that China officially confirmed that the Covid-19 can be transmitted via aerosol other than usual direct contact and droplet.

**Singapore:** MAS will auction \$2.3 billion (with MAS taking \$200m) of a new 30-year SGS bond on 26 February for issue on 2 March.

**Malaysia:** Human Resources Ministry said that the trend in job losses due to Covid-19 impact remains normal and has not risen dramatically. Earlier, Malaysian Employers Federation said that up to 100k jobs might be lost if the crisis extends into year-end; a claim that the ministry said is speculative.

**Indonesia:** Bank Indonesia is due to announce its monetary policy decision today, with some market players increasingly leaning on a cut. While the risk of a cut has risen due to regional Covid-19 impact, we think that on balance, BI will still hold for now. Potential risk-off episode and impact on currency stability remain key focus, but BI may opt to loosen some macro prudential measures in the meantime.

**Oil:** Chinese refiners have cut run rates to 10mbpd as they cut production due to weakened demand from the coronavirus, according to Bloomberg. That compares with 13mbpd last year, a decline of 23%.

**Gold:** Gold continues to move away from its critical support of \$1600/oz, closing at \$1611.70/oz. Despite the situation in China seemingly having stabilised, gold prices have continued its rally.

Key Market Movements		
Equity	Value	% chg
S&P 500	3386.2	0.5%
DJIA	29348	0.4%
Nikkei 225	23401	0.9%
SH Comp	2975.4	-0.3%
STI	3213.7	0.5%
Hang Seng	27656	0.5%
KLCI	1534.2	-0.2%
Currencies	Value	% chg
DX	99.705	0.3%
USDJPY	111.37	1.4%
EURUSD	1.0805	0.1%
GBPUSD	1.2920	-0.6%
USDIDR	13695	0.0%
USDSGD	1.3946	0.1%
SGDMYR	2.9917	0.3%
Rates	Value	chg (bp)
3M UST	1.57	0.04
10Y UST	1.57	0.51
1Y SGS	1.60	-0.10
10Y SGS	1.66	0.84
3M LIBOR	1.69	0.17
3M SIBOR	1.71	-0.09
3M SOR	1.55	1.60
Commodities	Value	% chg
Brent	59.12	2.4%
WTI	53.29	2.4%
Gold	1612	0.6%
Silver	18.43	1.4%
Palladium	2717	3.3%
Copper	5770	-0.1%
BCOM	76.57	0.6%

Source: Bloomberg

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### Major Markets

**US:** US equity markets rose last night as investors shook off worries of the Covid-19's impact on the global economy and corporate profits. Both the S&P500 and Nasdaq Composite rose to record highs, with the S&P500 index up 0.5%. Looking ahead, we still expect the Covid-19 outbreak to pose headwinds to both global economic activity and corporate profits, although the risk seems to be abating. S&P500 remains supported at the 3300 handle.

**Singapore:** The benchmark Singapore equity index rose yesterday, led higher by the banking sector. The STI rose 0.5% yesterday to follow Wall Street higher, and is likely to exhibit the same behaviour again today after the S&P 500 index set a new record high last night. Near term resistance is likely at 3250.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 2bps lower, while the belly and the longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 0.3bps to 118bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 0.2bps to 471bps. The HY-IG Index Spread widened 0.1bps to 352bps. 10Y UST Yields gained 1bps to 1.57%, as China was considering to do more to boost its virus-hit economy and the U.S. economic data was better than expected.

**New Issues:** Huarong Finance 2019 Co., Ltd (Guarantor: China Huarong International Holdings Limited; Keepwell/EIPU Provider: China Huarong Asset Management Co., Ltd.) priced a multi-part bond offering: (1) a USD400mn 3-year bond at T+120bps, (2) a USD400mn 3-year bond at 3m-US LIBOR+112.5bps, (3) a USD300mn 5-year bond at 3m-US LIBOR+125bps and (4) a USD700mn 10-year bond at T+185bps, tightening from IPT of T+150bps, 3m-US LIBOR+145bps, 3m-US LIBOR+160bps and T+215bps area respectively. Vena Energy Capital Pte. Ltd (Guarantors: Vena Energy Holdings Ltd, Vena Energy (Taiwan) Holdings Ltd, Zenith Japan Holdings Ltd) priced a USD325mn 5-year green bond at T+172.5bps. Modern Land (China) Co priced a USD200mn 2-year green bond at 12.875%, tightening from IPT of 13.5% area. China South City Holdings Ltd priced a USD225mn 2-year 4-month bond at 12.375%, tightening from IPT of 12.75% area. Zhenro Properties Group Limited priced a USD200mn 363-day bond at 5.6%, tightening from IPT of 6.125% area. ESR Cayman Limited priced a SGD225mn 5-year bond at 5.10%, tightening from IPT of 5.375% area. Muthoot Finance Ltd arranged investor calls commencing 18 Feb for its proposed USD bond offering. DBS Group Holdings Ltd arranged investor calls commencing 19 Feb for its proposed USD PERPNC5 AT1 offering. Semiconductor Manufacturing Intl has mandated banks for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	99.705	0.27%	<b>USD-SGD</b>	1.3946	0.14%
<b>USD-JPY</b>	111.370	1.37%	<b>EUR-SGD</b>	1.5070	0.28%
<b>EUR-USD</b>	1.0805	0.12%	<b>JPY-SGD</b>	1.2524	-1.18%
<b>AUD-USD</b>	0.6675	-0.16%	<b>GBP-SGD</b>	1.8019	-0.45%
<b>GBP-USD</b>	1.2920	-0.60%	<b>AUD-SGD</b>	0.9312	0.02%
<b>USD-MYR</b>	4.1613	0.19%	<b>NZD-SGD</b>	0.8906	0.15%
<b>USD-CNY</b>	6.9983	0.02%	<b>CHF-SGD</b>	1.4172	0.08%
<b>USD-IDR</b>	13695	0.01%	<b>SGD-MYR</b>	2.9917	0.33%
<b>USD-VND</b>	23239	0.03%	<b>SGD-CNY</b>	5.0196	-0.12%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	29,348.03	115.84
<b>S&amp;P</b>	3,386.15	15.86
<b>Nasdaq</b>	9,817.18	84.44
<b>Nikkei 225</b>	23,400.70	206.90
<b>STI</b>	3,213.71	17.08
<b>KLCI</b>	1,534.16	-2.92
<b>JCI</b>	5,928.79	41.83
<b>Baltic Dry</b>	450.00	--
<b>VIX</b>	14.38	-0.45

