

## Daily Treasury Outlook

24 March 2020

### Highlights

**Global:** The Fed came to the rescue of markets again by announcing unlimited QE, as well as facilities to provide liquidity for outstanding IG corporate bonds, municipal bonds and issuance of asset-backed securities and a forthcoming business lending program to support lending to SMEs.

However, this did not fully offset the disappointment with Congress for failing to pass the stimulus package for a second day. The S&P500 still fell 2.93% while UST bonds rallied again with the 10-year yield down 9bps to 0.76% and the 3-month T-bill auction stopped out at 0% for the first time since October 2015, albeit VIX eased further to 61.59. The IMF is now tipping a global recession this year and called for more to be done, especially on the fiscal front. Elsewhere, the UK has announced a lockdown while the Tokyo Olympics will likely be postponed. US president insisted that the US economy “was not built to be shut down”.

**Market watch:** Asian markets are likely to tread cautiously today as investors weigh the Fed’s latest bazooka of unlimited QE and wading into corporate bonds versus feet-dragging on US fiscal stimulus. Today’s economic data releases comprise of services and composite PMIs from US and Europe.

**US:** Fed’s Bullard called for a three-month work break (“National Pandemic Adjustment Period”) for the US to fight Covid-19 outbreak.

**China:** The epicentre of coronavirus outbreak Wuhan said it will unveil six measures to support the resumption of work in the property market.

**Singapore:** DPM Heng will announce the second fiscal stimulus package on 26 March following the release of the advance 1Q20 GDP growth estimate at 8am. Meanwhile, MAS will announce the monetary policy statement on 30 March, which is slightly earlier than the usual mid-April schedule. Core CPI turned negative (-0.1% yoy) in Feb20 for the first time since Jan10 amid the Covid-19 outbreak. This opens the door even wider for MAS to flatten the S\$NEER slope to neutral and possibly re-center lower as well if the S\$NEER moves closer to the extreme weak end of its parity band in coming days. We are now looking at 2020 GDP growth to be in the -1% to 0% yoy range, and headline and core CPI to be in the -0.5% to 0.5% yoy range.

**Indonesia:** As part of measures to help provide more liquidity in the face of Rupiah depreciation pressure, Bank Indonesia has begun holding daily repo and FX swap auctions. The repos are offered with maturity ranging from 1 week to 12 months, starting Monday. Global risk off sentiment has resulted in sell-offs of Indonesian assets, with net outflows from bonds and equities totalling USD6.8bn year-to-date.

**Oil:** Oil prices rose marginally to \$27.02/bbl yesterday to clock gains of 0.2%. Prices remain suppressed, with many US producers reportedly starting to reduce runs. With no signs of Saudi Arabia or Russia returning to the table, and the coronavirus situation still yet to show stabilisation in the US and Europe, expect prices to remain at current levels in the short term.

### Key Market Movements

Equity	Value	% chg
S&P 500	2237.4	-2.9%
DJIA	18592	-3.0%
Nikkei 225	16888	2.0%
SH Comp	2660.2	-3.1%
STI	2233.5	-7.4%
Hang Seng	21696	-4.9%
KLCI	1259.9	-3.3%
Currencies	Value	% chg
DX	102.487	-0.3%
USDJPY	111.23	0.3%
EURUSD	1.0726	0.4%
GBPUSD	1.1542	-0.7%
USDIDR	16575	3.9%
USDSGD	1.461	0.7%
SGDMYR	3.0503	0.6%
Rates	Value	chg (bp)
3M UST	-0.04	-0.26
10Y UST	0.79	-5.91
1Y SGS	1.14	1.00
10Y SGS	1.56	-8.99
3M LIBOR	1.20	0.90
3M SIBOR	1.01	0.94
3M SOR	0.94	5.14
Commodities	Value	% chg
Brent	27.03	0.2%
WTI	23.36	3.2%
Gold	1553	3.6%
Silver	13.27	5.1%
Palladium	1724	5.0%
Copper	4630	-3.7%
BCOM	62.01	1.5%

Source: Bloomberg

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### Major Markets

**US:** US equity markets continued their fall yesterday as the Senate procedural vote for the \$2 trillion stimulus package resulted in a stalemate again. The S&P500 index fell 2.9%, despite the Fed announcing more measures, including an unlimited bonds purchase, to ensure liquidity in the markets. Looking ahead, investors will be watching out for the stimulus bill, as the longer the bill takes to get passed, the greater the damage to the economy.

