

Highlights

Global: Global risk appetite remained supported overnight ahead of the FOMC meeting even as the US' next fiscal stimulus package hangs in the balance, with Senate Republicans now proposing cutting the unemployment benefits from \$600 currently to \$200 weekly. US' durable goods orders rose more than expected by 7.3% in June, albeit this is a moderation from May's revised 15.1% print, lifted by auto sales. The S&P500 gained 0.74%, while VIX also eased to 24.74. The UST bonds drifted lower with the 10-year bond yield up at 0.61% amid a soft 5-year auction which tailed at 0.288% even as investors prepared for negative net bill issuance in the coming weeks and await the next fiscal stimulus package. The 3-month LIBOR edged up to 0.2696%.

Market watch: Asian markets may meander today, as investors await fresh cues from FOMC and earnings catalysts. Today's economic data calendar is relatively light with only US' conference Board consumer confidence, Richmond Fed manufacturing index and Malaysia's June trade data on tap.

US: President Trump opined that "a lot of governors should be opening up states that they are not opening" and "we'll see what happens with them."

UK: German IFO improved further from 86.3 in June to 86.2 in July, as both expectations and current assessment gauges both rose to 97.0 and 84.5. Spanish PM has criticised UK's travel ban as "unbalanced".

SG: GIC's 20-year annualised real return for declined from 3.4% in the previous FY to 2.7% last FY, largely attributable to the tech bubble year dropping out, and remains defensive amid the global uncertainties and high asset valuations. Watch the auction for the \$2.7b re-opening of the 10-year SGS bond (with MAS taking \$200m) later today. The auction bid-cover ratio is likely to be <2x given the low yield environment and the Sep'30 SGS bond was yielding just 0.85%-0.88%.

Gold: Record high! Gold finally hit a new record high yesterday, closing at \$1942.24/oz to break the intraday record high of \$1921.17/oz set in September 2011. The precious metal is showing no signs of letting up either, with the price this morning already trading at \$1965/oz at time of writing. \$2000/oz is firmly within sight and while we initially thought that may only be possible at end 2020, it appears gold may be poised to hit that target within the next month.

Key Market Movements		
Equity	Value	% chg
S&P 500	3239.4	0.7%
DJIA	26585	0.4%
Nikkei 225	22716	-0.2%
SH Comp	3205.2	0.3%
STI	2575.8	-0.1%
Hang Seng	24603	-0.4%
KLCI	1591.5	0.1%
	Value	% chg
DX	93.668	-0.8%
USDJPY	105.37	-0.7%
EURUSD	1.1752	0.8%
GBPUSD	1.2882	0.7%
USDIDR	14535	-0.5%
USDSGD	1.3787	-0.3%
SGDMYR	3.0801	0.1%
	Value	chg (bp)
3M UST	0.10	-0.76
10Y UST	0.62	2.63
1Y SGS	0.31	3.00
10Y SGS	0.83	1.96
3M LIBOR	0.25	0.23
3M SIBOR	0.44	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	43.41	0.2%
WTI	41.6	0.8%
Gold	1942	2.1%
Silver	24.59	8.0%
Palladium	2310	3.7%
Copper	6421	0.1%
BCOM	68.50	0.5%

Source: Bloomberg

Daily Treasury Outlook

28 July 2020

Major Markets

US: The S&P500 index closed 0.7% higher, as risk sentiment rose from positive developments on US fiscal policy stimulus as well as an anticipation of an accommodative stance by the FOMC in this week's meeting. We expect the market to remain supported at the 3100 level in the near term. Sino-US tensions remain a key downside risk factor.

CN: China's industrial profit jumped by 11.5% yoy in June accelerating from 6% gain in May. The strong industrial profit data reinforced China's cyclical recovery story. The surge was mainly driven by higher demand for computer and electronic equipment with profit in this sector jumped by 27.2% yoy. Profit in car manufacturing sector improved notably in June albeit it still fell by 20.70% yoy.

