

Daily Treasury Outlook

26 August 2020

Highlights

Global: Renewed hope arose after US and China reaffirmed their commitment to the Phase One trade deal following a phone call between officials lifted market sentiments. Wall Street still closed mixed with the Dow lower by 0.21% but the S&P500 and Nasdaq up 0.36% to a fresh record, although Apple retreated ahead of its 4-to-1 stock split, while VIX retreated to 22.03. The UST bond yield curve bear-steepened with the 2-year note auction fetching a record low yield of 0.155% and the 10-year yield rose to touch 0.715% intraday before closing at 0.68% amid several IG issuance. The 3-month LIBOR rose to 0.2510%. Elsewhere, world trade rose 7.6% mom in July, according to CPD, suggesting an improvement as global economies re-open.

Market watch: Asian markets may trade with a firmer tone again this morning on market relief that the US-China trade relations are holding for now. Today's economic data calendar also comprises of S'pore and Thailand's industrial production, Hong Kong's July trade data, and US' July durable goods orders. Speakers include ECB's Schnabel and BOE's Haldane.

US: Fed's Barkin warned that the downturn may be longer than initially thought and the central bank should be "pulling out the stops". Meanwhile, new home sales surged 13.9% to 901k in July, but the Conference Board's consumer confidence index fell from 91.7 in July to 84.8 in August. The S&P CoreLogic national home price index also rose 4.3% for the year ended June, similar to the previous month. Separately, American Airlines will shed 19,000 jobs by 1 October.

EU: German IFO came in better than expected at 92.6 in August, up from 90.4 in July, and was driven mainly by the expectations gauge (97.5 versus 96.7) whereas the current assessment gauge was more subdued at 87.9 (previously 84.5). Meanwhile, Germany's final 2Q GDP revised higher to -9.7% qoq sa, but remains the sharpest contraction since records began.

UK: British retailers have cut the most jobs since 2009, according to the CBI.

SG: Some 9,000 new jobs and trainee positions will be created in the healthcare sector till end-2021.

Oil: Brent closed at \$45.86/bbl yesterday, the highest level since the collapse in March, as Hurricane Laura approaches the US Gulf Coast. The hurricane is expected to make landfall within the next 48 hours and has prompted more than 84% of oil output in the Gulf region to temporarily shut. Hurricanes are highly unpredictable once they make landfall and if Laura weakens significantly, it may result in a rapid drop in crude oil prices back to its previous consolidation range.

Gold: Gold closed almost unchanged overnight at \$1928.18/oz.

Key Market Movements

Equity	Value	% chg
S&P 500	3443.6	0.4%
DJIA	28248	-0.2%
Nikkei 225	23297	1.4%
SH Comp	3373.6	-0.4%
STI	2559.0	0.8%
Hang Seng	25486	-0.3%
KLCI	1555.0	-0.9%
	Value	% chg
DX	93.019	-0.3%
USDJPY	106.39	0.4%
EURUSD	1.1835	0.4%
GBPUSD	1.3152	0.7%
USDIDR	14649	-0.1%
USDSGD	1.368	-0.2%
SGDMYR	3.0454	-0.1%
	Value	chg (bp)
3M UST	0.09	0.25
10Y UST	0.68	2.93
1Y SGS	0.30	0.10
10Y SGS	0.93	2.24
3M LIBOR	0.23	-1.63
3M SIBOR	0.41	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	45.86	1.6%
WTI	43.35	1.7%
Gold	1928	0.0%
Silver	26.53	-0.3%
Palladium	2173	0.3%
Copper	6529	0.2%
BCOM	72.02	0.5%

Source: Bloomberg

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Major Markets

US: The US equities index continues to be propped up by tech stocks. The S&P 500 index and the NASDAQ composite index closed 0.4% and 0.8% higher respectively. Moving forward, market sentiment is likely to remain buoyant and we expect bullish momentum to continue in the near term.

CN: PBoC's director of monetary policy division said China will need more certain monetary policy to deal with all kinds of uncertainty. China's central bank has run its monetary policy under the framework of prudent with more flexibility. According to Sun Guofeng, flexibility is to ensure there is no liquidity shortage as well as no excessive liquidity. Meanwhile, he also highlighted the importance of room for conventional monetary policy again confirming that China has no plan for zero interest rate, negative interest rate and QE. This means that market funding cost is likely to be traded around the official rate.

HK: With the daily new cases declining lately, the government announced to allow dining-in till 9pm (only till 6pm currently). Besides, cinemas, beauty parlors and some outdoor sports venues which involve less in-person interaction will be allowed to re-open. Meanwhile, wearing of mask will not be mandatory in the country parks. The relaxation of containment measures will be effective from this Friday (28th August). Going forward, following the mass Covid-19 testing, we expect the government will ease the containment measures gradually. With the gradual resumption of economic activities and the upcoming relief measures, the economy may regain some momentum in the last quarter of this year on assumption that there will not be virus resurgence during the period.

SG: The STI added 0.80% to close at 2559.03 yesterday and may attempt higher on hopes of the US-China Phase One deal staying intact. SGS yields may come under selling pressure today, following the bear-steepening in UST bond market overnight and 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: Bursa's data showed that foreign selling of Malaysia's equities picked up pace last week even as KLCI gained and MYR strengthened. As reported yesterday by Bloomberg, the 5-day moving average of net foreign outflows accelerated to \$22.3mn, compared to the 20-day average of \$20.1mn. The outflows might have been driven by some profit-taking move given recent performance.

Indonesia: Indonesia is reportedly discussing "green lane" arrangements to resume essential travel between the country and Singapore. Foreign Minister Retno Marsudi held talks with her Singaporean counterpart Vivian Balakrishnan yesterday, on the issue. Singapore currently has green lane arrangements with Malaysia and China. The Foreign Minister is in Singapore for a three-day visit.

