

Daily Treasury Outlook

29 July 2020

Highlights

Global: Global risk appetite may stay restrained ahead of the FOMC meeting decision, albeit the Fed's early decision to extend for 3 months its key emergency programs that were due to expire at end-September. Meanwhile, Congress continued to haggle over the next fiscal stimulus package with Senate Republicans proposing a \$1tn plan while Democrats are more ambitious. The S&P500 slipped 0.65% in a choppy session on the back of weaker than expected earnings from McDonalds, 3M Co and Harley-Davidson, whereas Pfizer rose on hopes of higher earnings forecasts and a later-stage vaccine trail, and Starbucks rose after-market as sales fell less than expected. VIX also rose to 26.08. The UST bonds bull-flattened with yields lower by 1-4bps and the 10-year bond yield at 0.58% as the 7-year auction stopped out at a record low of 0.446%. For the FOMC meeting, since they have extended the emergency programs early, there is very subdued expectations for any tweaks to their policy settings at this juncture, but more clarity on their economic assessment and policy direction, including explicit policy guidance and even yield curve control, will be key.

Market watch: Asian markets may open on a more cautious tone today, awaiting further cues from FOMC and the outcome of the ongoing US fiscal stimulus talks. Today's economic data calendar comprises of Thailand's manufacturing production, S'pore's 2Q20 unemployment rate, Hong Kong's 2Q20 GDP growth, and US' pending home sales, MBA mortgage applications and wholesale inventories. Earnings results are also due from Barclays, Boeing, Rio Tinto and SIA.

US: Consumer confidence slipped from 98.3 in June to 92.6 in July amid concerns of a Covid-19 second wave, with the retreating expectations gauge (91.5 from 106.0) dragging down the present situation gauge (94.2 from 86.2). The Richmond Fed manufacturing index, however, rebounded from 0 to 10 in July.

SG: The \$2.7b re-opening of the 10-year SGS bond (with MAS taking \$200m) fetched a bid-cover ratio of 1.72x with a cut-off yield of 0.93% and the average yield at 0.87%.

Gold: Gold endured a highly volatile session yesterday, rising to as high as \$1981.27/oz and then declining to as low as \$1907.20/oz, before finally ending the session higher on the day at \$1958.43/oz. We expect gold to continue inching higher in the coming quarter.

Oil: Oil prices continue to trade in a tight range, with front month Brent prices staying stable.

Key Market Movements		
Equity	Value	% chg
S&P 500	3218.4	-0.6%
DJIA	26379	-0.8%
Nikkei 225	22657	-0.3%
SH Comp	3228.0	0.7%
STI	2583.0	0.3%
Hang Seng	24773	0.7%
KLCI	1609.9	1.2%
	Value	% chg
DXY	93.696	0.0%
USDJPY	105.09	-0.3%
EURUSD	1.1716	-0.3%
GBPUSD	1.2932	0.4%
USDIDR	14535	0.0%
USDSGD	1.379	0.0%
SGDMYR	3.0818	0.1%
	Value	chg (bp)
3M UST	0.10	0.26
10Y UST	0.58	-3.61
1Y SGS	0.31	0.00
10Y SGS	0.86	2.82
3M LIBOR	0.27	2.29
3M SIBOR	0.44	0.00
3M SOR	0.21	0.00
	Value	% chg
Brent	43.22	-0.4%
WTI	41.04	-1.3%
Gold	1958	0.8%
Silver	24.40	-0.8%
Palladium	2286	-1.0%
Copper	6477	0.9%
BCOM	68.53	0.0%

Source: Bloomberg

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Major Markets

US: The S&P500 index closed 0.65% lower as risk sentiment is restrained ahead of the FOMC meeting decision this week, as well as the growing uncertainty on US' lawmakers' ability to push out a timely fiscal support package. We expect risk sentiment to pick up in the near term amid the Fed's extension of 7 out of 9 of emergency lending programs and the market to be supported at the 3100 level.

China: Chinese President Xi Jinping called for efforts to make the Asian Infrastructure Investment Bank (AIIB) a new type of multilateral development bank that promotes development across the world. The initiative is designed to develop infrastructure and connectivity in Asia and deepen regional cooperation.

Singapore: The STI added 0.28% to close at 2582.97 yesterday and may consolidate today ahead of the FOMC decision. With the overnight gains in UST bonds, SGS bonds may also stay supported with the 10-year SGS bond re-opening out of the way.

Malaysia: Malaysia's High Court announced its verdict on former PM Najib Razak yesterday, finding him guilty of all seven charges including abuse of power and money laundering in the 1MDB-related case. As it stands, Najib is sentenced to 12 years in jail, but his lawyer has already said that they will be appealing the ruling. The trial is said to be only the first of at least three involving the former premier.

