

## Daily Treasury Outlook

25 February 2020

### Highlights

**Global:** Another risk off session appears to be on the cards today after the overnight Wall Street slump amid growing fears about the spread of covid-19 in South Korea and Italy. The S&P500 saw it's largest decline since February 2018, whilst UST bonds rallied further with the 10-year yield testing 1.35% intra-day before closing at 1.37%. even though US Treasury secretary Mnuchin opined that the covid-19 is unlikely to have a material impact on the Phase 1 trade deal. Italy in particular risks slipping back into recession with the latest Covid-19 outbreak.

**Market watch:** Asian markets are likely to extend the risk-off tone today. The economic data calendar comprises Germany revised GDP, Hong Kong exports and imports, US conf. board consumer confidence and Richmond Fed manufacturing index.

**China:** China officially announced to postpone the National People's Congress although the new date has not been confirmed. China's central bank echoed the message from the President Xi that it will keep prudent monetary policy more flexible. PBoC also said it will continue to rely on targeted reserve requirement ratio policy tool to support the growth.

**Singapore:** Core inflation hit a four year Low of 0.3% in January, with headline CPI at 0.8% but MAS kept its 0.5-1.5% full year forecast for both headline and core CPI for 2020.

**Malaysia:** That's the question facing most Malaysians over the past 48 hours, as the political drama unfolds with twists and turns. PM Mahathir resigned from his post, only to be reinstated as the interim PM, but with previous cabinet disbanded. Reports swirled about the culprits behind the attempt to form a backdoor government. Another day of drama beckons, as questions about what's next - who will form the new government, is there going to be an election? - remain unanswered.

**Indonesia:** Economics Minister Airlangga Hartarto said that the government will introduce stimulus to help support tourism activities, which are under pressure from the Covid-19 outbreak. The measures will be targeted at tourist hot spots such as Bali, Riau Islands, and North Sulawesi provinces. The government had cut landing charges and airport fees for airlines previously.

**Oil:** Energy markets continue to be rocked by the spread of the coronavirus outside of China. Brent fell 3.7%, the biggest one day drop in seven weeks, to \$56.30/bbl. OPEC+ is due to meet as scheduled next week on March 5, but the disagreement between Russia and Saudi Arabia on further deepening oil production cuts means the market may find little reason to rally other than from technical short covering.

| Key Market Movements |        |          |
|----------------------|--------|----------|
| Equity               | Value  | % chg    |
| S&P 500              | 3225.9 | -3.4%    |
| DJIA                 | 27961  | -3.6%    |
| Nikkei 225           | 23387  | 0.0%     |
| SH Comp              | 3031.2 | -0.3%    |
| STI                  | 3142.2 | -1.2%    |
| Hang Seng            | 26821  | -1.8%    |
| KLCI                 | 1490.1 | -2.7%    |
| Currencies           | Value  | % chg    |
| DX                   | 99.359 | 0.1%     |
| USDJPY               | 110.72 | -0.8%    |
| EURUSD               | 1.0854 | 0.1%     |
| GBPUSD               | 1.2924 | -0.3%    |
| USDIDR               | 13872  | 0.8%     |
| USDSGD               | 1.3998 | 0.1%     |
| SGDMYR               | 3.0147 | 0.6%     |
| Rates                | Value  | chg (bp) |
| 3M UST               | 1.53   | -2.05    |
| 10Y UST              | 1.37   | -10.08   |
| 1Y SGS               | 1.60   | -1.00    |
| 10Y SGS              | 1.58   | -5.00    |
| 3M LIBOR             | 1.68   | -0.35    |
| 3M SIBOR             | 1.71   | 0.00     |
| 3M SOR               | 1.50   | 0.73     |
| Commodities          | Value  | % chg    |
| Brent                | 56.3   | -3.8%    |
| WTI                  | 51.43  | -3.7%    |
| Gold                 | 1659   | 1.0%     |
| Silver               | 18.63  | 0.8%     |
| Palladium            | 2641   | -2.5%    |
| Copper               | 5765   | 0.0%     |
| BCOM                 | 74.90  | -1.8%    |

Source: Bloomberg

## Daily Treasury Outlook

25 February 2020

### Major Markets

**US:** US equity markets tumbled last night as investors rushed to safe-haven assets on the back of a rapidly worsening Covid-19 outbreak. The S&P500 index fell by 3.35%, the largest drop in two years which wiped out its year-to-date gain. The Covid-19 situation may potentially worsen in the next few days given the ease of travelling across borders in Europe, which would lead to more volatility in the equity markets.

**Singapore:** The STI fell 1.2% yesterday and is set to dip further again today, following the bloodbath in US equities overnight. Concerns that the Covid-19 outbreak, which largely affected only China previously, is now becoming a global pandemic is sparking a selloff in risky assets globally. With US10Y yields close to its record low and gold at its highest in more than seven years, the STI may find itself under selling pressure in the short term. Support is expected at 3000 in the near term.

