

Daily Treasury Outlook

22 April 2020

Highlights

Global: Fragile market sentiments remained held at ransom by volatile crude oil price which rolled from the May to the June WTI futures contract which also fell below \$10 barrel overnight before settling at \$11.57 while Brent dipped below \$20 per barrel. The US Senate passed a \$484b to fund a \$320b top up to the Paycheck Program as well as provide more healthcare funding. The S&P500 fell 3.1% overnight with VIX rising to 45.41, while longer-dated UST bonds rallied with the 10-year bond yield down to 0.57% on safe haven bids. Elsewhere, HKMA intervened in the HKD for the first time since October 2015 amid strong carry trade inflows, and Australia's RBA is scaling back its daily bond purchase to three times a week from five as market conditions have improved and may not even purchase bonds depending on the 3-year government bond yield and market functioning. However, Mexico's central bank unexpectedly slashed rates by 50bps to 6%, citing the sharp fall in oil prices, and said it will implement more measures to boost liquidity.

Market watch: Asian markets are likely to be on tenterhooks today, as oil-fuelled risk aversion tips its ugly head again. The economic data calendar comprises of Malaysia's March CPI and foreign reserves, Taiwan's unemployment, UK's CPI/PPI/RPI, and US' mortgage applications. ECB's Rehn is speaking on Covid-19 impact and monetary policy. AT&T and CSX are also reporting earnings today.

US: President Trump put a temporary immigration ban of at least 90 days but excluded healthcare and food production. Meanwhile, home sales plunged 8.5% mom in March, following a 6.3% growth in February. On the earnings front, Chipotle, Lyft and Phillip Morris also withdrew their full year guidance, while Netflix added a record 15.8 million users in a blockbuster quarter and Texas Instruments also beat estimates on stronger customer demand.

EU: The ECB will hold a virtual call today to discuss accepting junk-rated debt collateral from lenders. Meanwhile, German ZEW current conditions collapsed from -43.1 to -91.5 while the expectations gauge rose to 28.2, whereas the Eurozone's ZEW expectations gauge rebounded from -49.5 to +25.2.

Taiwan: Exports and imports unexpectedly fell by 26.9% yoy and 18.6% yoy for the first 20 days of April, suggesting that the April trade data for other Asian exporters could be bad as well.

Singapore: The one-month circuit breaker will be extended by one month to 1 June, but the government will provide another \$3.8b in support to extend the 75% wage support for all sectors, the foreign worker levy waiver and rebate, as well as extend the wage support to cover employees who are shareholders and directors of the company. This adds to downside risk for 2Q20 GDP growth forecast that could shrink by more than 20% yoy and another full-year growth forecast downgrade is likely imminent to around -6% to -10% yoy. MAS will re-open \$2.3b of the 2-year SGS bond maturing on 1 February 2023 on 4 May with the auction closing at noon on 28 April.

Key Market Movements

Equity	Value	% chg
S&P 500	2736.6	-3.1%
DJIA	23019	-2.7%
Nikkei 225	19281	-2.0%
SH Comp	2827.0	-0.9%
STI	2551.9	-1.8%
Hang Seng	23794	-2.2%
KLCI	1381.7	-2.2%
Currencies	Value	% chg
DXY	100.258	0.3%
USDJPY	107.8	0.2%
EURUSD	1.0858	0.0%
GBPUSD	1.2289	-1.2%
USDIDR	15468	0.4%
USDSGD	1.4318	0.8%
SGDMYR	3.0753	-0.1%
Rates	Value	chg (bp)
3M UST	0.09	1.52
10Y UST	0.57	-3.62
1Y SGS	0.57	-6.00
10Y SGS	1.02	-1.31
3M LIBOR	1.10	-1.14
3M SIBOR	0.99	0.00
3M SOR	0.90	4.18
Commodities	Value	% chg
Brent	19.33	-24.4%
WTI	11.57	-43.4%
Gold	1686	-0.6%
Silver	14.89	-2.8%
Palladium	1933	-11.0%
Copper	5030	-3.0%
BCOM	59.51	-4.0%

Source: Bloomberg

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Major Markets

US: US markets plunged on Tuesday as worries over the deep economic damage done by the coronavirus outbreak were exacerbated by the plunge in oil prices. The S&P500 index fell by 3.07%. Risk appetite is expected to remain subdued as demand concerns weigh and more companies withdraw their full-year guidance. AT&T and Delta Airlines are among the companies to report earnings today.

