

Daily Treasury Outlook

28 April 2020

Highlights

Global: Global risk appetite improved overnight with Wall Street gains exceeding 1% amid hopes of economies re-opening as infections flatten for the US and Italy in particular. This was notwithstanding global Covid-19 infections crossing 3 million. Crude oil prices tumbled again with WTI down 25% to \$12.93 per barrel as the US oil fund USO shifted out from the June contract to July 2020-June 2021. The S&P500 added 1.5% to hit a six week high, with VIX down to 33.29 while UST bonds bear-steepened with the 10-year bond yield at 0.66%. The 3-month LIBOR eased again to 0.84075% while LIBOR-OIS narrowed to 77bps. Meanwhile, BOJ lifted the JPY80t cap on its bond-buying program yesterday as widely anticipated, with Governor Kuroda opining that their scale of easing is “far larger” than any other central bank. Elsewhere, EU members may be allowed to grant subordinated debt to companies on favourable terms in an amendment of state aid rules and relief on how banks calculate the leverage ratio may also be forthcoming.

Market watch: Asian markets may trade with a firmer tone today. The economic data calendar comprises of US’ Conference Board consumer confidence, S&P CoreLogic house prices, Richmond Fed manufacturing index. Earnings season comprise of HSBC, ICBC, China Post Bank, UBS and BP. The key will be the Fed meeting where no changes to interest rates are anticipated, but a continued dovish tone will be needed to sustain the risk rally following BOJ.

US: The Fed is expanding the scope and duration of its \$500b Municipal Liquidity Facility by lowering the population thresholds. Meanwhile, US states including Texas, Florida and Ohio are moving towards easing restrictions, while the Trump administration is expanding US testing to 2% of the public by partnering with retail companies and pharmacies.

EU: Spain and France are also moving towards loosening containment measures.

UK: PM Johnson has returned to work but warned against lifting the lockdown prematurely.

China: China’s profit for industrial companies fell by 36.7% in the first quarter as a result of a sudden stoppage of the economy. Only 2 out of 41 industries reported increase of profits. The earning prospect may remain weak in the second quarter due to demand shock.

Singapore: The unemployment rate could reach 4% this year amid the extended Circuit Breaker, with the number of displaced workers rising by 65k if the Covid-19 pandemic does not improve soon.

Indonesia: The head of Indonesia’s Covid-19 task force, Doni Monardo, said that Indonesians can expect to resume their normal life in July, as the government promises to ramp up testing and isolation of those affected to curb the pandemic. Indonesia has expanded a partial lockdown to more regions, after an initial limited voluntary social distancing measures failed. Number of confirmed cases now stand at 9096, with 765 deaths.

Key Market Movements

Equity	Value	% chg
S&P 500	2878.5	1.5%
DJIA	24134	1.5%
Nikkei 225	19783	2.7%
SH Comp	2815.5	0.2%
STI	2549.4	1.2%
Hang Seng	24280	1.9%
KLCI	1370.2	0.0%
Currencies	Value	% chg
DXY	100.041	-0.3%
USDJPY	107.25	-0.2%
EURUSD	1.0829	0.1%
GBPUSD	1.2431	0.5%
USIDDR	15385	-0.1%
USDSGD	1.4187	-0.4%
SGDMYR	3.0707	0.2%
Rates	Value	chg (bp)
3M UST	0.09	-0.76
10Y UST	0.66	5.97
1Y SGS	0.46	-6.00
10Y SGS	1.01	-0.05
3M LIBOR	0.89	-10.43
3M SIBOR	0.94	-0.33
3M SOR	0.77	-13.73
Commodities	Value	% chg
Brent	19.99	-6.8%
WTI	12.78	-24.6%
Gold	1714	-0.9%
Silver	15.21	-0.3%
Palladium	1932	-5.0%
Copper	5197	1.1%
BCOM	59.55	-1.1%

Source: Bloomberg

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Major Markets

US: US equity markets rose on Monday as risk sentiment was boosted by governments' plans to reopen the economies. The S&P500 index rose by 1.47%. Markets are likely to be on an upward trend for now as economies lay out plans to reopen. Caterpillar Inc, 3M and Alphabet Inc are among the companies to report earnings today.

