

Daily Treasury Outlook

27 May 2020

Highlights

Global: Despite news that the US is considering sanctions on China, the S&P still rallied 1.23% but missed closing above 3000 overnight as US states began re-opening, with VIX edging lower to 28.01. UST bonds bear-steepened with the long-end including the new 20-year bond leading the way and the 10-year yield at 0.71% (highest since 20 May). The 3-month LIBOR fixed higher for the third day to 0.3713%. Fed's Bullard opined that "the third quarter very likely, right behind the worst quarter, will be the best quarter of all time on the growth perspective" and the jobless rate "will be under double digits by the end of the year".

Market watch: Asian markets may see a shaky start on renewed concerns of US-China tensions and Hong Kong's protests. Today's economic data calendar comprises China's April industrial profits, Thailand's manufacturing index, and US' Richmond Fed manufacturing index, MBA mortgage applications and the Fed's Beige Book. ECB's Lagarde and Guidos, and Fed's Bullard and Bostic are also speaking.

US: The Conference Board's consumer confidence improved from 85.7 in April to 86.6 in May, as the expectations rose to 96.9 but the present situation gauge slipped to 71.1 as the proportion bearish on business conditions hit the highest since 1983. New home sales also unexpectedly rebounded 0.6% mom to 623k in April.

UK: BOE's Haldane said that the central bank is not near any decision to go into negative rates.

NZ: RBNZ's Financial Stability Report said that banks are well positioned to withstand the Covid-19 downturn, albeit there remains considerable uncertainty about the future trajectory of the pandemic, and how this will affect the New Zealand economy.

China: China's central bank PBoC resumed its reverse repo operation yesterday after suspending for almost two months via injecting CNY10 billion but keeping interest rate intact. The small amount without rate cut disappointed market resulting in sell-off of bonds. This may lead to market's reassessment of PBoC's willingness to ease monetary policy.

Singapore: The \$33b Fortitude Budget will bring the cumulative fiscal stimulus to \$92.9b (19.2% of GDP) and the fiscal deficit to a record 15.4% of GDP (highest since independence), while marking its second draw on past reserves to bring the total tap to \$52b. Key features include extending the Jobs Support Scheme by 1 month to 10 months, more rental relief, foreign worker levy waiver and rebates, and a SGUnited Jobs and Skills package that will create 40,000 jobs and 25,000 new traineeship positions. See our report at [S'pore Fortitude Budget marks new milestones](#).

Oil: Crude oil rose yesterday, with Brent paring its entire loss from Friday across the last two sessions. The North Sea benchmark closed at \$36.17/bbl yesterday, breaching past the recent high of \$36.06/bbl set last Thursday. WTI closed 3.3% higher from Friday, ending yesterday at \$34.35/bbl – the highest since 11 March.

Key Market Movements

Equity	Value	% chg
S&P 500	2991.8	1.2%
DJIA	24995	2.2%
Nikkei 225	21271	2.6%
SH Comp	2846.5	1.0%
STI	2530.3	1.2%
Hang Seng	23385	1.9%
KLCI	1436.8	0.0%
Currencies	Value	% chg
DX	98.908	-1.0%
USDJPY	107.54	-0.2%
EURUSD	1.0982	0.8%
GBPUSD	1.2334	1.2%
USIDR	14755	0.3%
USDSGD	1.4162	-0.6%
SGDMYR	3.0750	0.5%
Rates	Value	chg (bp)
3M UST	0.12	0.25
10Y UST	0.70	3.74
1Y SGS	0.23	0.10
10Y SGS	0.73	2.35
3M LIBOR	0.37	0.00
3M SIBOR	0.56	0.00
3M SOR	0.21	0.00
Commodities	Value	% chg
Brent	36.17	1.8%
WTI	34.35	3.3%
Gold	1711	-1.2%
Silver	17.13	-0.9%
Palladium	1956	-2.0%
Copper	5362	1.4%
BCOM	63.35	1.0%

Source: Bloomberg

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Major Markets

US: US markets rose on Tuesday as optimism over the reopening of the economy and the potential of a Covid-19 vaccine boosted risk sentiment, although stocks pulled back some of their gains in the last 30 minutes of trading on the back of a report that said the US is planning to sanction Chinese officials and firms over Hong Kong. The S&P500 index rose 1.23%. Markets are likely to remain volatile in the coming days as US President Trump has said he would announce the response to China's actions by the end of this week.

Singapore: The STI added 1.22% to close up at 2530.30 yesterday after the fourth budget announcement yesterday. SGS bonds may see some pressure following the bear-steepening in UST bonds overnight.

Indonesia: In a poll conducted by Indobarometer, results announced yesterday suggest that 53.8% of respondents are dissatisfied with President Jokowi's handling of the covid-19 outbreak. Inconsistent policies, slow delivery of social safety net programs and inaccurate data of beneficiaries for social assistance have been cited as among the reasons.

Malaysia: Malaysia reported the biggest daily uptick in covid-19 cases since April 3 yesterday, as it steps up testing on migrant workers. 187 new cases were reported yesterday, of which 173 are from immigration detention centers. New clusters have also been detected that are linked to construction sites, with workers from Bangladesh and Indonesia mostly.

Thailand: Thailand has extended its state of emergency to the end of June in its bid to contain the coronavirus, despite opposition calls to scrap it. Covid-19 cases in Thailand has remained largely stable, increasing only by 91 to 3,045 in the month of May compared to the 1,303 it confirmed in April.

