

## Daily Treasury Outlook

23 January 2020

### Highlights

**Global:** As the number of cases and geographical spread of the Wuhan coronavirus continue to spike, financial markets may remain on edge ahead of the upcoming Chinese New Year festive holidays even though the World Health Organization delayed declaring it an international emergency. BNM cut its OPR by an unexpected 25bps to 2.75% yesterday, while BOC also hinted it may cut rates if the recent growth slowdown persists even though it kept its policy settings unchanged at 1.75% yesterday. Wall Street ended mixed with S&P500 closing up marginally by 0.03% due to the lift from tech stocks amid higher IBM surprise quarterly revenue and annual profit results whilst Tesla became the first US automaker to cross the US\$100b market cap. UST bonds also treaded water overnight, with the 10-year yield stuck at 1.77%.

**Market watch:** Asian markets may still see a cautious tone today amid news of Wuhan's quarantine and digest the economic implications for air travel and energy markets. The ECB and BI policy decisions today will also be important, with the former likely to focus on its strategic review than tinker with policy settings at this juncture, whereas BI may take the cue from BNM's surprise cut yesterday and follow with delivering a 25bp insurance cut as well. Key economic releases on tap today include Philippines' 4Q19 GDP growth, Singapore's CPI and final 4Q19 URA private home sales, and US' initial jobless claims and leading index.

**US:** US' home sales surged 10.0% yoy to an annual 5.54 million units in December, the highest in nearly two years, amid a record low 1.40 million inventory and the median existing house prices rose 7.8% yoy (the most since January 2016).

**UK:** PM Boris Johnson's Brexit deal has passed Parliament and will go to the Queen for signing into law. Meanwhile, the CBI manufacturing optimism rose from -44 in October to +23 in January, the highest level since April 2014.

**China:** China stepped up its efforts to prevent the Wuhan coronavirus from spreading further yesterday. The city of Wuhan with 11 million population has been literally locked down with public transportation network suspended. Meanwhile, all residents are ordered to wear mask in the public areas. For today, China's central bank is expected to renew the maturing TMLF to inject the liquidity to the system.

**Japan:** Exports plunged more than expected by 6.3% yoy in December, registering its 13th month slump.

**Singapore:** The government has formed a coronavirus ministerial taskforce.

**Oil:** Oil prices continued their downward decline on coronavirus fears and an expected increase in US crude inventories. Brent closed 2.1% lower to end the session at \$63.21/bbl, the lowest since the start of December. The American Petroleum Institute also reported an expected 1.57mn bbl increase in US crude oil stockpiles on the week, adding to concerns that the supplies are high at present.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3321.8	0.0%
DJIA	29186	0.0%
Nikkei 225	24031	0.7%
SH Comp	3060.8	0.3%
STI	3253.9	0.2%
Hang Seng	28341	1.3%
KLCI	1578.0	-0.6%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.527	0.0%
USDJPY	109.84	0.0%
EURUSD	1.1093	0.1%
GBPUSD	1.3142	0.7%
USDIDR	13646	-0.2%
USDSGD	1.3488	-0.1%
SGDMYR	3.0123	-0.1%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.54	1.06
10Y UST	1.77	-0.52
1Y SGS	1.59	-1.00
10Y SGS	1.71	-0.24
3M LIBOR	1.81	0.41
3M SIBOR	1.74	-0.14
3M SOR	1.56	2.10
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	63.21	-2.1%
WTI	56.74	-2.8%
Gold	1559	0.0%
Silver	17.84	0.3%
Palladium	2477	3.1%
Copper	6106	-0.9%
BCOM	78.67	-0.7%

Source: Bloomberg

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### Major Markets

**US:** US stocks ended a volatile session mostly flat last night as investors continued to assess the outbreak of the Wuhan coronavirus. The S&P500 index closed almost flat. Looking ahead, investors' risk appetite is expected to be reined in by the ongoing coronavirus outbreak, ahead of expected heavy human migration in China during the Lunar New Year. Support and resistance levels for the S&P500 index are likely at the 3250 and 3280 handles respectively.

