

Daily Treasury Outlook

23 July 2020

Highlights

Global: US equity market saw a late rally overnight, likely aided by news that Senate Republicans are discussing extending the \$600 weekly unemployment benefits and that the US administration paying nearly \$2 billion to secure early vaccine doses from Pfizer. This was not withstanding the notching up of US-China tensions as China's Houston consulate was asked to shut and China retaliated by asking the US to close their Wuhan consulate as well. Global Covid-19 cases also hit 15 million yesterday, with the US topping 4 million. The S&P500 added 0.57%, while VIX slipped further to 24.32. The UST bonds also gained slightly with the 10-year bond yield at 0.60% and the \$17b 20-year bond re-opening awarded at 1.059%. The 3-month LIBOR rose a tad to 0.2635%. This morning, South Korea reported its 2Q20 GDP growth fell more than expected by 3.3% yoy (-3.3% qoq sa).

Market watch: Asian markets today are likely to open on a mixed tone this morning as market players watch for potential US-China retaliatory moves. Today's economic data calendar comprises of Singapore's June CPI, German GfK consumer confidence, Taiwan's June industrial production, and US' initial jobless claims. ECB's Guindos is also speaking.

US: Existing home sales rebounded a record 20.7% mom to 4.72m in June amid the re-opening of the economy and record-low mortgage rates.

EU: The ECB is leaning towards asking banks to halt dividends until next year.

UK: A trade deal with the US is unlikely before the US' November elections.

SG: The STB will spend \$45m in a SingapoRediscovered campaign for domestic tourism. Separately we are forecasting this afternoon's June CPI report at -0.6% yoy and -0.3% yoy for headline and core inflation respectively, which are slightly lower than the corresponding Bloomberg median estimates of -0.5% yoy and -0.2% yoy.

AU: A record budget deficit of just under A\$90b for 2019-20 and near A\$90m for 2020-21 is likely to be unveiled today, according to news reports.

Oil: Oil prices fell slightly on increasing tensions between the US and China, but Brent still managed to end the session above \$44//bbl after declining less than 0.1%. The decline came amid a weekly increase in US crude oil stockpiles and data implying a third consecutive week of falling gasoline demand.

Key Market Movements		
Equity	Value	% chg
S&P 500	3276.0	0.6%
DJIA	27006	0.6%
Nikkei 225	22752	-0.6%
SH Comp	3333.2	0.4%
STI	2594.5	-1.3%
Hang Seng	25058	-2.3%
KLCI	1587.0	-0.6%
	Value	% chg
DXY	94.988	-0.1%
USDJPY	107.15	0.3%
EURUSD	1.1570	0.4%
GBPUSD	1.2734	0.0%
USDIDR	14650	-0.6%
USDSGD	1.3856	0.2%
SGDMYR	3.0710	0.1%
	Value	chg (bp)
3M UST	0.11	0.26
10Y UST	0.60	-0.33
1Y SGS	0.28	0.00
10Y SGS	0.88	-0.05
3M LIBOR	0.26	-0.22
3M SIBOR	0.44	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	44.29	-0.1%
WTI	41.9	0.0%
Gold	1871	1.6%
Silver	23.00	7.9%
Palladium	2157	0.6%
Copper	6486	-0.7%
BCOM	67.74	0.7%

Source: Bloomberg

Daily Treasury Outlook

23 July 2020

Major Markets

US: The S&P 500 index closed 0.6% higher, as optimism arising from better than expected corporate earnings outweighed intensifying US-China tensions. Markets are expected to trade with decreasing volatility in the near term as markets await further developments from the next bout of US fiscal stimulus. The S&P500 index is now up 1.3% ytd.

China: The unexpected announcement from the Trump Administration to close China's Houston consulate signalled that Trump's China hawks are now in charge now. This also implies that the bilateral relationship is likely to be a wild card from now to November election. China's retaliation measures will be in focus today. Will China shut down of the US consulates? Which consulates China will choose to close? The choice will send strong signals whether China want to de-escalate or escalate the tension.

Singapore: The STI fell 1.33% yesterday to close at 2594.53 and may soften further today amid the ratcheting up of US-China tensions. The SGS bond yields traded in a tight range yesterday and stay supported today.

Malaysia: Malaysia reported its June CPI numbers yesterday. Headline inflation came in at -1.9% yoy, a tad tamer than our expectation of -1.8%, and marked a relative uptick from the -2.9% seen in the two months prior. Transport category was still down yoy (by 14.3%) but food and non-alcoholic beverages saw a relative uptick (+1.6% yoy).

Indonesia: According to a survey by Indikator Politik Indonesia, as relayed by Bloomberg, a majority of Indonesians are opposed to another round of strict social distancing. As many as 61% of respondents said that the government should prioritise efforts to revive the economy instead. The number who opposed strict social restrictions rose from 34.7% in May.

Gold: Gold closed at \$1871.41/oz yesterday and the record high of \$1900/oz is within firm sight at just 1.5% away from yesterday's close.

