

## Daily Treasury Outlook

26 May 2020

### Highlights

**Global:** Despite US-China tensions after the US Department of Commerce added another 33 Chinese entities to its blacklist which prompted “strong dissatisfaction” from China’s foreign ministry, risk sentiments may start this holiday-shortened week on a slightly firm tone. The US markets were out for holiday, but Euro Stoxx 50 added 2.27% yesterday.

**Market watch:** Asian markets may open modestly firmer this morning. Today’s economic data calendar remains light with only US’ new home sales, Conference Board consumer confidence and S&P Core Logic house prices, with ECB and RBNZ publishing their respective Financial Stability Reports. Speakers include ECB’s Lane, Fed’s Kashkari, BOC’s Poloz and Wilkins, and RBNZ’s Orr.

**US:** The market was closed for US Memorial Day yesterday, with little key economic indicators released since last Friday. US President Donald Trump pushes ahead with his plans to reopen the economy, remarking that schools should be reopened as possible and has threatened to move the GOP Convention from North Carolina if there were crowd restrictions. Notable US data releases today include mortgage applications (est. -2.6% week/week) and the Fed’s Beige Book.

**Europe:** More fiscal aid coming for beleaguered industries in Europe, with French President announcing measures to support the auto industry before other European governments, including incentives for green car purchases. Germany, meanwhile, has agreed on a 9 billion euro plan to bailout airline Lufthansa. In the UK, Prime Minister Boris Johnson says outdoor markets and car showrooms will be able to reopen from 1 June; other non-essential retail outlets may open from 15 June.

**China:** China’s National People Congress said on 25 May it plans to amend a number of laws this year. The law governing the central bank PBoC is also in the to-do list. China’s NPC did not give the details. The news is clearly eye catching amid the period of rising debate about the debt monetization. Nevertheless, the chance for China to amend the law to allow China’s central bank to directly finance government debt is low. We think the proposed change of law governing PBoC is likely to focus mainly on reinforcing PBoC’s role in ensuring financial stability and conducting macro prudential measures to safeguard systemic risk from legal perspective.

**Singapore:** The 1Q20 GDP growth was revised up from -2.2% yoy (-10.6% qoq saar) to -0.7% yoy (-4.7% qoq saar), but the official 2020 GDP growth forecast was revised lower from -1% to -4% to -4% to -7%, which is in line with our house forecast of around -6% yoy. President Halimah Yacob has given her in-principle support to tap past reserves for the fourth budget to be announced this afternoon.

**Oil:** Prices fell on Friday, with Brent tumbling 2.6% to \$35.13/bbl on rising US-China tensions. The bullish momentum took hold again yesterday, with the benchmark closing 1.1% higher at \$35.53/bbl. We think some form of price consolidation might take place in the range of \$30-\$35/bbl for Brent in the coming weeks.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	2955.5	0.0%
DJIA	24465	0.0%
Nikkei 225	20742	1.7%
SH Comp	2818.0	0.1%
STI	2499.8	0.0%
Hang Seng	22952	0.1%
KLCI	1436.8	0.0%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	99.863	0.0%
USDJPY	107.71	0.1%
EURUSD	1.0898	0.0%
GBPUSD	1.2191	0.1%
USDIDR	14710	0.0%
USDSGD	1.4248	0.0%
SGDMYR	3.0603	-0.2%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	0.11	0.00
10Y UST	0.66	0.00
1Y SGS	0.23	0.00
10Y SGS	0.71	0.00
3M LIBOR	0.37	0.98
3M SIBOR	0.56	0.00
3M SOR	0.21	3.47
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	35.53	1.1%
WTI	33.25	0.0%
Gold	1732	-0.2%
Silver	17.29	0.4%
Palladium	1996	1.6%
Copper	5289	0.0%
BCOM	62.74	0.0%

Source: Bloomberg

## Daily Treasury Outlook

26 May 2020

### Major Markets

**US:** US markets were mixed on Friday, with Dow Jones Industrial Average index ending in the red while the S&P500 and NASDAQ indices gained as investors remain cautious on the back of rising US-China tensions. The S&P500 index was up 0.24%. Looking ahead, the spotlight will continue to be on US-China relations as well as how economies fare after reopening.

