

## Daily Treasury Outlook

26 June 2020

### Highlights

**Global:** Market sentiments were initially cautious amid second wave concerns in the US after the Texas governor warned of a “massive outbreak”, but subsequently turned higher on hopes of more stimulus. The Fed capped dividend payments to 2Q levels and banned 34 largest banks from share buybacks in 3Q20. The US Senate also passed a bipartisan bill to sanction Chinese officials over the security law for Hong Kong. Global trade fell by 16% yoy in April, according to the CPB Netherlands Bureau for Economic Policy Analysis. Elsewhere, BSP also surprised markets by cutting both its overnight borrowing rate and standing overnight deposit rate by 50bps to 2.25% and 1.75% respectively, whereas the State Bank of Pakistan cut its policy rate by 100bps to 7% and Banxico also cut 50bps to 5%. The S&P500 saw a late rally of 1.10% (note Macy’s announced 3,900 job cuts) while VIX fell to 32.22 overnight. UST bonds erased initial gains as stocks came back and the 10-year yield ended flat at 0.68% while the 7-year auction saw a record low yield at 0.511%. The 3-month LIBOR edged higher to 0.306% in its biggest jump since March, ahead of the quarter-end.

**Market watch:** Asian markets may open with a firm tone this morning, with China market still shut but Hong Kong market back from holiday. Today’s economic data comprises of US’ personal income and spending, core PCE deflator and University of Michigan sentiment index, S’pore’s May industrial production (our forecast: 4.6% yoy and 7.0% mom sa) and Thailand’s foreign reserves.

**US:** Durable goods orders rose more than expected by 15.8% in May in its biggest surge since July 2014, after falling 18.1% in April, as the economy reopened and consumers went shopping again. Durable goods excluding transportation also rebounded 4.0% after a 8.2% contraction. However, initial jobless claims eased from 1.54m to 1.48m, but exceeded market expectations for a second consecutive week and the advance goods trade deficit also widened to \$74.3b in May (largest since June 2019), as exports fell 5.8% yoy to an 11- year low while imports slipped 1.2%. Meanwhile, wholesale inventories unexpectedly fell 1.2% mom in May. Fed’s George warned of risks from an “a renewed upsurge in infections” and that “it may be a while before the dust settles and we gain insight on whether further accommodation is necessary or not”.

**EU:** The ECB announced a new repo liquidity facility for central banks outside the euro area (EUREP) till June 2021, but minutes revealed reservations about adding to its asset purchase program decision and some members argued for a “more cautious approach”. While Deutsche Lufthansa AG rose after a EUR9b government bailout, Wirecard AG filed for insolvency. Meanwhile, France is planning a furlough program that could start 1 July and run for two years, in a move that follows Germany’s Kurzarbeit system.

**Singapore:** May industrial production may have expanded by 4.6% yoy (7.0% mom sa), a moderation from the 13.0% yoy (3.6% mom sa) printed in April.

Key Market Movements		
Equity	Value	% chg
S&P 500	3083.8	1.1%
DJIA	25746	1.2%
Nikkei 225	22260	-1.2%
SH Comp	2979.6	0.0%
STI	2590.2	-1.5%
Hang Seng	24782	0.0%
KLCI	1489.2	-0.9%
Currencies	Value	% chg
DXY	97.429	0.3%
USDJPY	107.19	0.1%
EURUSD	1.1218	-0.3%
GBPUSD	1.2419	0.0%
USIDR	14175	0.3%
USDSGD	1.3914	-0.1%
SGDMYR	3.0743	-0.1%
Rates	Value	chg (bp)
3M UST	0.14	0.00
10Y UST	0.69	0.66
1Y SGS	0.28	2.00
10Y SGS	0.91	-2.82
3M LIBOR	0.28	-1.31
3M SIBOR	0.56	0.31
3M SOR	0.19	-0.61
Commodities	Value	% chg
Brent	41.05	1.8%
WTI	38.72	1.9%
Gold	1764	0.1%
Silver	17.80	1.7%
Palladium	1846	-1.8%
Copper	5893	0.5%
BCOM	63.45	-0.4%

Source: Bloomberg

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### Major Markets

**US:** Markets were supported on Thursday, with the S&P500 index staging a late rally to close 1.1% higher, fuelled by the Fed's easing of the Volcker rule. This comes despite a continued rise in US coronavirus cases, with Texas halting the reopening of its state given the recent spike in cases and hospitalisation. Looking ahead, the spotlight will continue to be on the new daily confirmed coronavirus cases and the state of US-China relations.

**UK:** The 2- and 5-year gilt yields fell to a record low to -0.094% and -0.066% respectively as investors unwound their steepening bets post-BOE and amid concerns of a potential second wave of Covid-19 infections.

**Singapore:** The STI retreated for a second day by 1.46% to close at 2590.15 yesterday amid second wave concerns globally. Longer-dated SGS bonds remained under pressure ahead of upcoming auctions on 26 June for \$2.5b (MAS taking \$200m) re-opening of the 5-year SGS bond maturing 1 June 2025 and \$800m of the 30-year SGS bond maturing 1 March 2050, whereas short-dated bond yields fell around 1bp.

**Malaysia:** It has been 100 days since Malaysia adopted the MCO restriction orders on March 18th, and the health director Dr Noor Hisham said that the country has successfully flattened the Covid-19 infection curve. Active cases have dropped to 208, and fatality rate has dropped to 1.4% of all cases. He added that Malaysia's ability to conduct PCR lab tests is now over 36000 per day, 6 times higher than before.

**Indonesia:** Indonesia's Finance Ministry announced that it will be offering IDR20tn of sovereign papers in June 30th auction. Two new series of T-bills and 5 sovereign bonds with maturity ranging from 5 to 28 years will be offered, with indicative yields of 6.5-7.375%.