China: China's State Council announced more measures to encourage banks to lend to smaller companies. The assessment weights of inclusive finance for financial institutions will be increased to 10%. Meanwhile, the regulatory requirement for loan provision ratio for medium and small sized banks will also be lowered temporarily by 20%. The epicentre Hubei's economy contracted by 39.2% yoy in the first quarter, deepest contraction in record.

Hong Kong: US\$HKD spot touched 7.7500 for the first time since January 2016 amid active carry trade on wide yield differential. We may see the currency pair frequently touch 7.75 in the near term and trigger intervention. Any intervention is expected to be moderate as we have not yet seen significant cross-border inflows amid global investors' cautiousness on uncertainty about Covid-19 pandemic. Moderate intervention coupled with HKMA's additional HK\$15 billion reduction in Exchange Fund Bills issue will likely push aggregate balance up from the current HK\$59 billion to above HK\$100 billion in the coming month. HIBOR is expected to be guided lower with 1M HIBOR down towards 1% after end of this month.

Macau: Policy Address for the Fiscal Year 2020 focuses on three parts. First, in the near term, the government will spend over MOP50 billion (to combat the virus and safeguard employment. Second, in the medium term, the government will strive to stabilize the economy with measures to support the recovery of integrated tourism and leisure industry, encourage private investments and intensify solicitation of foreign investments. More notably, Macau will establish cross-border RMB settlement center, study to set up RMB-denominated securities exchange and allow free capital flows between Macau and Hengqin. Third, in the long term, the government will improve people's livelihood, implement reform and facilitate development. Despite stimulus measures, tourism-related sectors and gaming sector may remain under huge pressure amid global lockdowns in the near term. Post-pandemic, any recovery of these sectors could also be slow due to global demand shock.

Singapore: The STI declined again by 1.77 to close at 2551.92 yesterday and may see further consolidation pressure today, tracking the overnight selloff by Wall Street amid very weak oil prices. With risk aversion still the mood for today and driving the bid for longer-tenor UST bonds, SGS bonds may still remain bid today. MAS last auctioned 2-year SGS bonds on 27 March.

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Indonesia: After weeks of holding off the decision, President Jokowi announced yesterday that the government will impose a ban on “mudik” activities, whereby as many as 75 millions of Indonesians traditionally head back to their hometowns during the Ramadan fasting month. There have been building concerns that the seasonal travel may result in further spread of the Covid-19 virus from major metropolitan areas to the outer-lying areas of the far-flung country with worse healthcare system.

Malaysia: Malaysia’s finance ministry issued a statement yesterday saying that it will reprioritise spending if revenue falls due to oil. The government is said to be looking at structural reforms to diversify economic base, although no exact details was given. It added that the budget deficit estimate of 4% of GDP has accounted for lower oil prices. This point may be a bit curious given that the announced oil price assumption back then was \$35-40 per barrel.

Oil: WTI for May delivery closed out its contract yesterday at \$10.01/bbl, having fallen to -\$37.63/bbl the day before. The negative prices from the day before, however, has had spillover effects to other parts of the energy market. The WTI June contract closed at \$11.57/bbl yesterday to record a staggering 43.4% decline, at one stage declining to as low as \$6.50/bbl. Brent closed below \$20/bbl yesterday at \$19.33/bbl to record a 24.4% drop. The beleaguered US Oil Fund ETF had a trading halt pre-market open yesterday and subsequently announced that it has issued all remaining registered shares, effectively becoming a closed-fund ETF for now and no clear way to align its price with actual crude oil prices. The price of the ETF fell 25% yesterday.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 1-2bps lower, while the belly and the longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 959bps. The HY-IG Index Spread widened 13bps to 699bps. Flows in SGD corporates were heavy, with flows in UOBSP 3.58%-PERPs, CAPLSP 3.8%'24s, FPLSP 4.15%'27s, CS 5.625%-PERPs, OHLSP 5.15%'20s and STANLN 5.375%-PERPs. 10Y UST Yields fell 4bps to 0.57%, alongside the second consecutive day of decline of U.S. stock indices, as concerns over the collapse of oil contracts yesterday and impact of the outbreak of COVID-19 lingered.