**Singapore:** The STI added 0.21% to close at 3253.93 yesterday, but may resume its consolidation today amid weak leads from Kospi this morning. STI may see support at 3225 followed by 3200. With the UST bond market range trading overnight, SGS bonds are also likely to be stuck in a range today.

**Macau:** Inflation decelerated to 2.56% in Dec 2019 while the inflation rate for whole 2019 was 2.75%. For the two most heavily weighted sections, food inflation grew by 5.31% amid higher charges for eating out and rising prices of fresh pork whereas housing inflation picked up at a slower pace by 1.28% due to the spillover effect to rental market driven by recent housing market correction in Dec 2019. Moving forward, due to Chinese New Year factor, overall inflation might accelerate in January. Nevertheless, with easing pork shortage and slowdown in housing market, the inflationary pressure of food and housing might be well-contained. Therefore, overall inflation might slow down in the coming months after Chinese New Year.

**Malaysia:** Bank Negara surprised the market and us by delivering a 25bps cut yesterday, bringing the OPR to 2.75% - a level not seen since early 2011. It labelled the move a "pre-emptive measure" and highlighted key downside risks on both global and domestic economic momentum in a dovish statement.

**Indonesia:** The MPC announcement is out today. While the decision is finely balanced, we expect the central bank to put more weight on the need to support growth, by utilizing the space given by tame inflation domestically and a relatively benign global environment at this stage. We see it cutting the policy rate to 4.75%.

**Thailand:** Thailand's budget – already delayed from October to February this year – faces another delay after another irregularity emerged in the parliamentary vote. The delay is likely to further hamper investment, especially for the construction sector. Separately, exports yesterday also showed Thai shipments in December contracting 1.28% yoy, in line with estimates of -1.25%. Full year exports for 2019 fell 2.65% yoy. Official estimates expect Thai exports to grow 1.5%-2%, although we think the rebound might largely be due to a low base from 2019.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 0-1bps lower while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remain mostly unchanged at 117bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 448bps. The HY-IG Index Spread widened 4bps to 331bps. 10Y UST Yields fell 0.5bps to 1.77%, with investors feeling cautious due to the outbreak of the Wuhan coronavirus.

**New Issues:** Cyprus Investments, Inc. priced a USD140mn 3-year bond at 3m-US LIBOR+90bps.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.527	0.00%	<b>USD-SGD</b>	1.3488	-0.08%
<b>USD-JPY</b>	109.840	-0.03%	<b>EUR-SGD</b>	1.4961	--
<b>EUR-USD</b>	1.1093	0.10%	<b>JPY-SGD</b>	1.2279	-0.07%
<b>AUD-USD</b>	0.6844	-0.01%	<b>GBP-SGD</b>	1.7726	0.63%
<b>GBP-USD</b>	1.3142	0.70%	<b>AUD-SGD</b>	0.9231	-0.10%
<b>USD-MYR</b>	4.0655	-0.15%	<b>NZD-SGD</b>	0.8895	-0.11%
<b>USD-CNY</b>	6.9066	0.01%	<b>CHF-SGD</b>	1.3936	-0.01%
<b>USD-IDR</b>	13646	-0.17%	<b>SGD-MYR</b>	3.0123	-0.14%
<b>USD-VND</b>	23171	--	<b>SGD-CNY</b>	5.1180	0.04%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	29,186.27	-9.77
<b>S&amp;P</b>	3,321.75	0.96
<b>Nasdaq</b>	9,383.77	12.96
<b>Nikkei 225</b>	24,031.35	166.79
<b>STI</b>	3,253.93	6.76
<b>KLCI</b>	1,577.98	-9.35
<b>JCI</b>	6,233.45	-4.70
<b>Baltic Dry</b>	689.00	--
<b>VIX</b>	12.91	0.06

