

## Daily Treasury Outlook

29 January 2020

### Highlights

**Global:** Whilst China reported another 25 deaths related to the coronavirus and more governments are tightening international travel and borders crossings with China, US financial markets appeared to be attempting to stabilize. Overnight, Wall Street staged a rebound with the S&P500 bouncing back from its worst sell off in four months amid a tech stock rally. Apple posted record revenue and a return to profit growth amid strong iPhone and AirPods sales, but warned of the impact from the coronavirus in China, whereas Starbucks had closed half its China stores amid the coronavirus outbreak. UST bonds also bear-steepened following a 7-year auction with the 10-year yield higher at 1.66%. Still, Greece sold EUR2.5b of its first 15-year euro bonds since 2009 at mid-swaps+165bps, near record low costs, even as the coronavirus fears has wiped \$1.5 trillion off global stock markets. China's PBOC has pledged to provide abundant liquidity in a timely manner when Chinese markets re-open on 3 Feb.

**Market watch:** Asian markets will be searching for a modicum of stability today, especially with the Hong Kong market re-opening today and the FOMC meeting expected to remain static but Powell's press comments will be closely dissected as usual. In addition, watch for a potential tweak to the IOER and intentions for the repo operations. The economic data calendar comprises US' pending sales, MBA mortgage applications and wholesale inventories, UK' Nationwide house prices, and German GfK consumer confidence and import prices. Earnings results are also due from GE, Boeing and Facebook.

**US:** US' consumer confidence rose more than expected to a 5-month high of 131.6 in January, up from an upwardly revised 128.8 print in December, as Americans turned more upbeat on the labour market. Durable goods orders surged 2.4% in December, aided by defense spending (+101.7%) and up from November's 3.1% contraction, but orders excluding transportation saw its biggest decline since April. Meanwhile, US President Trump has announced "win-win" solution for Middle East peace, whereas Palestinians dismissed it as a non-starter. The federal budget deficit amounted to about \$900b in 2019 and may exceed \$1 trillion every year from 2022-2029 according to the Congressional Budget Office.

**Singapore:** With two new cases of confirmed cases yesterday, the Singapore government will enforce quarantines for those deemed higher risk of the 2,000 or so recent travellers from Hubei who are in Singapore, as well as bar travellers with passports issued in Hubei or those who had travelled there recently from entering or transiting in Singapore. The re-opening of the 10-year SGS bond maturing in July 2029, whose yield closed at 1.58% yesterday, may see a bid-cover ratio at the lower end of the usual 1.5-2.0x range for past 10-year auctions as the recent flight to quality fuelled by the coronavirus concerns had sent its bond yield to a record low and the 10-year swap rate even lower to 1.52%.

Key Market Movements		
Equity	Value	% chg
S&P 500	3276.2	1.0%
DJIA	28723	0.7%
Nikkei 225	23216	-0.5%
SH Comp	2976.5	0.0%
STI	3181.3	-1.8%
Hang Seng	27950	0.0%
KLCI	1551.6	-1.3%
Currencies	Value	% chg
DXY	98.018	0.1%
USDJPY	109.15	0.2%
EURUSD	1.1022	0.0%
GBPUSD	1.3028	-0.2%
USDIDR	13644	0.2%
USDSGD	1.3578	0.0%
SGDMYR	3.0055	0.4%
Rates	Value	chg (bp)
3M UST	1.55	1.32
10Y UST	1.66	4.82
1Y SGS	1.49	-8.70
10Y SGS	1.58	-8.14
3M LIBOR	1.77	-2.09
3M SIBOR	1.73	0.00
3M SOR	1.52	0.00
Commodities	Value	% chg
Brent	59.51	0.3%
WTI	53.48	0.6%
Gold	1567	-0.9%
Silver	17.47	-3.5%
Palladium	2283	0.7%
Copper	5703	-0.7%
BCOM	76.32	0.1%

Source: Bloomberg

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### Major Markets

**US:** US markets rebounded from their sharp drop on Monday as investors temporarily shook off worries about the coronavirus outbreak. The S&P500 index rose 1%. Despite yesterday's rally, we continue to maintain our view that global markets will face some volatility in the midst of the coronavirus outbreak. Key corporate earnings today include Microsoft and Facebook.

