

Daily Treasury Outlook

23 June 2020

Highlights

Global: Global risk sentiments remain caught between market concerns about a second Covid-19 wave and re-opening recovery hopes. Texas governor Abbott opined that Covid-19 cases is rising at an “unacceptable rate” and hinted at additional measures, while Vice President Pence warned of young people testing positive in hotspots. Meanwhile, Moody’s warned that Covid-19 will elevate debt levels to 25% of GDP for Japan and UK while US, France, Spain, Canada and New Zealand will see theirs at 20% of GDP, and any failure to address this may leave them vulnerable to future shocks and sovereign rate downgrades. The S&P500 index rose 0.65% higher in a choppy session with tech stocks leading gains and lifting Nasdaq to a record high while VIX declined to 31.77 overnight. UST bonds erased initial gains to edge lower with the 10-year yield little changed at 0.71%. There were also no participants in the New York Fed’s overnight repo operations for a second day. The Treasury also sold \$57b of 13-week bills at 0.155% and \$54b of 26-week bills at 0.175%, while the 3-month LIBOR fell to a near 5-year low of 0.2966%.

Market watch: Asian markets may attempt to open with a firmer tone today following the tech-led rally in Wall Street overnight. Today’s economic data comprises of the slew of PMIs from US, Europe and UK, US’ new home sales and Richmond Fed manufacturing index, Taiwan’s May industrial production, and Singapore’s May CPI. MSCI is also announcing its 2020 market classification review.

US: US’ existing home sales fell more than expected in May by 9.7% mom to 3.91m annual pace, its lowest since October 2010, but the median price rose 2.3% yoy to \$284.6k. Meanwhile, the Chicago Fed national activity index rebounded from -17.89 in April to 2.61 in May, led by improvements in production and employment gauges. Meanwhile, the US government has restricted charter flights from India citing “unfair and discriminatory practices”.

EU: The German 30-year bund yield fell below zero for the first time since May amid Wirecard AG’s missing EUR1.9b assets.

UK: BOE governor Bailey signalled his intention to shrink the balance sheet through bond sales before hiking rates in its exit plan. Meanwhile, industrial output saw a record fall of 28.5% yoy in June and the CBI survey showed export orders fell by the most on record at -79.

China: The 1- and 5-year LPR fixings were unchanged at 3.85% and 4.65% yesterday.

Singapore: Singapore and South Korea have started negotiations on a new digital partnership agreement in areas such as fintech and personal data protection. Headline and core CPI likely fell 0.6% and 0.3% respectively in May amid the dampened domestic demand during the second month of the Circuit Breaker and the softening asset prices including property with the closure of show flats and the suspension of COE tenders.

Key Market Movements		
Equity	Value	% chg
S&P 500	3117.9	0.6%
DJIA	26025	0.6%
Nikkei 225	22437	-0.2%
SH Comp	2965.3	-0.1%
STI	2629.7	-0.2%
Hang Seng	24511	-0.5%
KLCI	1511.2	0.3%
Currencies	Value	% chg
DXY	97.039	-0.6%
USDJPY	106.91	0.0%
EURUSD	1.1261	0.7%
GBPUSD	1.2469	1.0%
USDIDR	14150	0.4%
USDSGD	1.3924	-0.4%
SGDMYR	3.0667	-0.1%
Rates	Value	chg (bp)
3M UST	0.14	-0.76
10Y UST	0.71	1.48
1Y SGS	0.26	0.00
10Y SGS	0.90	-0.05
3M LIBOR	0.31	-0.12
3M SIBOR	0.53	-1.00
3M SOR	0.17	-0.09
Commodities	Value	% chg
Brent	43.08	2.1%
WTI	40.73	2.3%
Gold	1754	0.6%
Silver	17.71	0.5%
Palladium	1944	1.6%
Copper	5881	0.5%
BCOM	64.83	0.4%

Source: Bloomberg

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Major Markets

US: US market sentiment stayed relatively strong on Monday, with the S&P 500 index closing 0.65% higher as tech stocks led the way. Markets look to be consolidating between 3080 to 3150 in the short-term, as Wall Street waits to see if the recent increase in daily coronavirus cases in the US would continue.

