

## Daily Treasury Outlook

25 September 2020

### Highlights

**Global:** A choppy session overnight in US equities as US initial jobless claims stayed elevated at 870k (+4k) amid the fiscal stimulus impasse even as the Democrats are working on a \$2.4 trillion stimulus proposal. The S&P 500 initially wiped out its year-to-date gains at the open and entered into a correction territory of 10% from its September high, but subsequently managed to close in the green at +0.3%. Meanwhile, VIX eased slightly to 28.51 while the 10-year UST yield held around 0.67% amid a record size \$50b note auction.

**Market watch:** Asian markets may continue to chop around today, searching for a modicum of stability. Today's economic calendar comprises of US' August durable goods orders and S'pore's industrial production. Fed speakers include Williams and George.

**US:** Continuing claims came in higher than expected at 12.6m while new home sales rose 4.8% to an annual rate of 1.011m units in August (highest since September 2006).

**EU:** German IFO business sentiments improved from 92.6 in August to 93.4 in September, with the current assessment and expectations gauges both rising.

**UK:** Chancellor Sunday unveiled a replacement to the coronavirus Job Retention Scheme, while extending loan repayments for businesses and delaying the expiry of a tax cut for hospitality sector.

**SG:** August industrial production likely rose 3.4% yoy (2.6% mom sa), up from a 8.4% contraction in July.

**CN:** FTSE Russell announced this morning that it will include China's government bonds into its flagship World Government Bond Index from October 2021. Currently, around 2.5% Chinese onshore bond held by foreign investors, which is way below China's regional peers such as Malaysia and Indonesia. The inclusion is expected to attract more than US\$100 billion into China's bond market. However, any imminent impact is limited given we are still one year away from the actual inclusion.

**Oil:** Brent rose 0.4% to \$41.94/bbl. We expect oil prices to continue its consolidation in the near term.

**Gold:** Gold rose 0.3% to post its first daily gain in four sessions. We see continued downward pressure on gold in the near term, especially as quarter-end approaches and if the dollar keeps to its bullish inclination.

| Key Market Movements |        |          |
|----------------------|--------|----------|
| Equity               | Value  | % chg    |
| S&P 500              | 3246.6 | 0.3%     |
| DJIA                 | 26815  | 0.2%     |
| Nikkei 225           | 23088  | -1.1%    |
| SH Comp              | 3223.2 | -1.7%    |
| STI                  | 2450.8 | -1.2%    |
| Hang Seng            | 23311  | -1.8%    |
| KLCI                 | 1500.8 | 0.3%     |
|                      | Value  | % chg    |
| DXY                  | 94.354 | 0.0%     |
| USDJPY               | 105.41 | 0.0%     |
| EURUSD               | 1.1672 | 0.1%     |
| GBPUSD               | 1.2747 | 0.2%     |
| USIDR                | 14890  | 0.5%     |
| USDSGD               | 1.376  | 0.3%     |
| SGDMYR               | 3.0315 | -0.4%    |
|                      | Value  | chg (bp) |
| 3M UST               | 0.09   | 0.26     |
| 10Y UST              | 0.67   | -0.65    |
| 1Y SGS               | 0.28   | 0.00     |
| 10Y SGS              | 0.84   | -1.95    |
| 3M LIBOR             | 0.23   | 0.25     |
| 3M SIBOR             | 0.41   | 0.00     |
| 3M SOR               | 0.18   | 0.00     |
|                      | Value  | % chg    |
| Brent                | 41.94  | 0.4%     |
| WTI                  | 40.31  | 1.0%     |
| Gold                 | 1868   | 0.3%     |
| Silver               | 23.15  | 1.6%     |
| Palladium            | 2238   | 0.3%     |
| Copper               | 6524   | -1.2%    |
| BCOM                 | 70.87  | 0.1%     |

Source: Bloomberg

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### Major Markets

**US:** US equities closed in the green, buoyed by gains in tech shares. The S&P 500 index rose 0.3% and the Nasdaq 100 Composite index closed 0.4% higher. Risk sentiment remains weak despite the prospect of another stimulus. US equities are likely to continue seeing downward pressure in the near term.

**SG:** STI fell 1.22% to close at 2450.82 yesterday but may attempt to stabilise today. SGS bond could also range trade today as investor await fresh cues.

