

## Daily Treasury Outlook

30 January 2020

### Highlights

**Global:** Whilst the coronavirus count continued to climb and in China alone has surpassed the SARS numbers (latest at 7,711 this morning) with at least 170 deaths reported, the World Health Organisation's Emergency Committee will meet today to consider declaring the coronavirus a public health emergency of international concern. Meanwhile, Fed hiked the IOER by 5bps to 1.6% but left its policy settings static with the Fed Funds rate at 1.5-1.75% as widely expected. The overall Fed tone suggests that the pause on rates will hold at least for 1H 2020, which is in line with our house view. Wall Street treaded water overnight with the S&P500 slipping 0.09%, whereas UST bonds rallied to with the 10-year yield falling to 1.58% (lowest since early October 2019) and narrowing the 2-10 year spread to 17bps amid the flight to safety with the coronavirus outbreak.

**Market watch:** Asian markets are likely to attempt to open on a firmer tone on the slightly supportive FOMC signals. However, with the increasing number of governments tightening border controls and airlines cancelling or suspending flights to China due to the coronavirus, market attention is likely to focus on China and possibly Hong Kong in terms of the potential economic fallout for 1Q20. The economic data calendar comprises US' initial jobless claims, German CPI, and Eurozone's consumer confidence and unemployment rate. The Bank of England may be tempted to squeeze in a 25bp rate cut ahead of Brexit despite recent firm economic data, but the decision may be finely balanced.

**US:** Fed chair Powell signalled that "with monetary and financial conditions supportive, we expect moderate economic growth to continue" and "the current stance of monetary policy will likely remain appropriate", albeit "policy is not on a preset course". He also noted "inflation continues to run below our symmetric 2% objective". On repo funding operations, he flagged that the size and pricing will be adjusted over the first half of this year, but will continue to offer repos to at least through April. Meanwhile, the goods trade deficit widened sharply in December by 8.5% to \$68.3b, prompting downgrades of 4Q19 GDP growth from 1.9% to 1.7%, whereas pending home sales fell 4.9% in December.

**EU:** Bank lending to corporates fell to a 2-year low of 3.2% in December, but household lending rose to a post-GFC high of 3.7%. GfK consumer sentiments rose in Germany and the Economy Minister Altmaier upgraded the 2020 growth forecast from 1.0% to 1.1%, citing the first silver lining of an improved trade outlook and strong domestic demand.

**Singapore:** The \$2.5b re-opening (with MAS taking \$200m) of the 10-year SGS bond maturing in July 2029 fetched a bid-cover ratio of 1.92x with a cut-off yield of 1.64%. The next auction will be the new 30-year SGS bond with the size announcement on 19 February with the auction on 26 February for issue on 2 March. The last 30-year SGS bond issue was back in March 2019 where \$1.6b was auctioned and fetched a bid-cover ratio of 1.99x and a cut-off yield of 2.60%. Meanwhile, the number of confirmed Wuhan coronavirus cases rose by 3 to 10 in total, but MOH said there is currently no evidence of community spread in Singapore.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3273.4	-0.1%
DJIA	28734	0.0%
Nikkei 225	23379	0.7%
SH Comp	2976.5	0.0%
STI	3182.6	0.0%
Hang Seng	27161	-2.8%
KLCI	1550.5	-0.1%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.991	0.0%
USDJPY	109.02	-0.1%
EURUSD	1.1010	-0.1%
GBPUSD	1.3021	-0.1%
USDIDR	13634	-0.1%
USDSGD	1.3606	0.2%
SGDMYR	3.0013	-0.1%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.54	-0.52
10Y UST	1.58	-7.23
1Y SGS	1.50	1.00
10Y SGS	1.62	4.08
3M LIBOR	1.77	-0.50
3M SIBOR	1.74	0.30
3M SOR	1.52	-0.85
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	59.81	0.5%
WTI	53.33	-0.3%
Gold	1577	0.6%
Silver	17.56	0.5%
Palladium	2300	0.7%
Copper	5641	-1.1%
BCOM	75.86	-0.6%

Source: Bloomberg

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### Major Markets

**US:** US markets gave up their early gains to close marginally in the red on the back of the Fed's decision to keep rates steady. The S&P 500 index was down 0.1%. For today, risk sentiment is likely to be subdued as the coronavirus outbreak in China shows no signs of being contained by current measures. Key corporate earnings today include Amazon and Visa.