Singapore: The STI extended losses to fall by 0.20% and closed at 2629.69 yesterday. The SGS bond yield curve steepened with losses led by the longer-dated tenors ahead of the auction for the \$2.5b re-opening of the 5-year auction and the \$800m of 30-year mini-auction on 26 June. The former is the largest since January 2019, but there is a \$5.5b of SGS bonds maturing on 1 July.

China: The June LPR fixing was kept unchanged at 3.85% for 1-year and 4.65% for 5-year as expected after PBoC did not lower the MLF rate last week. During the virtual meeting with European Commission, China's top leaders reiterated plans to further open its market to streamline the foreign investment process for European investors.

Hong Kong: Inflation decelerated to 1.5% in May, a level last seen in October 2017. For the two most heavily-weighted items, food inflation and housing inflation moderated to 4.8% and 1.6% respectively as the growth of fresh food prices and private housing rentals slowed down. Meanwhile, utility price index decreased at the fastest rate since 2009 by 19.4%, due to the decreases in the fuel cost variation charge for town gas. Moving forward, we expect overall inflation to decelerate further and print about 1.5% for 2020 given government's relief measures, a relatively strong HKD, weak external demand, soft local consumption as well as the high base associated with last year's pork shortage.

Malaysia: Malaysia's foreign reserves came in at USD102.8bn as of June 15th, a slight downtick from the USD102.9bn seen as of May 29th. According to BNM statement, the reserves are sufficient to finance 8.2 months of retained imports and is 1.1 times short-term external debt.

Indonesia: Bank Indonesia's governor, Perry Warjiyo, says that it sees room to further cut policy rates. He added that BI does not care only about financial stability, it is also committed to taking measures to support economic recovery. He said this in a parliamentary hearing on Monday, as relayed by Bloomberg. Furthermore, he added that rupiah remains undervalued; he sees rupiah averaging 14000-14600 per USD in 2020.

Thailand: Thailand has seen a 27% yoy decline in FDI applications in the first five months of 2020. Separately, shares of Thailand's banks slid yesterday after the Bank of Thailand told lenders to skip dividend payouts and share buybacks to preserve capital for financial health.

Oil: Oil prices continue rallying, with Brent adding 2.1% to \$43.08/bbl on the August delivery contract. The same contract is now just 15% away from completely retracing the losses sustained in the March oil crash.

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Gold: Gold closed at a fresh 7-year high of \$1754.43/oz yesterday, although it failed to hold on to higher levels of as much as \$1763.38/oz.

Bond Market Updates

Market Commentary: The SGD swap curve steepened slightly yesterday, with the 1-year to 12-year tenors trading 0-1bp higher while the other tenors traded above 1bps. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 780bps. The HY-IG Index Spread tightened 4bps to 578bps. Flows in SGD corporates were moderate, with flows in TMGSP 4.05%'25s, KITSP 4.75%-PERPs and NOLSP 4.65%'20s. 10Y UST Yields gained 1bps to 0.71%, due to a lack of very negative headlines and as investors await more data after the number of COVID-19 cases in the U.S. increases.