**China:** CNH pared some losses on Tuesday. Market may have priced in the first wave of negative headline from the Wuhan coronavirus after Chinese government stepped up its efforts to contain the contagion decisively in the past few days. Although the damage from the Wuhan coronavirus seems to be milder than that from SARS and MERS, the unpredictability part of the virus, which spread at a faster than expected pace, will remain the source of stress in the global market. The outlook of the market sentiment may largely depend on the headline news. The next one week will be critical in our view as the 14-day incubation period will expire around 6 Feb counting from the Wuhan city lockdown from 23 January. The focus should be on the number of cases outside Hubei province. Should there be no exponential increase in the coming one week, it signals that the city lockdown may have worked and the peak of outbreak may have passed.

**Singapore:** The STI fell 1.81% to close at 3181.25 yesterday but may stage a mild comeback today amid more positive cues from US and European bourses yesterday and morning gains in Kospi as coronavirus concerns ease. STI's 3200 handle remains the key level to watch. With the UST bond market bear-steepening overnight, SGS bond yields may also gap higher while awaiting the auction result later today for the re-opening of the 10-year SGS bond maturing in July 2029.

**Malaysia:** The price of crude palm oil posted its biggest single-day drop (~10%) yesterday on concerns that the spread of the coronavirus would result in a slump of demand from China, the world's second largest market for the commodity. The drop triggered the exchange's automatic circuit-breaker.

**Indonesia:** The better global risk sentiment should support domestic sentiment in Indonesia today as well, including on Rupiah. Support is to be expected too from news that the investment realization for 2019 in Indonesia came in at IDR805tn (USD59bn), exceeding the government target of IDR792tn.

**Thailand:** Thailand's Cabinet has approved a new tax bill that allows companies to deduct tax payables by 2.5 times the investment in machinery. This measure is expected to spur 110bn baht of investment. Earlier this month, Thailand's Board of Investment said that it will issue measures for importing capital goods to take advantage of the strong baht, although the proposed policies are expected to be sent for approval from February onwards.

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**Philippines:** BSP governor Benjamin Diokno said the central bank “will be less aggressive in monetary easing this year compared to last year”, suggesting that rate cuts are still on the table for Philippines this year, and said they are considering “around 50bp”. This is consistent with our forecasts of two rate cuts for the whole of 2020.

**Oil:** Crude oil prices inched marginally higher yesterday, rising 0.3% to \$59.51/bbl. A global rebound in risk assets globally, albeit technical in our opinion, drove oil prices higher as bargain hunters look to buy crude oil at a three-month low price. An API report forecasting a drop in crude stockpiles this week also stemmed oil’s decline.

## Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 4-9bps lower while the belly and longer tenors traded 10-14bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remain mostly unchanged at 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 474bps. The HY-IG Index Spread tightened 1bps to 353bps. 10Y UST Yields gained 5bps to 1.66%, as investors see efforts in containing the Wuhan coronavirus and positive data on consumer confidence was released.

**New Issues:** There were no new issues or mandates.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.018	0.06%	<b>USD-SGD</b>	1.3578	0.01%
<b>USD-JPY</b>	109.150	0.23%	<b>EUR-SGD</b>	1.4966	0.04%
<b>EUR-USD</b>	1.1022	0.03%	<b>JPY-SGD</b>	1.2441	-0.21%
<b>AUD-USD</b>	0.6762	0.01%	<b>GBP-SGD</b>	1.7690	-0.20%
<b>GBP-USD</b>	1.3028	-0.22%	<b>AUD-SGD</b>	0.9182	0.03%
<b>USD-MYR</b>	4.0855	0.68%	<b>NZD-SGD</b>	0.8887	--
<b>USD-CNY</b>	6.9426	--	<b>CHF-SGD</b>	1.3954	-0.36%
<b>USD-IDR</b>	13644	0.21%	<b>SGD-MYR</b>	3.0055	0.36%
<b>USD-VND</b>	23171	--	<b>SGD-CNY</b>	5.0964	-0.13%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	28,722.85	187.05
<b>S&amp;P</b>	3,276.24	32.61
<b>Nasdaq</b>	9,269.68	130.37
<b>Nikkei 225</b>	23,215.71	-127.80
<b>STI</b>	3,181.25	-58.77
<b>KLCI</b>	1,551.64	-21.17
<b>JCI</b>	6,111.18	-22.02
<b>Baltic Dry</b>	546.00	--
<b>VIX</b>	16.28	-1.95

