

Daily Treasury Outlook

22 June 2020

Highlights

Global: Global risk sentiments remained fragile on second wave concerns as Covid-19 cases accelerated in the US, prompting Apple to close some stores in four states of Florida, Arizona, South and North Carolina, but Fed vice chairman Clarida's comments that there is no limit to the central bank's asset purchase program provided support again. Meanwhile, Fed's Quarles opined that banks should prepare for dividends changes amid Covid-influenced stress tests, while Kashkari warned that the economic recovery could take longer than expected and Rosengren sounded cautious that more policy support is likely to be needed. The S&P500 fell 0.06% while VIX rose to 35.12. UST bonds bull-flattened with the 10-year yield at 0.69%.

Market watch: Asian markets look set to open on a slightly shaky note this morning amid growing market concern about a second wave in the US and Australia. Apart from watching China's LPR fixing, today's economic data comprises of US' existing home sales Chicago Fed national activity index, HK's May CPI, Taiwan's May unemployment rate, and Malaysia's foreign reserves. ECB's Guidos and Lane are also speaking today. For the week ahead, watch for the IMF's highly anticipated global growth forecast revisions (with the 3% global contraction looking vulnerable to a further downgrade) on Wednesday, RBNZ policy decision (likely to be static at 0.25% while sounding cautiously dovish) and BOT policy decision (likely to be on hold at 0.5%) on 24 June, BSP policy decision on 25 June (with a small cut to its overnight borrowing rate to 2.625% eyed). On the equity market front, there is also MSCI's market classification review for 2020 tomorrow and a rebalancing of the Russell indexes on Friday.

US: President Trump has fired federal prosecutor Geoffrey Berman and is likely to order new restrictions on H-1B visas today. During a rally speech, Trump also spoke about testing being a double-edged sword and suggested to slow the testing down.

EU: The EU leaders met virtually to discuss the EUR1.1t budget and EUR750b Covid-19 recovery fund and while there was no agreement yet with only an emerging consensus, they will start real negotiations ahead of the physical meeting in mid-July. ECB chief Lagarde warned that the Eurozone economy was in a "dramatic fall".

UK: PM Johnson will speak to Parliament tomorrow on which parts of the UK economy will be allowed to open in July and further relaxations of social-distancing measures. Meanwhile, Chancellor Sunak is considering an emergency cut in the VAT, according to a Sunday Times article.

Singapore: DPM Heng is positioning for a post-Covid world by setting aside more than \$20b to support research in "high impact" areas such as health.

Oil: Oil prices rose on Friday, with Brent inching 1.6% higher to close the week at \$42.19/bbl – the highest in two weeks. We note that the Brent curve is now in backwardation From August to October 2020, suggesting that supplies may be getting tight for the oil market.

Key Market Movements

Equity	Value	% chg
S&P 500	3097.7	-0.6%
DJIA	25871	-0.8%
Nikkei 225	22479	0.6%
SH Comp	2967.6	1.0%
STI	2634.8	-1.2%
Hang Seng	24644	0.7%
KLCI	1507.3	0.2%
Currencies	Value	% chg
DXY	97.623	0.2%
USDJPY	106.87	-0.1%
EURUSD	1.1178	-0.2%
GBPUSD	1.2350	-0.6%
USDIDR	14100	0.2%
USDSGD	1.3974	0.2%
SGDMYR	3.0683	-0.1%
Rates	Value	chg (bp)
3M UST	0.15	0.26
10Y UST	0.69	-1.47
1Y SGS	0.26	0.00
10Y SGS	0.90	1.74
3M LIBOR	0.31	-0.99
3M SIBOR	0.54	0.00
3M SOR	0.18	-0.42
Commodities	Value	% chg
Brent	42.19	1.6%
WTI	39.75	2.3%
Gold	1744	1.2%
Silver	17.62	1.4%
Palladium	1914	0.3%
Copper	5850	0.8%
BCOM	64.57	0.7%

Source: Bloomberg

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Major Markets

US: US market sentiment softened on Friday, with the S&P 500 index declining 0.6%. Markets are likely to remain volatile as the pandemic situation continues to evolve, with twenty-three states having seen an increase in daily coronavirus cases over the past two weeks.

