

Daily Treasury Outlook

27 March 2020

Highlights

Global: Thank You, Congress! News that the US Senate has approved the USD2tn stimulus package - that was in limbo for a while due to partisan disagreements - bolstered market sentiment overnight. The bill is now in the House for reconciliation, with a vote set on Friday. Thereafter, it would await Trump's signature to be officially a done deal. Over \$530bn is allocated as aid to businesses and municipalities, with \$61bn for airline industries. \$290bn is for direct payments to families; \$1200/adult and \$500/child. Meanwhile, over \$125bn will go to boost the healthcare sector. Market reaction was ebullient, with S&P up over 6%, with the first 3-day gaining streak since February. UST 10y yield saw a mild decrease of 2bps.

The positive market movement came despite dire US data, where labour market is showing signs of deep pains from the viral outbreak. Initial jobless claims for the past week were a dire 3.28mn, compared to 282k the week before. While Treasury Sec Mnuchin said the data is "not relevant", it would not feel that way for many who are newly jobless as America struggles with the viral outbreak. The number of confirmed cases in the US has surpassed that of China, in part due to a large jump in infections in New York area.

Overall, for now, despite obvious ongoing challenges in the fight against the viral outbreak, market sentiment should remain bolstered by policy actions. On that note, Fed Chairman Powell did a rare interview on TV, trying to convince the Main Street that the central bank would not run out of ammunition. Market will be digesting the news of the massive second stimulus package from Singapore, as well, with an unprecedented SGD48bn thrown in, on top of the already-considerable 6.4bn announced just five weeks ago. Together, the measures constitute 11% of GDP; a fiscal bazooka might sound like an under-statement in this case.

Market watch: Today's economic releases comprise of China's industrial profits, Vietnam's CPI, retail sales and industrial production, Thailand's foreign reserves, US' personal spending and U. of Mich. Sentiment.

China: In the latest effort to contain rising imported cases, China further tightened its cross-border people movement. Effective from 28 Mar, China will temporarily suspend entry permits for foreigners. Meanwhile, China also announced to reduce the frequency of international flight to once per week from each airline. In addition, Shanghai also imposed mandatory 14-day quarantine orders for all people from overseas effective from 26 Mar. On economic policy, China's Ministry of Commerce plans to roll out more measures to support the sales of new energy cars to boost car consumption.

Singapore: Finance Minister Heng Swee Keat unveiled a supplementary budget called the Resilience Budget to combat the impact of the Covid-19. The Government has obtained the President's in-principle support to draw up to \$17 billion from the reserves to fund the Resilience Budget. In total, adding up the Stabilisation and Support Package and the Care and Support Package in the Unity Budget unveiled last month, the government is committing close to \$55 billion to combat the Covid-19, amounting to 11% of Singapore's GDP.

Key Market Movements

Equity	Value	% chg
S&P 500	2630.1	6.2%
DJIA	22552	6.4%
Nikkei 225	18665	-4.5%
SH Comp	2764.9	-0.6%
STI	2487.6	-0.7%
Hang Seng	23352	-0.7%
KLCI	1328.1	0.3%
Currencies	Value	% chg
DX	99.352	-1.7%
USDJPY	109.58	-1.5%
EURUSD	1.1032	1.4%
GBPUSD	1.2203	2.7%
USDIDR	16305	-1.2%
USDSGD	1.4312	-1.1%
SGDMYR	3.0132	-0.9%
Rates	Value	chg (bp)
3M UST	-0.14	-5.59
10Y UST	0.84	-2.26
1Y SGS	0.96	-8.20
10Y SGS	1.42	-6.54
3M LIBOR	1.27	3.46
3M SIBOR	1.02	0.83
3M SOR	0.94	4.16
Commodities	Value	% chg
Brent	26.34	-3.8%
WTI	22.6	-7.7%
Gold	1631	0.9%
Silver	14.41	-0.5%
Palladium	2340	-0.5%
Copper	4804	-1.1%
BCOM	63.33	-1.0%

Source: Bloomberg

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Major Markets

US: US stocks rallied for a third straight day last night despite the release of a record-breaking weekly jobless claims data, as risk sentiment improved on the expectation that the \$2 trillion package will be passed in the House. The S&P500 index surged by 6.24%. With the stimulus bill largely priced in, markets are expected to focus on the pandemic numbers and will take their cues from there.