Hong Kong: Exports and imports decreased by 5.8% yoy and 11.1% yoy respectively in March. Stronger-than-expected exports was mainly supported by the 8.4% yoy increase in the exports to Mainland China as China's factories resumed production and exporters cleared the orders piled up during February. Nevertheless, this trend may not sustain into coming months as external and internal demand has been both hit hard by the Covid-19 pandemic. Specifically, the huge demand shock associated with global economic shutdown will inevitably weigh on HK's trade activities. The global lockdowns have also disrupted the supply chain and shipments of goods across the world. On the other hand, imports may continue to drop amid souring local demand on bleak economic outlook. In conclusion, despite low base from 2019 as a whole, we expect exports and imports to show negative growth for the second consecutive year in 2020.

Macau: Unemployment rate edged up to the highest since mid-2012 at 2.1% during the first quarter of 2020. Nonetheless, the data might have been distorted as total employment increased with more non-resident workers moving back to live in Macau ahead of the implementation of travel restrictions. Moving forward, as worldwide trade restrictions are unlikely to be removed any time soon, the tourism-related sector and gaming sector may remain under pressure, in turns pushing up the unemployment. As such, we expect overall unemployment rate, a lagging economic indicator, will climb further above 2.5% to a level unseen since 2011. Even if a new wave of layoffs can be prevented by government's relief measures, pay cuts would still be inevitable as median monthly wage already fell by 5.9% or MOP1,000 qoq in 1Q 2020. This could in turn hit local consumption and housing demand.

Singapore: The STI added 1.24% to close at 2549.40 yesterday (highest since 20 April) after a week long slump and may trade firmer today. With risk appetite returning overnight, SGS bonds may see some selling pressure. There is a \$7.7b of 81 day bills sale today and a \$2.3b re-opening of the 2-year SGS bond maturing on 1 February 2023.

Malaysia: The Malaysian Employers Federation (MEF) has urged the government to allow small companies to operate again in stages during the MCO period to revive the economy. The MEF said that the MCO has affected over 650,000 workers nationwide who did not have large savings or funds to tide them over. The association floated the idea of allowing companies to start operating again with 30% of their employees while following operating guidelines from the government. If successful, it can be gradually ramped up to 50% and more.

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Thailand: The country will extend its state of emergency by a month to 31 May. A proposal for restarting the economy is due for submission to parliament next week. Thai authorities have said that tourism will continue to remain sluggish until a vaccine is found.

Oil: Oil suffered another heavy selloff yesterday, one week after the WTI futures contract for May delivery recorded negative prices. The USO announced sweeping changes to its futures holding constitution, chief among which was to exit all June positions in the next three days. WTI for June delivery fell 24.6% as a result. The selling pressure is expected to continue from now till the end of April, but the USO's diversification of its futures holdings means the probability of negative prices towards contract expiry due to the USO's rollover is reduced.

Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter tenors trading 1-3bps lower, while the belly and the longer tenors traded 0-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 999bps. The HY-IG Index Spread widened 1bps to 740bps. Flows in SGD corporates were moderate, with flows in SOCGEN 6.125%-PERPs, CS 5.625%-PERPs and HSBC 5.0%-PERPs. 10Y UST Yields gained 6bps by the end of the day to 0.66%, as the S&P index rose to a 6-week high as major economies planned on reopening.

New Issues: Republic of the Philippines priced a USD1bn 10-year bond at T+180bps, and a USD1.35bn 25-year bond at 2.95%, tightening from IPT of T+220bps and 3.375% area respectively. Korea East-West Power Co. Ltd priced a USD500mn 5-year bond at T+150bps, tightening from IPT of T+190bps area. Honghe Development Group Co. Ltd priced a USD108mn 3-year USD bond at 7%. PT Hutama Karya (Persero) arranged investor calls commencing 28 Apr for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.041	-0.34%	USD-SGD	1.4187	-0.39%
USD-JPY	107.250	-0.24%	EUR-SGD	1.5365	-0.31%
EUR-USD	1.0829	0.06%	JPY-SGD	1.3228	-0.15%
AUD-USD	0.6465	1.48%	GBP-SGD	1.7637	0.14%
GBP-USD	1.2431	0.52%	AUD-SGD	0.9172	0.78%
USD-MYR	4.3517	-0.25%	NZD-SGD	0.8580	0.12%
USD-CNY	7.0873	0.08%	CHF-SGD	1.4545	-0.64%
USD-IDR	15385	-0.10%	SGD-MYR	3.0707	0.24%
USD-VND	23475	-0.11%	SGD-CNY	4.9939	0.49%

