

Daily Treasury Outlook

25 March 2020

Highlights

Global: Following the Fed's bazooka and the prospect of imminent US fiscal stimulus, S&P500 surged 9.38% overnight and the Dow registering its best day since 1933 in what is dubbed "turnaround Tuesday", while UST bonds sold off with the 10-year bond yield up 7bps to 0.86%. Meanwhile, the White House has called for a 14-day quarantine for those leaving New York to stop the spread of Covid-19 and Fitch has cut US Prime Funds' outlook from Stable to Negative, citing heightened redemptions and reduced liquidity in short-term markets. The latter follows Moody's on 18 March which had cut its outlook on global money-market fund industry to negative to reflect liquidity stress. Separately, US' flash manufacturing PMI slipped into contraction territory to a record low of 49.2 in March from 50.7 in February, whilst European services and composite PMIs tanked to just 24.2 and 31.4 respectively, reflecting the Covid-19 outbreak's impact on spending and the economy, raising the recession spectre which prompted German officials to hint of a post-virus aid package. With risk sentiments highly sensitised to big-bang stimulus plans and aggressive monetary policy easing, financial markets are likely to remain choppy in the interim.

Market watch: Asian markets may attempt to ride on the overnight wave of optimism. BOT meets today with market unsure about another 25bps cut to 0.5% following last week's emergency cut. Today's economic calendar comprises of Malaysia's Feb CPI, Thai manufacturing production, UK's CPI/RPI/PPI, German IFO, US' durable goods orders and mortgage applications.

Japan: The Tokyo Olympics will be postponed to 2021 due to the Covid-19 pandemic.

China: China announced to lift lockdown in epicentre Wuhan on 8 April. Meanwhile, three airports in Hubei excluding Wuhan will resume operation from 25 March.

Singapore: Stricter measures to shut bars, cinemas, tuition and enrichment classes, as well as suspend religious services to combat Covid-19 will be enforced from 11:59pm Thursday.

Indonesia: In a conference call with market participants yesterday, BI Governor Perry Warjiyo said that, together with MOF, it is reexamining growth assumptions. Just last week, it downgraded growth by 0.8ppt to 4.2-4.6%, but given the situation, it suggests that there might be further downgrades. MOF said that is in direct contact with the parliament and the Supreme Audit Agency about the potential of relaxing the 3% deficit-to-GDP legal cap.

Oil: Despite the massive rally in US equities last night, oil prices were hardly changed, with Brent closing up higher by 0.4% to \$27.15/bbl. The energy market continues to reel under the weight of global oversupply. A pare back in production from the OPEC+ and a stabilisation in the coronavirus episode are both needed to lift oil prices back to its pre-collapse prices.

Key Market Movements		
Equity	Value	% chg
S&P 500	2447.3	9.4%
DJIA	20705	11.4%
Nikkei 225	18092	7.1%
SH Comp	2722.4	2.3%
STI	2362.1	5.8%
Hang Seng	22663	4.5%
KLCI	1291.1	2.5%
Currencies	Value	% chg
DX	102.039	-0.4%
USDJPY	111.23	0.0%
EURUSD	1.0788	0.6%
GBPUSD	1.1762	1.9%
USIDR	16500	-0.5%
USDSGD	1.4463	-1.0%
SGDMYR	3.0557	0.2%
Rates	Value	chg (bp)
3M UST	-0.04	-0.25
10Y UST	0.85	6.03
1Y SGS	1.09	-5.10
10Y SGS	1.56	0.51
3M LIBOR	1.22	1.15
3M SIBOR	1.01	0.25
3M SOR	0.87	-6.59
Commodities	Value	% chg
Brent	27.15	0.4%
WTI	24.01	2.8%
Gold	1632	5.1%
Silver	14.28	7.7%
Palladium	1949	13.0%
Copper	4814	4.0%
BCOM	63.77	2.8%

Source: Bloomberg

Daily Treasury Outlook

25 March 2020

Major Markets

US: US equity markets soared with the Dow Jones Industrial Average index surging 11.4% to its best day since 1933 while the S&P500 index rallied 9.4% to its best day since October 2008. The huge rally came on the back of renewed \$2 trillion fiscal stimulus hopes. Following the massive rally, investors will be looking out for signs that indicate whether the coronavirus outbreak in Europe and the US shows signs of slowing down, and markets are likely to take cues from there.

Hong Kong: Backed by ZhongAn Online P&C Insurance, ZA Bank launched ZA Savings Go on 24th March, marking its first day as HK's first fully-operating virtual bank. The savings deposit rate for HK\$500 thousand or below is set at 1%, which is much higher than the prevailing rate of 0.001% offered by traditional banks. As the operation cost of virtual banks is much lower than traditional banks, they are allowed to offer higher deposit rates. Also, during the first few years of operation, market share rather than profitability is the top priority of virtual banks. Since traditional banks' time deposit rates are set to edge lower alongside HIBOR in the medium term, ZA Bank's savings deposit rate of 1% will look attractive and may help to divert some deposits away from traditional banks, especially given the high volatility of risky assets nowadays. This, however, is unlikely cause a price war. On the back of global monetary easing, HKD liquidity pool is likely to grow in the medium term. Flushed liquidity may warrant low HKD interest rates in spite of the fierce competition in the banking system.

Singapore: The STI rebounded from its worst day since the global financial crisis as it surged 5.8% yesterday. Risk sentiment was improved by the Federal Reserve's move to implement further stimulus, including an unlimited quantitative easing program. The STI is likely to open on a strong footing today following the massive rally in the US and positive openings in the Nikkei and Kospi.

