

Daily Treasury Outlook

24 September 2020

Highlights

Global: Wall Street hit the skids again after Fed speakers took turns to warn about the need for fiscal stimulus to shore up the US economic recovery. Fed chair Powell stressed the need for fiscal aid (“the power of fiscal policy is really unequalled by anything else”), while Clarida opined that “the economy is recovering robustly, but we are still in a deep hole”. The US Justice Department also proposed to Congress to curb legal immunity for tech companies. With the prevailing risk-off mood, the S&P 500 index lost 2.37% to a 8-week low while VIX rose to 28.58 and USD rallied. UST bonds range traded again with the 10-year yield stuck at 0.67% for now even though the 5-year sale was well received at a record low of 0.275%. Meanwhile, RBNZ and BOT both kept their policy settings static yesterday, but clear hints was seen in the former that prolonged monetary support is necessary and instruments will include a Funding for Lending Programme, a negative OCR and purchases of foreign assets. Elsewhere, Anwar Ibrahim said he has a strong majority in the Malaysian parliament to form a new government.

Market watch: Asian markets are likely to exhibit a similar risk-off tone this morning. Today’s economic data calendar comprises of German IFO business survey, Hong Kong’s August trade data, US’ initial jobless claims and new home sales. The onslaught of Fed speakers continues with Kaplan, Bullard, Evans, Barkin, Williams and Bostic, while ECB’s Lane and BOE’s Bailey are also speaking today.

US: The manufacturing PMI rose from 53.1 to 53.5 in September, whilst the services PMI slipped from 55 to 54.6, but both still signalling a growth recovery in 3Q20. Meanwhile, Rosengren opined that the US would be lucky to get 2% inflation in four years as “the most difficult part of the recovery is still ahead of us”, while Evans noted his forecast had incorporated an expectation of \$1t in further fiscal support. Clarida also noted that the Fed will only begin to think of rate hikes when there are at least a few months of 2% yoy inflation as well as full employment.

EU: The September services PMIs were notably weaker with both Germany and France back in contraction territory at 49.1 and 47.5 respectively, despite the better than expected manufacturing PMIs.

UK: GBP fell to a 2-month low amid the increased risk of a new lockdown. Both manufacturing and services PMIs retreated to 54.3 and 55.1 in September.

SG: The government will allow more people working from home to return to the office as the number of community cases has remained low. Headline and core CPI fell 0.4% and 0.3% yoy in August, while COEs ended mixed with categories A and E higher while B was lower.

Key Market Movements		
Equity	Value	% chg
S&P 500	3236.9	-2.4%
DJIA	26763	-1.9%
Nikkei 225	23346	-0.1%
SH Comp	3279.7	0.2%
STI	2481.1	0.7%
Hang Seng	23743	0.1%
KLCI	1496.5	-0.6%
	Value	% chg
DXY	94.389	0.4%
USDJPY	105.39	0.4%
EURUSD	1.1660	-0.4%
GBPUSD	1.2724	-0.1%
USDIDR	14815	0.2%
USDSGD	1.3723	0.5%
SGDMYR	3.0422	0.3%
	Value	chg (bp)
3M UST	0.09	0.25
10Y UST	0.67	0.16
1Y SGS	0.28	0.00
10Y SGS	0.86	-0.24
3M LIBOR	0.22	-0.08
3M SIBOR	0.41	0.00
3M SOR	0.17	0.00
	Value	% chg
Brent	41.77	0.1%
WTI	39.93	0.3%
Gold	1863	-1.9%
Silver	22.78	-6.6%
Palladium	2230	0.0%
Copper	6605	-2.6%
BCOM	70.77	-0.3%

Source: Bloomberg

Daily Treasury Outlook

24 September 2020

Major Markets

US: US equities closed in the red on tech share losses. The S&P 500 index fell 2.4% and the Nasdaq 100 Composite index closed 3% lower. Market sentiments were beaten down by Fed speakers' economic recovery concerns and this is likely to weigh on US equities in the sessions ahead.

CN: China's State Council announced yesterday in its regular meeting that it will allow more qualified foreign investors to take strategic investment position in China's listed companies. Meanwhile, the meeting also reiterated China's plan to improve its de-listing mechanism.