**Hong Kong:** Given the surge of imported cases over the past few days, the government escalated travel restrictions on Monday. First, non-residents will be stopped from visiting for 14 days, effective from 25<sup>th</sup> March. Second, all airport transit services will be halted. This is expected to weigh heavily on the transportation sector while remaining the tourism at a standstill. On top of that, bars will be banned from serving alcohol while harsher penalties will be imposed on quarantine breaches. With coronavirus outbreak continuing to hit exports of goods and services as well as disrupt businesses and consumption, we expect the economy to remain under huge pressure in 2Q.

Inflation accelerated to 2.2% in February. Specifically, food inflation decelerated to 6.2%, amid the different timing of Chinese New Year between 2019 and 2020. Meanwhile, housing inflation rebounded sharply to 2.7% in February from -3% in January, due to the fading out of the effect of one-off relief measures including government's payment of public housing rentals and waiver of two-thirds of rent for tenants by HK Housing Society. On the flip side, the price index of utility continued to plunge by 15.9% due to the additional Government's provision of electricity charge subsidy starting from January 2020. Moving forward, despite high base, housing inflation may slow down amid recent housing market correction and new one-off relief measures. Electricity charge subsidy may also continue to weigh on utility inflation. Adding on sharp decline in oil prices, lower imports prices amid stronger HKD, as well as weak consumption, we expect overall inflation will moderate to 1.5% in 2020.

**Singapore:** The STI slumped 7.35% to close at 2233.48 yesterday (lowest since May09) and may continue to probe the downside from here amid fragile market sentiments. The ongoing scramble for safety is likely to extend to SGS bonds again, with the upcoming \$2.2b re-opening of the 2-year SGS bond (with MAS taking \$200m) likely to be well-bid at the auction on 28 March.

**Malaysia:** Malaysian government announced new measures to combat the Covid-19 virus. Health Ministry is slated to receive an additional MYR500mn budget. 100mn is given to hire 2000 contract staff. Meanwhile, to ease cash constraints, Malaysians under 55yo can now withdraw up to MYR500/mth from state pensions for the next 12m. Student loan repayments are delayed by 6 months, from 3 months previously.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly rose yesterday, with the shorter tenors trading 1-6bps higher (with the exception of the 1-year tenor trading 1bps lower), while the belly and the longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 22bps to 278bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 50bps to 1275bps. The HY-IG Index Spread widened 28bps to 997bps. Flows in SGD corporates were heavy, with flows in STANLN 4.4%'26s, DBSSP 3.98%-PERPs, SOCGEN 6.125%-PERPs, OCBCSP 4%-PERPs and BAERVX 5.9%-PERPs. 10Y UST Yields fell 6bps to 0.79%, even after the Fed promised asset purchases with no limit to support the market. On the other hand, U.S. Senate Majority Leader McConnell said he lacked votes to advance the stimulus bill aimed at combating the economic impacts brought about by the outbreak of COVID-19.

**New Issues:** There were no new issues or mandates.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	102.487	-0.32%	<b>USD-SGD</b>	1.4610	0.72%
<b>USD-JPY</b>	111.230	0.27%	<b>EUR-SGD</b>	1.5672	1.14%
<b>EUR-USD</b>	1.0726	0.36%	<b>JPY-SGD</b>	1.3128	0.25%
<b>AUD-USD</b>	0.5838	0.92%	<b>GBP-SGD</b>	1.6867	--
<b>GBP-USD</b>	1.1542	-0.75%	<b>AUD-SGD</b>	0.8518	1.27%
<b>USD-MYR</b>	4.4470	1.19%	<b>NZD-SGD</b>	0.8350	0.78%
<b>USD-CNY</b>	7.0886	-0.10%	<b>CHF-SGD</b>	1.4824	0.81%
<b>USD-IDR</b>	16575	3.85%	<b>SGD-MYR</b>	3.0503	0.58%
<b>USD-VND</b>	23552	0.77%	<b>SGD-CNY</b>	4.8532	-0.90%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	18,591.93	-582.05
<b>S&amp;P</b>	2,237.40	-67.52
<b>Nasdaq</b>	6,860.67	-18.85
<b>Nikkei 225</b>	16,887.78	334.95
<b>STI</b>	2,233.48	-177.26
<b>KLCI</b>	1,259.88	-43.40
<b>JCI</b>	3,989.52	-205.43
<b>Baltic Dry</b>	617.00	-8.00
<b>VIX</b>	61.59	-4.45