Daily Treasury Outlook

23 July 2020

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the 1-year and 30-year trading flat and 3bps lower respectively while the other tenors traded around 2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 187bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 17bps to 723bps. The HY-IG Index Spread tightened 15bps to 537bps. Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, STANLN 5.375%-PERPs, SINTEC 4.1%-PERPs, HSBC 5%-PERPs, NTUCSP 3.1%'50s, SOCGEN 6.125%-PERPs, IOCLIN 4.1%'22s, SPHSP 3.2%'30s, CAPLSP 3.15%'29s and UBS 5.875%-PERPs. 10Y UST Yields remained mostly unchanged at 0.6% despite escalating tension between the US and China as the US ordered China to shut its Consulate General in Houston.

New Issues: SPIC MTN Company Ltd. (Guarantor: State Power Investment Corporation Limited) priced a USD1bn 5-year bond at T+138bps, tightening from IPT of T+190bps area. San Miguel Corporation priced a USD500mn Perpetual Non-Call 5-year at 5.5%, tightening from IPT of 5.875% area. Taihu Pearl Oriental Co. (Guarantor: Huzhou City Investment Development Group Co.) has arranged investor calls commencing 22 July 2020 for its proposed USD bond offering. Manila Water has mandated banks for a possible USD sustainability bond offering.

Daily Treasury Outlook

23 July 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX1	94.988	-0.14%	USD-SGD	1.3856	0.19%
USD-JPY	107.150	0.33%	EUR-SGD	1.6031	0.55%
EUR-USD	1.157	0.37%	JPY-SGD	1.2931	-0.15%
AUD-USD	0.714	0.17%	GBP-SGD	1.7644	0.20%
GBP-USD	1.273	0.02%	AUD-SGD	0.9893	0.36%
USD-MYR	4.252	-0.21%	NZD-SGD	0.9232	0.49%
USD-CNY	7.000	0.27%	CHF-SGD	1.4904	0.56%
USD-IDR	14650	-0.62%	SGD-MYR	3.0710	0.14%
USD-VND	23184	0.05%	SGD-CNY	5.0586	0.37%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5010	-0.50%	O/N	0.0853	0.09%
2M	-0.3360	-0.34%	1M	0.1758	0.18%
3M	-0.4520	-0.44%	2M	0.2151	0.22%
6M	-0.3530	-0.35%	3M	0.2555	0.26%
9M	-0.1940	-0.20%	6M	0.3399	0.34%
12M	-0.2800	-0.28%	12M	0.4644	0.47%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.037	-3.7	0.082	0.082
09/16/2020	-0.12	-8.3	0.062	0.062
11/05/2020	-0.165	-4.5	0.051	0.051
12/16/2020	-0.232	-6.6	0.034	0.034
01/27/2021	-0.277	-4.6	0.023	0.023

Equity and Commodity

Index	Value	Net change
DJIA	27,005.84	165.44
S&P	3,276.02	18.72
Nasdaq	10,706.13	25.77
Nikkei 225	22,751.61	-132.61
STI	2,594.53	-34.92
KLCI	1,586.98	-8.95
JCI	5,110.19	-4.52
Baltic Dry	1,594.00	-84.00
VIX	24.32	-0.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (--)	0.15 (-0.01)
5Y	0.52 (--)	0.27 (-0.01)
10Y	0.88 (--)	0.6 (--)
15Y	1.13 (-0.01)	--
20Y	1.18 (--)	--
30Y	1.2 (--)	1.29 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	1.70	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.11
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.90	-0.14%	Corn (per bushel)	3.275	1.5%
Brent (per barrel)	44.29	-0.07%	Soybean (per bushel)	8.993	0.3%
Heating Oil (per gallon)	127.07	-0.73%	Wheat (per bushel)	5.345	1.3%
Gasoline (per gallon)	128.28	0.24%	Crude Palm Oil (MYR/MT)	27.450	0.4%
Natural Gas (per MMBtu)	1.68	0.36%	Rubber (JPY/KG)	1.615	3.3%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6486.00	-0.74%	Gold (per oz)	1871.4	1.6%
Nickel (per mt)	13136.00	-2.45%	Silver (per oz)	23.0	7.9%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/22/2020 07:31	PH Overseas Remittances YoY	May -15.5%	--	-16.2%	--
07/22/2020 07:31	PH BoP Overall	Jun --	--	\$2430m	--
07/22/2020 07:31	PH Overseas Workers Remittances	May --	--	\$2046m	--
07/23/2020 07:00	SK GDP YoY	2Q P -2.0%	-2.9%	1.4%	--
07/23/2020 07:00	SK GDP SA QoQ	2Q P -2.4%	-3.3%	-1.3%	--
07/23/2020 09:30	AU NAB Business Confidence	2Q --	--	-11.0	--
07/23/2020 13:00	SI CPI YoY	Jun -0.5%	--	-0.8%	--
07/23/2020 13:00	SI CPI NSA MoM	Jun 0.0%	--	0.5%	--
07/23/2020 14:00	GE GfK Consumer Confidence	Aug -4.5	--	-9.6	--
07/23/2020 20:30	US Initial Jobless Claims	Jul 1300k	--	1300k	--
07/23/2020 20:30	US Continuing Claims	Jul 17100k	--	17338k	--
07/23/2020 21:45	US Bloomberg Consumer Comfort	Jul --	--	44.30	--
07/23/2020 21:45	US Bloomberg Economic Expectations	Jul --	--	38.00	--
07/23/2020 22:00	US Leading Index	Jun 2.1%	--	2.8%	--
07/23/2020 22:00	EC Consumer Confidence	Jul A -12.0	--	-14.7	--

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).