

Daily Treasury Outlook

20 April 2020

Highlights

Global: Global risk sentiments remained on the uptick on Friday due to plans that some US states will begin to reopen, New York Cuomo opined that the state's Covid-19 fatalities is on the descent, and drug trials for Covid-19 looked promising. There were also tentative signs that Covid-19 fatalities may be easing in Italy, Spain and UK. The S&P500 rallied 2.68%, registering its second consecutive week of gains, while VIX dipped to 38, albeit WTI plummeted to a fresh 18-year low of \$18.27 per barrel amid concerns of low demand and storage crunch. UST bonds bear steepened with the 10-year bond yield at 0.64% on the Fed's plan to moderate its buying of UST bonds from \$30b to \$15b starting this week. Separately, Fed's Bullard suggested that 2Q20 could be a write off, but bounce back in 2H, whereas Mester and Williams were more cautious about recovery prospects.

Market watch: Asian markets may open on a mixed tone as investors await China's likely lower 1- and 5-year Loan Prime Rate fixings today for market clues. Today's economic data calendar comprises of US' Chicago national activity index, German PPI, Taiwan's trade orders, HK's unemployment rate, and Eurozone's trade balance data. BOE's Haldane and Broadbent are also holding a briefing. For the week ahead, watch for RBA minutes and RBA governor Lowe's speech tomorrow, and upcoming manufacturing and services PMIs. US earnings season continues with IBM, Infosys Ltd and China Mobile today, followed by Coca-Cola Co, Netflix and Lockheed. EU leaders are also having a virtual summit to discuss budget plans and S&P's review of Italy (BBB with negative outlook) will also be in focus on Friday.

US: Meanwhile, Treasury Secretary Mnuchin and Democrat leaders hope to pass an aid package to top up \$300b to the Paycheck Protection Program to help small businesses with loans and \$50b for the Economic Injury Disaster Loan program early this week. Separately, president Trump again hinted that there could be consequences if China is "knowingly responsible" for the Covid-19 pandemic.

EU: Spanish PM Sanchez plans to extend its nationwide lockdown for another two weeks through 9 May, whereas France will unveil within two weeks a plan to progressively end its lockdown after 11 May. Meanwhile, ECB officials have held talks with the European Commission on establishing a bad bank to take over NPLs arising from both the GFC and the Covid-19 pandemic.

Singapore: Covid-19 infections rose to 6,588 yesterday, with Singapore overtaking as the Southeast Asian country with the most cases.

Oil: Brent closed below \$30/bbl since last Tuesday, as fears of oversupply in the market have resurfaced to render the OPEC+ cuts ineffective. The decline in prices came amid a general risk-on sentiment on Wall Street. We maintain our view that oil prices are expected to face selling pressure until the coronavirus episode shows stronger signs of stabilisation.

Key Market Movements		
Equity	Value	% chg
S&P 500	2874.6	2.7%
DJIA	24242	3.0%
Nikkei 225	19897	3.1%
SH Comp	2838.5	0.7%
STI	2614.6	0.1%
Hang Seng	24380	1.6%
KLCI	1407.3	1.5%
Currencies	Value	% chg
DX	99.782	-0.2%
USDJPY	107.54	-0.4%
EURUSD	1.0875	0.3%
GBPUSD	1.2499	0.3%
USIDR	15465	-1.1%
USDSGD	1.4231	-0.3%
SGDMYR	3.0686	0.0%
Rates	Value	chg (bp)
3M UST	0.09	-2.55
10Y UST	0.64	1.50
1Y SGS	0.65	-1.10
10Y SGS	1.04	1.10
3M LIBOR	1.14	0.04
3M SIBOR	0.99	-0.02
3M SOR	0.87	-0.92
Commodities	Value	% chg
Brent	28.08	0.9%
WTI	18.27	-8.1%
Gold	1683	-2.0%
Silver	15.18	-2.1%
Palladium	2166	-0.2%
Copper	5211	1.4%
BCOM	62.09	0.1%

Source: Bloomberg

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Major Markets

US: US equity markets rose last Friday as investors were encouraged by a report that said a Gilead Sciences drug was showing effectiveness against the coronavirus. The S&P500 gained 2.68%. In the week ahead, markets are likely to continue to look for signs of improvement in the pandemic and also hints on the reopening of economies. IBM and United Airlines are among the companies to report earnings today.