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4500	3.50%	<b>O/N</b>	0.2119	-8.64%
<b>2M</b>	-0.3360	-8.64%	<b>1M</b>	0.9285	0.49%
<b>3M</b>	-0.3710	0.49%	<b>2M</b>	1.1000	2.04%
<b>6M</b>	-0.3130	2.04%	<b>3M</b>	1.2041	0.90%
<b>9M</b>	-0.1940	0.90%	<b>6M</b>	0.9943	1.47%
<b>12M</b>	-0.1860	1.47%	<b>12M</b>	0.9335	1.15%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.04 (-0.06)	0.31 (--)
<b>5Y</b>	1.29 (-0.05)	0.41 (-0.05)
<b>10Y</b>	1.56 (-0.09)	0.79 (-0.06)
<b>15Y</b>	1.66 (-0.07)	--
<b>20Y</b>	1.63 (-0.06)	--
<b>30Y</b>	1.60 (-0.06)	1.35 (-0.07)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	-0.021	-2.1	-0.005	0.098
10/06/2020	-0.14	-11.9	-0.035	0.068
29/07/2020	-0.161	-2.1	-0.04	0.063
16/09/2020	-0.161	0	-0.04	0.063
05/11/2020	-0.137	2.4	-0.034	0.068
16/12/2020	-0.096	4.1	-0.024	0.079

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	12.98	0.18
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.04
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	23.36	4.1%	Corn (per bushel)	3.4350	-0.1%
Brent (per barrel)	27.03	0.2%	Soybean (per bushel)	8.840	2.5%
Heating Oil (per gallon)	1.0161	1.0%	Wheat (per bushel)	5.6250	4.3%
Gasoline (per gallon)	0.4118	-32.0%	Crude Palm Oil (MYR/MT)	2,348.0	0.4%
Natural Gas (per MMBtu)	1.6020	-0.1%	Rubber (JPY/KG)	137.3	-5.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,630	-3.7%	Gold (per oz)	1,553.2	3.6%
Nickel (per mt)	10,880	-3.1%	Silver (per oz)	13.265	5.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/24/2020 08:30	JN	Jibun Bank Japan PMI Mfg	Mar P	--	--	47.8	--
03/24/2020 08:30	JN	Jibun Bank Japan PMI Services	Mar P	--	--	46.8	--
03/24/2020 08:30	JN	Jibun Bank Japan PMI Composite	Mar P	--	--	47	--
03/24/2020 16:30	GE	Markit/BME Germany Manufacturing PMI	Mar P	39.9	--	48	--
03/24/2020 16:30	GE	Markit Germany Services PMI	Mar P	43	--	52.5	--
03/24/2020 17:00	EC	Markit Eurozone Manufacturing PMI	Mar P	39	--	49.2	--
03/24/2020 17:00	EC	Markit Eurozone Composite PMI	Mar P	38.8	--	51.6	--
03/24/2020 17:30	UK	Markit UK PMI Manufacturing SA	Mar P	45	--	51.7	--
03/24/2020 17:30	UK	Markit/CIPS UK Composite PMI	Mar P	45	--	53	--
03/24/2020 17:30	UK	Markit/CIPS UK Services PMI	Mar P	45	--	53.2	--
03/24/2020 21:45	US	Markit US Manufacturing PMI	Mar P	43.5	--	50.7	--
03/24/2020 21:45	US	Markit US Composite PMI	Mar P	--	--	49.6	--
03/24/2020 21:45	US	Markit US Services PMI	Mar P	42	--	49.4	--
03/24/2020 22:00	US	Richmond Fed Manufact. Index	Mar	-15	--	-2	--
03/24/2020 22:00	US	New Home Sales	Feb	750k	--	764k	--

Source: Bloomberg

## Treasury Research & Strategy

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