Hong Kong: Exports increased by 4.3% yoy while imports dropped for the 15th consecutive month by 0.1% yoy in February. Both exports and imports beat expectations as the impact of coronavirus outbreak was well offset by the low base associated with the different timing of Lunar New Year Holiday between this year and the last. Taken the first two months as a whole to iron out the distortion from the timing of Lunar New Year Holiday, exports and imports fell by 12% yoy and 9.3% yoy respectively. During the same period, exports of telecommunications (-20% yoy) and office machines (-12.6% yoy) both dropped notably while imports of these two kinds of commodities decreased by 16.6% yoy and 23.4% yoy respectively. This reflects the impact of regional spread of covid-19 which disrupted Asian electronic supply chain in February. Moving into the coming months, with the spread of coronavirus to Western countries causing increasing lockdowns, the resultant supply and demand shocks are expected to hit the trade sector harder. As such, we expect exports to show double-digit decrease in 2020.

Singapore: The STI ended 0.7% lower to close at 2487.6 yesterday as official growth estimates for 1Q20 showed a 2.2% contraction, with manufacturing, service and construction sectors all showing declines for the first time since the Asian financial crisis. For today, the STI may attempt to trade higher following the surge in US markets overnight and the positive openings in Nikkei and Kospi.

Indonesia: The government is planning to issue IDR-denominated “recovery bonds” that will be used to provide special loans for companies impacted by the viral outbreak. To be eligible, they must not keep at least 90% of workforce with full payments. It is drafting a regulation to allow Bank Indonesia to purchase the bonds, since the central bank can only purchase bonds from the secondary market currently.

Malaysia: PM Muhyiddin Yassin is slated to announce a new stimulus package to help counter the impact of the coronavirus on the economy, with expectation ranging from MYR10-20bn. Separately, Transport Minister said that the government will allow all export activities to continue during the Movement Control Order. He added that the storage capacity of major ports such as Port Klang is reaching its maximum.

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Oil: Crude oil prices declined yesterday despite the rally in equity markets. Brent prices declined 3.8% to \$26.34/bbl while WTI fell 7.7% to \$22.60/bbl. IEA said yesterday that crude oil demand may fall as much as 20mbpd in this Covid-19 outbreak, which would approximately be a 20% decline in global demand. The oversupply hang from OPEC+ means oil prices are unlikely to participate as strong a rally as US equities are poised to, even though Congress is near in approving its \$2 trillion fiscal support package.

Bond Market Updates

Market Commentary: The SGD swap curve mostly fell yesterday, with the shorter tenors trading 0-5bps lower (with the exception of the 1-year tenor trading 3bps higher), while the belly and the longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 6bps to 264bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 69bps to 1166bps. The HY-IG Index Spread tightened 64bps to 902bps. Flows in SGD corporates were heavy, with flows in STANLN 4.4%'26s, UBS 5.875%-PERPs, HSBC 4.7%-PERPs, SOCGEN 6.125%-PERPs, DBSSP 3.98%-PERPs, UBS 4.85%-PERPs and OCBCSP 4%-PERPs. 10Y UST Yields fell 2bps to 0.85%, despite the S&P500 rallying for the third day, as the U.S. weekly jobless claims surged to an all-time high of more than 3 million.

