

Daily Treasury Outlook

29 April 2020

Highlights

Global: Global risk appetite wavered overnight with Wall Street surrendering early gains to close lower. Covid-19 infections crossed 1 million cases in the US, and President Trump has signed an executive order to require meat-processing plants to stay open. US earnings picture was also mixed – Alphabet beat with \$33.71b but warned that March ads slowed, while Starbucks’s same-store sales fell 10% globally (China: -50%) but tips 90% of stores to re-open by June, and Caterpillar and PepsiCo refrained from giving any 2020 guidance. The S&P500 fell 0.5% with VIX up to 34, while UST bonds rallied and the 10-year bond yield fell to 0.61%. The 3-month LIBOR eased further to 0.7601% while LIBOR-OIS narrowed to 69bps.

Market watch: Asian markets may trade sideways today, awaiting market cues from the FOMC who may not trim interest rates further but may do a technical tweak of the IOER and Fed chair Powell could potentially give some policy guidance of how low rates could go and how long they could stay there. Japan market is out for holiday. The economic data calendar comprises of US’ 1Q20 GDP (forecast: -3.9% annualised) and pending home sales, Australia’s CPI, S’pore’s 1Q20 unemployment rate, Thailand’s manufacturing, German CPI, and Eurozone’s economic confidence. In addition, ECB’s monetary policy meeting will be held tomorrow.

US: The Conference Board consumer confidence plummeted from 118.8 to 86.9, with the jobs gauge declining from 31 to -13.6, albeit the inflation gauge rose from 4.5 to 5.3.

EU: France plans to reopen shops on 11 May, while Spain will remove containment restrictions over the next eight weeks. Germany’s new Covid-19 cases also fell below 1,000 for the first time in more than five weeks.

China: China started to roll back some crisis measures. Ministry of Transport announced yesterday that the highway toll fee will be restored from 6 May. China has suspended tolls on all highways, bridges and tunnels from 17 February to support orderly resumption of work and production.

Singapore: The Macroeconomic Review reiterated the official 2020 growth forecast of -1% to -4%, but warned that there are significant downside risks and wages could be cut.

Oil: WTI prices continued to decline yesterday, with the June contract falling as low to \$10.07/bbl before it pared losses to close at \$12.34/bbl. Latest data from the USO shows that 13% of their crude oil portfolio value still resides in the June contracts, although they are supposed to completely exit their June positions by end of the month. With two days left to 30 April, expect selling from the USO on June WTI futures to continue in the next 48 hours.

Key Market Movements		
Equity	Value	% chg
S&P 500	2863.4	-0.5%
DJIA	24102	-0.1%
Nikkei 225	19771	-0.1%
SH Comp	2810.0	-0.2%
STI	2563.0	0.5%
Hang Seng	24576	1.2%
KLCI	1372.2	0.1%
Currencies	Value	% chg
DXY	99.865	-0.2%
USDJPY	106.87	-0.4%
EURUSD	1.0820	-0.1%
GBPUSD	1.2426	0.0%
USDIDR	15445	0.4%
USDSGD	1.4172	-0.1%
SGDMYR	3.0805	0.3%
Rates	Value	chg (bp)
3M UST	0.09	-0.51
10Y UST	0.61	-4.76
1Y SGS	0.45	-1.00
10Y SGS	1.00	-0.68
3M LIBOR	0.84	-4.64
3M SIBOR	0.94	-0.05
3M SOR	0.73	-4.29
Commodities	Value	% chg
Brent	20.46	2.4%
WTI	12.34	-3.4%
Gold	1708	-0.4%
Silver	15.17	-0.3%
Palladium	1916	-0.8%
Copper	5223	0.5%
BCOM	59.64	0.1%

Source: Bloomberg

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Major Markets

US: US equity markets fell on Tuesday in a volatile session as stocks were not able to hold on to their gains early on. The S&P500 index fell by 0.52%. Looking ahead, investors will be looking out for US 1Q20 GDP release and the FOMC meeting results and will take cues from there. Boeing, General Electric and Microsoft are among the companies to report earnings today.

Macau: Visitor arrivals fell for the fifth consecutive month by 93.7% yoy in March, led by a 96.3% yoy decline in Mainland visitors. As Macau and Mainland China imposed stronger travel restrictions in late March, visitor arrivals in April may drop at a faster pace than in March. On a positive note, the government hinted that travelling between Mainland China and Macau may resume gradually should there be no additional new case till end of April. This may help ease some downward pressure on the two pillar sectors including tourism and gaming. That said, neither of the two crucial sectors is likely to show V-shaped rebound. Due to the uncertainty about Covid-19 outbreak, containment measures across the globe look unlikely to be lifted entirely in the near term. As such, Macau's inbound tourism and gaming activities may remain at almost standstill for some time. Post-pandemic, we are concerned that the demand for travelling and gambling will be dented by rising unemployment, weak wage prospect, prolonged fear of infections and strong MOP.

Singapore: The STI extended gains by 0.53% to close at 2562.95 yesterday but may meander today amid soft overnight cues from Wall Street. With risk appetite looking shakier today, SGS bonds may be supported today into the month-end. The \$2.3b re-opening (with MAS taking \$200m) of the 2-year SGS bond maturing on 1 February 2023 fetched a bid-cover ratio of 2.19x and a cut-off yield of 0.54%.

Indonesia: It was a day of fundraising for Indonesia's sovereign yesterday. It sold IDR62.6tn (USD4.1bn) of bonds to local banks in private placement, taking advantage of a cut in BI's reserve requirement and a simultaneous increase in macroprudential liquidity buffer. Later in the day, MOF auctioned off IDR16.6tn of bonds, below the 20tn targeted in the auction. It is slated to issue green shoe option worth as much as 23.4tn today. Active BI participation is likely.