HK: Trade data continued to surprise on the downside in June. Exports and imports fell 1.3% yoy and 7.1% yoy respectively despite the recovery of Mainland China and Taiwan as well as the rising demand for high-tech products (exports of electrical machinery and office machines advanced by 12.3% yoy and 19.3% yoy respectively). Going ahead, due to the coronavirus resurgence internally and externally, we expect the global recovery story to be mixed. In other words, strong trading activities between HK and some Asian countries may not help to weather the headwinds from overall soft external demand. Also, the flares-up of US-China tensions could translate into potential downside risks. We hold onto our view that exports and imports will show single digit decrease for the second consecutive year in 2020. Elsewhere, the government further tightened the containment measures by banning dining-in, making wearing of masks outdoors mandatory and reducing the maximum number of people in public gathering from 4 to 2.

Macau: Unemployment rate rose to 2.5% in 2Q 2020, the level unseen since Q4 2011. During the same period, the underemployment rate surged to the highest since 2002 of 3.4%. Moving forward, as Macau formed a "travel bubble" with Guangdong, gaming and tourism sectors may bottom out. However, any rebound in these two pillar sectors and the whole economy is likely to be sluggish amid lingering pandemic uncertainty, China's economic slowdown, limited access to Macau by Mainlanders and the existing travel restrictions on other regions. More notably, some small businesses may be unable to survive should relief measures expire. As such, we expect jobless rate to go up in the coming months. Meanwhile, the wage prospects (the median of monthly income declined by 8% yoy in 2Q) may also weaken amid still bleak economic outlook.

Singapore: The STI declined by 0.14% yesterday and may remain compressed today ahead of the FOMC decision and as investors ponder the next step for US-China tensions. With the overnight drift lower by UST bonds, SGS bonds may also recalibrate lower ahead of the \$2.7b (with MAS taking \$200m) re-opening of the 10-year SGS bond maturing on 1 Sep 2030.

Daily Treasury Outlook

28 July 2020

Malaysia: Malaysia's High Court is due to announce its verdict on the corruption and money laundering charges against former PM Najib at 10am today. The 1MDB-related case has come under more scrutiny given the recent settlement with Goldman Sachs and also the fractured political landscape in which Najib's party, UMNO, plays an instrumental role in the current government.

Indonesia: In a call yesterday, Bank Indonesia's Governor Perry Warjiyo reiterated that the central bank would focus on the quantitative channel for policy easing, rather than interest rate cuts. He added that there remains a need to preserve yield differential to continue attracting fund inflows. To us, it is a clear signal that they are likely to keep policy rate unchanged at 4.0% from now on as much as possible.

Daily Treasury Outlook

28 July 2020

Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter tenors trading 1bps higher with the exception of 1-year trading 2 bps lower while the belly and longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 184bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 717bps. The HY-IG Index Spread widened 2bps to 533bps. Flows in SGD corporates were heavy, with flows in STTGDC 3.13%'28s, HSBC 5%-PERPs, UBS 4.85%-PERPs, BAERVX 5.75%-PERPs, HSBC 4.7%-PERPs, CMZB 4.875%'27s, UBS 5.875%-PERPs and STANLN 5.375%-PERPs. 10Y UST Yields gained 3bps to 0.62%, tracking gains for global equity benchmarks while gold prices soared to record high.

New Issues: Chong Hing Bank Limited priced a USD250mn PerpNC5 AT1 at 5.50%, tightening from IPT of 6% area. Korea South-East Power Co., Ltd. priced a USD300mn 5.5-year bond at T+80bps, tightening from IPT of T+125bps area. China Everbright Bank Co., Ltd., Hong Kong Branch priced a USD700mn 3-year FRN at 3m-US LIBOR+85bps, tightening from IPT of 3m-US LIBOR+125bps area. DaFa Properties Group Limited priced a USD150mn 2-year bond at 13.50%, tightening from IPT of 13.875% area. CSCIF Asia Limited (Guarantor: CSC Financial Co., Ltd.) has arranged investor calls commencing 27 July 2020 for its proposed USD bond offering.