New Issues: State Bank of India of London priced a USD100mn 2-year bond at 3m-US LIBOR+80bps.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.352	-1.68%	USD-SGD	1.4312	-1.12%
USD-JPY	109.580	-1.47%	EUR-SGD	1.5787	0.23%
EUR-USD	1.1032	1.38%	JPY-SGD	1.3059	0.34%
AUD-USD	0.6063	1.75%	GBP-SGD	1.7464	1.59%
GBP-USD	1.2203	2.74%	AUD-SGD	0.8677	0.59%
USD-MYR	4.3313	-1.21%	NZD-SGD	0.8533	0.76%
USD-CNY	7.0747	-0.56%	CHF-SGD	1.4858	0.30%
USD-IDR	16305	-1.18%	SGD-MYR	3.0132	-0.89%
USD-VND	23636	0.16%	SGD-CNY	4.9391	0.75%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4580	1.30%	O/N	0.2013	2.31%
2M	-0.3360	2.31%	1M	0.9591	3.43%
3M	-0.3690	3.43%	2M	1.1564	5.47%
6M	-0.2980	5.47%	3M	1.2670	3.46%
9M	-0.1940	3.46%	6M	1.0676	8.55%
12M	-0.1760	8.55%	12M	0.9875	3.08%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0	0	0	0.082
10/06/2020	-0.07	-7	-0.018	0.065
29/07/2020	-0.08	-1	-0.02	0.063
16/09/2020	-0.101	-2.1	-0.025	0.057
05/11/2020	-0.088	1.3	-0.022	0.06
16/12/2020	-0.066	2.2	-0.016	0.066

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	22.60	-7.7%	Corn (per bushel)	3.4875	0.1%
Brent (per barrel)	26.34	-3.8%	Soybean (per bushel)	8.803	-0.1%
Heating Oil (per gallon)	1.0503	-4.3%	Wheat (per bushel)	5.6900	-1.9%
Gasoline (per gallon)	0.5438	-0.5%	Crude Palm Oil (MYR/MT)	2,420.0	-2.5%
Natural Gas (per MMBtu)	1.6370	-1.3%	Rubber (JPY/KG)	143.4	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,804	-1.1%	Gold (per oz)	1,631.3	0.9%
Nickel (per mt)	11,211	-0.7%	Silver (per oz)	14.406	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,552.17	1351.62
S&P	2,630.07	154.51
Nasdaq	7,797.54	413.24
Nikkei 225	18,664.60	-882.03
STI	2,487.56	-17.91
KLCI	1,328.09	3.59
JCI	4,338.90	401.27
Baltic Dry	569.00	-13.00
VIX	61.00	-2.95

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.82 (-0.14)	0.29 (-0.04)
5Y	1.14 (-0.08)	0.53 (-)
10Y	1.42 (-0.07)	0.84 (-0.02)
15Y	1.58 (-0.06)	--
20Y	1.65 (-0.03)	--
30Y	1.64 (-0.02)	1.43 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	11.10	-0.50
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/27/2020 04:03	PH	BoP Overall	Feb	--	--	-\$1355m	--
03/27/2020 05:00	SK	Consumer Confidence	Mar	--	78.4	96.9	--
03/27/2020 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Mar	0.40%	0.40%	0.50%	--
03/27/2020 07:30	JN	Tokyo CPI YoY	Mar	0.30%	0.40%	0.40%	--
03/27/2020 09:30	CH	Industrial Profits YTD YoY	Feb	--	--	--	--
03/27/2020 15:30	VN	CPI YoY	Mar	4.97%	--	5.40%	--
03/27/2020 15:30	TH	Foreign Reserves	Mar-20	--	--	\$229.2b	--
03/27/2020 15:30	VN	Retail Sales YTD YoY	Mar	--	--	8.30%	--
03/27/2020 15:30	VN	Industrial Production YoY	Mar	--	--	23.70%	--
03/27/2020 20:30	US	Personal Spending	Feb	0.20%	--	0.20%	--
03/27/2020 20:30	US	Personal Income	Feb	0.40%	--	0.60%	--
03/27/2020 20:30	US	PCE Core Deflator MoM	Feb	0.20%	--	0.10%	--
03/27/2020 20:30	US	PCE Core Deflator YoY	Feb	1.70%	--	1.60%	--
03/27/2020 20:30	US	PCE Deflator YoY	Feb	1.70%	--	1.70%	--
03/27/2020 22:00	US	U. of Mich. Sentiment	Mar F	90	--	95.9	--

Source: Bloomberg

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