New Issues: Fortune Star (BVI) Limited (Guarantor: Fosun International Limited) priced a USD600mn 4NC3 bond at 6.85%, tightening from IPT of 7.35% area. PT Perusahaan Listrik Negara (Persero) priced a USD500mn 10-year bond at 3.10% and another USD1bn 30-year bond at 4.1%, tightening from IPT of 3.8% and 4.8% area respectively. CLP Power Hong Kong Financing Limited (Guarantor: CLP Power Hong Kong Limited) priced a USD750mn 10-year bond at T+160bps, tightening from IPT of T+210bps and another USD250mn 15-year bond at T+190bps. Minor International PCL (Guarantor: Bangkok Bank PCL) priced a USD300mn PERPNC3 at 3.1%, tightening from IPT of 3.8% area. China South City Holdings Ltd priced a USD125mn re-tap of its CSCHCN 10.875%'22s at 10.875%. New Oriental Education & Technology Group Inc. has arranged investor calls commencing 22 June for its proposed USD bond offering. NagaCorp Ltd has arranged investor calls commencing 22 June for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.039	-0.60%	USD-SGD	1.3924	-0.36%
USD-JPY	106.910	0.04%	EUR-SGD	1.5680	0.38%
EUR-USD	1.1261	0.74%	JPY-SGD	1.3024	-0.38%
AUD-USD	0.6908	1.07%	GBP-SGD	1.7362	0.61%
GBP-USD	1.2469	0.96%	AUD-SGD	0.9619	0.71%
USD-MYR	4.2787	0.26%	NZD-SGD	0.9023	0.78%
USD-CNY	7.0684	-0.04%	CHF-SGD	1.4693	0.13%
USD-IDR	14150	0.35%	SGD-MYR	3.0667	-0.05%
USD-VND	23201	-0.03%	SGD-CNY	5.0753	0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5070	-2.20%	O/N	0.0753	-0.11%
2M	-0.3360	-0.11%	1M	0.1901	0.01%
3M	-0.4070	0.01%	2M	0.2670	-0.69%
6M	-0.2340	-0.69%	3M	0.3051	-0.12%
9M	-0.1940	-0.12%	6M	0.4145	-1.03%
12M	-0.1690	-1.03%	12M	0.5758	-0.16%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.043	-4.3	-0.011	0.067
09/16/2020	-0.084	-4.1	-0.021	0.057
11/05/2020	-0.131	-4.7	-0.033	0.045
12/16/2020	-0.137	-0.6	-0.034	0.044
01/27/2021	-0.183	-4.6	-0.046	0.032

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.46	1.8%	Corn (per bushel)	3.2825	-1.3%
Brent (per barrel)	43.08	2.1%	Soybean (per bushel)	8.763	0.0%
Heating Oil (per gallon)	1.2186	0.6%	Wheat (per bushel)	4.8500	0.8%
Gasoline (per gallon)	1.2913	1.5%	Crude Palm Oil (MYR/MT)	2,520.0	-0.7%
Natural Gas (per MMBtu)	1.6640	-0.3%	Rubber (JPY/KG)	139.5	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,881	0.5%	Gold (per oz)	1,754.4	0.6%
Nickel (per mt)	12,647	-1.0%	Silver (per oz)	17.712	0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,024.96	153.50
S&P	3,117.86	20.12
Nasdaq	10,056.48	110.35
Nikkei 225	22,437.27	-41.52
STI	2,629.69	-5.14
KLCI	1,511.24	3.98
JCI	4,918.83	-23.44
Baltic Dry	1,555.00	--
VIX	31.77	-3.35

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.31 (+0.01)	0.19 (+0.01)
5Y	0.49 (+0.01)	0.34 (+0.01)
10Y	0.90 (-)	0.71 (+0.01)
15Y	1.24 (+0.02)	--
20Y	1.28 (+0.03)	--
30Y	1.37 (+0.03)	1.46 (+0.01)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	0.09
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/22/2020 06:26	PH Overseas Remittances YoY	Apr -8.10%	--	-4.70%	--
06/22/2020 06:26	PH BoP Overall	May --	--	\$1666m	--
06/23/2020 08:30	JN Jibun Bank Japan PMI Mfg	Jun P --	--	38.4	--
06/23/2020 08:30	JN Jibun Bank Japan PMI Services	Jun P --	--	26.5	--
06/23/2020 13:00	SI CPI YoY	May -0.90%	--	-0.70%	--
06/23/2020 15:30	GE Markit/BME Germany Manufacturing PMI	Jun P 42.5	--	36.6	--
06/23/2020 15:30	GE Markit Germany Services PMI	Jun P 42.3	--	32.6	--
06/23/2020 16:00	EC Markit Eurozone Manufacturing PMI	Jun P 45	--	39.4	--
06/23/2020 16:00	EC Markit Eurozone Composite PMI	Jun P 43	--	31.9	--
06/23/2020 16:30	UK Markit UK PMI Manufacturing SA	Jun P 45	--	40.7	--
06/23/2020 16:30	UK Markit/CIPS UK Services PMI	Jun P 40	--	29	--
06/23/2020 16:30	UK Markit/CIPS UK Composite PMI	Jun P 41.2	--	30	--
06/23/2020 21:45	US Markit US Manufacturing PMI	Jun P 50	--	39.8	--
06/23/2020 22:00	US New Home Sales	May 640k	--	623k	--
06/23/2020 22:00	US Richmond Fed Manufact. Index	Jun -2	--	-27	--

Source: Bloomberg

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