**Hong Kong:** Exports and imports dropped by 3.7% yoy and 6.7% yoy respectively in April. In particular, exports to Asia as a whole increased for the third consecutive month by 2.7% yoy in April. More notably, exports to Mainland China, Taiwan and Japan rose by 9.4% yoy, 21.6% yoy and 10.7% yoy respectively in April. Also, imports from Taiwan, Singapore, South Korea and Vietnam jumped by 29.5% yoy, 11.8% yoy, 15.3% yoy and 77% yoy respectively. Trade data surprised on the upside, mainly due to the pent-up demand associated with China's resumption of economic activities. The relocation of manufacturing supply chain following US-China trade war might have also boosted trading activities across Asia. This helps to partially offset the supply and demand shocks amid global lockdowns. That said, as the pandemic persists, demand shock may be exacerbated and weigh on global trading activities. On the other hand, the renewed US-China tensions which spark technology war and threaten HK's special trading status could also be a drag on the trade sector. As such, despite low base from last year, we expect HK's exports and imports to show single-digit decrease in 2020.

**Taiwan:** Unemployment rate rose to the highest level since 2013 at 4.1%, worse than expected. The unemployed population edged up by 41000 compared to previous month. As the impacts of epidemic persisted, it continued to take a heavy toll on the industrial sector and services sector. Specifically, the employed population of manufacturing sector and accommodation & catering sector declined by 0.24% mom and 1.16% mom to 3045000 and 844000 respectively. Moving forward, unemployment rate might continue to inch up in the coming months. Firstly, as global travel ban is unlikely to be lifted completely any time soon, tourism and retail sector might continue to be under pressure. Secondly, rising US-China tension and slow global recovery might weigh on trade and manufacturing sector. On the positive note, with the relief measures implemented by government, it might help to prevent the drastic deterioration of labor market.

**Singapore:** The STI closed 55.51 points lower last Friday to end the day 2.2% lower at 2499.83 – the first time it has closed below the 2500 level since 6 April. The benchmark equity index might be buoyed today, following gains in European markets yesterday and the Kospi this morning. Resistance is expected at the 2600 level, with support at 2400.

**Indonesia:** World Bank claims that the Indonesian economy may contract as much as 3.5% this year under its worst-case scenario outlook. Its baseline growth assumes 0% GDP increment. It has also urged the government to raise its revenue level to 2018 level, and to reinstate the 3% deficit rule to anchor market sentiment. It expects debt to jump to 37% of GDP from around 30% this year.

## Daily Treasury Outlook

26 May 2020

**Malaysia:** Malaysia reported its largest daily rise in the number of Covid-19 infections yesterday, at 172, the highest since April 11 and the relaxation of restriction orders three weeks ago. A majority of cases came from immigration detention centers, where the government has housed migrant workers as a preventative measure. Meanwhile, PM Muhyiddin Yassin has put himself on a 14-day home quarantine after a staffer met tested positive.

## Bond Market Updates

**Market Commentary:** Both the U.S. and Singapore markets were closed yesterday to observe holidays. With the exception of the 1-year trading around 1bp higher, the SGD swap curve bull-flattened last Friday, with the shorter and the belly tenors trading 0-3bps lower while the 20-year and 30-year traded 10-11bps lower. Last Friday, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 229bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 12bps to 901bps. The HY-IG Index Spread widened 11bps to 671bps. Flows in SGD corporates were heavy, with flows in HPLSP 3.8%'25s, HSBC 4.7%-PERPs, HSBC 5%-PERPs, CS 5.625%-PERPs, UBS 5.875%-PERPs, STANLN 5.375%-PERPs, UBS 4.85%-PERPs, SOCGEN 4.3%'26s, BAERVX 5.9%-PERPs, SOCGEN 6.125%-PERPs, UOBSP 3.58%-PERPs, SPHSP 4.5%-PERPs and STANLN 4.4%'26s. 10Y UST Yields fell 1bps to 0.66% by the end of last Friday, as risk sentiments soured due to heightened U.S.-China trade tensions made worse by China announcing its plans to impose new security laws on Hong Kong.

**New Issues:** China Ping An Insurance Overseas (Holdings) Limited arranged investor calls commencing 25 May for its proposed USD bond offering. AVIC Capital Co., Ltd arranged investor calls commencing 26 May for its proposed USD bond offering.