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4700	0.10%	<b>O/N</b>	1.5393	0.81%
<b>2M</b>	-0.3360	0.81%	<b>1M</b>	1.6595	0.61%
<b>3M</b>	-0.3920	0.61%	<b>2M</b>	1.7825	-0.39%
<b>6M</b>	-0.3340	-0.39%	<b>3M</b>	1.8063	0.41%
<b>9M</b>	-0.1940	0.41%	<b>6M</b>	1.8344	0.49%
<b>12M</b>	-0.2430	0.49%	<b>12M</b>	1.9184	-0.63%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.44 (+0.01)	1.53 (--)
<b>5Y</b>	1.50 (+0.01)	1.57 (--)
<b>10Y</b>	1.71 (--)	1.77 (-0.01)
<b>15Y</b>	1.83 (--)	--
<b>20Y</b>	1.92 (+0.01)	--
<b>30Y</b>	2.08 (+0.01)	2.22 (-0.01)

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	12.30%	0.00%	0.00%	0.00%	0.00%
18/03/2020	12.20%	0.80%	0.00%	0.00%	0.80%
29/04/2020	11.10%	8.70%	0.00%	0.10%	8.60%
10/06/2020	8.90%	24.40%	0.00%	1.70%	22.60%
29/07/2020	7.40%	35.40%	0.30%	5.20%	29.90%
16/09/2020	5.60%	49.50%	1.50%	11.30%	36.70%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.80	0.10
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.54
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.74	-2.7%	Corn (per bushel)	3.8875	0.3%
Brent (per barrel)	63.21	-2.1%	Soybean (per bushel)	9.138	-0.2%
Heating Oil (per gallon)	1.8002	-1.6%	Wheat (per bushel)	5.7775	-0.6%
Gasoline (per gallon)	1.5796	-3.5%	Crude Palm Oil (MYR/MT)	3,038.0	2.6%
Natural Gas (per MMBtu)	1.9050	0.5%	Rubber (JPY/KG)	166.3	-1.1%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	6,106	-0.9%	Gold (per oz)	1,558.8	0.0%
Nickel (per mt)	13,640	-0.2%	Silver (per oz)	17.840	0.3%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/23/2020 07:50	JN	Trade Balance	Dec	-¥152.6b	-¥152.5b	-¥82.1b	-¥85.2b
01/23/2020 08:30	AU	Unemployment Rate	Dec	5.20%	--	5.20%	--
01/23/2020 10:00	PH	GDP YoY	4Q	6.40%	--	6.20%	6.00%
01/23/2020 12:30	JN	All Industry Activity Index MoM	Nov	0.40%	--	-4.30%	--
01/23/2020 13:00	SI	CPI YoY	Dec	0.70%	--	0.60%	--
01/23/2020 14:00	JN	Machine Tool Orders YoY	Dec F	--	--	-33.60%	--
01/23/2020 15:20	ID	Bank Indonesia 7D Reverse Repo	Jan-23	5.00%	--	5.00%	--
01/23/2020 20:45	EC	ECB Main Refinancing Rate	Jan-23	0.00%	--	0.00%	--
01/23/2020 20:45	EC	ECB Deposit Facility Rate	Jan-23	-0.50%	--	-0.50%	--
01/23/2020 20:45	EC	ECB Marginal Lending Facility	Jan-23	0.25%	--	0.25%	--
01/23/2020 21:30	US	Initial Jobless Claims	Jan-18	214k	--	204k	--
01/23/2020 21:30	US	Continuing Claims	Jan-11	1750k	--	1767k	--
01/23/2020 22:45	US	Bloomberg Consumer Comfort	Jan-19	--	--	66	--
01/23/2020 23:00	US	Leading Index	Dec	-0.20%	--	0.00%	--
01/23/2020 23:00	EC	Consumer Confidence	Jan A	-7.8	--	-8.1	--

Source: Bloomberg

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## Treasury Research & Strategy

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