

Daily Treasury Outlook

22 May 2020

Highlights

Global: Global risk sentiments softened overnight amid a ratcheting up of US-China tensions and news that China discussed plans during its NPC meeting to impose a HK security law under Article 18 to ensure national security which prompted US president Trump to warn that “if it happens, we’ll address that issue very strongly”. The S&P500 retreated 0.78%, led by energy, tech and utilities, with VIX a tad higher at 29.53. US Treasury Secretary Mnuchin opined that there is a strong likelihood the US will need another stimulus package. Meanwhile, global Covid-19 cases topped 5 million and fatalities crossed 331,000, with Brazil in the spotlight with 20,047 deaths. UST bonds drifted and closed little changed with the 10-year yield at 0.67%. The 3-month LIBOR stood at 0.3595%.

Market watch: Asian markets may consolidate today, watching US-China developments (note the ongoing war of words) and HK’s potential market reaction to the prospect of a security law, as well as BOJ’s emergency meeting which is likely to focus on funding for small businesses. Today’s economic data calendar comprises of UK’s April retail sales, Taiwan’s unemployment rate, and Malaysia and Thailand’s foreign reserves.

US: Initial jobless claims rose by 2.4m in the latest week, bringing the total to more than 38m since mid-March, while existing home sales slumped 17.8% mom (the most since July 2010) to 4.33m. Fed’s Clarida warned “we are really in an uncharted situation right now...we’ll begin to get a better sense of the scenario and the trajectory the economy is on in early fall”, whereas Fed chair Powell opined the US economy will “take time” and “additional support from both monetary and fiscal policies may be called for”.

Canada: BOC governor Poloz said the Canadian economy is on track for its best-case recovery scenario even though it may take a year or more to return to trend growth and he’s prepared for a wide range of outcomes.

EU: The European Commissioner Gentiloni said solvency support for companies not receiving aid from their home countries is being considered.

China: RMB weakened slightly in the offshore market due to concerns about further escalation of US-China tension after China’s National People’s Congress is expected to impose new national security law in HK SAR. Market will look at details unveiled today. Meanwhile, Premier Li Keqiang’s government work report will also be the focus.

Singapore: The 1-month SOR dipped into negative territory at -0.01141% (lowest since August 2011) on Wednesday amid the flush liquidity, but rebounded to 0.4293% yesterday.

Oil: Brent closed above the \$36/bbl handle, shortly after closing above the \$35/bbl handle just the day before. Bullish momentum remains strong with crude oil at the moment. WTI close 1.3% higher at \$33.92/bbl and is up almost 15% for the week as of yesterday.

Key Market Movements

Equity	Value	% chg
S&P 500	2948.5	-0.8%
DJIA	24474	-0.4%
Nikkei 225	20552	-0.2%
SH Comp	2867.9	-0.5%
STI	2555.3	-0.3%
Hang Seng	24280	-0.5%
KLCI	1452.1	1.2%
Currencies	Value	% chg
DXY	99.370	0.2%
USDJPY	107.61	0.1%
EURUSD	1.0950	-0.3%
GBPUSD	1.2223	-0.2%
USDIDR	14710	0.0%
USDSGD	1.4175	0.3%
SGDMYR	3.0728	0.0%
Rates	Value	chg (bp)
3M UST	0.11	-0.76
10Y UST	0.67	-0.81
1Y SGS	0.22	-1.00
10Y SGS	0.71	0.15
3M LIBOR	0.36	-1.61
3M SIBOR	0.56	0.62
3M SOR	0.16	-2.63
Commodities	Value	% chg
Brent	36.06	0.9%
WTI	33.92	1.3%
Gold	1727	-1.2%
Silver	17.11	-2.6%
Palladium	2036	-3.1%
Copper	5391	-1.0%
BCOM	63.01	-0.9%

Source: Bloomberg

Daily Treasury Outlook

22 May 2020

Major Markets

US: US markets fell on Thursday as risk sentiment was dented amid rising tensions between the US and China as well as poor employment data. The S&P500 index fell 0.78%. Looking ahead, investors are likely to remain cautious as they monitor US and China relations and also the reopening of the various economies.

