

Daily Treasury Outlook

27 April 2020

Highlights

Global: Global risk appetite may remain capped by concerns about a potential second wave of Covid-19 infections globally and the WHO warned that catching Covid-19 once may not protect from a second infection. The S&P500 added 1.39% on Friday, led by gainers like Apple, Microsoft and Amex, while VIX closed at 36. UST bonds ended the week slightly higher despite the Fed's plan to trim its bond purchases from \$15b to \$10b daily this week, with the 10-year bond yield at 0.60% and the 3-month LIBOR lower at 0.88713%. Meanwhile, China's PBOC cut its Targeted Medium-Term Lending Facility (TMLF) by 20bps to bring the 1-year TMLF to 2.95%, while market speculation about North Korean leader Kim Jong Un's health intensified over the weekend.

Market watch: Asian markets may drift sideways today. The economic data calendar comprises of HK's March trade, and Dallas Fed manufacturing activity index. For the week ahead, market will be on edge for the trifecta of central bank meetings, namely BOJ who is expected to discuss shifting to unlimited JGB purchase program and upsize its CP and corporate bond purchase programs, followed by the Fed who may shed light on their current economic outlook, especially for the labour market, as well as the policy guidance (with market debating if a technical IOER tweak from its current 0.1% is on the cards after the effective fed funds rate fell to 0.04% last Thursday), and the ECB on Thursday (with a potential EUR250b lift to the Pandemic Emergency Purchase Program) with Lagarde also due to speak. US' 1Q20 GDP growth estimates are also due on Wednesday, while earnings results are also due from Amazon, Apple, Alphabet, Facebook, Microsoft, GE, Caterpillar, UBS, HSBC, Ford, Starbucks, McDonald's, Shell, Exxon and Gilead.

US: Core capital goods orders unexpectedly rose 1.0% yoy in March, but the University of Michigan consumer sentiment slumped 17.3 points to 71.8 in April (low since December 2011). Meanwhile, US' GDP growth could plunge nearly 40% annualised in 2Q, with unemployment at 16% and the federal deficit quadrupling to a record US\$3.7 trillion this fiscal year, according to the Congressional Budget Office estimates.

EU: S&P kept Italy's BBB rating and Italy will gradually re-open from 4 May. Germany's IFO business climate fell from 85.9 in March to 74.3 in April, the lowest since reunification, and EU Industry Commissioner Breton opined that the EU could see a 5-10% contraction in 2020 and things could get worse. The EU likely shrank 3.7% in 1Q20.

UK: BOE governor Bailey opined that its package of measures can support the UK economy and avoid long-term harm from the Covid-19 outbreak.

Singapore: March industrial production unexpectedly surged 16.5% yoy (21.7% mom sa), aided by pharmaceuticals (+126.6% yoy), but is unlikely to sustain into April with the one-month Circuit Breaker.

Key Market Movements

Equity	Value	% chg
S&P 500	2836.7	1.4%
DJIA	23775	1.1%
Nikkei 225	19262	-0.9%
SH Comp	2808.5	-1.1%
STI	2518.2	-1.0%
Hang Seng	23831	-0.6%
KLCI	1369.9	-0.9%
Currencies	Value	% chg
DXY	100.380	-0.1%
USDJPY	107.51	-0.1%
EURUSD	1.0823	0.4%
GBPUSD	1.2367	0.2%
USDIDR	15400	-0.1%
USDSGD	1.4242	0.0%
SGDMYR	3.0634	0.1%
Rates	Value	chg (bp)
3M UST	0.10	0.25
10Y UST	0.60	-0.07
1Y SGS	0.52	-2.10
10Y SGS	1.01	-2.04
3M LIBOR	0.89	-10.43
3M SIBOR	0.94	-0.33
3M SOR	0.77	-13.73
Commodities	Value	% chg
Brent	21.44	0.5%
WTI	16.94	2.7%
Gold	1730	-0.1%
Silver	15.25	0.0%
Palladium	2034	2.9%
Copper	5140	-0.4%
BCOM	60.24	-0.9%

Source: Bloomberg

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Major Markets

US: US equity markets rose last Friday as oil continued its rebound, improving risk sentiment, although last week was markets' first weekly decline in three weeks. The S&P500 index rose 1.39%. Looking ahead, markets may remain volatile this week as investors reassess the economic impact of the coronavirus as countries start to gradually reopen their economies.