SG: The STI added 0.72% to close at 2481.14 yesterday, but may face consolidation today amid the overnight sell-off in Wall Street and morning slippage in the Nikkei and the Kospi. SGS bonds are likely to be supported today amid the defensive.

Taiwan: Industrial production increased by 4.7% yoy in August, better than expected. The resilient performance was mainly supported by the manufacturing activities of those ICT products. Specifically, the index of electronic parts and computers, electronic & optical products increased by 17.87% yoy and 4.23% yoy respectively. Moving forward, the resilient demand for ICT products may continue to fuel the growth momentum of overall industrial production, thanks to the recovery of external demands. Nevertheless, the resurgence of Covid-19 remains the major uncertainty in the rest of this year.

Malaysia: Malaysia's opposition leader, Anwar Ibrahim, said yesterday that he has "strong, formidable" majority in the parliament to form a new government. He had sought an audience with the King, but the meeting did not take place because the sovereign was reportedly ill and hospitalized. The current PM, Muhyiddin Yassin, had denounced the move and said that key members of his coalition signed a joint statement to reaffirm their support for him. The renewed uptick of political drama comes as the state of Sabah is going into an election this weekend, that is seen as a barometer of public support for the current administration.

Indonesia: Given the pessimistic comments by the Fed that affected global market sentiment overnight, Indonesian assets may come under renewed pressure today. This may be especially so on the currency front, with the recent uptick in US dollar strength that may impose pressure on emerging markets in general. It comes at a time when Indonesia appears to be struggling still with containing the pandemic outbreak despite some lockdown measures. It set another new high in the daily number of covid cases yesterday, reporting 4465 new cases.

Daily Treasury Outlook

24 September 2020

Oil: US crude oil inventories fell 1.7 million barrels last week, lesser than the median 3.3 million barrels estimate in the Bloomberg poll. Brent endured another volatile session, fluctuating between \$41.21/bbl to \$42.62/bbl during intraday trading, only to end the day virtually unchanged at \$41.77/bbl.

Gold: Gold broke below the \$1900/oz level yesterday, signaling a bearish tilt in the precious metal's fortune. The various Fed speakers' pessimistic view of the US economy pushed the dollar higher, which in turn pressured gold past the critical support level of \$1900/oz. We turn bearish on gold in the short term.

Daily Treasury Outlook

24 September 2020

Bond Market Updates

Market Commentary: The SGD swap curve rose slightly yesterday, with the shorter and belly tenors trading slightly higher while the longer tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 171bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 679bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, HSBC 5%-PERPs, UBS 5.875%-PERPs, CS 5.625%-PERPs, UBS 4.85%-PERPs, DBSSP 3.98%-PERPs, CAPLSP 2.9%'32s, SINTEC 4.05%'25s, SIASP 3.035%'25s, SIASP 3.13%'27s and STANLN 5.375%-PERPs. 10Y UST Yields remained mostly unchanged at 0.67% despite a solid 5-year treasury auction. Additionally, the Fed officials reaffirmed the Fed's stand of adopting an accommodative monetary policy until inflation hits 2%.

New Issues: Perenti Finance Pty Ltd (Guarantor: Perenti Global Ltd) priced a USD450mn 5NC2 bond at 6.50%, tightening from IPT of 6.75% area. CFLD Cayman Investment Ltd (Guarantor: China Fortune Land Development Co. Ltd) priced a USD330mn 2-year bond at 8.75%, tightening from IPT of 8.9% area. Kaisa Group Holdings Ltd priced a USD200mn PerpNC3 at 10.875%, tightening from IPT of 11.125% area. Powerlong Real Estate Holdings Ltd (Guarantor: Certain non-PRC subsidiaries of the Issuer) priced a USD150mn Will Not Grow ("WNG") re-tap of its PWRLNG 6.25%'24s at 5.9%. Korea National Oil Corp priced a USD400mn 5-year bond at T+70bps, tightening from IPT of T+110bps area and another USD300mn 10-year bond at T+100bps area, tightening from IPT of T+130bps area. TSMC Global Ltd. priced a USD1bn 5-year bond at T+50bps, tightening from IPT of T+80bps area, a USD750m 7-year bond at T+60bps, tightening from IPT of T+90bps area and another USD1.25bn 10-year bond at T+80bps, tightening from IPT of T+110bps area.

