

## Daily Treasury Outlook

25 August 2020

### Highlights

**Global:** Fast track vaccine prospects lifted Wall Street sentiments overnight as US president Trump is considering emergency approval of the use of convalescent plasma to treat Covid-19 as well as fast-tracking the experimental vaccine development by AstraZeneca and Oxford University for use ahead of the 3rd November election, according to a FT report. The S&P500 closed higher by 1.0%, which coupled with the Nasdaq, made new highs overnight, while VIX slid to 22.37. UST bonds sold off with the 10-year yield up 3bps at 0.65%, ahead of impending new supply as well as market warnings of interest rate volatility in the event of a Biden win. The 3-month LIBOR stood at 0.2338%. Elsewhere, Hong Kong confirmed the first case of re-infection of Covid-19.

**Market watch:** Asian markets may trade with a firmer tone this morning, taking the cue from Wall Street's overnight performance as investors focus on vaccine prospects. Today's economic data calendar also comprises of Germany's final 2Q GDP print and the August IFO business climate, US' new home sales and August consumer confidence.

**US:** President Trump has been officially nominated as the presidential candidate at the Republican National Convention. Trump's speech focused on the potential for mail-in voting fraud.

**SG:** July headline and core inflation both fell 0.4% yoy, compared to -0.5% yoy and -0.2% yoy previously in June. This marked the 4th and 6th consecutive month of negative readings respectively, and the lowest since January 2010 for core inflation. The inflation outlook remains tepid in the near-term, with external pricing pressures likely to stay benign amid global recessionary conditions, and we tip headline and core CPI to remain in negative territory till year-end. Our full-year 2020 headline and core inflation forecasts are -0.4% yoy and -0.3% yoy respectively, but both are likely to rebound to 1.2% yoy in 2021 as global and domestic demand normalises.

**Oil:** Hurricane Marco has been downgraded to a tropical storm at time of writing and is expected to be further downgraded into a tropical depression in the next few hours as it moves along the Louisiana coast. Despite so, Marco would have caused flooding and it sets the stage for Hurricane Laura (due for landfall less than 48 hours) to add further damage to the oil refinery areas along the Gulf Coast. Expect oil prices to remain volatile in the next 48 hours.

**Gold:** Gold failed to close past the \$1950/oz level once more, rising to as high as \$1961.89/oz in intraday trading but ultimately closing 0.6% down on the day at \$1928.88/oz, the lowest in almost two weeks.

### Key Market Movements

Equity	Value	% chg
S&P 500	3431.3	1.0%
DJIA	28308	1.4%
Nikkei 225	22986	0.3%
SH Comp	3385.6	0.1%
STI	2538.6	0.4%
Hang Seng	25552	1.7%
KLCI	1568.6	-0.5%
	Value	% chg
DXY	93.298	0.1%
USDJPY	105.98	0.2%
EURUSD	1.1788	-0.1%
GBPUSD	1.3063	-0.2%
USDIDR	14671	-0.7%
USDSGD	1.3707	-0.1%
SGDMYR	3.0486	-0.2%
	Value	chg (bp)
3M UST	0.09	-0.25
10Y UST	0.65	2.60
1Y SGS	0.30	-0.10
10Y SGS	0.91	1.85
3M LIBOR	0.25	-0.61
3M SIBOR	0.41	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	45.13	1.8%
WTI	42.62	0.7%
Gold	1929	-0.6%
Silver	26.61	-0.7%
Palladium	2167	-0.7%
Copper	6516	0.4%
BCOM	71.65	0.3%

Source: Bloomberg

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### Major Markets

**US:** Market sentiments bolstered by positive virus developments saw the S&P500 index and the NASDAQ composite index closing 1.0% and 0.6% higher respectively. Barring any significant pick-ups in Covid-19 cases across key states, we maintain our bullish stance on US equities in the near term.

**CN:** China's Premier Li Keqiang called for expanded trade ties and connectivity cooperation with its four neighboring countries including Laos, Thailand, Cambodia and Vietnam in the third Lancang-Mekong Cooperation Leaders' meeting. Premier Li said China is ready to further synergize the Belt and Road Initiative. Meanwhile, he also called for working toward signing the Regional Comprehensive Economic Partnership (RCEP) agreement within this year to raise regional economic integration to a higher level.

**SG:** The STI added 0.40% to close at 2538.61 yesterday and may extend higher today amid the overnight Wall Street rally due to vaccine optimism. SGS yields crept higher by 1-3bps yesterday ahead of the \$2.9b (MAS taking \$200m) 2-year SGS bond re-opening and \$1b of the 30-year SGS re-opening on 27 August.

**Malaysia:** Malaysia's lower house has approved a bill to fund stimulus, including the raising of debt ceiling from the current 55% to now 60% of GDP until 2023. Finance Minister Tengku Zafrul Aziz said that the government expects its debt to reach 56% of GDP by the end of this year, after it borrows an additional MYR60bn to disburse the MYR45bn that is part of an existing stimulus package. During the parliamentary debate, opposition lawmakers have called on the government to extend the blanket loan moratorium by another six months, from the current expiry date of end-September. In response, the minister said that the government is prepared to announce further stimulus measures, if necessary.