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4530	-0.20%	<b>O/N</b>	1.5318	-0.01%
<b>2M</b>	-0.3360	-0.01%	<b>1M</b>	1.6493	-1.03%
<b>3M</b>	-0.3980	-1.03%	<b>2M</b>	1.7721	-0.83%
<b>6M</b>	-0.3330	-0.83%	<b>3M</b>	1.7745	-2.09%
<b>9M</b>	-0.1940	-2.09%	<b>6M</b>	1.7835	-2.17%
<b>12M</b>	-0.2600	-2.17%	<b>12M</b>	1.8373	-4.26%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.37 (-0.04)	1.46 (+0.02)
<b>5Y</b>	1.39 (-0.07)	1.48 (+0.04)
<b>10Y</b>	1.58 (-0.08)	1.66 (+0.05)
<b>15Y</b>	1.71 (-0.08)	--
<b>20Y</b>	1.82 (-0.07)	--
<b>30Y</b>	1.97 (-0.07)	2.11 (+0.06)

### 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	11.20%	7.50%	0.00%	0.00%	7.50%
29/04/2020	10.20%	15.20%	0.00%	0.70%	14.50%
10/06/2020	7.90%	32.30%	0.20%	3.90%	28.20%
29/07/2020	6.20%	44.90%	0.90%	9.00%	34.90%
16/09/2020	4.40%	59.10%	3.30%	16.50%	39.00%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.58	0.08
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.53
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.48	0.6%	Corn (per bushel)	3.8650	1.6%
Brent (per barrel)	59.51	0.3%	Soybean (per bushel)	8.950	-0.3%
Heating Oil (per gallon)	1.7159	2.2%	Wheat (per bushel)	5.6975	-0.4%
Gasoline (per gallon)	1.5032	1.3%	Crude Palm Oil (MYR/MT)	2,640.0	-9.7%
Natural Gas (per MMBtu)	1.9340	1.7%	Rubber (JPY/KG)	160.0	-2.1%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,703	-0.7%	Gold (per oz)	1,567.2	-0.9%
Nickel (per mt)	12,550	-0.5%	Silver (per oz)	17.472	-3.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/29/2020	VN	CPI YoY	Jan	5.50%	--	5.23%	--
01/29/2020	VN	Retail Sales YTD YoY	Jan	--	--	11.80%	--
01/29/2020	VN	Industrial Production YoY	Jan	--	--	6.20%	--
01/29/2020 05:00	SK	Consumer Confidence	Jan	--	104.2	100.4	100.5
01/29/2020 07:30	AU	Westpac Leading Index MoM	Dec	--	0.05%	-0.09%	-0.02%
01/29/2020 08:30	AU	CPI QoQ	4Q	0.60%	--	0.50%	--
01/29/2020 08:30	AU	CPI YoY	4Q	1.70%	--	1.70%	--
01/29/2020 08:30	AU	CPI Trimmed Mean QoQ	4Q	0.40%	--	0.40%	--
01/29/2020 08:30	AU	CPI Trimmed Mean YoY	4Q	1.50%	--	1.60%	--
01/29/2020 15:00	UK	Nationwide House PX MoM	Jan	0.20%	--	0.10%	--
01/29/2020 15:00	UK	Nationwide House Px NSA YoY	Jan	1.50%	--	1.40%	--
01/29/2020 17:00	EC	M3 Money Supply YoY	Dec	5.50%	--	5.60%	--
01/29/2020 20:00	US	MBA Mortgage Applications	Jan-24	--	--	-1.20%	--
01/29/2020 21:30	US	Wholesale Inventories MoM	Dec P	0.10%	--	-0.10%	--
01/29/2020 23:00	US	Pending Home Sales MoM	Dec	0.50%	--	1.20%	--

Source: Bloomberg

## Treasury Research & Strategy

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