

Daily Treasury Outlook

28 February 2020

Highlights

Global: Risk appetite is sinking faster than a rock these days, with the S&P500 sliding 4.4% lower overnight amidst the ongoing UST bond rally (10-year at a record 1.27%, 60bps lower than where it started the year) due to growing concerns that the Covid-19 outbreak would dampen economic activity and corporate earnings. The WHO warned that the Covid-19 is at a “decisive” stage and has the potential to become a pandemic. Japan is also closing all schools from Monday for at least a month. Meanwhile, the US CDC is expanding testing, albeit Fed’s Evans opined that it was “premature” to think about cutting rates due to Covid-19. Elsewhere, ECB’s Lagarde said the central bank was “certainly not at point yet” to cut rates due to Covid-19. Watch for IMF’s likely global growth forecast downgrade due to the Covid-19 outbreak.

Market watch: With major equity bourses currently swimming in a sea of red ink, Asian markets may gap lower this morning as well, adding to their February slump amid month-end positioning adjustments. Today’s economic data calendar comprises India’s 4Q19 GDP growth print, Singapore’s January bank loans, Thailand’s trade data, German CPI, and US’ University of Michigan sentiments, personal income and spending, core PCE deflator and wholesale inventories. Fed’s Bullard, BOE’s Haldane and Cunliffe, and Bundersbank’s Weidman are also speaking today.

US: The revised 4Q19 GDP growth was still at a 2.1% annualised rate, but personal consumption came in softer than expected at 1.7%. Meanwhile, the non-defense capital goods orders surged 1.1% in its largest gain since January 2019 and initial jobless claims climbed 8k to 219k. However, the futures market is speculating that the Fed will need to cut rates and soon. The 1-month to 1-year T-bill curve has inverted further to 39bps.

China: The capacity from medium and small companies in China has returned to about 30% of its potential capacity according to government. Meanwhile, PBoC echoed State Council’s messages to roll out more measures to support Chinese corporate sector. In addition to CNY500 billion relending facility as mentioned by the State Council, PBoC will also set up CNY300 billion special relending facility to support the important companies playing major role in fighting virus. The average funding cost will be 1.28%.

Singapore: January bank loans growth may be off to a slower start in 2020 compare to December’s 3.1% yoy print due to the Chinese New Year holidays with the Covid-19 outbreak.

Oil: Brent broke below the key support of \$52.50/bbl yesterday, closing the session at \$52.18/bbl to touch its lowest level since August 2017. The energy market is not spared from the global selloff in risky assets this week, and the rapid selloff globally suggests that the downside across global risky assets may continue in the near term.

| Key Market Movements | | |
|----------------------|--------|----------|
| Equity | Value | % chg |
| S&P 500 | 2978.8 | -4.4% |
| DJIA | 25767 | -4.4% |
| Nikkei 225 | 21948 | -2.1% |
| SH Comp | 2991.3 | 0.1% |
| STI | 3111.7 | -0.2% |
| Hang Seng | 26779 | 0.3% |
| KLCI | 1505.6 | 0.7% |
| Currencies | Value | % chg |
| DXY | 98.508 | -0.5% |
| USDJPY | 109.59 | -0.8% |
| EURUSD | 1.1001 | 1.1% |
| GBPUSD | 1.2887 | -0.1% |
| USDIDR | 14025 | 0.6% |
| USDSGD | 1.3952 | -0.2% |
| SGDMYR | 3.0163 | -0.3% |
| Rates | Value | chg (bp) |
| 3M UST | 1.42 | -8.71 |
| 10Y UST | 1.26 | -7.64 |
| 1Y SGS | 1.60 | 0.10 |
| 10Y SGS | 1.46 | -5.11 |
| 3M LIBOR | 1.61 | -2.44 |
| 3M SIBOR | 1.71 | -0.03 |
| 3M SOR | 1.44 | -1.98 |
| Commodities | Value | % chg |
| Brent | 52.18 | -2.3% |
| WTI | 47.09 | -3.4% |
| Gold | 1645 | 0.2% |
| Silver | 17.78 | -0.8% |
| Palladium | 2866 | 3.1% |
| Copper | 5616 | -1.0% |
| BCOM | 72.58 | -1.4% |

Source: Bloomberg

Daily Treasury Outlook

28 February 2020

Major Markets

US: US equity markets plunged into correction territory as fears of the coronavirus spreading in the US sparked a steep sell-off last night. The S&P500 index fell 4.4%, its biggest one day loss since August 2011. US 10-year Treasury yield also fell to a record low. For today, the US markets are likely to face further downward pressure, as fears of a global recession start to loom over the horizon.