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Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 0-3bps higher while the belly and the longer tenors traded 4-5bps higher (with the exception of the 20-year trading 15bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 227bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 909bps. The HY-IG Index Spread widened 10bps to 682bps. Flows in SGD corporates were heavy, with flows in GSHSP 5.15%'20s, ARASP 5.65%-PERPs, BAERVX 5.75%-PERPs, HSBC 4.7%-PERPs, GUOLSP 4.6%-PERPs, SOCGEN 6.125%-PERPs and CS 5.625%-PERPs. 10Y UST Yields gained 4bps to 0.7% by the end of the day, with risk sentiments rising as optimism about a potential vaccine and a revival in business activities outweighed worries of U.S.-China trade tensions.

New Issues: Vigorous Champion International Ltd. (Guarantor: China Ping An Insurance Overseas (Holdings) Ltd.) priced a USD600mn 5-year bond at T+240bps, tightening from IPT of T+285bps area. BOC Aviation Ltd priced a USD750mn 3.5-year bond at T+260bps, tightening from IPT of T+300bps area. Hysan (MTN) Limited (Guarantor: Hysan Development Company Limited) priced a USD400mn 7-year bond at T+245bps, tightening from IPT of T+295bps area. CITIC Securities Finance MTN Co Ltd and its Guarantor CITIC Securities Company Limited arranged investor calls commencing 26 May for its proposed USD bond offering. Shandong Hi-Speed Group Co. Ltd arranged investor calls commencing 26 May for its proposed USD bond offering. Tencent Holdings Ltd arranged investor calls commencing 26 May for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.908	-0.96%	USD-SGD	1.4162	-0.60%
USD-JPY	107.540	-0.16%	EUR-SGD	1.5553	0.17%
EUR-USD	1.0982	0.77%	JPY-SGD	1.3171	-0.42%
AUD-USD	0.6653	1.65%	GBP-SGD	1.7467	0.57%
GBP-USD	1.2334	1.17%	AUD-SGD	0.9427	1.08%
USD-MYR	4.3625	--	NZD-SGD	0.8779	0.97%
USD-CNY	7.1350	-0.03%	CHF-SGD	1.4670	0.04%
USD-IDR	14755	0.31%	SGD-MYR	3.0750	0.48%
USD-VND	23319	0.08%	SGD-CNY	5.0369	0.52%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4650	1.00%	O/N	0.0608	--
2M	-0.3360	--	1M	0.1738	--
3M	-0.2750	--	2M	0.2816	--
6M	-0.1450	--	3M	0.3693	--
9M	-0.1940	--	6M	0.5700	--
12M	-0.0830	--	12M	0.6818	--

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.006	0.6	0.002	0.053
29/07/2020	0.005	-0.1	0.001	0.052
16/09/2020	-0.025	-3	-0.006	0.045
05/11/2020	-0.055	-3	-0.014	0.038
16/12/2020	-0.075	-2	-0.019	0.032
27/01/2021	-0.095	-2	-0.024	0.027

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	34.35	3.3%	Corn (per bushel)	3.1900	0.3%
Brent (per barrel)	36.17	1.8%	Soybean (per bushel)	8.470	1.7%
Heating Oil (per gallon)	0.9908	0.9%	Wheat (per bushel)	5.0675	-0.4%
Gasoline (per gallon)	1.0489	1.0%	Crude Palm Oil (MYR/MT)	2,240.0	--
Natural Gas (per MMBtu)	1.7930	3.6%	Rubber (JPY/KG)	138.1	1.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,362	1.4%	Gold (per oz)	1,710.6	-1.2%
Nickel (per mt)	12,341	0.7%	Silver (per oz)	17.135	-0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,995.11	529.95
S&P	2,991.77	36.32
Nasdaq	9,340.22	15.63
Nikkei 225	21,271.17	529.52
STI	2,530.30	30.47
KLCI	1,436.76	--
JCI	4,626.80	80.85
Baltic Dry	498.00	--
VIX	28.01	-0.15

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (+0.01)	0.17 (--)
5Y	0.38 (+0.01)	0.35 (+0.01)
10Y	0.73 (+0.02)	0.70 (+0.04)
15Y	0.93 (+0.02)	--
20Y	1.10 (+0.01)	--
30Y	1.11 (+0.01)	1.44 (+0.07)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	19.40	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.04
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
05/27/2020 05:29	PH	Overseas Remittances YoY	Mar	-4.10%	--	2.50%	--
05/27/2020 05:29	PH	BoP Overall	Mar	--	--	\$839m	--
05/27/2020 05:29	PH	Overseas Workers Remittances	Mar	\$2310m	--	\$2358m	--
05/27/2020 05:29	PH	Foreign Reserves	Apr	--	--	\$89.0b	--
05/27/2020 05:29	PH	Money Supply M3 SRF YoY	Mar	--	--	10.90%	--
05/27/2020 05:31	VN	CPI YoY	May	2.56%	--	2.93%	--
05/27/2020 05:31	VN	Retail Sales YTD YoY	May	--	--	-4.30%	--
05/27/2020 05:31	VN	Industrial Production YoY	May	--	--	-10.60%	--
05/27/2020 05:31	VN	Trade Balance	May	-\$1189m	--	-\$700m	--
05/27/2020 05:00	SK	Business Survey Manufacturing	Jun	--	49	50	--
05/27/2020 05:00	SK	Business Survey Non-Manufacturing	Jun	--	56	50	--
05/27/2020 09:30	CH	Industrial Profits YoY	Apr	--	--	-34.90%	--
05/27/2020 09:30	AU	Construction Work Done	1Q	-1.50%	--	-3.00%	--
05/27/2020 19:00	US	MBA Mortgage Applications	May-22	--	--	-2.60%	--
05/27/2020 22:00	US	Richmond Fed Manufact. Index	May	-40	--	-53	--

Source: Bloomberg

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