Equity and Commodity

Index	Value	Net change
DJIA	24,133.78	358.51
S&P	2,878.48	41.74
Nasdaq	8,730.16	95.64
Nikkei 225	19,783.22	521.22
STI	2,549.40	31.24
KLCI	1,370.16	0.31
JCI	4,513.14	17.08
Baltic Dry	665.00	--
VIX	33.29	-2.64

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4180	-1.70%	O/N	0.0568	-0.15%
2M	-0.3360	-0.15%	1M	0.4409	-4.64%
3M	-0.1920	-4.64%	2M	0.8278	-1.64%
6M	-0.1360	-1.64%	3M	0.8871	-10.43%
9M	-0.1940	-10.43%	6M	0.9223	-4.30%
12M	-0.0830	-4.30%	12M	0.9395	-2.08%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.43 (+0.01)	0.22 (--)
5Y	0.61 (+0.01)	0.40 (+0.03)
10Y	1.01 (--)	0.66 (+0.06)
15Y	1.23 (--)	--
20Y	1.37 (--)	--
30Y	1.40 (--)	1.26 (+0.09)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.093	9.3	0.023	0.074
10/06/2020	0.099	0.6	0.025	0.075
29/07/2020	0.048	-5.1	0.012	0.063
16/09/2020	0.048	0	0.012	0.063
05/11/2020	0.048	0	0.012	0.063
16/12/2020	0.027	-2.1	0.007	0.057

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	28.46	-1.61
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.03
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	12.78	-24.6%	Corn (per bushel)	3.0550	-3.2%
Brent (per barrel)	19.99	-6.8%	Soybean (per bushel)	8.290	-0.4%
Heating Oil (per gallon)	0.6104	-5.6%	Wheat (per bushel)	5.2100	-1.1%
Gasoline (per gallon)	0.6483	-2.0%	Crude Palm Oil (MYR/MT)	2,050.0	-3.3%
Natural Gas (per MMBtu)	1.8190	4.2%	Rubber (JPY/KG)	140.1	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,197	1.1%	Gold (per oz)	1,714.0	-0.9%
Nickel (per mt)	12,244	0.0%	Silver (per oz)	15.209	-0.3%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/28/2020 04:30	PH Overseas Remittances YoY	Feb 3.90%	--	6.60%	--
04/28/2020 04:30	PH Overseas Workers Remittances	Feb \$2418m	--	\$2648m	--
04/28/2020 04:30	PH Budget Balance PHP	Mar --	--	-37.6b	--
04/28/2020 04:30	PH Foreign Reserves	Mar --	--	\$87.6b	\$88.2b
04/28/2020 05:03	UK Nationwide House Px MoM	Apr -0.30%	--	0.80%	--
04/28/2020 05:03	UK Nationwide House Px NSA YoY	Apr 2.50%	--	3.00%	--
04/28/2020 05:00	SK Consumer Confidence	Apr --	70.8	78.4	--
04/28/2020 07:30	JN Jobless Rate	Mar 2.50%	2.50%	2.40%	--
04/28/2020 07:30	JN Job-To-Applicant Ratio	Mar 1.4	1.39	1.45	--
04/28/2020 10:00	SK Department Store Sales YoY	Mar --	--	-21.40%	--
04/28/2020 10:00	SK Discount Store Sales YoY	Mar --	--	-10.60%	--
04/28/2020 20:30	US Wholesale Inventories MoM	Mar P -0.40%	--	-0.70%	--
04/28/2020 21:00	US S&P CoreLogic CS 20-City NSA Index	Feb --	--	218.62	--
04/28/2020 22:00	US Conf. Board Consumer Confidence	Apr 87	--	120	--
04/28/2020 22:00	US Richmond Fed Manufact. Index	Apr -42	--	2	--

Source: Bloomberg

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