Malaysia: Malaysia's health authorities said that the country is "entering the recovery phase" in its fight against Covid-19, as it reports 31 new cases yesterday, the lowest daily increase since March 12. The country is said to have "succeeded in flattening the curve" with the MCO restriction order.

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Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter tenors trading 0-2bps lower, while the belly and the longer tenors traded 0-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 1003bps. The HY-IG Index Spread widened 4bps to 744bps. Flows in SGD corporates were moderate, with flows in SOCGEN 6.125%-PERPs, HSBC 4.7%-PERPs and CS 5.625%-PERPs. 10Y UST Yields fell 5bps by the end of the day to 0.61%, as market sentiment was mixed due to the lack of catalysts.

New Issues: Wharf REIC Finance (BVI) Limited (Guarantor: Wharf Real Estate Investment Company Limited) priced a USD450mn 5-year bond at T+205bps, and a USD300mn 10-year bond at T+235bps, tightening from IPT of T+250bps and T+280bps area respectively. Amber Treasure Ventures Limited and its guarantor Nan Hai Corporation Limited have mandated banks for a potential USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.865	-0.18%	USD-SGD	1.4172	-0.11%
USD-JPY	106.870	-0.35%	EUR-SGD	1.5334	-0.20%
EUR-USD	1.0820	-0.08%	JPY-SGD	1.3261	0.25%
AUD-USD	0.6491	0.40%	GBP-SGD	1.7609	-0.16%
GBP-USD	1.2426	-0.04%	AUD-SGD	0.9199	0.29%
USD-MYR	4.3635	0.27%	NZD-SGD	0.8583	0.03%
USD-CNY	7.0796	-0.11%	CHF-SGD	1.4534	-0.08%
USD-IDR	15445	0.39%	SGD-MYR	3.0805	0.32%
USD-VND	23309	-0.71%	SGD-CNY	4.9966	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	24,101.55	-32.23
S&P	2,863.39	-15.09
Nasdaq	8,607.73	-122.43
Nikkei 225	19,771.19	-12.03
STI	2,562.95	13.55
KLCI	1,372.20	2.04
JCI	4,529.55	16.41
Baltic Dry	661.00	--
VIX	33.57	0.28

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4480	-2.60%	O/N	0.0560	-0.08%
2M	-0.3360	-0.08%	1M	0.4376	-0.32%
3M	-0.2230	-0.32%	2M	0.7635	-6.43%
6M	-0.1470	-6.43%	3M	0.8408	-4.64%
9M	-0.1940	-4.64%	6M	0.8931	-2.91%
12M	-0.1090	-2.91%	12M	0.9251	-1.44%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.42 (-0.01)	0.21 (-0.01)
5Y	0.60 (-0.01)	0.38 (-0.03)
10Y	1.00 (-0.01)	0.61 (-0.05)
15Y	1.21 (-0.02)	--
20Y	1.35 (-0.02)	--
30Y	1.39 (-0.01)	1.20 (-0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.083	8.3	0.021	0.071
10/06/2020	0.101	1.8	0.025	0.076
29/07/2020	0.048	-5.3	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	0.048	0	0.012	0.063

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	25.88	0.52
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)	12.34	-3.4%	Corn (per bushel)	3.0275	-0.9%
Brent (per barrel)	20.46	2.4%	Soybean (per bushel)	8.260	-0.4%
Heating Oil (per gallon)	0.6308	3.3%	Wheat (per bushel)	5.2675	1.1%
Gasoline (per gallon)	0.6672	2.9%	Crude Palm Oil (MYR/MT)	2,051.0	0.0%
Natural Gas (per MMBtu)	1.7940	-1.4%	Rubber (JPY/KG)	139.9	-0.1%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,223	0.5%	Gold (per oz)	1,707.8	-0.4%
Nickel (per mt)	12,294	0.4%	Silver (per oz)	15.165	-0.3%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/29/2020	VN CPI YoY	Apr	3.95%	--	4.87%
04/29/2020 06:45	NZ Trade Balance NZD	Mar	686m	672m	594m
04/29/2020 07:00	SK Industrial Production YoY	Mar	-1.70%	7.10%	11.40%
04/29/2020 09:30	AU CPI QoQ	1Q	0.20%	--	0.70%
04/29/2020 09:30	AU CPI YoY	1Q	1.90%	--	1.80%
04/29/2020 16:00	EC M3 Money Supply YoY	Mar	5.50%	--	5.50%
04/29/2020 17:00	EC Consumer Confidence	Apr F	--	--	-22.7
04/29/2020 19:00	US MBA Mortgage Applications	Apr-24	--	--	-0.30%
04/29/2020 20:00	GE CPI YoY	Apr P	0.70%	--	1.40%
04/29/2020 20:00	GE CPI MoM	Apr P	0.10%	--	0.10%
04/29/2020 20:00	GE CPI EU Harmonized YoY	Apr P	0.50%	--	1.30%
04/29/2020 20:00	GE CPI EU Harmonized MoM	Apr P	0.10%	--	0.10%
04/29/2020 20:30	US GDP Annualized QoQ	1Q A	-4.00%	--	2.10%
04/29/2020 20:30	US GDP Price Index	1Q A	1.00%	--	1.30%
04/29/2020 22:00	US Pending Home Sales MoM	Mar	-13.60%	--	2.40%

Source: Bloomberg

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