China: China's top leaders met on 17 April, same day as China published its 1Q GDP. The April meeting sent the strongest signal so far that China will take a bolder approach to support the growth after saying "China will use stronger macro policy to counter the shock from the covid-19". Since March meeting, the global situation has deteriorated significantly. Against the fluid situation globally, China has shifted to bottom line thinking mentality via introducing six bottom lines including stabilizing the job market, ensure basic well-being, protect market entity, ensure food and energy security, protect the industrial supply chain and ensure the ground operation on the grassroot level. On fiscal policy, China tweaked its language via removing the word "appropriately" for increasing fiscal deficit target. This signals that China may run a larger fiscal deficit above previously expected 3.5% to support growth.

Hong Kong: The HKMA announced details of the 100% Loan Guarantee under SFGS and the launch of Pre-approved Principal Payment Holiday Scheme for corporate customers. These schemes aim to tide SMEs over as they are hit hardest in this difficult time. Also, by helping SMEs survive the pandemic, rapid increase in unemployment could be avoided.

Macau: Gaming revenue plummeted by record 60% yoy in the first quarter of 2020 to MOP30.5 billion, the lowest since 3Q 2009. VIP revenue and mass-market revenue dropped by 60.2% yoy and 59.9% yoy respectively to MOP14.8 billion and MOP14.1 billion. More notably, gaming tables decreased 17.9% qoq to 5533, the lowest since 4Q 2012, as a response to the stalling tourism activities. With the containment measures unlikely to be totally lifted any time soon, both inbound tourism and gaming sector will remain at a standstill in near term. Even if global economic activities resume normalcy, the recovery of gaming sector is expected to be slow and moderate. First, as it may take some time for the fear of Covid-19 infection to abate while unemployment is worsening across the globe, we may not see V-shaped rebound in either tourism or gaming. Second, policy risks and China's economic slowdown could remain a drag on high-roller demand.

Singapore: The STI added 0.09% to close at 2614.60 on Friday, led by REITS on new measures offering greater flexibility, but may await further direction from China's LPR fixings despite Wall Street's modest gains on Friday. Given the bear-steepening in the UST bond market on Friday, SGS bonds may also trade with a slightly cautious tone today.

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Indonesia: S&P Global Ratings have adjusted its outlook on Indonesia's sovereign ratings from stable to negative, while keeping its BBB rating, which is the second-lowest investment grade rating. It has done so to reflect "additional downside risk to the government's fiscal and external metrics." Separately, BI said that it may start purchasing government bonds in the primary market as soon as this week but only as a last resort if market mechanism fails. BI will cap its purchase to 25% of the targeted auction, and is still working out the terms and conditions with the Ministry of Finance but hope to finalise it this week.

Malaysia: Bank Negara has reportedly said that it has access to the Fed's FIMA repo facility. No access amount was specified. The news was reported by Bloomberg, quoting minutes from Malaysia's Financial Markets Committee, which noted that the meeting also considered more flexibilities for foreign exchange rules to improve corporate hedging, financial guarantees and relaxation of export proceeds conversion.

Thailand: King Maha Vajiralongkorn has approved the 1 trillion baht fiscal stimulus programme for the nation's fight against Covid-19.

Gold: The precious metal endured a heavy selloff on Friday, closing at \$1682.82/oz. Gold initially broke above the \$1700/oz handle on Tuesday, but could not hold into its gains as risk appetite continues to improve on expectations of an impending partial reopening of the US economy. Prices are close to our current model-implied value and should face further selling pressure if both the dollar and Treasuries see a selloff in the coming week.

Bond Market Updates

Market Commentary: The SGD swap curve flattened last Friday, with the shorter and the belly tenors trading 1-3bps higher, while tenors beyond 10Y traded 1-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 22bps to 951bps. The HY-IG Index Spread tightened 19bps to 692bps. Flows in SGD corporates were heavy yesterday, with flows seen in OLAMSP 6%'22s, UBS 4.85%-PERPs, HSBC 4.7%-PERPs, CMZB 4.875%'27s and CS 5.625%-PERPs. 10Y UST Yields gained 2bps to 0.64% by the end of the day, with the U.S. stock indices rallying, due to news that the outbreak of COVID-19 was slowing and President Trump's plans to reopen the U.S. economy in phases.