New Issues: Qingdao City Construction Investment (Group) Ltd has mandated banks for a proposed USD bond offering. Pingdu State-owned Assets Management Co arranged investor calls commencing 22 April for its proposed USD bond offering which will be guaranteed by Pingdu Construction Investment Development Co.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.258	0.30%	USD-SGD	1.4318	0.76%
USD-JPY	107.800	0.17%	EUR-SGD	1.5549	0.73%
AUR-USD	1.0858	-0.04%	JPY-SGD	1.3287	0.63%
AUD-USD	0.6280	-0.88%	GBP-SGD	1.7600	-0.47%
GBP-USD	1.2289	-1.23%	AUD-SGD	0.8994	-0.11%
USD-MYR	4.3942	0.51%	NZD-SGD	0.8530	-0.57%
USD-CNY	7.0920	0.26%	CHF-SGD	1.4765	0.57%
USD-IDR	15468	0.36%	SGD-MYR	3.0753	-0.12%
USD-VND	23462	0.05%	SGD-CNY	4.9568	-0.52%

Equity and Commodity

Index	Value	Net change
DJIA	23,018.88	-631.56
S&P	2,736.56	-86.60
Nasdaq	8,263.23	-297.50
Nikkei 225	19,280.78	-388.34
STI	2,551.92	-45.93
KLCI	1,381.73	-31.39
JCI	4,501.92	-73.99
Baltic Dry	757.00	--
VIX	45.41	1.58

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4330	1.40%	O/N	0.0646	-0.24%
2M	-0.3360	-0.24%	1M	0.6674	-0.54%
3M	-0.2460	-0.54%	2M	0.9413	-1.11%
6M	-0.1850	-1.11%	3M	1.0976	-1.14%
9M	-0.1940	-1.14%	6M	1.0759	-2.66%
12M	-0.0910	-2.66%	12M	0.9821	0.02%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.45 (-0.07)	0.20 (--)
5Y	0.63 (-0.03)	0.34 (-0.01)
10Y	1.02 (-0.01)	0.57 (-0.04)
15Y	1.26 (-0.01)	--
20Y	1.40 (-0.01)	--
30Y	1.42 (-0.01)	1.16 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.119	11.9	0.03	0.077
10/06/2020	0.11	-0.9	0.027	0.075
29/07/2020	0.079	-3.1	0.02	0.067
16/09/2020	0.079	0	0.02	0.067
05/11/2020	0.079	0	0.02	0.067
16/12/2020	0.079	0	0.02	0.067

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	21.42	-0.01
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.02
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	10.01	-126.6%	Corn (per bushel)	3.0925	-1.6%
Brent (per barrel)	19.33	-24.4%	Soybean (per bushel)	8.308	0.5%
Heating Oil (per gallon)	0.7269	-18.1%	Wheat (per bushel)	5.4675	-0.4%
Gasoline (per gallon)	0.5103	-23.6%	Crude Palm Oil (MYR/MT)	2,113.0	-7.7%
Natural Gas (per MMBtu)	1.8210	-5.4%	Rubber (JPY/KG)	142.0	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,030	-3.0%	Gold (per oz)	1,686.2	-0.6%
Nickel (per mt)	12,197	-2.5%	Silver (per oz)	14.887	-2.8%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/22/2020 04/29	PH Overseas Remittances YoY	Feb 3.90%	--	6.60%	--
04/22/2020 04/29	PH Overseas Workers Remittances	Feb \$2421m	--	\$2648m	--
04/22/2020 08:30	AU Westpac Leading Index MoM	Mar --	--	-0.43%	--
04/22/2020 12:00	MA CPI YoY	Mar -0.10%	--	1.30%	--
04/22/2020 14:00	UK CPI YoY	Mar 1.50%	--	1.70%	--
04/22/2020 14:00	UK CPI MoM	Mar 0.00%	--	0.40%	--
04/22/2020 14:00	UK CPI Core YoY	Mar 1.60%	--	1.70%	--
04/22/2020 14:00	UK PPI Output NSA MoM	Mar -0.30%	--	-0.30%	--
04/22/2020 14:00	UK PPI Output NSA YoY	Mar 0.10%	--	0.40%	--
04/22/2020 14:00	UK RPI MoM	Mar -0.20%	--	0.50%	--
04/22/2020 19:00	US MBA Mortgage Applications	Apr-17 --	--	7.30%	--
04/22/2020 20:30	CA CPI YoY	Mar 1.10%	--	2.20%	--
04/22/2020 20:30	CA CPI NSA MoM	Mar -0.40%	--	0.40%	--
04/22/2020 21:00	US FHFA House Price Index MoM	Feb 0.30%	--	0.30%	--
04/22/2020 22:00	EC Consumer Confidence	Apr A -20	--	-11.6	--

Source: Bloomberg

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