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4800	0.20%	<b>O/N</b>	1.5634	-1.28%
<b>2M</b>	-0.3360	-1.28%	<b>1M</b>	1.6470	0.03%
<b>3M</b>	-0.4030	0.03%	<b>2M</b>	1.6604	1.46%
<b>6M</b>	-0.3580	1.46%	<b>3M</b>	1.6946	0.17%
<b>9M</b>	-0.1940	0.17%	<b>6M</b>	1.7149	-1.00%
<b>12M</b>	-0.2920	-1.00%	<b>12M</b>	1.7719	-2.09%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.49 (-0.01)	1.42 (+0.01)
<b>5Y</b>	1.52 (-0.01)	1.41 (+0.01)
<b>10Y</b>	1.66 (+0.01)	1.57 (+0.01)
<b>15Y</b>	1.77 (+0.01)	--
<b>20Y</b>	1.83 (--)	--
<b>30Y</b>	2.01 (+0.02)	2.01 (--)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Prob Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-0.073	-7.30%	-0.018	1.565
29/04/2020	-0.225	-15.20%	-0.056	1.528
10/06/2020	-0.492	-26.70%	-0.123	1.461
29/07/2020	-0.725	-23.30%	-0.181	1.403
16/09/2020	-1.019	-29.40%	-0.255	1.329
05/11/2020	-1.143	-12.40%	-0.286	1.298

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.30	-0.15
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.60
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.29	2.4%	Corn (per bushel)	3.8050	-0.7%
Brent (per barrel)	59.12	2.4%	Soybean (per bushel)	8.973	0.6%
Heating Oil (per gallon)	1.7068	2.1%	Wheat (per bushel)	5.6525	-0.3%
Gasoline (per gallon)	1.6633	3.0%	Crude Palm Oil (MYR/MT)	2,645.0	-3.1%
Natural Gas (per MMBtu)	1.9550	-1.3%	Rubber (JPY/KG)	162.0	-1.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,770	-0.1%	Gold (per oz)	1,611.7	0.6%
Nickel (per mt)	12,830	0.1%	Silver (per oz)	18.432	1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/20/2020 02:21	CH	Money Supply M2 YoY	Jan	8.60%	--	8.70%	--
02/20/2020 08:30	AU	Unemployment Rate	Jan	5.20%	--	5.10%	--
02/20/2020 08:30	AU	Employment Change	Jan	10.0k	--	28.9k	--
02/20/2020 08:30	AU	Participation Rate	Jan	66.00%	--	66.00%	--
02/20/2020 15:20	ID	Bank Indonesia 7D Reverse Repo	Feb-20	4.75%	--	5.00%	--
02/20/2020 16:00	TA	Export Orders YoY	Jan	-6.70%	--	0.90%	--
02/20/2020 16:30	HK	CPI Composite YoY	Jan	3.10%	--	2.90%	--
02/20/2020 17:30	UK	Retail Sales Inc Auto Fuel MoM	Jan	0.70%	--	-0.60%	--
02/20/2020 17:30	UK	Retail Sales Ex Auto Fuel MoM	Jan	0.80%	--	-0.80%	--
02/20/2020 17:30	UK	Retail Sales Inc Auto Fuel YoY	Jan	0.60%	--	0.90%	--
02/20/2020 17:30	UK	Retail Sales Ex Auto Fuel YoY	Jan	0.50%	--	0.70%	--
02/20/2020 21:30	US	Initial Jobless Claims	Feb-15	210k	--	205k	--
02/20/2020 21:30	US	Philadelphia Fed Business Outlook	Feb	11	--	17	--
02/20/2020 23:00	US	Leading Index	Jan	0.40%	--	-0.30%	--
02/20/2020 23:00	EC	Consumer Confidence	Feb A	-8.2	--	-8.1	--

Source: Bloomberg

## Treasury Research & Strategy

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