China: PBoC Governor Yi Gang published its latest research paper on the study of the structure of China's financial assets. The holding of equity fell to 44.6% of GDP in 2018, down significantly from 120.1% of GDP in 2007. However, the holding of bond rose to 90.9% of GDP from 46.8%. As such, the policy suggestion from Governor Yi is to further develop China's direct financing. As suggested by Governor Yi that stabilizing macro leverage ratio is still important to strike the balance between stabilizing economy and containing risk.

The Standing Committee of China's 13th National People's Congress started its 17th session on 26 April and reviewed multiple drafted laws. The meeting will run from 26 April to 29 April. China's lawmakers will also discuss the convening date of the third annual session of 13th NPC.

Singapore: The STI fell 0.95% to close at 2518.16 on Friday, but may range trade today. With risk appetite remaining tentative in a holiday-shortened week, SGS bonds may also tread water today ahead of the \$2.3b re-opening of the 2-year SGS bond maturing on 1 February 2023 with the auction closing at noon on 28 April and issue on 4 May.

Indonesia: US President Trump tweeted that he had spoken to his "friend", President Jokowi of Indonesia. He noted that Jokowi was "Asking for Ventilators, which we will provide" and added that there is "Great cooperation between us!". US has been reportedly short of ventilators for its own domestic use, so perhaps Indonesia should not wait in bated breath for the help to come immediately.

Malaysia: PM Muhyiddin Yassin said in television interviews that the government estimates MYR2.4bn (USD550mn) of economic losses each day from business closures due to the MCO restriction orders. While infection cases have slowed - fewer than 90 cases per day over the last week - government has been cautious about reopening for fear of any resurgence. The MCO has been extended to May 12 and the PM has signalled further extension if necessary.

Gold: Gold continues to hold steady at around the \$1730/oz level, closing at \$1729.60/oz on Friday. It had dipped to as low as \$1710.79/oz during mid-day of the US trading session, but ultimately rallied higher to close relatively unchanged compared to Thursday's levels.

Oil: Oil prices rose on Friday, with Brent rising 0.5% to \$21.44/bbl to mark three consecutive sessions of prices above the \$20/bbl handle. WTI rose 2.7% to \$16.94/bbl. China imported 7.21mmt of crude oil from Saudi Arabia in March, which is about 5.5% lesser month-on-month compared to the average volume purchased in January and February 2020.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened last Friday, with the shorter and the belly tenors trading 0-1bps lower, while the longer tenors traded 3-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 260bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 1000bps. The HY-IG Index Spread widened 5bps to 740bps. Flows in SGD corporates were heavy, with flows in MAPLSP 4.5%-PERPs, SOCGEN 4.3%'26s, CS 5.625%-PERPs, SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs, HSBC 5%-PERPs and UOBSP 3.58%-PERPs. 10Y UST Yields remained mostly flat at 0.6% by the end of the day, reacting minimally to the Fed's plan to slow its Treasury purchase.

New Issues: Perennial Real Estate Holdings Limited priced a SGD33.5mn 2-year bond at 3.9%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.380	-0.05%	USD-SGD	1.4242	0.04%
USD-JPY	107.510	-0.08%	EUR-SGD	1.5413	0.44%
EUR-USD	1.0823	0.43%	JPY-SGD	1.3248	0.10%
AUD-USD	0.6371	0.02%	GBP-SGD	1.7613	0.20%
GBP-USD	1.2367	0.19%	AUD-SGD	0.9101	0.32%
USD-MYR	4.3625	0.05%	NZD-SGD	0.8570	0.13%
USD-CNY	7.0819	0.22%	CHF-SGD	1.4638	0.35%
USD-IDR	15400	-0.10%	SGD-MYR	3.0634	0.14%
USD-VND	23502	0.03%	SGD-CNY	4.9694	-0.11%