Singapore: The STI declined 1.16% to close down at 2634.83 on Friday and is set to lose more ground today amid weak leads from Wall Street's Friday close and investor concern about emerging second waves of infections in the US and elsewhere. The UST bond market bull-flattened on Friday and SGS bonds may follow suit today, although the auction for the \$2.5b re-opening of the 5-year auction is due on 26 June at noon.

China: The volatility in China's bond market surged last week with 10-year government bond yield ended the week up by 13bps to 2.88% as market continued to adjust for two new policy announcements including China's quantified target for the first time to encourage financial institutions to give up CNY1.5 trillion profit in 2020 to support the real economy and the issuance of off the budget special treasury bond to fight covid-19. The unprecedented policy innovations need to be matched by more monetary policy coordination to keep the volatility in both money market and bond market in check. As mentioned by the State Council last week, we expect China to cut its reserve requirement ratio soon though the chance of deposit rate cut has diminished. For today, market will watch out for the June LPR fixing, which is expected to remain unchanged after PBoC set the MLF rate intact last Monday.

Hong Kong: The G7 countries urged China to reconsider its decision on the Hong Kong national security law. In the absence of details, the financial market did not react to the news last week. However, the Standing Committee of the National People's Congress unveils details of the new law draft over the weekend. Whether this will prompt foreign countries including the US to take imminent action needs close monitoring as it could add downside risk to the damaged economy. Elsewhere, according to Hong Kong's Official Receiver's Office which performs various statutory duties relating to insolvency, the number of bankruptcy petitions presented in May increased to a seven-year high of 2079, bringing the total number for the first five months up by 12.6% yoy to 3611. The sharp increase in May could be partially attributed to the resumption of judiciary services during the month. That said, the year-on-year growth during the first five months still reflects the worsening unemployment and deteriorating business situation. As fiscal stimulus is not unlimited while demand shock is set to persist, we think more SMEs in the hard-hit sectors may go bust and cause waves of layoffs in 2H.

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Malaysia: Malaysia is planning to partially reopen its borders to some categories of employment passes, while allowing its citizens to leave the country for emergency, work and study purposes. Foreigners earning more than MYR10k a month and those holding professional visit passes and resident talent passes with top management positions can enter. The travellers must still undergo tests, but people from “green zones” of Singapore, Brunei, Australia and NZ do not to fulfil the 14-day home quarantine.

Indonesia: Indonesia’s stock exchange is said to be cutting IPO fees by 50%, to incentivise more company listings amid the impact of the pandemic. It is offering the same discounts to additional share listings for companies that are already on the board as well. Up to 20 companies are said to be planning for IPO this year.

Thailand: Ruling party Palang Pracharath Party (PPRP) has won a by-election in Lampang province, northern Thailand, the first since the country has emerged from its partial lockdown.

Bond Market Updates

Market Commentary: The entire SGD swap curve rose 0-1bp last Friday. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 203bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 785bps. The HY-IG Index Spread tightened 3bps to 581bps. Flows in SGD corporates were moderate, with flows in SIASP 3.145%’21s and CS 5.625%-PERPs. 10Y UST Yields fell 1bp to 0.7%, as the U.S. economic recovery could take longer than hoped due to the spread of COVID-19 in some U.S. states.

