

Daily Treasury Outlook

20 March 2020

Highlights

Global: Let's take what we can get these days. No matter how small, the S&P 500's 0.5% gain at closing, after another day of choppy trading, is nothing to sniff at, given the recent performance or lack thereof. Nasdaq was up more, closing 2.3%, as technology sectors saw bids. US Treasuries stayed relatively unchanged, with 10-year yield down by 4bps to 1.15%. WTI rebounded 22.8%. The degree of uptick sounds impressive, but level-wise, it's really just back to \$25bbl. European bonds rallied due to ECB's 750bn purchase program that was announced earlier.

The eurozone central bank is by no means the only busy one. The Fed extended its swap line facilities to 8 more central banks (on top of the 5 announced previously) across the world, including BOK and MAS in Asia. This is a bid to counter the tight USD liquidity issue globally. Elsewhere, the RBA joined the QE bandwagon, by announcing plans to target 3-year bond yields at 0.25% through purchase programs after cutting its cash rate to as much. The BOE's in it too. New Governor Bailey presided over a decision to cut rate to record-low 0.1% (from 0.25%) and to boost its QE to GBP 645bn - including for purchases of corporate bonds. Elsewhere, as a sign of how worried central banks in Asia are as well, BI and BSP cut interest rates too, by 25 and 50bps respectively.

Market watch: Today's economic releases include Thailand and Malaysia foreign reserves, Taiwan's export orders, Germany's PPI and US' existing home sales.

China: China's Commerce Ministry reiterated that it will further open its domestic market to foreign investors. Meanwhile, China is also eyeing to sign the RCEP by the end of the year.

Singapore: The Fed has issued a \$60bn swap facility with the MAS, along with eight other central banks, that is expected to last at least six months. These swap lines allow companies facing a dollar crunch to meet liquidity needs, as global payments systems face liquidity strains amid the coronavirus impact to the economy.

Malaysia: Bank Negara announced a 100bps cut in its Statutory Reserve Ratio for banks to 2.0%, effective March 20. The move will add about MYR30bn of liquidity into the banking system. It will also now allow recognition of government bonds and sukuk of up to MYR1bn as part of the SRR calculation through end March 2021, for primary dealers. While, as per usual, BNM is keen to note that it is a liquidity measure and not a signal of monetary policy stance, given the rapid development of the situation, markets should not be surprised to see an out-of-schedule OPR cut ahead of the May meeting.

Oil: Brent rose 14% to \$28.47/bbl, in conjunction with a general rise in risky asset prices. Oil prices have endured very high volatility in the past two weeks and is showing little signs of stabilising at present.

Key Market Movements		
Equity	Value	% chg
S&P 500	2409.4	0.5%
DJIA	20087	0.9%
Nikkei 225	16553	-1.0%
SH Comp	2702.1	-1.0%
STI	2311.0	-4.7%
Hang Seng	21709	-2.6%
KLCI	1219.7	-1.6%
Currencies	Value	% chg
DXY	102.755	1.6%
USDJPY	110.71	2.4%
EURUSD	1.0692	-2.0%
GBPUSD	1.1485	-1.1%
USIDR	15913	4.5%
USDSGD	1.4509	0.4%
SGDMYR	3.0433	0.0%
Rates	Value	chg (bp)
3M UST	-0.03	-1.27
10Y UST	1.14	-5.11
1Y SGS	1.12	5.10
10Y SGS	1.77	15.89
3M LIBOR	1.12	6.39
3M SIBOR	0.99	0.41
3M SOR	0.87	7.54
Commodities	Value	% chg
Brent	28.47	14.4%
WTI	25.22	23.8%
Gold	1471	-1.0%
Silver	12.12	1.1%
Palladium	1656	3.3%
Copper	4825	1.7%
BCOM	61.43	3.3%

Source: Bloomberg

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Major Markets

US: US equity markets eked out slight gains last night after a turbulent session in which the S&P500 index fell more than 3% at one point. The S&P500 index eventually closed 0.5% higher. Risk sentiment was boosted by central banks' actions around the world and also the proposed fiscal stimulus the US government is planning to inject into the economy. Looking ahead, expect investors' attention to still be focused on the rate of new infections in the US and Europe.