Equity and Commodity

Index	Value	Net change
DJIA	23,775.27	260.01
S&P	2,836.74	38.94
Nasdaq	8,634.52	139.77
Nikkei 225	19,262.00	-167.44
STI	2,518.16	-24.21
KLCI	1,369.85	-11.79
JCI	4,496.06	-97.49
Baltic Dry	665.00	-7.00
VIX	35.93	-5.45

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4180	-1.30%	O/N	0.0568	-0.53%
2M	-0.3360	-0.53%	1M	0.4409	-8.25%
3M	-0.1920	-8.25%	2M	0.8278	-2.23%
6M	-0.1360	-2.23%	3M	0.8871	-2.89%
9M	-0.1940	-2.89%	6M	0.9223	-2.54%
12M	-0.0830	-2.54%	12M	0.9395	-1.01%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.42 (-0.02)	0.22 (+0.01)
5Y	0.60 (-0.02)	0.37 (--)
10Y	1.01 (-0.02)	0.60 (--)
15Y	1.23 (-0.02)	--
20Y	1.37 (-0.02)	--
30Y	1.40 (-0.02)	1.17 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.124	12.4	0.031	0.079
10/06/2020	0.119	-0.5	0.030	0.078
29/07/2020	0.079	-4	0.020	0.067
16/09/2020	0.048	-3.1	0.012	0.06
05/11/2020	0.035	-1.3	0.009	0.056
16/12/2020	0.051	1.6	0.013	0.061

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	30.07	-0.28
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	16.94	2.7%	Corn (per bushel)	3.1575	-1.1%
Brent (per barrel)	21.44	0.5%	Soybean (per bushel)	8.323	-0.8%
Heating Oil (per gallon)	0.6467	-12.0%	Wheat (per bushel)	5.2675	-3.7%
Gasoline (per gallon)	0.6612	2.7%	Crude Palm Oil (MYR/MT)	2,121.0	-1.9%
Natural Gas (per MMBtu)	1.7460	-3.8%	Rubber (JPY/KG)	141.4	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,140	-0.4%	Gold (per oz)	1,729.6	-0.1%
Nickel (per mt)	12,246	0.6%	Silver (per oz)	15.254	0.0%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/27/2020	JN BOJ Policy Balance Rate	Apr-27	-0.10%	--	-0.10%
04/27/2020	JN BOJ 10-Yr Yield Target	Apr-28	0.00%	--	0.00%
04/27/2020	JN BOJ GDP Current Forecast	2Q	--	--	0.80%
04/27/2020	JN BOJ CPI Current Forecast +1	2Q	--	--	1.00%
04/27/2020	JN BOJ CPI Current Forecast +2	2Q	--	--	1.40%
04/27/2020	JN BOJ GDP Current Forecast +2	2Q	--	--	1.10%
04/27/2020	JN BOJ GDP Current Forecast +1	2Q	--	--	0.90%
04/27/2020 05:01	PH Budget Balance PHP	Mar	--	--	-37.6b
04/27/2020 09:30	CH Industrial Profits YoY	Mar	--	--	--
04/27/2020 16:00	TA Monitoring Indicator	Mar	--	--	24
04/27/2020 16:30	HK Exports YoY	Mar	-14.60%	--	4.30%
04/27/2020 16:30	HK Imports YoY	Mar	-16.10%	--	-0.10%
04/27/2020 16:30	HK Trade Balance HKD	Mar	-38.2b	--	-38.6b
04/27/2020 20:00	CA Bloomberg Nanos Confidence	Apr-24	--	--	37.2
04/27/2020 22:30	US Dallas Fed Manf. Activity	Apr	-75	--	-70

Source: Bloomberg

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