

Daily Treasury Outlook

23 April 2020

Highlights

Global: Global market sentiment stabilised overnight. Oil recovered some grounds, after the relentless selling that was seen earlier this week. WTI traded to \$14.4 level, over 24% up in relative terms. This came despite bearish EIA report which showed US crude inventories rose by a hefty 15mn barrels, signalling the scale of the storage needs. Instead, oil price appears to have been boosted by Trump's bellicose statement towards Iran. The US president reportedly told the US Navy to destroy any Iranian gunboats that harass US ships, ratcheting up geopolitical risk in a sensitive oil-producing region.

US equities sentiment rode alongside the uptick in oil price. S&P 500 was up by 2.3%, Nasdaq by 2.8%. Earning reports were mixed, however. Gaming operator's Las Vegas Sands saw its Q1 revenue dropping by 51% yoy, but still better than expected. A number of companies, as diverse as Alcoa, AT&T and Kimberly-Clark, have suspended their outlook for the year - signalling just how hard it is to come up with forecasts of any kind in a rapidly evolving economic situation. For the day ahead, Asian markets may enjoy the relative uplift, although remaining watchful of company earnings in the absence of major macro indicators. To that end, China Life and Ping An insurance will be reporting their Q1 earnings today, providing some indication of how China's Q1 lockdown affects sales.

Market watch: The economic data calendar today comprises of JP Jibun Bank PMI Mfg, SG CPI, HK CPI, US, Eurozone and UK PMIs, US new home sales and initial jobless claims.

China: China's non-performing loan ratio rose to 2.04% in the first quarter and is expected to go higher further against the backdrop of economic slowdown. However, China's banking regulator said the risk is still controllable.

Singapore: Trade and Industry Minister Chan Chun Sing said on Thursday that the economy is "very likely" to see a sharper contraction in its GDP growth this year. The previous official estimate for full-year 2020 GDP growth was between -1% to -4% yoy. CPI data released today may show Singapore is facing deflationary pressures. We estimate headline March CPI at -0.1% yoy (consensus: -0.2% yoy).

Malaysia: Malaysia reported its March CPI, with headline print coming in at -0.2% yoy, against expectation of -0.1% and considerably lower than February's 1.3%. Softening of prices in transport category - which posted -8.9%yoy - was the main contributor. Meanwhile, core inflation was at 1.3% yoy.

South Korea: South Korea GDP growth sank 1.4% on a sequential basis after seasonal adjustments, almost consistent with the consensus of -1.5%.

Oil: Prices rebounded yesterday but remained high depressed. Brent closed at \$20.37/bbl to register a daily gain of 5.4%. WTI for June delivery rose 19.1% to \$13.78/bbl. Prices have so far risen on Thursday morning but are expected to remain volatile in the short term.

Key Market Movements

Equity	Value	% chg
S&P 500	2799.3	2.3%
DJIA	23476	2.0%
Nikkei 225	19138	-0.7%
SH Comp	2844.0	0.6%
STI	2550.0	-0.1%
Hang Seng	23893	0.4%
KLCI	1381.9	0.0%
Currencies	Value	% chg
DXY	100.388	0.1%
USDJPY	107.75	0.0%
EURUSD	1.0823	-0.3%
GBPUSD	1.2334	0.4%
USIDR	15450	-0.1%
USDSGD	1.4274	-0.3%
SGDMYR	3.0675	-0.3%
Rates	Value	chg (bp)
3M UST	0.09	0.51
10Y UST	0.62	4.99
1Y SGS	0.56	-1.00
10Y SGS	1.03	1.00
3M LIBOR	1.04	-5.46
3M SIBOR	0.99	0.02
3M SOR	0.84	-6.59
Commodities	Value	% chg
Brent	20.37	5.4%
WTI	13.78	19.1%
Gold	1714	1.7%
Silver	15.10	1.4%
Palladium	1940	0.3%
Copper	5132	2.0%
BCOM	60.68	2.0%

Source: Bloomberg

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Major Markets

US: US markets rose on Wednesday as sentiment was boosted by a recovery in oil prices. The S&P500 index rose 2.29%. Although oil prices have staged a dramatic recovery, markets are expected to remain volatile, and traders will be watching out for the US jobless claims released later today. Blackstone and Intel are among the companies to report earnings today.