Daily Treasury Outlook

24 September 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.389	0.43%	USD-SGD	1.3723	0.51%
USD-JPY	105.390	0.44%	EUR-SGD	1.6002	0.10%
EUR-USD	1.166	-0.41%	JPY-SGD	1.3032	0.11%
AUD-USD	0.707	-1.38%	GBP-SGD	1.7460	0.45%
GBP-USD	1.272	-0.07%	AUD-SGD	0.9712	-0.80%
USD-MYR	4.153	0.48%	NZD-SGD	0.8992	-0.77%
USD-CNY	6.809	0.43%	CHF-SGD	1.4863	0.12%
USD-IDR	14815	0.20%	SGD-MYR	3.0422	0.33%
USD-VND	23176	-0.04%	SGD-CNY	4.9679	0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5260	-0.53%	O/N	0.0826	0.08%
2M	-0.3360	-0.34%	1M	0.1511	0.15%
3M	-0.5080	-0.51%	2M	0.1861	0.18%
6M	-0.4730	-0.47%	3M	0.2225	0.22%
9M	-0.1940	-0.20%	6M	0.2748	0.27%
12M	-0.4380	-0.43%	12M	0.3765	0.38%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
11/05/2020	-0.024	-2.4	0.076	0.076
12/16/2020	-0.056	-3.2	0.069	0.069
01/27/2021	-0.1	-4.4	0.058	0.058
03/17/2021	-0.131	-3.1	0.05	0.05
04/28/2021	-0.14	-0.9	0.047	0.047
06/16/2021	-0.139	0.1	0.048	0.048
07/28/2021	-0.16	-2.1	0.043	0.043
09/22/2021	-0.207	-4.8	0.031	0.031
11/03/2021	-0.202	0.5	0.032	0.032
12/15/2021	-0.216	-1.4	0.029	0.029
01/26/2022	-0.25	-3.4	0.02	0.02
0	0	0	0	0

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	39.93	0.83%	Corn (per bushel)	3.685	-0.2%
Brent (per barrel)	41.77	0.12%	Soybean (per bushel)	10.145	-0.5%
Heating Oil (per gallon)	110.75	1.04%	Wheat (per bushel)	5.490	-1.6%
Gasoline (per gallon)	118.13	1.46%	Crude Palm Oil (MYR/MT)	29.140	-2.7%
Natural Gas (per MMBtu)	2.13	15.87%	Rubber (JPY/KG)	2.179	6.8%

Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6604.50	-2.59%	Gold (per oz)	1863.3	-1.9%
Nickel (per mt)	14431.00	-1.20%	Silver (per oz)	22.8	-6.6%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/24/2020 06:45	NZ	Trade Balance NZD	Aug	-350m	-353m	282m	447m
09/24/2020 06:45	NZ	Exports NZD	Aug	4.41b	4.41b	4.91b	5.04b
09/24/2020 06:45	NZ	Imports NZD	Aug	4.76b	4.76b	4.63b	4.59b
09/24/2020 13:30	JN	Nationwide Dept Sales YoY	Aug	--	--	-20.3%	--
09/24/2020 14:45	FR	Manufacturing Confidence	Sep	96	--	93	--
09/24/2020 16:00	GE	IFO Business Climate	Sep	93.8	--	92.6	--
09/24/2020 16:00	GE	IFO Expectations	Sep	98.0	--	97.5	--
09/24/2020 16:00	GE	IFO Current Assessment	Sep	89.5	--	87.9	--
09/24/2020 16:30	HK	Exports YoY	Aug	-3.0%	--	-3.0%	--
09/24/2020 16:30	HK	Imports YoY	Aug	-3.9%	--	-3.4%	--
09/24/2020 16:30	HK	Trade Balance HKD	Aug	-20.5b	--	-29.8b	--
09/24/2020 20:30	US	Continuing Claims	Sep-12	12275k	--	12628k	--
09/24/2020 20:30	US	Initial Jobless Claims	Sep-19	840k	--	860k	--
09/24/2020 21:45	US	Bloomberg Consumer Comfort	44075	--	--	47.7	--
09/24/2020 22:00	US	New Home Sales	Aug	890k	--	901k	--
09/24/2020 22:00	US	New Home Sales MoM	Aug	-1.2%	--	13.9%	--

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).