

Daily Treasury Outlook

24 February 2020

Highlights

Global: Covid-19 concerns are likely to reassert to start the week after cases in South Korea spiked and its exports to China fell 3.7% for the first twenty days of February, giving an early glimpse into the growth fallout for Asia. US' services PMI also slipped into contraction zone at 49.4 (lowest since October 2013 and the first time in contraction territory since 2016) which contributed to fears that Covid-19 effects had reached US shores. The futures market is now pricing in between 25-50bps of Fed rate cuts in response whilst the 1-month to 1-year T-bill curve inverted further.

Market watch: Asian markets are likely to open on a soft tone this morning, amid concerns of the economic drag from Covid-19. Today's economic calendar comprises S'pore's CPI (OCBC forecast: 0.8% yoy), Thai trade data, Philippines Budget, Taiwan's industrial production and unemployment, German ifo, and US' Chicago and Dallas Fed national activity indices. Japanese markets are closed today for a holiday.

China: President Xi said on Sunday that the ecosystem for economic growth is dynamic and cannot afford a long-term stall. As such, President Xi said an orderly resumption of production is very important for China to achieve its annual growth target, ensure social stability and achieve the target of building China as a moderately prosperous society. Meanwhile, Xi also said China's resumption of production is also important for global economic growth stability. In the meeting, President Xi announced eight measures to support the resumption of production. He said the proactive fiscal policy should be more proactive and prudent monetary policy should be more flexible. Meanwhile, he also said that China should closely monitor the impact of virus outbreak on the supply and demand matrix and prevent prices from rising too fast. He gave the green light to provide the subsidy to offset the rise of prices. On international trade, President Xi said China should stabilize the share in international trade via tools such as export tax rebate.

Malaysia: As if there's not enough headwinds to the economy as it is, Malaysia may be going through a dramatic political change. Leaders of six political parties, including Bersatu, UMNO and PAS and a splinter PKR group met with the Agong yesterday purportedly to form a new government. Meanwhile, PKR leader Anwar Ibrahim is scheduled to meet with the Agong today, as well. Whether through new coalition or even an election, Malaysia may be seeing a new government soon.

Oil: Brent fell 1.4% on Friday and is set to extend losses on Monday, as losses in early Monday morning trading reflect the pessimism surrounding global markets. With the virus now widespread in the EU (particularly Italy) and South Korea, oil market participants are expecting a further decline in oil demand from these two economies, which are traditionally relatively big oil consumers and importers.

Key Market Movements

Equity	Value	% chg
S&P 500	3337.8	-1.1%
DJIA	28992	-0.8%
Nikkei 225	23387	-0.4%
SH Comp	3039.7	0.3%
STI	3181.0	-0.6%
Hang Seng	27309	-1.1%
KLCI	1531.2	-0.2%
Currencies	Value	% chg
DX	99.262	-0.6%
USDJPY	111.61	-0.4%
EURUSD	1.0847	0.6%
GBPUSD	1.2964	0.6%
USDIDR	13760	0.1%
USDSGD	1.3978	-0.2%
SGDMYR	2.9953	0.3%
Rates	Value	chg (bp)
3M UST	1.55	-2.58
10Y UST	1.47	-4.39
1Y SGS	1.61	1.00
10Y SGS	1.63	-2.77
3M LIBOR	1.68	-1.33
3M SIBOR	1.71	0.00
3M SOR	1.49	-3.74
Commodities	Value	% chg
Brent	58.5	-1.4%
WTI	53.38	-0.9%
Gold	1643	1.5%
Silver	18.49	0.7%
Palladium	2710	0.4%
Copper	5765	0.6%
BCOM	76.25	0.0%

Source: Bloomberg

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Major Markets

US: US equity markets fell last Friday as worries over a possible Covid-19 pandemic impacting global economic growth led to a risk-off stance among investors. The S&P500 index fell 1.05%. Looking ahead, US markets are likely to face a softer opening today as the number of Covid-19 cases continues to surge in countries outside of China. If the 3300 support handle for the S&P500 index is breached, the next support is likely to be at 3290.

Macau: Inflation accelerated to 2.98%, the highest level since early 2019. It was mainly attributed to rising food (5.39%) and housing (+1.36%) inflation. Moving forward, we expect that the inflationary pressure might be well-contained in the coming months.

Singapore: The STI fell 0.55% last Friday as risk appetite retreated on the back of a worsening Covid-19 outbreak outside of China. For today, the STI is likely to open softer, following cues from its Asian counterparts with the Kospi index down 2% at the time of writing.

Indonesia: Finance Minister Sri Mulyani said on the sidelines of G20 meeting in Riyadh, that Indonesia's growth may be corrected downward by 0.3-0.6ppt this year due to the Covid-19's impact on China's and global growth. The government had previously assumed 5.3% growth for 2020; which means growth may now be 4.7-5.0%.