Daily Treasury Outlook

28 July 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.668	-0.81%	USD-SGD	1.3787	-0.27%
USD-JPY	105.370	-0.73%	EUR-SGD	1.6203	0.55%
EUR-USD	1.175	0.82%	JPY-SGD	1.3084	0.45%
AUD-USD	0.715	0.62%	GBP-SGD	1.7762	0.41%
GBP-USD	1.288	0.69%	AUD-SGD	0.9858	0.36%
USD-MYR	4.252	-0.26%	NZD-SGD	0.9217	0.38%
USD-CNY	6.996	-0.31%	CHF-SGD	1.4988	-0.21%
USD-IDR	14535	-0.51%	SGD-MYR	3.0801	0.07%
USD-VND	23172	0.00%	SGD-CNY	5.0758	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5130	-0.52%	O/N	0.0849	0.09%
2M	-0.3360	-0.34%	1M	0.1726	0.17%
3M	-0.4480	-0.45%	2M	0.2178	0.22%
6M	-0.3730	-0.37%	3M	0.2468	0.24%
9M	-0.1940	-0.20%	6M	0.3185	0.33%
12M	-0.2920	-0.29%	12M	0.4595	0.46%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
07/29/2020	-0.059	-5.9	0.077	0.077
09/16/2020	-0.142	-8.3	0.057	0.057
11/05/2020	-0.163	-2.1	0.052	0.052
12/16/2020	-0.226	-6.3	0.036	0.036
01/27/2021	-0.249	-2.3	0.03	0.03

Equity and Commodity

Index	Value	Net change
DJIA	26,584.77	114.88
S&P	3,239.41	23.78
Nasdaq	10,536.27	173.09
Nikkei 225	22,715.85	-35.76
STI	2,575.79	-3.72
KLCI	1,591.48	1.87
JCI	5,116.67	33.68
Baltic Dry	1,317.00	-71.00
VIX	24.74	-1.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.24 (+0.02)	0.15(--)
5Y	0.52 (+0.01)	0.29 (+0.01)
10Y	0.83 (+0.02)	0.62 (+0.03)
15Y	1.1 (+0.03)	--
20Y	1.17 (+0.03)	--
30Y	1.18 (+0.02)	1.26 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	1.90	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.60	0.75%	Corn (per bushel)	3.250	-0.4%
Brent (per barrel)	43.41	0.16%	Soybean (per bushel)	9.065	0.2%
Heating Oil (per gallon)	125.41	-0.18%	Wheat (per bushel)	5.278	-2.2%
Gasoline (per gallon)	127.47	-0.79%	Crude Palm Oil (MYR/MT)	27.840	-3.7%
Natural Gas (per MMBtu)	1.73	-4.09%	Rubber (JPY/KG)	1.590	-1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6420.50	0.09%	Gold (per oz)	1942.2	2.1%
Nickel (per mt)	13719.00	0.46%	Silver (per oz)	24.6	8.0%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/28/2020 07:31	PH Overseas Remittances YoY	May -15.0%	--	-16.2%	--
07/28/2020 07:31	PH BoP Overall	Jun --	--	\$2430m	--
07/28/2020 07:31	PH Overseas Workers Remittances	May --	--	\$2046m	--
	ANZ Roy Morgan Weekly Consumer				
07/28/2020 07:30	AU Confidence Index	26-Jul --	89.00	90.70	--
07/28/2020 07:50	JN PPI Services YoY	Jun 0.8%	--	0.8%	--
07/28/2020 12:00	MA Exports YoY	Jun -10.0%	--	-25.5%	--
07/28/2020 12:00	MA Trade Balance MYR	Jun 11.55b	--	10.41b	--
07/28/2020 12:00	MA Imports YoY	Jun -13.1%	--	-30.4%	--
07/28/2020 18:00	UK CBI Retailing Reported Sales	Jul -25.00	--	-37.00	--
07/28/2020 21:00	US S&P CoreLogic CS 20-City NSA Index	May --	--	224.08	--
07/28/2020 21:00	US S&P CoreLogic CS 20-City YoY NSA	May 4.1%	--	4.0%	--
07/28/2020 21:00	US S&P CoreLogic CS US HPI YoY NSA	May --	--	4.7%	--
07/28/2020 21:00	US S&P CoreLogic CS US HPI NSA Index	May --	--	217.7	--
07/28/2020 21:00	US S&P CoreLogic CS 20-City MoM SA	May 0.3%	--	0.3%	--
07/28/2020 22:00	US Conf. Board Consumer Confidence	Jul 95.00	--	98.10	--

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).