Malaysia: BNM has reportedly implemented a number of measures to help consumers with financial issues due to the virus. Among them is the granting of an automatic moratorium on all repayments of loans, including principal and interests, to all SMEs and individuals for 6 months, starting April 1st. This excludes credit card payments.

Thailand: The Bank of Thailand is scheduled for its regular meeting today, less than a week after the MPC convened to conduct an emergency rate cut. We think the central bank is likely to leave rates unchanged, although the market consensus is for another 25bp reduction.

Daily Treasury Outlook

25 March 2020

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter and the belly tenors trading 11-18bps lower, while the longer tenors traded 11-16bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 276bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 1274bps. The HY-IG Index Spread widened 2bps to 998bps. Flows in SGD corporates were heavy, with flows in OCBCSP 4%-PERPs, DBSSP 3.98%-PERPs, STANLN 4.4%'26s and FPLSP 4.98%-PERPs. 10Y UST Yields gained 6bps to 0.85% while the Dow Jones gained 13% due to optimism that a USD2tn stimulus bill will clear the Senate.

New Issues: Xinhua (BVI) 2018 Holding Company Limited (Guarantor: Xinhua Zhongbao Co Ltd) priced a USD200mn 3-year bond at 11.0%.

Daily Treasury Outlook

25 March 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	102.039	-0.44%	USD-SGD	1.4463	-1.01%
USD-JPY	111.230	--	EUR-SGD	1.5603	-0.44%
EUR-USD	1.0788	0.58%	JPY-SGD	1.3004	-0.94%
AUD-USD	0.5958	2.06%	GBP-SGD	1.7004	0.81%
GBP-USD	1.1762	1.91%	AUD-SGD	0.8617	1.16%
USD-MYR	4.4335	-0.30%	NZD-SGD	0.8430	0.96%
USD-CNY	7.0631	-0.36%	CHF-SGD	1.4736	-0.59%
USD-IDR	16500	-0.45%	SGD-MYR	3.0557	0.18%
USD-VND	23598	0.20%	SGD-CNY	4.8813	0.58%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4450	-0.50%	O/N	0.2065	-0.54%
2M	-0.3360	-0.54%	1M	0.9466	1.81%
3M	-0.3690	1.81%	2M	1.0540	-4.60%
6M	-0.3070	-4.60%	3M	1.2156	1.15%
9M	-0.1940	1.15%	6M	0.9733	-2.10%
12M	-0.1910	-2.10%	12M	0.9374	0.39%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	-0.021	-2.1	-0.005	0.103
10/06/2020	-0.115	-9.4	-0.029	0.079
29/07/2020	-0.141	-2.6	-0.035	0.072
16/09/2020	-0.141	0	-0.035	0.072
05/11/2020	-0.141	0	-0.035	0.072
16/12/2020	-0.1	4.1	-0.025	0.083

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	24.01	2.8%	Corn (per bushel)	3.4725	1.1%
Brent (per barrel)	27.15	0.4%	Soybean (per bushel)	8.868	0.3%
Heating Oil (per gallon)	1.0803	6.3%	Wheat (per bushel)	5.6150	-0.2%
Gasoline (per gallon)	0.4437	7.7%	Crude Palm Oil (MYR/MT)	2,401.0	2.3%
Natural Gas (per MMBtu)	1.6530	3.2%	Rubber (JPY/KG)	137.0	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,814	4.0%	Gold (per oz)	1,632.3	5.1%
Nickel (per mt)	11,258	3.5%	Silver (per oz)	14.281	7.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	20,704.91	2112.98
S&P	2,447.33	209.93
Nasdaq	7,417.86	557.18
Nikkei 225	18,092.35	1204.57
STI	2,362.05	128.57
KLCI	1,291.14	31.26
JCI	3,937.63	-51.88
Baltic Dry	603.00	-14.00
VIX	61.67	0.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.02 (-0.03)	0.37 (+0.06)
5Y	1.26 (-0.02)	0.52 (+0.11)
10Y	1.56 (+0.01)	0.85 (+0.06)
15Y	1.69 (+0.03)	--
20Y	1.70 (+0.07)	--
30Y	1.67 (+0.07)	1.40 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	12.28	-0.90
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.02
-------------	------

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/25/2020 05:45	NZ	Trade Balance NZD	Feb	525m	594m	-340m	-414m
03/25/2020 12:00	MA	CPI YoY	Feb	1.40%	--	1.60%	--
03/25/2020 15:00	UK	CPI YoY	Feb	1.70%	--	1.80%	--
03/25/2020 15:00	UK	CPI MoM	Feb	0.30%	--	-0.30%	--
03/25/2020 15:00	UK	CPI Core YoY	Feb	1.50%	--	1.60%	--
03/25/2020 15:00	UK	PPI Output NSA MoM	Feb	0.00%	--	0.30%	--
03/25/2020 15:00	UK	PPI Output NSA YoY	Feb	0.90%	--	1.10%	--
03/25/2020 15:05	TH	BoT Benchmark Interest Rate	Mar-25	0.50%	--	0.75%	--
03/25/2020 17:00	GE	IFO Business Climate	Mar F	--	--	87.7	--
03/25/2020 17:00	GE	IFO Expectations	Mar F	--	--	82	--
03/25/2020 17:00	GE	IFO Current Assessment	Mar F	--	--	93.8	--
03/25/2020 19:00	US	MBA Mortgage Applications	Mar-20	--	--	-8.40%	--
03/25/2020 20:30	US	Durable Goods Orders	Feb P	-1.00%	--	-0.20%	--
03/25/2020 20:30	US	Durables Ex Transportation	Feb P	-0.40%	--	0.80%	--

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).