Hong Kong: China has drafted a national security law for Hong Kong which will be voted by the NPC on 28 May. The law will ban secessionist and subversive activities, external interference and terrorist acts in the city. This signals China's tougher stance on Hong Kong and raises concerns about the return of protests and renewed capital outflow risks. Since the US postponed the release of annual US-HK Policy Act Report, whether China's move will prompt reassessment of HK's autonomy by Department of State and in turn threaten Hong Kong's special trading status will be closely watched. Market's knee-jerk reaction to the news was a sudden depreciation of the HKD and a sharp increase in US\$HKD forward swap points which reflects rising speculation on wider HKD-USD yield differential. However, before the new law has any material impact on Hong Kong's financial stability and trading status, we expect the panic to be short-lived. Still, we need to remain wary of the looming political risks. Since the US postponed the release of annual US-HK Policy Act Report, whether China's move will prompt reassessment of HK's autonomy by Department of State and in turn threaten Hong Kong's special trading status will be closely watched.

Macau: Visitor arrivals dropped by record 99.7% yoy to record low of 11,041 in April amid stronger travel restrictions starting from late March. By source of visitors, Mainland visitors which accounted for 95.1% of total visitor arrivals decreased by 99.6% yoy. Given the ongoing containment measures, inbound tourism might have remained at a standstill in May and continued to take a heavy toll on the gaming sector. Going ahead, once the travel restrictions are eased or lifted, the worst could be over for both gaming and tourism. That said, the recovery will take time due to subdued external demand on global recession and pandemic uncertainty. HK's social unrest is another downside risk to Macau's tourism in the medium term.

Singapore: The STI slipped again by 0.26% to close at 2555.34 yesterday and may range trade today amid weak cues from Wall Street's overnight retreat and morning slippage by Kospi. SGS bond yields ended little changed yesterday and may range trade again today. The 3-month SOR and SIBOR edged up to 0.17747% and 0.55916% respectively.

Malaysia: Malaysia's stock market remained on the uptick yesterday, with the main bourse KLCI up by 1.2% yesterday. This marked the 7th straight day of gains, and pushing the valuation to a 10-month high, according to Bloomberg calculations. In part, the rally has been driven by the uptick in glove maker, Top Glove, which jumped 8% yesterday, and heading for a 13th week of gains.

Daily Treasury Outlook

22 May 2020

Gold: Gold retreated yesterday after closing in on the \$1750/oz handle the day before. Prices fell 1.2% to close at \$1727/oz. We maintain our view that gold looks toppish as it approaches the \$1750/oz level, especially if interest rates do not inch lower from current levels.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors trading 0-2bps higher (with the exception of the 4-year tenor trading around 1bp lower) while the belly and the longer tenors traded 1-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 6bps to 228bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 28bps to 889bps. The HY-IG Index Spread tightened 22bps to 660bps. Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs, SPHSP 4.5%-PERPs, CS 5.625%-PERPs, HSBC 4.7%-PERPs and CATHAY 3.375%'23s. 10Y UST Yields fell 1bps to 0.67%, due to heightened U.S.-China trade tensions made worse by China reportedly planning to impose security laws on Hong Kong.

New Issues: The Bank of East Asia Limited priced a USD600mn 10NC5 Tier 2 bond at T+375bps, tightening from IPT of T+425bps area. Clark Equipment Co (Guarantor: Doosan Bobcat Inc) priced a USD300mn 5NC2 bond at 5.875%, tightening from IPT of 6.5% area.