Singapore: The STI slipped 0.19% to close at 3111.70 yesterday and looks like to test below the 3100 handle today amid very weak cues from Wall Street overnight and the morning risk-off tone in Kospi. STI support is initially tipped at 3089 followed by 3078, but the downside is likely to continue to be explored. Expect SGS bonds to continue to rally today into the month-end and the 10-year SGS bond yield which closed at 1.46% (lowest since May 2013) yesterday could plumb lower as it attempts to play catch up to its 10-year UST counterpart. The 3-month SOR has eased to 1.40567%, the lowest since April 2018 even as the 3-month SIBOR remains relatively muted at 1.68933%.

Malaysia: Malaysia widened its 2020 deficit target from 3.2% to 3.4% of GDP. This comes as PM Mahathir announced a MYR20bn stimulus package to combat the virus impact. The bulk of the change would have been the result of a much lower (and realistic) GDP assumption. It now expects growth of 3.2-4.2%, vs 4.8% before. Given the recent moves by other countries to loosen fiscal purse strings, the fiscal target revision might be received more comfortably. Still, investors would have to contend with the acute political crisis in the near term. Parliament is due to decide on PM on Monday; if there's no majority, an election will be called.

Indonesia: Given the gloomier global backdrop, a similar mood may be experienced by Indonesian assets today. USDIDR crossed above 14,000 level yesterday and may see further uptick, although the broad USD weakness and resolute potential BI intervention may provide helpful speed bumps to slow things down.

South Korea: The Bank of Korea is convening this Friday morning to review the sudden market correction seen on Wall Street, which might potentially spill into developing markets. The central bank chose to keep its benchmark rate on hold yesterday but one wonders if the decision might have been different if the meeting was held next week instead, especially after the market correction on Wall Street laid bare the fear that has gripped financial markets.

Daily Treasury Outlook

28 February 2020

Bond Market Updates

Market Commentary: The SGD swap curve bull-steepened yesterday, with the shorter and the belly tenors trading 6-8bps lower, while the longer tenors traded 2-3bps lower (with the exception of the 12-year tenor trading 9bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 5bps to 131bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 523bps. The HY-IG Index Spread widened 3bps to 392bps. 10Y UST Yields fell 8bps to 1.26%, and at one point reached another record low of 1.24% intra-day, amidst more global COVID-19 developments which include California monitoring over 8000 people for infection.

New Issues: RKPF Overseas 2019 (A) Limited (Guarantor: Road King Infrastructure Limited) priced a USD300mn 5NC3 bond at 5.9%, tightening from IPT of 6.125% area. Geely Finance (Hong Kong) Limited (Guarantor: Zhejiang Geely Holding Group Company Limited) priced a USD400mn 5-year bond at T+200bps, tightening from IPT of T+215bps. Easy Tactic Ltd. (Guarantors: R&F Properties (HK) Co. ("R&F HK") and certain non-PRC subsidiaries of Guangzhou R&F Properties Co.) priced a USD400mn 4NC2 bond at 8.625%, tightening from IPT of 8.875% area. Modern Land (China) Co., Limited priced a USD150mn 4NC3 green bond at 11.95%. Excellence Commercial Management Ltd (Guarantor: Excellence Commercial Properties Co Ltd) priced a USD100mn 3-year bond at 6.8%. Lodha Developers International Limited arranged investor calls commencing 27 Feb for its proposed USD bond offering. Xinjiang Guanghui Industry Investment (Group) Co., Ltd has mandated banks for its proposed USD bond exchange offer. Pacific National Holdings Pty Ltd arranged investor meetings commencing 2 Mar for its proposed USD or GBP bond offering.

