

Daily Treasury Outlook

28 January 2020

Highlights

Global: Risk-off again for financial markets as China's coronavirus continues to escalate in terms of number of infections and deaths as well as number of countries reporting confirmed cases. China has extended its Chinese New Year holidays to 2nd Feb. Overnight, the S&P500 slumped 1.6% (with the DJIA wiping out year-to-date gains) while the VIX spiked to 18.23 (highest since October 2019), and UST bonds rallied to push the 10-year yield down to 1.61% (also lowest since October 2019), albeit the 6-month bill auction saw tepid demand. With the World Health Organization director-general headed to China, expect more news headlines to drive market sentiments in the near-term.

Market watch: With many Asian markets either still closed for the Chinese New Year festive holidays or just re-opening, the risk-off tone attributed to the coronavirus may continue to dominate today. The economic data calendar is also very light with only US' durable goods orders, conference board consumer confidence, Richmond Fed manufacturing, S&P CoreLogic home prices. Only ECB's Lane and Hernandez de Cos are speaking. For the week ahead, look for the FOMC rate decision (with no rate changes and likely minimal statement alterations, but watch Powell's comments and a potential tweak to the IOER), BOE rate decision on Thursday (where a 25bp rate cut is highly anticipated), US earnings results (Apple, SAP, Facebook, Caterpillar etc), and UK's Brexit from the EU on Friday.

US: US' new home sales unexpectedly shrank 0.4% mom in December to an annual pace of 694k, while the Dallas Fed manufacturing activity rose 2.1% in January (same as December).

EU: The IFO expectations index slipped from 93.8 in December to 92.9 in January, suggesting that a big rebound in 1Q20 growth momentum is unlikely for now.

UK: PM Johnson's administration is likely to allow Huawei into its 5G market despite pressure from US president Trump.

Singapore: The Singapore government may offer tax rebates to tourism and transportation businesses if the need arises due to the impact of the coronavirus, in addition to the 14-day school leave for students and teachers returning from China.

Oil: Brent closed below \$60/bbl for the first time in three months yesterday, as growing fears over the spread of the coronavirus grips global markets. The slump in prices came despite Libya reiterating that its oil production is set to decline to 72kbpd from the current 262kbpd in "days". Libya's National Oil Corp Chairman Mustafa Sanalla said that the country has no storage capacity currently, meaning the option to produce and store domestically has also run into a dead-end.

Key Market Movements		
Equity	Value	% chg
S&P 500	3243.6	-1.6%
DJIA	28536	-1.6%
Nikkei 225	23344	-2.0%
SH Comp	2976.5	0.0%
STI	3240.0	0.0%
Hang Seng	27950	0.0%
KLCI	1572.8	0.0%
Currencies	Value	% chg
DXY	97.956	0.1%
USDJPY	108.9	-0.3%
EURUSD	1.1019	-0.1%
GBPUSD	1.3057	-0.1%
USDIDR	13615	0.2%
USDSGD	1.3577	0.5%
SGDMYR	2.9948	-0.4%
Rates	Value	chg (bp)
3M UST	1.53	0.76
10Y UST	1.61	-7.59
1Y SGS	1.58	0.00
10Y SGS	1.66	0.00
3M LIBOR	1.80	0.12
3M SIBOR	1.73	0.00
3M SOR	1.52	-0.32
Commodities	Value	% chg
Brent	59.32	-2.3%
WTI	53.14	-1.9%
Gold	1582	0.7%
Silver	18.10	0.0%
Palladium	2267	-6.6%
Copper	5743	-3.1%
BCOM	76.23	-1.4%

Source: Bloomberg

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Major Markets

US: US markets fell sharply last night as worries about the Wuhan coronavirus' impact on the global economy intensified on the back of rising death toll and confirmed cases in China. The S&P500 index fell 1.6%. In the week ahead, we expect some volatility in the markets as the Wuhan coronavirus situation continues to weigh on risk sentiment. Key corporate earnings this week include Apple and Caterpillar. Next support level for the S&P500 index is likely to be at the 3217 handle.

Singapore: The STI which added 0.17% last Friday will probably play catch up to the sell-off seen in other key markets when it re-opens today. STI's support is tipped at at 3200 followed by 3194. With the UST bond market bull-flattening overnight and gains led by the long-end, SGS bond yields may also gap lower this morning to play catch up to the flight to safety.

Malaysia: Malaysia reported its first confirmed cases of the coronavirus in the Johor area. Three family members of the first confirmed case in Singapore brought the virus across the Causeway last week. The domestic news and global sentiment likely to weigh on risk appetite towards Malaysian assets today.

Indonesia: Bank Indonesia said it will not hesitate in intervening in the markets if the rupiah appreciation is deemed too far. Governor Perry Warjiyo said that, so far, the appreciation has still been positive for growth. The recent trend of Rupiah appreciation, however, might be curbed today because of the poorer global sentiment.