**Oil:** Oil is set for a second week of losses, as a fresh record high in US crude oil inventory as well as growing fears of a second wave contagion in the US capped Brent's advance. Brent has been unable to materially break above the \$43/bbl level, establishing a double-top pattern on its chart pattern. We think oil prices may continue consolidating in the near term.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve fell yesterday, with the 1-year tenor remaining unchanged while the other tenors traded 1-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 202bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 768bps. The HY-IG Index Spread widened 1bps to 566bps. Flows in SGD corporates were heavy, with flows in STANLN5.375%-PERPs, CS 5.625%-PERPs, FPLSP 4.98%-PERPs, UBS 4.85%-PERPs, OLAMSP 5.5%-PERPs, SOCGEN 6.125%-PERPs, CELSP 3.9%-PERPs and UBS 5.875%-PERPs. 10Y UST Yields gained 1bps to 0.69% while COVID-19 cases continued to surge in the US and layoffs stayed high.

**New Issues:** Singapore Technologies Telemedia Pte Ltd priced a SGD375mn PerpNC7 bond at 4.10%. Takeda Pharmaceutical Company Limited has arranged investor calls commencing 25 June 2020 for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.429	0.29%	USD-SGD	1.3914	-0.14%
USD-JPY	107.190	0.14%	EUR-SGD	1.5609	-0.43%
EUR-USD	1.1218	-0.29%	JPY-SGD	1.2981	-0.28%
AUD-USD	0.6887	0.26%	GBP-SGD	1.7280	-0.14%
GBP-USD	1.2419	--	AUD-SGD	0.9583	0.13%
USD-MYR	4.2782	0.15%	NZD-SGD	0.8946	0.16%
USD-CNY	7.0782	--	CHF-SGD	1.4670	-0.18%
USD-IDR	14175	0.32%	SGD-MYR	3.0743	-0.11%
USD-VND	23198	-0.02%	SGD-CNY	5.0874	0.01%

### Equity and Commodity

Index	Value	Net change
DJIA	25,745.60	299.66
S&P	3,083.76	33.43
Nasdaq	10,017.00	107.84
Nikkei 225	22,259.79	-274.53
STI	2,590.15	-38.47
KLCI	1,489.20	-13.43
JCI	4,896.73	-68.01
Baltic Dry	1,705.00	--
VIX	32.22	-1.62

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5080	0.40%	O/N	0.0743	0.31%
2M	-0.3360	0.31%	1M	0.1795	-0.50%
3M	-0.3980	-0.50%	2M	0.2419	-1.01%
6M	-0.2780	-1.01%	3M	0.2838	-1.31%
9M	-0.1940	-1.31%	6M	0.3794	-0.33%
12M	-0.1840	-0.33%	12M	0.5638	-0.16%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.31 (--)	0.19 (--)
5Y	0.48 (-0.02)	0.33 (+0.02)
10Y	0.91 (-0.03)	0.69 (+0.01)
15Y	1.27 (-0.02)	--
20Y	1.31 (-0.02)	--
30Y	1.40 (-0.02)	1.43 (+0.01)

### Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.032	-3.2	-0.008	0.067
09/16/2020	-0.083	-5.1	-0.021	0.055
11/05/2020	-0.116	-3.3	-0.029	0.047
12/16/2020	-0.16	-4.4	-0.04	0.036
01/27/2021	-0.182	-2.2	-0.046	0.03

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.60	-0.50
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	0.08
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	38.72	1.9%	Corn (per bushel)	3.1725	-2.2%
Brent (per barrel)	41.05	1.8%	Soybean (per bushel)	8.693	-0.2%
Heating Oil (per gallon)	1.1556	0.4%	Wheat (per bushel)	4.8675	1.1%
Gasoline (per gallon)	1.1942	-0.2%	Crude Palm Oil (MYR/MT)	2,512.0	-1.2%
Natural Gas (per MMBtu)	1.4820	-7.2%	Rubber (JPY/KG)	141.7	4.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,893	0.5%	Gold (per oz)	1,763.8	0.1%
Nickel (per mt)	12,440	-0.9%	Silver (per oz)	17.803	1.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/23/2020 07:03	PH	Overseas Remittances YoY	Apr	-9.60%	--	-4.70%	--
06/23/2020 07:03	PH	BoP Overall	May	--	--	\$1666m	--
06/23/2020 07:03	PH	Overseas Workers Remittances	Apr	\$2276m	--	\$2397m	--
06/26/2020 01:00	SI	Industrial Production YoY	May	7.70%	--	13.00%	--
06/26/2020 01:00	SI	Industrial Production SA MoM	May	-5.60%	--	3.60%	--
06/26/2020 02:00	GE	Import Price Index MoM	May	0.40%	--	-1.80%	--
06/26/2020 02:00	GE	Import Price Index YoY	May	-6.90%	--	-7.40%	--
06/26/2020 03:30	TH	Foreign Reserves	Jun-19	--	--	\$240.3b	--
06/26/2020 04:00	EC	M3 Money Supply YoY	May	8.70%	--	8.30%	--
06/26/2020 08:30	US	Personal Spending	May	9.20%	--	-13.60%	--
06/26/2020 08:30	US	Personal Income	May	-6.00%	--	10.50%	--
06/26/2020 08:30	US	PCE Core Deflator MoM	May	0.00%	--	-0.40%	--
06/26/2020 08:30	US	PCE Core Deflator YoY	May	0.90%	--	1.00%	--
06/26/2020 08:30	US	PCE Deflator YoY	May	0.50%	--	0.50%	--
06/26/2020 10:00	US	U. of Mich. Sentiment	Jun F	79.2	--	78.9	--

Source: Bloomberg

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