

Daily Treasury Outlook

24 April 2020

Highlights

Global: US equity markets were little changed (S&P500 -0.1%) overnight amid disappointing hints about Gilead's Remdesivir drug performance in Covid-19 trials. The UST bond yield curve flattened as longer dates bonds were stayed bid with the 10-year at 0.60%. Elsewhere, the EU agreed on a new deal for a EUR540b short term rebuilding plan but remain divided on a longer term plan. ECB chief Lagarde warned of too little action and the risk of a -15% recession. Meanwhile, BOJ is said to be considering lifting the annual bond purchase cap to unlimited and double targets for CP and corporate bonds at next Monday's meeting. Separately, Malaysia extended its MCO by another two weeks, while Indonesia also halted domestic air travel from 24 April to 1 June.

Market watch: Asian markets may tread water today. The economic data calendar comprises of Singapore's 1Q unemployment rate (which is unlikely to fully reflect the circuit breaker impact yet) and industrial production, UK retail sales, German IFO, and US' durable goods and University of Michigan sentiment index.

US: Initial jobless claims eased to 4.43m but brought the total to 26.5m, while new home sales slumped 15.4% in March in its biggest decline since 2013. The April PMI also crashed from 40.9 to 27.4 (lowest since at least 2009). The House passes \$484b in additional aid for small businesses and hospitals, and now awaits President Trump's signing.

China: PBoC Shanghai stepped up its supervision on the misuse of personal consumption loan and business loan in property purchase and reiterated that housing is not for speculation. Meanwhile, in Shenzhen, banks also started self-examination to stop loans to smaller companies from being channelled to property sector.

Indonesia: Indonesian government announced that it is suspending passenger flights and rail service in a bid to restrict movement of people - and potential transmission of the virus - as the holy month of Ramadan begins. Traditionally, up to 75mn people would undertake trips back to their hometowns to celebrate the festivities. While the government had banned the so-called "mudik" trips earlier, enforcement may be an issue, which is one reason behind the outright ban on flights and train trips.

Oil: Prices continue to stage a recovery post-Tuesday, when front-month WTI futures recorded negative prices. Brent closed 4.7% higher to \$21.33/bbl while WTI rose 19.7% to \$16.50/bbl. The Brent-WTI spread of \$4.83/bbl is now the lowest in three weeks.

Gold: Gold continues to stage new 7-year highs, closing at \$1730.51/oz yesterday. The precious metal is now attempting to test the resistance of \$1750/oz and if it breaks this level, it may continue rallying towards the crucial \$1800/oz handle.

Key Market Movements		
Equity	Value	% chg
S&P 500	2797.8	-0.1%
DJIA	23515	0.2%
Nikkei 225	19429	1.5%
SH Comp	2838.5	-0.2%
STI	2542.4	-0.3%
Hang Seng	23977	0.4%
KLCI	1381.6	0.0%
Currencies	Value	% chg
DXY	100.433	0.0%
USDJPY	107.6	-0.1%
EURUSD	1.0777	-0.4%
GBPUSD	1.2344	0.1%
USIDIDR	15415	-0.2%
USDSGD	1.4237	-0.3%
SGDMYR	3.0591	-0.3%
Rates	Value	chg (bp)
3M UST	0.10	0.51
10Y UST	0.60	-1.75
1Y SGS	0.54	-2.00
10Y SGS	1.03	-0.57
3M LIBOR	1.02	-2.27
3M SIBOR	0.99	0.00
3M SOR	0.85	1.45
Commodities	Value	% chg
Brent	21.33	4.7%
WTI	16.5	19.7%
Gold	1731	1.0%
Silver	15.26	1.0%
Palladium	1977	1.9%
Copper	5161	0.6%
BCOM	60.78	0.2%

Source: Bloomberg

Daily Treasury Outlook

24 April 2020

Major Markets

US: US markets were largely flat after a roller coaster session in which the indices were all up more than 1%. Stocks were down on the back of a report that said Gilead's Remdesivir drug was a failure in treating Covid-19 patients, although Gilead has said the report is not a fair representation. The S&P500 index was down 0.05%. Market sentiment is likely to continue to be dominated by the coronavirus outbreak. American Express is among the companies reporting earnings today.

Hong Kong: Inflation accelerated slightly from 2.2% in Feb to 2.3% in Mar, mainly due to low base effect. That said, for the two most heavily weighted items, food inflation slowed down to 5.7% amid smaller increases in pork prices while housing inflation moderated to 2.6%. Meanwhile, clothing price index dropped faster by 4% yoy while utility price index fell at the fastest pace since mid-2012 by 16.1% yoy due to the government's provision of electricity charge subsidy starting from January 2020. Moving forward, we expect overall inflation will slide below 2% in the rest of this year given high base effect, stronger HKD, one-off relief measures, drastic decline of oil prices and weak consumption.

Singapore: STI retreated 0.3% to close at 2542.37 yesterday and may trade sideways today. SGS bonds are also likely to trade in a range too.

Malaysia: Malaysian PM Muhyiddin Yassin announced last night that the MCO restriction order will be extended again to May 12. First adopted on March 18, the order has now been extended into a fourth 2-week phase. In his speech to mark the start of the Muslim fasting month of Ramadan, the PM further added that although new cases have dropped to well below 100 recently, the government does not rule out extending the restrictions even further, beyond mid-May, warning that people might not be able to celebrate Hari Raya (which falls on May 24 this year) at their hometowns.