Taiwan: CBC trimmed the discount rate by 25bps to the historical low at 1.125% during the 1Q monetary policy meeting, in order to buffer the negative impacts driven by the epidemic. Externally speaking, affected by the global spreading of Covid-19, supply chain disruption, sluggish external demands and sharp decline in visitor arrivals have dragged down the performance of both goods and services exports. From the perspective of domestic economy, with rising concerns over gloomy economic outlook and redundancies, the consumption sentiments remained under pressure. Therefore, CBC downgraded the GDP forecast for the first half of 2020 to 1.07% yoy. With the gradual recovery of supply chain and the supports from the relief measures unveiled by government, the economy might regain the growth momentum in the second half of this year (2H GDP forecast: 2.72% yoy). In the tandem, CBC revised the GDP forecast for whole 2020 downwardly from 2.57% yoy to 1.92% yoy. Due to the deteriorating macroeconomic environment and the uncertainties of the epidemic, we downgrade our GDP forecast for 1H 2020, 2H 2020 and whole 2020 from 1.8% yoy, 2.4% yoy and 2.1% yoy respectively to 1.2% yoy, 2.5% yoy and 1.8% yoy respectively.

CBC governor Yang Chin-Long stated that rate cut aimed to ease the financial burden of corporates and it will provide further monetary easing to lend supports to the economy if necessary. Nevertheless, he denied the possibility of negative interest rate and unconventional monetary policy. After the rate cut in 1Q, we expect CBC to keep the interest rate unchanged in rest of 2020. Nevertheless, should the domestic economy deteriorate amid the epidemic to persist, the possibility of further monetary easing by CBC to support the economy cannot be ruled out. Therefore, we will continue to take a closer look at the domestic economic performance and global financial condition in the coming months.

Singapore: The STI tumbled yesterday, extending its consecutive days of losses to seven as ECB's emergency move of asset purchase program failed to improve risk appetite. The STI was down 4.7% to close at 2311. For today, STI is likely to open on a stronger footing, following positive openings in the KOSPI and ASX indices.

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Indonesia: Bank Indonesia decided to cut its policy rate by 25bps to 4.5% yesterday, despite ructions in the currency markets. It also cut its domestic growth forecast expectation for 2020 from 5.0-5.4% before to 4.2-4.6% now. This is in line with its reduced expectation for global growth, from 3.0% to 2.5% now. Inflation expectation is also shaved down from 3.3% to 3.0%. In a bid to continue the flow of conversation with market players, Governor Perry Warjiyo announced that he will conduct press briefings every Tuesday and Thursday.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 9-19bps higher, while the belly and the longer tenors traded 19-22bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 22bps to 249bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 169bps to 1175bps. The HY-IG Index Spread widened 147bps to 926bps. Flows in SGD corporates were heavy, with flows in DBSSP 3.98%-PERPs, UOBSP 4%-PERPs, CS 5.625%-PERPs, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs and NAB 4.15%'28s. 10Y UST Yields fell 5bps to 1.14%, as the weekly jobless claims in the U.S. rose due to the spread of COVID-19 while investors piled into short-term securities as a safety play which resulted in the rise of the 3m UST Yield.