Bond Market Updates

Market Commentary: The SGD swap curve was unchanged yesterday in observance of the Lunar New Year holiday. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 122bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 476bps. The HY-IG Index Spread widened 2bps to 354bps. 10Y UST Yields fell 8bps to 1.61%, a three-month low, due to increased concerns on the spread of the Wuhan coronavirus which has killed 81 people.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.956	0.11%	USD-SGD	1.3577	0.50%
USD-JPY	108.900	-0.35%	EUR-SGD	1.4960	0.44%
EUR-USD	1.1019	-0.05%	JPY-SGD	1.2467	0.81%
AUD-USD	0.6761	-1.04%	GBP-SGD	1.7726	0.35%
GBP-USD	1.3057	-0.12%	AUD-SGD	0.9179	-0.49%
USD-MYR	4.0580	--	NZD-SGD	0.8887	-0.47%
USD-CNY	6.9426	--	CHF-SGD	1.4004	0.64%
USD-IDR	13615	0.24%	SGD-MYR	2.9948	-0.45%
USD-VND	23171	--	SGD-CNY	5.1030	-0.37%

Equity and Commodity

Index	Value	Net change
DJIA	28,535.80	-453.93
S&P	3,243.63	-51.84
Nasdaq	9,139.31	-175.60
Nikkei 225	23,343.51	-483.67
STI	3,240.02	--
KLCI	1,572.81	--
JCI	6,133.21	-110.90
Baltic Dry	557.00	--
VIX	18.23	3.67

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4510	-1.10%	O/N	1.5319	0.03%
2M	-0.3360	0.03%	1M	1.6595	-0.14%
3M	-0.3860	-0.14%	2M	1.7804	1.46%
6M	-0.3230	1.46%	3M	1.7954	0.12%
9M	-0.1940	0.12%	6M	1.8053	-1.65%
12M	-0.2580	-1.65%	12M	1.8799	-1.46%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.41 (--)	1.44 (-0.05)
5Y	1.46 (--)	1.44 (-0.06)
10Y	1.66 (--)	1.61 (-0.08)
15Y	1.79 (--)	--
20Y	1.89 (--)	--
30Y	2.05 (--)	2.06 (-0.08)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	12.30%	0.00%	0.00%	0.00%	0.00%
18/03/2020	10.60%	12.20%	0.00%	0.00%	12.20%
29/04/2020	9.30%	21.50%	0.00%	1.50%	20.10%
10/06/2020	7.00%	38.50%	0.40%	6.00%	32.10%
29/07/2020	5.40%	51.30%	1.70%	12.20%	37.40%
16/09/2020	3.80%	63.60%	4.70%	19.30%	39.10%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.70	0.30
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.53
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.14	-1.9%	Corn (per bushel)	3.8050	-1.7%
Brent (per barrel)	59.32	-2.3%	Soybean (per bushel)	8.973	-0.5%
Heating Oil (per gallon)	1.6795	-3.1%	Wheat (per bushel)	5.7225	-0.2%
Gasoline (per gallon)	1.4840	-2.1%	Crude Palm Oil (MYR/MT)	2,925.0	--
Natural Gas (per MMBtu)	1.9020	0.5%	Rubber (JPY/KG)	163.5	-0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,743	-3.1%	Gold (per oz)	1,582.1	0.7%
Nickel (per mt)	12,615	-2.6%	Silver (per oz)	18.100	0.0%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/28/2020 07:50	JN	PPI Services YoY	Dec	2.10%	2.10%	2.10%	--
01/28/2020 08:30	AU	NAB Business Confidence	Dec	--	--	0	--
01/28/2020 08:30	AU	NAB Business Conditions	Dec	--	--	4	--
01/28/2020 19:00	UK	CBI Retailing Reported Sales	Jan	5	--	0	--
01/28/2020 21:30	US	Durable Goods Orders	Dec P	0.40%	--	-2.10%	--
01/28/2020 21:30	US	Durables Ex Transportation	Dec P	0.30%	--	-0.10%	--
01/28/2020 21:30	US	Cap Goods Orders Nondef Ex Air	Dec P	0.20%	--	0.20%	--
01/28/2020 21:30	US	Cap Goods Ship Nondef Ex Air	Dec P	0.20%	--	-0.30%	--
01/28/2020 22:00	US	S&P CoreLogic CS 20-City NSA Index	Nov	--	--	218.43	--
01/28/2020 22:00	US	S&P CoreLogic CS 20-City YoY NSA	Nov	2.40%	--	2.23%	--
01/28/2020 22:00	US	S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	3.34%	--
01/28/2020 22:00	US	S&P CoreLogic CS US HPI NSA Index	Nov	--	--	212.43	--
01/28/2020 22:00	US	S&P CoreLogic CS 20-City MoM SA	Nov	0.40%	--	0.43%	--
01/28/2020 23:00	US	Richmond Fed Manufact. Index	Jan	-3	--	-5	--
01/28/2020 23:00	US	Conf. Board Consumer Confidence	Jan	128	--	126.5	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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