Daily Treasury Outlook

24 April 2020

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading around 2bps higher, while the belly and the longer tenors traded 3-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 994bps. The HY-IG Index Spread widened 3bps to 734bps. Flows in SGD corporates were moderate, with flows in UBS 5.875%-PERPs, HSBC 4.7%-PERPs and SPHSP 4.5%-PERPs. 10Y UST Yields fell slightly by 2bps to 0.6% by the end of the day, as U.S.' weekly jobless claims hit 4.4mn and after news that Gilead's COVID-19 drug did not seem to show benefits for patients.

New Issues: Kookmin Bank priced a 5-year USD500mn COVID-19 response bond at T+150bps, tightening from IPT of T+195bps area. Pingdu State-owned Assets Management Co., Ltd. (Guarantor: Pingdu Construction Investment Development Co., Ltd.) priced a USD200mn 3-year bond at 5.75%, tightening from IPT of 6.2% area. PSA Treasury Pte Ltd (Guarantor: PSA International Pte Ltd) priced a USD650mn 10-year bond at T+165bps, tightening from IPT of T+210bps area. Korea East-West Power Co arranged investor calls commencing 23 April for its proposed USD bond offering. AMTD International Inc has mandated banks and arranged investor calls commencing 24 April to exchange offer of its AMTDGC 7.625%-PERPs with a proposed a new USD or SGD bond offering.

Daily Treasury Outlook

24 April 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.433	0.04%	USD-SGD	1.4237	-0.26%
USD-JPY	107.600	-0.14%	EUR-SGD	1.5346	-0.67%
EUR-USD	1.0777	-0.43%	JPY-SGD	1.3235	-0.13%
AUD-USD	0.6370	0.74%	GBP-SGD	1.7577	-0.16%
GBP-USD	1.2344	0.08%	AUD-SGD	0.9072	0.53%
USD-MYR	4.3602	-0.11%	NZD-SGD	0.8559	0.72%
USD-CNY	7.0667	-0.25%	CHF-SGD	1.4587	-0.75%
USD-IDR	15415	-0.23%	SGD-MYR	3.0591	-0.27%
USD-VND	23496	0.03%	SGD-CNY	4.9751	0.25%

Equity and Commodity

Index	Value	Net change
DJIA	23,515.26	39.44
S&P	2,797.80	-1.51
Nasdaq	8,494.75	-0.63
Nikkei 225	19,429.44	291.49
STI	2,542.37	-7.67
KLCI	1,381.64	-0.25
JCI	4,593.55	25.99
Baltic Dry	694.00	--
VIX	41.38	-0.60

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4180	2.50%	O/N	0.0635	0.04%
2M	-0.3360	0.04%	1M	0.5698	-5.49%
3M	-0.1900	-5.49%	2M	0.8664	-4.15%
6M	-0.1240	-4.15%	3M	1.0203	-2.27%
9M	-0.1940	-2.27%	6M	0.9906	-3.36%
12M	-0.0530	-3.36%	12M	0.9704	-1.61%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (-0.01)	0.22 (+0.01)
5Y	0.62 (-0.01)	0.37 (--)
10Y	1.03 (-0.01)	0.60 (-0.02)
15Y	1.25 (--)	--
20Y	1.39 (--)	--
30Y	1.42 (--)	1.18 (-0.03)

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	0.145	2.6	0.036	0.084
29/07/2020	0.099	-4.6	0.025	0.072
16/09/2020	0.068	-3.1	0.017	0.065
05/11/2020	0.055	-1.3	0.014	0.062
16/12/2020	0.066	1.1	0.017	0.064

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	27.45	0.25
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	16.50	19.7%	Corn (per bushel)	3.1925	0.6%
Brent (per barrel)	21.33	4.7%	Soybean (per bushel)	8.393	0.5%
Heating Oil (per gallon)	0.7345	0.5%	Wheat (per bushel)	5.4700	0.7%
Gasoline (per gallon)	0.6436	0.8%	Crude Palm Oil (MYR/MT)	2,162.0	2.0%
Natural Gas (per MMBtu)	1.8150	-6.4%	Rubber (JPY/KG)	141.0	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,161	0.6%	Gold (per oz)	1,730.5	1.0%
Nickel (per mt)	12,169	1.3%	Silver (per oz)	15.255	1.0%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/24/2020 04:29	PH Overseas Remittances YoY	Feb 3.90%	--	6.60%	--
04/24/2020 07:30	JN Natl CPI YoY	Mar 0.40%	0.40%	0.40%	--
04/24/2020 12:30	JN All Industry Activity Index MoM	Feb -0.50%	--	0.80%	--
04/24/2020 13:00	SI Industrial Production YoY	Mar -4.90%	--	-1.10%	--
04/24/2020 14:00	UK Retail Sales Inc Auto Fuel MoM	Mar -5.00%	--	-0.30%	--
04/24/2020 14:00	UK Retail Sales Ex Auto Fuel MoM	Mar -4.00%	--	-0.50%	--
04/24/2020 14:00	UK Retail Sales Inc Auto Fuel YoY	Mar -5.00%	--	0.00%	--
04/24/2020 14:00	UK Retail Sales Ex Auto Fuel YoY	Mar -4.80%	--	0.50%	--
04/24/2020 15:30	TH Foreign Reserves	Apr-17 --	--	\$228.2b	--
04/24/2020 16:00	GE IFO Business Climate	Apr 79.7	--	86.1	--
04/24/2020 16:00	GE IFO Expectations	Apr 75	--	79.7	--
04/24/2020 16:00	GE IFO Current Assessment	Apr 80.5	--	93	--
04/24/2020 20:30	US Durable Goods Orders	Mar P -12.00%	--	1.20%	--
04/24/2020 20:30	US Durables Ex Transportation	Mar P -6.50%	--	-0.60%	--
04/24/2020 22:00	US U. of Mich. Sentiment	Apr F 68	--	71	--

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).