**HK:** Imports dropped for the 21st straight month by 5.7% yoy in August. Meanwhile, the decline of exports narrowed from 3% yoy in July to 2.3% yoy in August, mainly attributed to the re-opening of global economy. On a positive note, we continue to see signs of regionalization from the strong exports to and imports from Taiwan and Vietnam. Asia's resilient electronic value chain remains as another bright spot as exports of electrical machinery increased by 4.8% yoy while import of telecommunications rose by 2.4% yoy. In conclusion, in the near term, the virus resurgence across the globe and the persistent pandemic uncertainty may continue to dent domestic and external demand. As such, we expect exports and imports growth to remain in the negative territory in the coming months. However, in the longer term, we expect Hong Kong's trade sector to regain traction on the rise of regionalization and the prevailing "China+1" strategy.

**Malaysia:** Index provider, FTSE Russell, has kept Malaysia on a watchlist for potential exclusion from its WGBI bond index yet again. Even as it acknowledges that the country had taken steps to improve accessibility of its market to foreign investors, the provider had been somewhat expected by the market to take Malaysia off the watchlist fully by now. Its move suggests that it would want to see continued reforms from the authorities in the next six months before deciding again.

**Indonesia:** Jakarta Governor Anies Baswedan said that the capital city will extend the stricter movement restrictions for another 2 weeks, given that coronavirus spread has continued in areas surrounding the city. According to him, while cases have started to decelerate in Jakarta, surrounding cities of Bogor, Depok, Tangerang and Bekasi have continued to see further increases. At the national level, Indonesia saw another record high of new cases, at 4634 yesterday.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve mostly rose yesterday, with most of the tenors trading 1bps higher while the 1-year traded slightly lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 173bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 19bps to 698bps. The HY-IG Index Spread widened 17bps to 525bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, UBS 5.875%-PERPs, KEPSP 3%'26s, UBS 4.85%-PERPs, SOCGEN 6.125%-PERPs, CAPLSP 2.9%'32s, SIASP 3.035%'25s, ARASP 5.65%-PERPs, SPHSP 3.2%'30s, HSBC 5%-PERPs, STTGDC 3.13%'28s and NOLSP 4.4%'21s. 10Y UST Yields fell 1bps to 0.67% after mixed economic data where the labour market saw an increase in initial claims for state unemployment benefits last week while the housing market reported stronger than expected new single-family home sales in August.

**New Issues:** Huarong Finance 2019 Co Ltd (Guarantor: China Huarong International Holdings Ltd) priced a USD250mn PerpNC5 bond at 4.25%, tightening from IPT of 4.375% area. Huarong Finance 2019 Co Ltd (Guarantor: China Huarong International Holdings Ltd) priced a USD600mn 3-year bond at T+205bps, tightening from IPT of T+235bps area and another USD350mn 10-year bond at T+300bps, tightening from IPT of T+325bps area. Oversea-Chinese Banking Corporation Limited priced a SGD200mn PerpNC10 AT1 at 3.0%.

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## Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY     | 94.354    | -0.04%   | USD-SGD | 1.3760    | 0.27%    |
| USD-JPY | 105.410   | 0.02%    | EUR-SGD | 1.6061    | 0.37%    |
| EUR-USD | 1.167     | 0.10%    | JPY-SGD | 1.3047    | 0.12%    |
| AUD-USD | 0.705     | -0.35%   | GBP-SGD | 1.7541    | 0.46%    |
| GBP-USD | 1.275     | 0.18%    | AUD-SGD | 0.9691    | -0.22%   |
| USD-MYR | 4.171     | 0.45%    | NZD-SGD | 0.9005    | 0.14%    |
| USD-CNY | 6.829     | 0.29%    | CHF-SGD | 1.4850    | -0.09%   |
| USD-IDR | 14890     | 0.51%    | SGD-MYR | 3.0315    | -0.35%   |
| USD-VND | 23175     | 0.00%    | SGD-CNY | 4.9582    | -0.20%   |

## Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.5310 | -0.53% | O/N   | 0.0804    | 0.08%  |
| 2M    | -0.3360 | -0.34% | 1M    | 0.1481    | 0.15%  |
| 3M    | -0.4980 | -0.51% | 2M    | 0.1799    | 0.19%  |
| 6M    | -0.4680 | -0.47% | 3M    | 0.2250    | 0.22%  |
| 9M    | -0.1940 | -0.20% | 6M    | 0.2716    | 0.27%  |
| 12M   | -0.4310 | -0.44% | 12M   | 0.3718    | 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 | -0.16           | -2         | 0.043               | 0.043        |
| 07/28/2021 | -0.18           | -2         | 0.038               | 0.038        |
| 09/22/2021 | -0.185          | -0.5       | 0.036               | 0.036        |
| 11/03/2021 | -0.212          | -2.7       | 0.029               | 0.029        |
| 12/15/2021 | -0.217          | -0.5       | 0.028               | 0.028        |
| 01/26/2022 | -0.25           | -3.3       | 0.02                | 0.02         |
| 0          | 0               | 0          | 0                   | 0            |

## Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 40.31   | 0.95% | Corn (per bushel)       | 3.635   | -1.4% |
| Brent (per barrel)       | 41.94   | 0.41% | Soybean (per bushel)    | 10.000  | -1.4% |
| Heating Oil (per gallon) | 111.67  | 0.83% | Wheat (per bushel)      | 5.498   | 0.1%  |
| Gasoline (per gallon)    | 119.57  | 1.22% | Crude Palm Oil (MYR/MT) | 28.400  | -2.5% |
| Natural Gas (per MMBtu)  | 2.25    | 5.79% | Rubber (JPY/KG)         | 2.179   | 0.0%  |

| Base Metals     | Futures  | % chg  | Precious Metals | Futures | % chg |
|-----------------|----------|--------|-----------------|---------|-------|
| Copper (per mt) | 6523.50  | -1.23% | Gold (per oz)   | 1868.1  | 0.3%  |
| Nickel (per mt) | 14262.00 | -1.17% | Silver (per oz) | 23.1    | 1.6%  |

## Economic Calendar

| Date Time        | Event                             | Survey | Actual   | Prior | Revised  |
|------------------|-----------------------------------|--------|----------|-------|----------|
| 09/25/2020 05:00 | SK Consumer Confidence            | Sep    | --       | 79    | 88.2     |
| 09/25/2020 07:00 | UK GfK Consumer Confidence        | Sep    | -27      | -25   | -27      |
| 09/25/2020 07:50 | JN PPI Services YoY               | Aug    | 1.20%    | --    | 1.20%    |
| 09/24/2020 09:30 | PH BoP Overall                    | Aug    | --       | --    | \$8m     |
| 09/25/2020 09:30 | IN BoP Current Account Balance    | 2Q     | \$19.00b | --    | \$0.60b  |
| 09/25/2020 13:00 | SI Industrial Production YoY      | Aug    | 2.2%     | --    | -8.4%    |
| 09/25/2020 13:00 | SI Industrial Production SA MoM   | Aug    | 1.7%     | --    | 1.6%     |
| 09/25/2020 14:00 | UK PSNB ex Banking Groups         | Aug    | 38.0b    | --    | 26.7b    |
| 09/25/2020 14:00 | UK Public Finances (PSNCR)        | Aug    | --       | --    | 16.5b    |
| 09/25/2020 14:00 | UK Public Sector Net Borrowing    | Aug    | 39.5b    | --    | 25.9b    |
| 09/25/2020 15:30 | TH Foreign Reserves               | Sep-18 | --       | --    | \$252.8b |
| 09/25/2020 16:00 | EC M3 Money Supply YoY            | Aug    | 10.1%    | --    | 10.2%    |
| 09/25/2020 20:30 | US Durable Goods Orders           | Aug P  | 1.4%     | --    | 11.4%    |
| 09/25/2020 20:30 | US Durables Ex Transportation     | Aug P  | 1.0%     | --    | 2.6%     |
| 09/25/2020 20:30 | US Cap Goods Orders Nondef Ex Air | Aug P  | 1.0%     | --    | 1.9%     |
| 09/25/2020 20:30 | US Cap Goods Ship Nondef Ex Air   | Aug P  | 0.8%     | --    | 2.4%     |

Source: Bloomberg

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