New Issues: Lenovo Group Limited priced a USD650mn 5-year bond at 5.875%, tightening from IPT of 6.125% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.782	-0.24%	USD-SGD	1.4231	-0.34%
USD-JPY	107.540	-0.35%	EUR-SGD	1.5475	-0.01%
EUR-USD	1.0875	0.32%	JPY-SGD	1.3224	-0.05%
AUD-USD	0.6366	0.62%	GBP-SGD	1.7780	-0.03%
GBP-USD	1.2499	0.34%	AUD-SGD	0.9055	0.24%
USD-MYR	4.3698	-0.16%	NZD-SGD	0.8576	0.70%
USD-CNY	7.0737	-0.11%	CHF-SGD	1.4706	-0.07%
USD-IDR	15465	-1.12%	SGD-MYR	3.0686	0.05%
USD-VND	23381	-0.30%	SGD-CNY	4.9713	0.35%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4340	1.20%	O/N	0.0670	0.09%
2M	-0.3360	0.09%	1M	0.6728	-3.25%
3M	-0.2430	-3.25%	2M	0.9524	-6.28%
6M	-0.1950	-6.28%	3M	1.1090	0.04%
9M	-0.1940	0.04%	6M	1.1025	-2.51%
12M	-0.1050	-2.51%	12M	0.9819	-3.29%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.098	9.8	0.025	0.077
10/06/2020	0.099	0.1	0.025	0.078
29/07/2020	0.078	-2.1	0.02	0.072
16/09/2020	0.047	-3.1	0.012	0.065
05/11/2020	0.034	-1.3	0.009	0.062
16/12/2020	0.07	3.6	0.018	0.07

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	18.27	-8.1%	Corn (per bushel)	3.2225	0.8%
Brent (per barrel)	28.08	0.9%	Soybean (per bushel)	8.325	-0.5%
Heating Oil (per gallon)	0.9563	1.1%	Wheat (per bushel)	5.3350	0.7%
Gasoline (per gallon)	0.7107	0.8%	Crude Palm Oil (MYR/MT)	2,285.0	1.6%
Natural Gas (per MMBtu)	1.7530	4.0%	Rubber (JPY/KG)	143.5	1.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,211	1.4%	Gold (per oz)	1,682.8	-2.0%
Nickel (per mt)	12,042	2.4%	Silver (per oz)	15.178	-2.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,242.49	704.81
S&P	2,874.56	75.01
Nasdaq	8,650.14	117.78
Nikkei 225	19,897.26	607.06
STI	2,614.60	2.35
KLCI	1,407.34	20.81
JCI	4,634.82	154.21
Baltic Dry	751.00	25.00
VIX	38.15	-1.96

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.59 (-0.02)	0.20 (--)
5Y	0.69 (--)	0.36 (--)
10Y	1.04 (+0.01)	0.64 (+0.02)
15Y	1.28 (--)	--
20Y	1.41 (--)	--
30Y	1.44 (--)	1.26 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	21.90	-1.80
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.03
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/20/2020 04/24	PH Foreign Reserves	Mar	--	--	\$87.6b
04/20/2020 04/24	PH Bank Lending YoY	Feb	--	--	11.20%
04/20/2020 06:45	NZ CPI QoQ	1Q	0.40%	0.80%	0.50%
04/20/2020 06:45	NZ CPI YoY	1Q	2.10%	2.50%	1.90%
04/20/2020 07:01	UK Rightmove House Prices MoM	Apr	--	-0.20%	1.00%
04/20/2020 07:01	UK Rightmove House Prices YoY	Apr	--	2.10%	3.50%
04/20/2020 07:50	JN Trade Balance	Mar	¥459.9b	¥4.9b	¥1109.8b
04/20/2020 07:50	JN Trade Balance Adjusted	Mar	-¥115.0b	-¥190.0b	¥498.3b
04/20/2020 07:50	JN Exports YoY	Mar	-9.40%	-11.70%	-1.00%
04/20/2020 14:00	GE PPI MoM	Mar	-0.70%	--	-0.40%
04/20/2020 14:00	GE PPI YoY	Mar	-0.80%	--	-0.10%
04/20/2020 16:00	TA Export Orders YoY	Mar	-6.00%	--	-0.80%
04/20/2020 16:30	HK Unemployment Rate SA	Mar	4.00%	--	3.70%
04/20/2020 20:30	US Chicago Fed Nat Activity Index	Mar	-3	--	0.16
04/20/2020 20:30	CA Wholesale Trade Sales MoM	Feb	-0.40%	--	1.80%

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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