Daily Treasury Outlook

28 February 2020

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX | 98.508 | -0.49% | USD-SGD | 1.3952 | -0.18% |
| USD-JPY | 109.590 | -0.76% | EUR-SGD | 1.5347 | 0.89% |
| EUR-USD | 1.1001 | 1.10% | JPY-SGD | 1.2730 | 0.58% |
| AUD-USD | 0.6569 | 0.38% | GBP-SGD | 1.7981 | -0.30% |
| GBP-USD | 1.2887 | -0.14% | AUD-SGD | 0.9166 | 0.22% |
| USD-MYR | 4.2110 | -0.34% | NZD-SGD | 0.8799 | 0.06% |
| USD-CNY | 7.0044 | -0.26% | CHF-SGD | 1.4417 | 0.76% |
| USD-IDR | 14025 | 0.61% | SGD-MYR | 3.0163 | -0.26% |
| USD-VND | 23240 | -0.02% | SGD-CNY | 5.0239 | -0.04% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | -0.4790 | -1.10% | O/N | 1.5715 | 0.25% |
| 2M | -0.3360 | 0.25% | 1M | 1.6034 | -0.92% |
| 3M | -0.4230 | -0.92% | 2M | 1.6190 | -1.66% |
| 6M | -0.3710 | -1.66% | 3M | 1.6133 | -2.44% |
| 9M | -0.1940 | -2.44% | 6M | 1.5903 | -3.84% |
| 12M | -0.3060 | -3.84% | 12M | 1.6101 | -3.56% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Prob Hike/Cut | Implied Rate Change | Implied Rate |
|------------|-----------------|---------------|---------------------|--------------|
| 18/03/2020 | -0.884 | -88.40% | -0.221 | 1.36 |
| 29/04/2020 | -1.435 | -55.10% | -0.359 | 1.222 |
| 10/06/2020 | -2.041 | -60.60% | -0.51 | 1.071 |
| 29/07/2020 | -2.415 | -37.40% | -0.604 | 0.978 |
| 16/09/2020 | -2.72 | -30.50% | -0.68 | 0.901 |
| 05/11/2020 | -2.833 | -11.30% | -0.708 | 0.873 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel) | 47.09 | -3.4% | Corn (per bushel) | 3.6450 | -1.6% |
| Brent (per barrel) | 52.18 | -2.3% | Soybean (per bushel) | 8.863 | 0.6% |
| Heating Oil (per gallon) | 1.4892 | -0.7% | Wheat (per bushel) | 5.2925 | -2.0% |
| Gasoline (per gallon) | 1.4106 | -3.0% | Crude Palm Oil (MYR/MT) | 2,497.0 | 1.5% |
| Natural Gas (per MMBtu) | 1.7520 | -3.8% | Rubber (JPY/KG) | 175.7 | -1.5% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 5,616 | -1.0% | Gold (per oz) | 1,645.0 | 0.2% |
| Nickel (per mt) | 12,375 | -1.4% | Silver (per oz) | 17.775 | -0.8% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 25,766.64 | -1190.95 |
| S&P | 2,978.76 | -137.63 |
| Nasdaq | 8,566.48 | -414.30 |
| Nikkei 225 | 21,948.23 | -477.96 |
| STI | 3,111.70 | -5.82 |
| KLCI | 1,505.59 | 10.40 |
| JCI | 5,535.69 | -153.23 |
| Baltic Dry | 517.00 | -- |
| VIX | 39.16 | 11.60 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 1.38 (-0.06) | 1.06 (-0.1) |
| 5Y | 1.38 (-0.06) | 1.07 (-0.09) |
| 10Y | 1.46 (-0.05) | 1.26 (-0.08) |
| 15Y | 1.57 (-0.05) | -- |
| 20Y | 1.61 (-0.04) | -- |
| 30Y | 1.93 (--) | 1.76 (-0.07) |

Financial Spread (bps)

| | Value | Change |
|-------------|-------|--------|
| EURIBOR-OIS | 5.75 | 0.55 |
| TED | 35.36 | -- |

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 1.58 |
|------|------|

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|-----------------------------|--------|---------|--------|----------|---------|
| 02/28/2020 07:30 | JN | Jobless Rate | Jan | 2.20% | 2.40% | 2.20% | -- |
| 02/28/2020 07:30 | JN | Tokyo CPI Ex-Fresh Food YoY | Feb | 0.60% | 0.50% | 0.70% | -- |
| 02/28/2020 07:30 | JN | Job-To-Applclicant Ratio | Jan | 1.57 | 1.49 | 1.57 | -- |
| 02/28/2020 07:50 | JN | Industrial Production MoM | Jan P | 0.20% | 0.80% | 1.20% | -- |
| 02/28/2020 15:00 | UK | Nationwide House PX MoM | Feb | 0.40% | -- | 0.50% | -- |
| 02/28/2020 15:00 | UK | Nationwide House Px NSA YoY | Feb | 2.30% | -- | 1.90% | -- |
| 02/28/2020 15:30 | TH | BoP Current Account Balance | Jan | \$3000m | -- | \$4109m | -- |
| 02/28/2020 15:30 | TH | Foreign Reserves | Feb-21 | -- | -- | \$229.4b | -- |
| 02/28/2020 16:55 | GE | Unemployment Change (000's) | Feb | 4.5k | -- | -2.0k | -- |
| 02/28/2020 21:00 | GE | CPI YoY | Feb P | 1.70% | -- | 1.70% | -- |
| 02/28/2020 21:30 | US | Personal Income | Jan | 0.40% | -- | 0.20% | -- |
| 02/28/2020 21:30 | US | Personal Spending | Jan | 0.30% | -- | 0.30% | -- |
| 02/28/2020 21:30 | US | Wholesale Inventories MoM | Jan P | 0.10% | -- | -0.20% | -- |
| 02/28/2020 22:45 | US | MNI Chicago PMI | Feb | 46 | -- | 42.9 | -- |
| 02/28/2020 23:00 | US | U. of Mich. Sentiment | Feb F | 100.7 | -- | 100.9 | -- |

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).