**Thailand:** Thailand exports were up 3.35% yoy in January, beating estimates of a contraction. Oil and gold exports helped the economy post its further positive export growth in six months. Data from February onwards, however, is expected to come under pressure as Thai exports and tourism feel the full brunt of the coronavirus on its economy.

**Daily Treasury Outlook**

25 February 2020

**Bond Market Updates**

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 4-8bps lower, while the belly and the longer tenors traded 9-10bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 18bps to 497bps. The HY-IG Index Spread widened 15bps to 374bps. Reflecting further risk-off sentiments, 10Y UST Yields fell 10bps to 1.37%, approaching record low in the past 5 years as COVID-19 continued spreading outside of China while the S&P Index fell 3.4% overnight. Reported cases of the COVID-19 in Europe, South Korea and Japan have increased while new cases have appeared across the Middle East.

**New Issues:** China Overseas Finance (Cayman) VIII Ltd. (Guarantor: China Overseas Land & Investment Ltd.) priced a USD300mn 5-year bond at T+123bps, a USD500mn 10-year bond at T+145bps and a USD200mn 15-year bond at T+175bps, tightening from IPT of T+150bps and T+172bps area for the 5-year bond and 10-year bond respectively. Hong Seng Limited (Parent Guarantor: Hong Yang Group Company Limited, Subsidiary Guarantor: Redsun Properties Group (Holdings) Limited) priced a USD275mn 2.5-year bond at 10.875%, tightening from IPT of 11.25% area. Bocom Leasing Management Hong Kong Co. (Keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.) priced a USD300mn 3-year bond at T+83bps and a USD500mn 5-year bond at T+95bps, tightening from IPT of T+115bps and T+125bps area respectively. BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited) priced a USD600mn 3-year bond at 5.95%, tightening from IPT of 6.125% area. Greenland Global Investment Limited (Guarantor: Greenland Holding Group Co Ltd) priced a USD300mn 4-year bond at 6.75%. Oxley MTN Pte. Ltd. (Guarantor: Oxley Holdings Ltd) priced a SGD75mn 3-year bond at 6.5%, tightening from IPT of 6.75% area. Petroliam Nasional Bhd has mandated banks for its potential USD bond offering. Geely Finance (Hong Kong) Limited and its Guarantor Zhejiang Geely Holding Group Company Limited arranged investor calls commencing 24 Feb for their proposed USD bond offering. REC Ltd arranged investor meetings commencing 24 Feb for its proposed USD bond offering. Minmetals Bounteous Finance (BVI) Limited and its Guarantor China Minmetals Corporation arranged investor calls commencing 24 Feb for their proposed USD bond offering. Sinic Holdings (Group) Company Limited arranged investor calls commencing 24 Feb for its proposed USD bond offering. Shuifa International Holdings (BVI) Co., Ltd and its Guarantor Shuifa Group Co., Ltd. arranged investor calls commencing 24 Feb for their proposed USD bond offering. Hysan Development Company Ltd arranged investor calls commencing 24 Feb for its proposed USD bond offering.

## Daily Treasury Outlook

25 February 2020

### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX      | 99.359    | 0.10%    | USD-SGD | 1.3998    | 0.14%    |
| USD-JPY | 110.720   | -0.80%   | EUR-SGD | 1.5192    | 0.19%    |
| EUR-USD | 1.0854    | 0.06%    | JPY-SGD | 1.2640    | 0.91%    |
| AUD-USD | 0.6605    | -0.33%   | GBP-SGD | 1.8092    | -0.13%   |
| GBP-USD | 1.2924    | -0.31%   | AUD-SGD | 0.9244    | -0.19%   |
| USD-MYR | 4.2265    | 0.84%    | NZD-SGD | 0.8873    | -0.01%   |
| USD-CNY | 7.0304    | 0.04%    | CHF-SGD | 1.4297    | 0.06%    |
| USD-IDR | 13872     | 0.81%    | SGD-MYR | 3.0147    | 0.65%    |
| USD-VND | 23251     | 0.02%    | SGD-CNY | 5.0255    | 0.00%    |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.4780 | 0.70%  | O/N   | 1.5703    | 0.31%  |
| 2M    | -0.3360 | 0.31%  | 1M    | 1.6268    | -0.21% |
| 3M    | -0.4150 | -0.21% | 2M    | 1.6768    | -0.49% |
| 6M    | -0.3560 | -0.49% | 3M    | 1.6793    | -0.35% |
| 9M    | -0.1940 | -0.35% | 6M    | 1.6748    | -2.09% |
| 12M   | -0.2870 | -2.09% | 12M   | 1.7286    | -3.31% |

### Fed Rate Hike Probability

| Meeting    | # of Hikes/Cuts | Prob Hike/Cut | Implied Rate Change | Implied Rate |
|------------|-----------------|---------------|---------------------|--------------|
| 18/03/2020 | -0.178          | -17.80%       | -0.044              | 1.539        |
| 29/04/2020 | -0.525          | -34.70%       | -0.131              | 1.453        |
| 10/06/2020 | -1.019          | -49.40%       | -0.255              | 1.329        |
| 29/07/2020 | -1.385          | -36.60%       | -0.346              | 1.238        |
| 16/09/2020 | -1.716          | -33.10%       | -0.429              | 1.155        |
| 05/11/2020 | -1.893          | -17.70%       | -0.473              | 1.111        |

### Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 51.43   | -3.7% | Corn (per bushel)       | 3.7225  | -1.3% |
| Brent (per barrel)       | 56.30   | -3.8% | Soybean (per bushel)    | 8.743   | -1.8% |
| Heating Oil (per gallon) | 1.6132  | -4.4% | Wheat (per bushel)      | 5.3625  | -2.7% |
| Gasoline (per gallon)    | 1.6091  | -2.5% | Crude Palm Oil (MYR/MT) | 2,596.0 | -3.2% |
| Natural Gas (per MMBtu)  | 1.8270  | -4.1% | Rubber (JPY/KG)         | 164.1   | 0.0%  |
| Base Metals              | Futures | % chg | Precious Metals         | Futures | % chg |
| Copper (per mt)          | 5,765   | --    | Gold (per oz)           | 1,659.4 | 1.0%  |
| Nickel (per mt)          | 12,530  | --    | Silver (per oz)         | 18.635  | 0.8%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 27,960.80 | -1031.61   |
| S&P        | 3,225.89  | -111.86    |
| Nasdaq     | 9,221.28  | -355.31    |
| Nikkei 225 | 23,386.74 | --         |
| STI        | 3,142.20  | -38.83     |
| KLCI       | 1,490.06  | -41.14     |
| JCI        | 5,807.05  | -75.20     |
| Baltic Dry | 497.00    | --         |
| VIX        | 25.03     | 7.95       |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg)    |
|-------|--------------|--------------|
| 2Y    | 1.47 (-0.01) | 1.25 (-0.11) |
| 5Y    | 1.47 (-0.03) | 1.21 (-0.11) |
| 10Y   | 1.58 (-0.05) | 1.37 (-0.1)  |
| 15Y   | 1.69 (-0.05) | --           |
| 20Y   | 1.74 (-0.04) | --           |
| 30Y   | 1.92 (-0.06) | 1.83 (-0.08) |

### Financial Spread (bps)

|             | Value | Change |
|-------------|-------|--------|
| EURIBOR-OIS | 4.60  | 0.62   |
| TED         | 35.36 | --     |

### Secured Overnight Fin. Rate

|      |      |
|------|------|
| SOFR | 1.58 |
|------|------|

## Economic Calendar

| Date Time        |    | Event                              |       | Survey | Actual | Prior  | Revised |
|------------------|----|------------------------------------|-------|--------|--------|--------|---------|
| 02/25/2020 05:00 | SK | Consumer Confidence                | Feb   | --     | 96.9   | 104.2  | --      |
| 02/25/2020 07:50 | JN | PPI Services YoY                   | Jan   | 2.10%  | 2.30%  | 2.10%  | --      |
| 02/25/2020 13:00 | JN | Leading Index CI                   | Dec F | --     | --     | 91.6   | --      |
| 02/25/2020 13:00 | JN | Coincident Index                   | Dec F | --     | --     | 94.7   | --      |
| 02/25/2020 15:00 | GE | GDP SA QoQ                         | 4Q F  | 0.00%  | --     | 0.00%  | --      |
| 02/25/2020 15:00 | GE | GDP NSA YoY                        | 4Q F  | 0.30%  | --     | 0.30%  | --      |
| 02/25/2020 15:00 | GE | GDP WDA YoY                        | 4Q F  | 0.40%  | --     | 0.40%  | --      |
| 02/25/2020 16:30 | HK | Exports YoY                        | Jan   | -3.70% | --     | 3.30%  | --      |
| 02/25/2020 16:30 | HK | Imports YoY                        | Jan   | -2.50% | --     | -1.90% | --      |
| 02/25/2020 16:30 | HK | Trade Balance HKD                  | Jan   | -11.8b | --     | -32.5b | --      |
| 02/25/2020 22:00 | US | FHFA House Price Index MoM         | Dec   | 0.40%  | --     | 0.20%  | --      |
| 02/25/2020 22:00 | US | S&P CoreLogic CS 20-City NSA Index | Dec   | --     | --     | 218.68 | --      |
| 02/25/2020 22:00 | US | S&P CoreLogic CS 20-City YoY NSA   | Dec   | 2.80%  | --     | 2.55%  | --      |
| 02/25/2020 23:00 | US | Conf. Board Consumer Confidence    | Feb   | 132.1  | --     | 131.6  | --      |
| 02/25/2020 23:00 | US | Richmond Fed Manufact. Index       | Feb   | 10     | --     | 20     | --      |

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)**Howie Lee***Thailand & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)**Dick Yu***Hong Kong & Macau*[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Seow Zhi Qi***Credit Research Analyst*[ZhiQiSeow@ocbc.com](mailto: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).