**Indonesia:** Bank Indonesia said that it is preparing a new regulation that will require large exporters of natural resources to convert their FX earnings into Rupiah. This will only be applicable to those with an export value of above \$300mn as of 2019. BI will set a daily maximum balance limit on exporters' special accounts, with excess funds required to be converted into the domestic currency.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with the shorter tenors trading 1-2bps higher while the belly and longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 673bps. The HY-IG Index Spread widened 1bps to 506bps. Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, LLCAU 3.9%'27s, FPLSP 4.98%-PERPs and WHEELK 4.5%'21s. 10Y UST Yields gained 3bps to 0.66%, boosted by optimism about vaccines for coronavirus and investors looked ahead for new supply totalling USD148bn starting Tuesday.

**New Issues:** Boen Investment Limited (Guarantor: Jiangsu Kewei Holding Group Co., Ltd.) priced a USD100mn 3-year bond at 3.2%, tightening from IPT of 3.8% area. Guohui International (BVI) Co. (Guarantor: Shandong Guohui Investment Co.) priced a USD400mn 5-year bond at 3.15% , tightening from IPT of 3.70% area. KT Corp priced a USD400mn 5-year bond at T+80bps, tightening from IPT of T+125bps area. Industrial & Commercial Bank of China Ltd of London priced two USD100mn 3-year bonds at 3m-US LIBOR+75bps respectively.

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25 August 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.298	0.05%	USD-SGD	1.3707	-0.07%
USD-JPY	105.980	0.17%	EUR-SGD	1.6158	-0.14%
EUR-USD	1.179	-0.08%	JPY-SGD	1.2934	-0.23%
AUD-USD	0.716	0.03%	GBP-SGD	1.7906	-0.27%
GBP-USD	1.306	-0.21%	AUD-SGD	0.9817	-0.06%
USD-MYR	4.176	-0.06%	NZD-SGD	0.8946	-0.29%
USD-CNY	6.920	0.00%	CHF-SGD	1.5032	-0.10%
USD-IDR	14671	-0.69%	SGD-MYR	3.0486	-0.15%
USD-VND	23169	-0.01%	SGD-CNY	5.0505	0.18%

### Equity and Commodity

Index	Value	Net change
DJIA	28,308.46	378.13
S&P	3,431.28	34.12
Nasdaq	11,379.72	67.92
Nikkei 225	22,985.51	65.21
STI	2,538.61	10.07
KLCI	1,568.58	-8.54
JCI	5,277.04	4.23
Baltic Dry	1,481.00	-37.00
VIX	22.37	-0.17

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5170	-0.52%	O/N	0.0818	0.08%
2M	-0.3360	-0.34%	1M	0.1751	0.18%
3M	-0.4870	-0.49%	2M	0.2135	0.20%
6M	-0.4410	-0.44%	3M	0.2500	0.26%
9M	-0.1940	-0.20%	6M	0.3144	0.30%
12M	-0.3760	-0.37%	12M	0.4410	0.44%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.26 (+0.01)	0.16(-)
5Y	0.51 (+0.02)	0.28 (+0.02)
10Y	0.91 (+0.02)	0.66 (+0.03)
15Y	1.19 (+0.02)	--
20Y	1.24 (+0.01)	--
30Y	1.16 (+0.01)	1.36 (+0.02)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.122	-12.2	0.063	0.063
11/05/2020	-0.105	1.7	0.067	0.067
12/16/2020	-0.124	-1.9	0.063	0.063
01/27/2021	-0.165	-4.1	0.052	0.052
03/17/2021	-0.229	-6.4	0.037	0.037

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-1.80	(-)
TED	35.36	--

  

Secured Overnight Fin. Rate	
SOFR	0.07

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	42.62	0.66%	Corn (per bushel)	3.318	1.5%
Brent (per barrel)	45.13	1.76%	Soybean (per bushel)	8.998	-0.1%
Heating Oil (per gallon)	124.76	3.28%	Wheat (per bushel)	5.208	-1.2%
Gasoline (per gallon)	136.71	6.46%	Crude Palm Oil (MYR/MT)	27.700	-1.0%
Natural Gas (per MMBtu)	2.51	2.66%	Rubber (JPY/KG)	1.660	-0.5%

  

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6516.00	0.40%	Gold (per oz)	1928.9	-0.6%
Nickel (per mt)	14926.00	1.60%	Silver (per oz)	26.6	-0.7%

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/24/2020 08/25	HK Composite Interest Rate	Jul	--	0.7%	--
08/24/2020 08/28	PH BoP Overall	Jul	--	\$80m	--
08/25/2020	PH Budget Balance PHP	Jul	--	1.8b	--
08/25/2020 05:00	SK Consumer Confidence	Aug	--	88.2	84.2
08/25/2020 14:00	GE GDP SA QoQ	2Q F	-10.1%	--	-10.1%
08/25/2020 14:00	GE GDP NSA YoY	2Q F	-11.7%	--	-11.7%
08/25/2020 14:00	GE GDP WDA YoY	2Q F	-11.7%	--	-11.7%
08/25/2020 16:00	GE IFO Business Climate	Aug	92.1	--	90.5
08/25/2020 16:00	GE IFO Expectations	Aug	98.0	--	97.0
08/25/2020 16:00	GE IFO Current Assessment	Aug	86.2	--	84.5
08/25/2020 21:00	US FHFA House Price Index MoM	Jun	0.3%	--	-0.3%
08/25/2020 22:00	US Conf. Board Consumer Confidence	Aug	93.0	--	92.6
08/25/2020 22:00	US New Home Sales	Jul	790k	--	776k
08/25/2020 22:00	US Richmond Fed Manufact. Index	Aug	10.00	--	10.00
08/25/2020 22:00	US New Home Sales MoM	Jul	1.8%	--	13.8%

Source: Bloomberg

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