Hong Kong: Since 21 April, HKMA has sold a total of HK\$7.711 billion to defend the currency peg. This will bring the aggregate balance up to HK\$66.795 billion, which however is still relatively low and may not warrant a sharp narrowing of HKD-USD interest rate gap. We expect carry trade to remain active in the coming sessions and in turn push the currency pair to repeatedly touch 7.7500 and trigger moderate intervention.

Macau: Inflation accelerated to 2.47% in Mar, probably led by the slower decrease of closing & footwear price index and the rebound of recreation & culture price index amid low base effect. In terms of the two most heavily-weighted items, food inflation and housing inflation decelerated from 6.1% and 1.6% to 5.4% and 1.5% respectively. Besides, the transportation inflation decelerated to the lowest since 2017 of 2.37% amid the drop of gasoline prices. Moving forward, with tourism at a standstill and local consumption dented by job uncertainty and preference for staying home, inflation pressure may be contained. Furthermore, the one-off relief measures including electricity and water bill charges, the drastic decrease of oil prices and the weakening housing market combined may also be a drag on overall CPI. Adding on high base from last year, we expect inflation to decelerate in the coming months and to print below 2% in 2020.

Taiwan: Unemployment rate edged up slightly from 3.7% to 3.72% in March. Rising unemployment might be attributed to business shutdown or closedown amid the impacts of epidemic. Specifically, affected by the worldwide travel restrictions and concerns over the epidemic, the tourism related sectors continued to suffer from a near-standstill, with the number of employment of accommodation and catering sector declining for three consecutive months from 860000 in January to 854000 in March. Moving forward, inbound tourism might continue to be under pressure as worldwide travel restrictions are unlikely to be removed within short period of time. Therefore, we expect the overall unemployment rate to climb further in the coming months. Nevertheless, with a series of supportive policies for employment safeguard, unemployment is unlikely to deteriorate drastically any time soon.

Singapore: The STI was largely flat yesterday, declining by less than 0.1% to 2550.04. With Wall Street posting overnight gains and the Kospi trading firmer this morning, the STI is expected to inch higher today as well.

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Indonesia: Bank Indonesia announced that it had bought sukuk directly from the Ministry of Finance in Tuesday's auction. This is the first primary market purchase by the central bank, after a change in regulation which allows it to do so. BI is said to have acted as a non-competitive bidder and bought IDR1.7tn of sukuk, out of a total of IDR9.98tn sukuk sold by the government.

Bond Market Updates

Market Commentary: The SGD swap curve fell yesterday, with the shorter tenors trading 0-1bps lower, while the belly and the longer tenors traded around 1bp lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 261bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 33bps to 992bps. The HY-IG Index Spread widened 32bps to 731bps. Flows in SGD corporates were heavy, with flows in SOCGEN 4.3%'26s, CS 5.625%-PERPs, HSBC 5%-PERPs and HSBC 4.7%-PERPs. 10Y UST Yields gained 5bps to 0.62%, as the prices of the WTI futures recovered and the U.S. Congress were planning to secure more aid to help small businesses affected by the outbreak of COVID-19.

New Issues: Xiaomi Best Time International Limited (Guarantor: Xiaomi Corp) priced a USD600mn 10-year bond at T+290bps, tightening from IPT of T+340bps area. ST Engineering RHQ Ltd. (Guarantor: Singapore Technologies Engineering Ltd.) priced a USD750mn 5-year bond at T+120bps, tightening from IPT of T+160bps area. BOC Aviation Ltd priced a USD1bn 5-year bond at T+300bps, tightening from IPT of T+330bps area. Hongkong International (Qingdao) Company Limited (Keepwell deed, Deed of Eipu and Irrevocable Standby Facility Provider: Qingdao City Construction Investment (Group) Limited) priced a USD300mn 3-year bond at 3.99%, tightening from IPT of 4.4% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.388	0.13%	USD-SGD	1.4274	-0.31%
USD-JPY	107.750	-0.05%	EUR-SGD	1.5449	-0.64%
EUR-USD	1.0823	-0.32%	JPY-SGD	1.3252	-0.26%
AUD-USD	0.6323	0.68%	GBP-SGD	1.7606	0.03%
GBP-USD	1.2334	0.37%	AUD-SGD	0.9024	0.33%
USD-MYR	4.3652	-0.66%	NZD-SGD	0.8498	-0.38%
USD-CNY	7.0841	-0.11%	CHF-SGD	1.4697	-0.46%
USD-IDR	15450	-0.12%	SGD-MYR	3.0675	-0.25%
USD-VND	23490	0.12%	SGD-CNY	4.9627	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4250	1.30%	O/N	0.0631	-0.15%
2M	-0.3360	-0.15%	1M	0.6246	-4.28%
3M	-0.2330	-4.28%	2M	0.9079	-3.34%
6M	-0.1780	-3.34%	3M	1.0430	-5.46%
9M	-0.1940	-5.46%	6M	1.0243	-5.16%
12M	-0.0780	-5.16%	12M	0.9865	0.44%