New Issues: Jingrui Holdings Limited priced a USD110mn 2.25-year bond at 12.0%, tightening from IPT of 12.75% area. Sino-Ocean Capital Holding Limited has arranged investor calls for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.623	0.21%	USD-SGD	1.3974	0.24%
USD-JPY	106.870	-0.09%	EUR-SGD	1.5621	--
EUR-USD	1.1178	-0.24%	JPY-SGD	1.3074	0.31%
AUD-USD	0.6835	-0.25%	GBP-SGD	1.7256	-0.37%
GBP-USD	1.2350	-0.60%	AUD-SGD	0.9551	-0.01%
USD-MYR	4.2675	-0.25%	NZD-SGD	0.8953	-0.11%
USD-CNY	7.0710	-0.26%	CHF-SGD	1.4674	0.14%
USD-IDR	14100	0.16%	SGD-MYR	3.0683	-0.13%
USD-VND	23209	0.03%	SGD-CNY	5.0658	-0.43%

Equity and Commodity

Index	Value	Net change
DJIA	25,871.46	-208.64
S&P	3,097.74	-17.60
Nasdaq	9,946.12	3.07
Nikkei 225	22,478.79	123.33
STI	2,634.83	-30.83
KLCI	1,507.26	2.35
JCI	4,942.28	17.03
Baltic Dry	1,555.00	28.00
VIX	35.12	2.18

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5070	-1.70%	O/N	0.0753	0.09%
2M	-0.3360	0.09%	1M	0.1901	-0.39%
3M	-0.4070	-0.39%	2M	0.2670	-0.86%
6M	-0.2340	-0.86%	3M	0.3051	-0.99%
9M	-0.1940	-0.99%	6M	0.4145	--
12M	-0.1690	--	12M	0.5758	-0.65%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.30 (+0.01)	0.19 (-0.01)
5Y	0.48 (+0.03)	0.33 (-0.01)
10Y	0.90 (+0.02)	0.69 (-0.01)
15Y	1.21 (+0.03)	--
20Y	1.25 (+0.03)	--
30Y	1.34 (+0.04)	1.46 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.043	-4.3	-0.011	0.072
09/16/2020	-0.084	-4.1	-0.021	0.062
11/05/2020	-0.131	-4.7	-0.033	0.051
12/16/2020	-0.137	-0.6	-0.034	0.049
01/27/2021	-0.183	-4.6	-0.046	0.038

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.90	-1.00
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.09
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	39.75	2.3%	Corn (per bushel)	3.3250	0.5%
Brent (per barrel)	42.19	1.6%	Soybean (per bushel)	8.765	0.4%
Heating Oil (per gallon)	1.2114	1.1%	Wheat (per bushel)	4.8125	-0.5%
Gasoline (per gallon)	1.2716	1.1%	Crude Palm Oil (MYR/MT)	2,538.0	3.4%
Natural Gas (per MMBtu)	1.6690	1.9%	Rubber (JPY/KG)	140.3	0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,850	0.8%	Gold (per oz)	1,743.9	1.2%
Nickel (per mt)	12,769	-1.0%	Silver (per oz)	17.625	1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/22/2020 06:26	PH Overseas Remittances YoY	Apr -9.60%	--	-4.70%	--
06/22/2020 06:26	PH BoP Overall	May --	--	\$1666m	--
06/22/2020 06:26	PH Overseas Workers Remittances	Apr --	--	\$2397m	--
06/22/2020 06:26	PH Foreign Reserves	May --	--	\$90.9b	--
06/22/2020 11:00	NZ Credit Card Spending YoY	May --	--	-49.40%	--
06/22/2020 12:30	NE Consumer Spending YoY	Apr --	--	-6.70%	--
06/22/2020 13:00	JN Convenience Store Sales YoY	May --	--	-10.60%	--
06/22/2020 15:00	MA Foreign Reserves	Jun-15 --	--	\$102.9b	--
06/22/2020 16:30	HK CPI Composite YoY	May 1.60%	--	1.90%	--
06/22/2020 18:00	UK CBI Trends Total Orders	Jun -50	--	-62	--
06/22/2020 18:00	UK CBI Trends Selling Prices	Jun --	--	-20	--
06/22/2020 20:30	US Chicago Fed Nat Activity Index	May --	--	-16.74	--
06/22/2020 22:00	US Existing Home Sales	May 4.09m	--	4.33m	--
06/22/2020 22:00	EC Consumer Confidence	Jun A -15	--	-18.8	--
06/22/2020 22:00	US Existing Home Sales MoM	May -5.60%	--	-17.80%	--

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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