Daily Treasury Outlook

22 May 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.370	0.25%	USD-SGD	1.4175	0.32%
USD-JPY	107.610	0.07%	EUR-SGD	1.5523	0.05%
EUR-USD	1.0950	-0.27%	JPY-SGD	1.3173	0.25%
AUD-USD	0.6565	-0.49%	GBP-SGD	1.7324	0.12%
GBP-USD	1.2223	-0.18%	AUD-SGD	0.9310	-0.13%
USD-MYR	4.3457	-0.16%	NZD-SGD	0.8676	-0.08%
USD-CNY	7.1158	0.31%	CHF-SGD	1.4607	-0.25%
USD-IDR	14710	--	SGD-MYR	3.0728	0.00%
USD-VND	23260	-0.04%	SGD-CNY	5.0174	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4680	1.70%	O/N	0.0624	0.20%
2M	-0.3360	0.20%	1M	0.1730	0.21%
3M	-0.2800	0.21%	2M	0.2883	-1.71%
6M	-0.1390	-1.71%	3M	0.3580	-1.61%
9M	-0.1940	-1.61%	6M	0.5861	-0.42%
12M	-0.0580	-0.42%	12M	0.7064	-1.55%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.006	0.6	0.002	0.053
29/07/2020	0.005	-0.1	0.001	0.052
16/09/2020	-0.036	-4.1	-0.009	0.042
05/11/2020	-0.059	-2.3	-0.015	0.036
16/12/2020	-0.104	-4.5	-0.026	0.025
27/01/2021	-0.115	-1.1	-0.029	0.023

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	33.92	1.3%	Corn (per bushel)	3.1775	-0.5%
Brent (per barrel)	36.06	0.9%	Soybean (per bushel)	8.350	-1.4%
Heating Oil (per gallon)	0.9890	-0.2%	Wheat (per bushel)	5.1600	0.4%
Gasoline (per gallon)	1.0451	0.1%	Crude Palm Oil (MYR/MT)	2,276.0	2.6%
Natural Gas (per MMBtu)	1.7100	-3.4%	Rubber (JPY/KG)	140.5	-0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,391	-1.0%	Gold (per oz)	1,727.0	-1.2%
Nickel (per mt)	12,778	0.9%	Silver (per oz)	17.108	-2.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,474.12	-101.78
S&P	2,948.51	-23.10
Nasdaq	9,284.88	-90.90
Nikkei 225	20,552.31	-42.84
STI	2,555.34	-6.60
KLCI	1,452.11	16.99
JCI	4,545.95	--
Baltic Dry	477.00	--
VIX	29.53	1.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.21 (--)	0.17 (--)
5Y	0.37 (--)	0.34 (--)
10Y	0.71 (--)	0.67 (-0.01)
15Y	0.92 (-0.01)	--
20Y	1.09 (--)	--
30Y	1.11 (--)	1.39 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	19.03	0.06
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
-------------	------

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
05/22/2020 05:29	PH	BoP Overall	Mar	--	--	\$839m	--
05/22/2020 07:30	JN	Natl CPI YoY	Apr	0.20%	0.10%	0.40%	--
05/22/2020 07:30	JN	Natl CPI Ex Fresh Food YoY	Apr	-0.10%	-0.20%	0.40%	--
05/22/2020 08:00	JN	BOJ Policy Balance Rate	May-22	--	--	-0.10%	--
05/22/2020 11:30	TH	Customs Exports YoY	Apr	-3.00%	--	4.17%	--
05/22/2020 11:30	TH	Customs Imports YoY	Apr	-6.50%	--	7.25%	--
05/22/2020 14:00	UK	Retail Sales Inc Auto Fuel MoM	Apr	-15.50%	--	-5.10%	--
05/22/2020 14:00	UK	Retail Sales Ex Auto Fuel MoM	Apr	-15.00%	--	-3.70%	--
05/22/2020 14:00	UK	Retail Sales Inc Auto Fuel YoY	Apr	-21.20%	--	-5.80%	--
05/22/2020 14:00	UK	Retail Sales Ex Auto Fuel YoY	Apr	-18.60%	--	-4.10%	--
05/22/2020 14:00	UK	PSNB ex Banking Groups	Apr	42.5b	--	3.1b	--
05/22/2020 15:00	MA	Foreign Reserves	May-15	--	--	\$102.5b	--
05/22/2020 15:30	TH	Foreign Reserves	May-15	--	--	\$234.6b	--
05/22/2020 20:30	CA	Retail Sales MoM	Mar	-10.50%	--	0.30%	--
05/22/2020 20:30	CA	Retail Sales Ex Auto MoM	Mar	-4.80%	--	0.00%	--

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).