Thailand: The Thai Constitutional Court has ordered the dissolution of the Future Forward Party, which holds the most seats in the opposition ward after the Pheu Thai party. The Court has ruled that loans from Party leader Thanathorn to the party during elections were deemed to have breached financial rules. Thanathorn and other party leaders are now banned from politics for ten years.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 3-4bps lower, while the belly and the longer tenors traded 5-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 120bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 479bps. The HY-IG Index Spread widened 5bps to 359bps. 10Y UST Yields fell 4bps to 1.47%, as the number of COVID-19 cases outside of China, including in South Korea and Japan, rose.

New Issues: Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd) priced a USD88mn re-tap of its YANGOG 12.5%'21s at 12.5%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.262	-0.60%	USD-SGD	1.3978	-0.23%
USD-JPY	111.610	-0.44%	EUR-SGD	1.5163	0.34%
EUR-USD	1.0847	0.57%	JPY-SGD	1.2526	0.22%
AUD-USD	0.6627	0.18%	GBP-SGD	1.8116	0.38%
GBP-USD	1.2964	0.64%	AUD-SGD	0.9262	--
USD-MYR	4.1915	0.23%	NZD-SGD	0.8874	-0.01%
USD-CNY	7.0278	0.06%	CHF-SGD	1.4289	0.38%
USD-IDR	13760	0.07%	SGD-MYR	2.9953	0.28%
USD-VND	23246	0.04%	SGD-CNY	5.0253	0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4780	-0.60%	O/N	1.5703	-0.97%
2M	-0.3360	-0.97%	1M	1.6268	-1.05%
3M	-0.4150	-1.05%	2M	1.6768	-0.71%
6M	-0.3560	-0.71%	3M	1.6793	-1.33%
9M	-0.1940	-1.33%	6M	1.6748	-0.31%
12M	-0.2870	-0.31%	12M	1.7286	-0.71%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Prob Hike/Cut	Implied Rate Change	Implied Rate
18/03/2020	-0.157	-15.70%	-0.039	1.545
29/04/2020	-0.525	-36.80%	-0.131	1.453
10/06/2020	-0.947	-42.20%	-0.237	1.347
29/07/2020	-1.285	-33.80%	-0.321	1.262
16/09/2020	-1.641	-35.60%	-0.41	1.173
05/11/2020	-1.799	-15.80%	-0.45	1.134

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.38	-0.7%	Corn (per bushel)	3.7700	-0.4%
Brent (per barrel)	58.50	-1.4%	Soybean (per bushel)	8.905	-0.3%
Heating Oil (per gallon)	1.6866	-0.6%	Wheat (per bushel)	5.5100	-1.6%
Gasoline (per gallon)	1.6506	-1.1%	Crude Palm Oil (MYR/MT)	2,683.0	0.5%
Natural Gas (per MMBtu)	1.9050	-0.8%	Rubber (JPY/KG)	164.1	1.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,765	0.6%	Gold (per oz)	1,643.4	1.5%
Nickel (per mt)	12,530	-1.1%	Silver (per oz)	18.489	0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	28,992.41	-227.57
S&P	3,337.75	-35.48
Nasdaq	9,576.59	-174.38
Nikkei 225	23,386.74	-92.41
STI	3,181.03	-17.65
KLCI	1,531.20	-3.78
JCI	5,882.26	-60.23
Baltic Dry	497.00	17.00
VIX	17.08	1.52

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.48 (--)	1.35 (-0.03)
5Y	1.50 (-0.01)	1.32 (-0.04)
10Y	1.63 (-0.03)	1.47 (-0.04)
15Y	1.74 (-0.04)	--
20Y	1.78 (-0.04)	--
30Y	1.98 (-0.03)	1.91 (-0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	3.98	-0.52
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.60
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
02/24/2020	PH	Budget Balance PHP	Dec	--	--	-60.9b	--
02/24/2020 05:45	NZ	Retail Sales Ex Inflation QoQ	4Q	0.80%	0.70%	1.60%	1.70%
02/24/2020 11:30	TH	Customs Exports YoY	Jan	-2.90%	--	-1.28%	--
02/24/2020 11:30	TH	Customs Imports YoY	Jan	-16.45%	--	2.54%	--
02/24/2020 11:30	TH	Customs Trade Balance	Jan	-\$448m	--	\$596m	--
02/24/2020 13:00	SI	CPI YoY	Jan	0.90%	--	0.80%	--
02/24/2020 13:00	SI	CPI NSA MoM	Jan	-0.10%	--	0.30%	--
02/24/2020 16:00	TA	Industrial Production YoY	Jan	-4.00%	--	5.99%	--
02/24/2020 16:00	TA	Unemployment Rate	Jan	3.71%	--	3.72%	--
02/24/2020 17:00	GE	IFO Business Climate	Feb	95.3	--	95.9	--
02/24/2020 17:00	GE	IFO Expectations	Feb	92.1	--	92.9	--
02/24/2020 17:00	GE	IFO Current Assessment	Feb	98.6	--	99.1	--
02/24/2020 21:30	US	Chicago Fed Nat Activity Index	Jan	-0.16	--	-0.35	--
02/24/2020 21:30	CA	Wholesale Trade Sales MoM	Dec	0.40%	--	-1.20%	--
02/24/2020 23:30	US	Dallas Fed Manf. Activity	Feb	0	--	-0.2	--

Source: Bloomberg

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