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	0.119	0	0.03	0.077
29/07/2020	0.119	0	0.03	0.077
16/09/2020	0.088	-3.1	0.022	0.07
05/11/2020	0.075	-1.3	0.019	0.067
16/12/2020	0.091	1.6	0.023	0.071

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	13.78	37.7%	Corn (per bushel)	3.1750	2.7%
Brent (per barrel)	20.37	5.4%	Soybean (per bushel)	8.348	0.5%
Heating Oil (per gallon)	0.7311	0.6%	Wheat (per bushel)	5.4300	-0.7%
Gasoline (per gallon)	0.6384	25.1%	Crude Palm Oil (MYR/MT)	2,120.0	0.3%
Natural Gas (per MMBtu)	1.9390	6.5%	Rubber (JPY/KG)	139.3	-1.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,132	2.0%	Gold (per oz)	1,714.1	1.7%
Nickel (per mt)	12,015	-1.5%	Silver (per oz)	15.097	1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,475.82	456.94
S&P	2,799.31	62.75
Nasdaq	8,495.38	232.15
Nikkei 225	19,137.95	-142.83
STI	2,550.04	-1.88
KLCI	1,381.89	0.16
JCI	4,567.56	65.64
Baltic Dry	728.00	--
VIX	41.98	-3.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.44 (-0.01)	0.21 (+0.01)
5Y	0.63 (-)	0.37 (+0.03)
10Y	1.03 (+0.01)	0.62 (+0.05)
15Y	1.25 (-)	--
20Y	1.40 (-)	--
30Y	1.42 (-0.01)	1.21 (+0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	22.90	0.18
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/23/2020 07:00	SK	GDP YoY	1Q P	1.00%	1.30%	2.30%	--
04/23/2020 07:00	SK	GDP SA QoQ	1Q P	-1.50%	-1.40%	1.30%	--
04/23/2020 08:30	JN	Jibun Bank Japan PMI Mfg	Apr P	--	--	44.8	--
04/23/2020 13:00	SI	CPI YoY	Mar	-0.20%	--	0.30%	--
04/23/2020 15:30	GE	Markit/BME Germany Manufacturing PMI	Apr P	39	--	45.4	--
04/23/2020 15:30	GE	Markit Germany Services PMI	Apr P	28	--	31.7	--
04/23/2020 15:30	GE	Markit/BME Germany Composite PMI	Apr P	28.5	--	35	--
04/23/2020 16:00	EC	Markit Eurozone Manufacturing PMI	Apr P	38	--	44.5	--
04/23/2020 16:00	EC	Markit Eurozone Composite PMI	Apr P	25	--	29.7	--
04/23/2020 16:00	EC	Markit Eurozone Services PMI	Apr P	22.8	--	26.4	--
04/23/2020 16:30	UK	Markit UK PMI Manufacturing SA	Apr P	42	--	47.8	--
04/23/2020 16:30	HK	CPI Composite YoY	Mar	1.80%	--	2.20%	--
04/23/2020 21:45	US	Markit US Manufacturing PMI	Apr P	35	--	48.5	--
04/23/2020 22:00	US	New Home Sales	Mar	644k	--	765k	--
04/23/2020 20:30	US	Initial Jobless Claims	Apr-18	4500k	--	5245k	--

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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