Indonesia: Finance Minister Sri Mulyani said that 2021 budget deficit target has been raised from 4.7% to now 5.2% of GDP, due to the need to increase government spending to help the economy recover from the pandemic. Debt-to-GDP ratio is slated to increase from 36.6% now to about 40% next year. The president is expected to present the budget proposals to the parliament for approval next month.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter tenors trading 0-1bps higher while the belly and longer tenors traded 2-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 183bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 715bps. The HY-IG Index Spread tightened 1bps to 532bps. Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, STTGDC 3.13%'28s, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs, NTUCSP 3.1%'50s, FULIN 3.7%'23s, HSBC 4.7%-PERPs and SOCGEN 4.3%'26s. 10Y UST Yields fell 4bps to 0.58% as investors awaited for a deal on coronavirus relief package in the US.

New Issues: China Construction Bank Corporation Hong Kong Branch priced a USD500mn 3-year green bond at T+93bps, tightening from IPT of T+135bps area and another USD700mn 5-year green bond at T+105bps, tightening from IPT of T+150bps area. Country Garden Holdings Company Limited priced a USD500mn 5.5NC3.5 bond at 4.2%, tightening from IPT of 4.6% area and another USD500mn 10NC5 bond at 4.8%, tightening from IPT of 5.3% area. Haimen Zhongnan Investment Development (International) Co., Ltd. (Guarantor: Jiangsu Zhongnan Construction Group Co., Ltd.) priced a USD200mn 364-day bond at 9.35%, tightening from IPT of 9.75% area. CSCIF Asia Limited (Guarantor: CSC Financial Co., Ltd.) priced a USD500mn 5-year bond at T+150bps, tightening from IPT of T+200bps area. Adani Ports & Special Economic Zone Ltd priced a USD750mn 7-year bond at 4.2%, tightening from IPT of 4.625% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.696	0.03%	USD-SGD	1.3790	0.02%
USD-JPY	105.090	-0.27%	EUR-SGD	1.6156	-0.29%
EUR-USD	1.172	-0.31%	JPY-SGD	1.3122	0.29%
AUD-USD	0.716	0.13%	GBP-SGD	1.7833	0.40%
GBP-USD	1.293	0.39%	AUD-SGD	0.9871	0.13%
USD-MYR	4.253	0.03%	NZD-SGD	0.9186	-0.34%
USD-CNY	7.001	0.06%	CHF-SGD	1.5023	0.23%
USD-IDR	14535	0.00%	SGD-MYR	3.0818	0.06%
USD-VND	23170	-0.01%	SGD-CNY	5.0787	0.06%

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

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%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.24 (+0.02)	0.15(--)
5Y	0.52 (+0.01)	0.26 (+-0.02)
10Y	0.83 (+0.02)	0.62 (-0.04)
15Y	1.1 (+0.03)	--
20Y	1.17 (+0.03)	--
30Y	1.18 (+0.02)	1.26 (-0.04)

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	-0.227	-6.4	0.036	0.036
01/27/2021	-0.239	-1.2	0.032	0.032

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	0.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.04	-1.35%	Corn (per bushel)	3.200	-1.5%
Brent (per barrel)	43.22	-0.44%	Soybean (per bushel)	8.968	-1.1%
Heating Oil (per gallon)	124.21	-0.96%	Wheat (per bushel)	5.235	-0.8%
Gasoline (per gallon)	126.56	-0.71%	Crude Palm Oil (MYR/MT)	26.920	-3.3%
Natural Gas (per MMBtu)	1.80	3.81%	Rubber (JPY/KG)	1.590	-1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6477.00	0.88%	Gold (per oz)	1958.4	0.8%
Nickel (per mt)	13660.00	-0.43%	Silver (per oz)	24.4	-0.8%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/29/2020	VN CPI YoY	Jul	3.2%	--	3.2%
07/29/2020	SI Unemployment rate SA	2Q	2.9%	--	2.4%
07/29/2020	VN Retail Sales YTD YoY	Jul	--	--	-0.8%
07/29/2020 07/31	PH Overseas Remittances YoY	May	-15.0%	--	-16.2%
07/29/2020 07/31	PH BoP Overall	Jun	--	--	\$2430m
07/29/2020 07/31	PH Overseas Workers Remittances	May	--	--	\$2046m
07/29/2020 09:30	AU CPI QoQ	2Q	-2.0%	--	0.3%
07/29/2020 09:30	AU CPI YoY	2Q	-0.5%	--	2.2%
07/29/2020 09:30	AU CPI Trimmed Mean QoQ	2Q	0.1%	--	0.5%
07/29/2020 09:30	AU CPI Trimmed Mean YoY	2Q	1.4%	--	1.8%
07/29/2020 16:30	HK GDP YoY	2Q A	-8.2%	--	-8.9%
07/29/2020 16:30	UK Mortgage Approvals	Jun	35.0k	--	9.3k
07/29/2020 19:00	US MBA Mortgage Applications	24-Jul	--	--	4.1%
07/29/2020 20:30	US Wholesale Inventories MoM	Jun P	-0.5%	--	-1.2%
07/29/2020 22:00	US Pending Home Sales MoM	Jun	15.0%	--	44.3%

Source: Bloomberg

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