New Issues: China Construction Bank (Asia) Corporation Limited priced a USD500mn PERPNC5 at 3.18%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.755	1.58%	USD-SGD	1.4509	0.44%
USD-JPY	110.710	2.43%	EUR-SGD	1.5512	-1.60%
EUR-USD	1.0692	-2.04%	JPY-SGD	1.3108	-1.81%
AUD-USD	0.5743	-0.52%	GBP-SGD	1.6660	-0.67%
GBP-USD	1.1485	-1.06%	AUD-SGD	0.8333	-0.05%
USD-MYR	4.4137	0.91%	NZD-SGD	0.8236	-0.57%
USD-CNY	7.1086	0.87%	CHF-SGD	1.4717	-1.24%
USD-IDR	15913	4.53%	SGD-MYR	3.0433	-0.04%
USD-VND	23372	0.54%	SGD-CNY	4.9176	0.77%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4780	1.00%	O/N	0.3799	12.18%
2M	-0.3360	12.18%	1M	0.7729	2.29%
3M	-0.4080	2.29%	2M	0.9606	5.74%
6M	-0.3600	5.74%	3M	1.1158	6.39%
9M	-0.1940	6.39%	6M	0.9520	3.90%
12M	-0.2530	3.90%	12M	0.8894	2.76%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	-0.041	-4.1	-0.01	0.132
10/06/2020	-0.13	-8.8	-0.032	0.11
29/07/2020	-0.182	-5.2	-0.045	0.098
16/09/2020	-0.207	-2.6	-0.052	0.091
05/11/2020	-0.175	3.2	-0.044	0.099
16/12/2020	-0.123	5.2	-0.031	0.112

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	25.22	23.8%	Corn (per bushel)	3.4550	3.1%
Brent (per barrel)	28.47	14.4%	Soybean (per bushel)	8.433	2.2%
Heating Oil (per gallon)	1.0417	9.2%	Wheat (per bushel)	5.3500	5.3%
Gasoline (per gallon)	0.6850	7.4%	Crude Palm Oil (MYR/MT)	2,271.0	-2.2%
Natural Gas (per MMBtu)	1.6540	3.1%	Rubber (JPY/KG)	145.4	-5.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,825	1.7%	Gold (per oz)	1,471.2	-1.0%
Nickel (per mt)	11,250	-1.3%	Silver (per oz)	12.118	1.1%

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

Equity and Commodity

Index	Value	Net change
DJIA	20,087.19	188.27
S&P	2,409.39	11.29
Nasdaq	7,150.58	160.73
Nikkei 225	16,552.83	-173.72
STI	2,311.00	-114.62
KLCI	1,219.72	-19.29
JCI	4,105.42	-225.25
Baltic Dry	630.00	1.00
VIX	72.00	-4.45

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.20 (+0.11)	0.45 (-0.08)
5Y	1.44 (+0.2)	0.69 (-0.1)
10Y	1.77 (+0.16)	1.14 (-0.05)
15Y	1.80 (+0.13)	--
20Y	1.77 (+0.09)	--
30Y	1.72 (+0.06)	1.78 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	9.30	-0.13
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/20/2020 05:00	SK PPI YoY	Feb	--	0.70%	1.00%
03/20/2020 10:00	NZ Credit Card Spending YoY	Feb	--	--	3.70%
03/20/2020 15:00	MA Foreign Reserves	Mar-13	--	--	\$103.4b
03/20/2020 15:00	GE PPI MoM	Feb	-0.20%	--	0.80%
03/20/2020 15:00	GE PPI YoY	Feb	0.20%	--	0.20%
03/20/2020 15:30	TH Foreign Reserves	Mar-13	--	--	\$236.3b
03/20/2020 16:00	TA Export Orders YoY	Feb	0.70%	--	-12.80%
03/20/2020 17:30	UK PSNB ex Banking Groups	Feb	0.8b	--	-9.8b
03/20/2020 17:30	UK Public Finances (PSNCR)	Feb	--	--	-18.8b
03/20/2020 17:30	UK Public Sector Net Borrowing	Feb	0.7b	--	-10.5b
03/20/2020 20:30	CA Retail Sales MoM	Jan	0.30%	--	0.00%
03/20/2020 20:30	CA Retail Sales Ex Auto MoM	Jan	0.20%	--	0.50%
03/20/2020 22:00	US Existing Home Sales	Feb	5.51m	--	5.46m
03/20/2020 22:00	US Existing Home Sales MoM	Feb	0.90%	--	-1.30%

Source: Bloomberg

Treasury Research & Strategy

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