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Bond Market Updates

Market Commentary: The SGD swap curve traded mostly higher yesterday, with the shorter tenors trading 1-2bps higher (with the exception of 1-year trading 1bps lower) while the belly and longer tenors traded 3-4bps higher (with the exception of 20-year traded 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 669bps. The HY-IG Index Spread tightened 5bps to 501bps. Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, CMZB 4.875%'27s, CS 5.625%-PERPs, NTUCSP 3.1%'50s, MAPLSP 3.15%'31s, OLAMSP 5.5%-PERPs and UBS 5.875%-PERPs. 10Y UST Yields gained 3bps to 0.68%, driven by a reaffirmation of the US-China Phase 1 trade deal and a solid 2-year auction which raised a record USD50bn.

New Issues: RKPF Overseas 2019 A Ltd (Guarantor: Road King Infrastructure Limited) priced a USD300mn 5NC3 bond at 6.0%, tightening from IPT of 6.4% area. Fuyuan Worldwide Ltd (Guarantor: Shandong Commercial Group Co Ltd) priced a USD180mn 3-year bond at 7%, tightening from IPT of 7.5% area. Olam International Limited priced a SGD100mn re-tap of its OLAMSP 4.0%'26s. Tencent Music Entertainment Group has arranged investor calls commencing 24 August 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.019	-0.30%	USD-SGD	1.3680	-0.20%
USD-JPY	106.390	0.39%	EUR-SGD	1.6190	0.20%
EUR-USD	1.184	0.40%	JPY-SGD	1.2858	-0.59%
AUD-USD	0.720	0.45%	GBP-SGD	1.7992	0.48%
GBP-USD	1.315	0.68%	AUD-SGD	0.9843	0.26%
USD-MYR	4.169	-0.16%	NZD-SGD	0.8957	0.12%
USD-CNY	6.913	-0.10%	CHF-SGD	1.5070	0.25%
USD-IDR	14649	-0.15%	SGD-MYR	3.0454	-0.10%
USD-VND	23165	-0.02%	SGD-CNY	5.0487	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5180	-0.52%	O/N	0.0818	0.08%
2M	-0.3360	-0.34%	1M	0.1743	0.18%
3M	-0.4880	-0.49%	2M	0.1884	0.21%
6M	-0.4420	-0.44%	3M	0.2338	0.25%
9M	-0.1940	-0.20%	6M	0.2974	0.31%
12M	-0.3770	-0.38%	12M	0.4391	0.44%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.091	-9.1	0.071	0.071
11/05/2020	-0.109	-1.8	0.067	0.067
12/16/2020	-0.111	-0.2	0.066	0.066
01/27/2021	-0.145	-3.4	0.058	0.058
03/17/2021	-0.186	-4.1	0.047	0.047

Equity and Commodity

Index	Value	Net change
DJIA	28,248.44	-60.02
S&P	3,443.62	12.34
Nasdaq	11,466.47	86.75
Nikkei 225	23,296.77	311.26
STI	2,559.03	20.42
KLCI	1,554.96	-13.62
JCI	5,338.89	61.85
Baltic Dry	1,491.00	10.00
VIX	22.03	-0.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.27 (+0.01)	0.15(-)
5Y	0.54 (+0.02)	0.29 (+0.01)
10Y	0.93 (+0.02)	0.69 (+0.03)
15Y	1.21 (+0.02)	--
20Y	1.27 (+0.02)	--
30Y	1.19 (+0.03)	1.4 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-1.89	(-)
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)	43.35	1.71%	Corn (per bushel)	3.408	2.7%
Brent (per barrel)	45.86	1.62%	Soybean (per bushel)	9.138	1.6%
Heating Oil (per gallon)	126.01	1.00%	Wheat (per bushel)	5.273	1.2%
Gasoline (per gallon)	139.59	2.11%	Crude Palm Oil (MYR/MT)	27.210	-1.8%
Natural Gas (per MMBtu)	2.49	-0.96%	Rubber (JPY/KG)	1.707	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6529.00	0.20%	Gold (per oz)	1928.2	0.0%
Nickel (per mt)	14976.00	0.33%	Silver (per oz)	26.5	-0.3%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/26/2020	PH Budget Balance PHP	Jul	--	1.8b	--
08/26/2020 05:00	SK Business Survey Manufacturing	Sep	68.0	57.0	61.0
08/26/2020 06:45	NZ Trade Balance NZD	Jul	293m	282m	475m
08/26/2020 06:45	NZ Exports NZD	Jul	4.91b	4.91b	5.08b
08/26/2020 08:28	PH BoP Overall	Jul	--	\$80m	--
08/26/2020 13:00	SI Industrial Production YoY	Jul	-7.0%	-6.7%	--
08/26/2020 13:00	SI Industrial Production SA MoM	Jul	3.7%	0.2%	--
08/26/2020 14:45	FR Consumer Confidence	Aug	94.0	94.0	--
08/26/2020 16:30	HK Exports YoY	Jul	-3.5%	-1.3%	--
08/26/2020 16:30	HK Imports YoY	Jul	-6.1%	-7.1%	--
08/26/2020 19:00	US MBA Mortgage Applications	21-Aug	--	-3.3%	--
08/26/2020 20:30	US Durable Goods Orders	Jul P	4.7%	7.6%	--
08/26/2020 20:30	US Durables Ex Transportation	Jul P	2.0%	3.6%	--
08/26/2020 20:30	US Cap Goods Orders Nondef Ex Air	Jul P	1.7%	3.4%	--
08/26/2020 20:30	US Cap Goods Ship Nondef Ex Air	Jul P	1.8%	3.3%	--

Source: Bloomberg

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