## Daily Treasury Outlook

26 May 2020

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	99.863	--	<b>USD-SGD</b>	1.4248	-0.01%
<b>USD-JPY</b>	107.710	0.07%	<b>EUR-SGD</b>	1.5526	-0.06%
<b>EUR-USD</b>	1.0898	-0.03%	<b>JPY-SGD</b>	1.3227	-0.10%
<b>AUD-USD</b>	0.6545	0.12%	<b>GBP-SGD</b>	1.7368	0.17%
<b>GBP-USD</b>	1.2191	0.15%	<b>AUD-SGD</b>	0.9326	0.12%
<b>USD-MYR</b>	4.3625	--	<b>NZD-SGD</b>	0.8695	0.05%
<b>USD-CNY</b>	7.1368	0.01%	<b>CHF-SGD</b>	1.4664	-0.06%
<b>USD-IDR</b>	14710	--	<b>SGD-MYR</b>	3.0603	-0.17%
<b>USD-VND</b>	23301	0.16%	<b>SGD-CNY</b>	5.0110	0.15%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	24,465.16	--
<b>S&amp;P</b>	2,955.45	--
<b>Nasdaq</b>	9,324.59	--
<b>Nikkei 225</b>	20,741.65	353.49
<b>STI</b>	2,499.83	--
<b>KLCI</b>	1,436.76	--
<b>JCI</b>	4,545.95	--
<b>Baltic Dry</b>	498.00	--
<b>VIX</b>	28.16	--

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4730	-1.50%	<b>O/N</b>	0.0608	-0.04%
<b>2M</b>	-0.3360	-0.04%	<b>1M</b>	0.1738	0.55%
<b>3M</b>	-0.2790	0.55%	<b>2M</b>	0.2816	0.42%
<b>6M</b>	-0.1540	0.42%	<b>3M</b>	0.3693	0.98%
<b>9M</b>	-0.1940	0.98%	<b>6M</b>	0.5700	-0.66%
<b>12M</b>	-0.0930	-0.66%	<b>12M</b>	0.6818	-0.31%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.20 (--)	0.17 (--)
<b>5Y</b>	0.37 (--)	0.33 (--)
<b>10Y</b>	0.71 (--)	0.66 (--)
<b>15Y</b>	0.91 (--)	--
<b>20Y</b>	1.09 (--)	--
<b>30Y</b>	1.11 (--)	1.37 (--)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.007	0.7	0.002	0.053
29/07/2020	-0.015	-2.2	-0.004	0.047
16/09/2020	-0.056	-4.1	-0.014	0.037
05/11/2020	-0.079	-2.3	-0.02	0.032
16/12/2020	-0.102	-2.3	-0.025	0.026
27/01/2021	-0.135	-3.3	-0.034	0.018

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	19.00	--
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	0.02
-------------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	33.25	--	Corn (per bushel)	3.1800	--
Brent (per barrel)	35.53	1.1%	Soybean (per bushel)	8.333	--
Heating Oil (per gallon)	0.9820	--	Wheat (per bushel)	5.0875	--
Gasoline (per gallon)	1.0382	--	Crude Palm Oil (MYR/MT)	2,240.0	--
Natural Gas (per MMBtu)	1.7310	--	Rubber (JPY/KG)	135.6	-0.6%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,289	--	Gold (per oz)	1,732.0	-0.2%
Nickel (per mt)	12,250	--	Silver (per oz)	17.288	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/26/2020 06:45	NZ Trade Balance NZD	Apr	1235m	1267m	672m	722m
05/26/2020 08:00	SI GDP YoY	1Q F	-1.60%	-0.70%	-2.20%	--
05/26/2020 08:00	SI GDP SAAR QoQ	1Q F	-8.20%	-4.70%	-10.60%	--
05/26/2020 12:30	JN All Industry Activity Index MoM	Mar	-3.90%	--	-0.60%	--
05/26/2020 13:00	SI CPI YoY	Apr	-0.50%	--	0.00%	--
05/26/2020 13:00	SI Industrial Production YoY	Apr	-1.00%	--	16.50%	--
05/26/2020 13:00	SI Industrial Production SA MoM	Apr	-7.00%	--	21.70%	--
05/26/2020 13:00	SI CPI NSA MoM	Apr	-0.80%	--	-0.30%	--
05/26/2020 14:00	GE GfK Consumer Confidence	Jun	-18	--	-23.4	--
05/26/2020 14:00	JN Machine Tool Orders YoY	Apr F	--	--	-48.30%	--
05/26/2020 20:30	US Chicago Fed Nat Activity Index	Apr	--	--	-4.19	--
05/26/2020 21:00	US FHFA House Price Index MoM	Mar	0.50%	--	0.70%	--
05/26/2020 22:00	US Conf. Board Consumer Confidence	May	87	--	86.9	--
05/26/2020 22:00	US New Home Sales	Apr	480k	--	627k	--
05/26/2020 22:30	US Dallas Fed Manf. Activity	May	-62	--	-73.7	--

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).