**China:** There is increasing possibility that the World Health Organization may declare the outbreak of coronavirus in China as a public health emergency of international concern today. Although the label will not automatically trigger any specific response program, it may give more countries and airlines reason to stop the travel in the near term, which will further disrupt the global travel and trade.

**Singapore:** The STI declined 0.04% to close at 3182.57 yesterday and may continue to consolidate between 3162-3200 in the interim with soft cues from S&P500 overnight and Kospi this morning. With the ongoing UST bond market, SGS bond yields may also be better bid today with the auction for the re-opening of the 10-year SGS bond maturing in July 2029 out of the way.

**Malaysia:** The price of crude palm oil rebounded from its 10% drop of the previous day, up 5.8% yesterday in part due to improvement in global risk sentiment. Elsewhere, for the day ahead, Malaysian assets likely to stay relatively supported as sentiment shifts to neutral gear, though alert to virus newsflow.

**Indonesia:** Jokowi's 2nd term cabinet is into its 100th day at work today. While the tax reform omnibus law has been sent to the parliament for consideration, market is still awaiting confirmation of submission for the jobs creation omnibus that includes wide-ranging reform on labor law whose rigidity has held back FDI investors thus far.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 2bps higher while the belly and longer tenors traded 4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 17bps to 491bps. The HY-IG Index Spread widened 15bps to 368bps. 10Y UST Yields fell 7bps to 1.58%, as the death toll in China increased sharply due to the Wuhan coronavirus and the Federal Reserve left interest rates unchanged. The Federal Reserve clarified that policy makers are not comfortable with inflation below 2% and would continue to expand its balance sheet.

**New Issues:** Suntec REIT MTN Pte. Ltd priced a SGD200mn 7-year bond at 2.95%, tightening from IPT of 3.15%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.991	-0.03%	<b>USD-SGD</b>	1.3606	0.21%
<b>USD-JPY</b>	109.020	-0.12%	<b>EUR-SGD</b>	1.4981	0.10%
<b>EUR-USD</b>	1.1010	-0.11%	<b>JPY-SGD</b>	1.2480	0.31%
<b>AUD-USD</b>	0.6754	-0.12%	<b>GBP-SGD</b>	1.7717	0.15%
<b>GBP-USD</b>	1.3021	-0.05%	<b>AUD-SGD</b>	0.9190	0.09%
<b>USD-MYR</b>	4.0802	-0.13%	<b>NZD-SGD</b>	0.8881	-0.07%
<b>USD-CNY</b>	6.9426	--	<b>CHF-SGD</b>	1.3982	0.20%
<b>USD-IDR</b>	13634	-0.07%	<b>SGD-MYR</b>	3.0013	-0.14%
<b>USD-VND</b>	23171	--	<b>SGD-CNY</b>	5.0866	-0.19%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	28,734.45	11.60
<b>S&amp;P</b>	3,273.40	-2.84
<b>Nasdaq</b>	9,275.16	5.48
<b>Nikkei 225</b>	23,379.40	163.69
<b>STI</b>	3,182.57	1.32
<b>KLCI</b>	1,550.47	-1.17
<b>JCI</b>	6,113.05	1.86
<b>Baltic Dry</b>	539.00	--
<b>VIX</b>	16.39	0.11

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4570	-1.00%	<b>O/N</b>	1.5330	0.12%
<b>2M</b>	-0.3360	0.12%	<b>1M</b>	1.6500	0.08%
<b>3M</b>	-0.4010	0.08%	<b>2M</b>	1.7640	-0.81%
<b>6M</b>	-0.3370	-0.81%	<b>3M</b>	1.7695	-0.50%
<b>9M</b>	-0.1940	-0.50%	<b>6M</b>	1.7710	-1.25%
<b>12M</b>	-0.2700	-1.25%	<b>12M</b>	1.8313	-0.60%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.38 (+0.01)	1.41 (-0.05)
<b>5Y</b>	1.42 (+0.03)	1.41 (-0.07)
<b>10Y</b>	1.62 (+0.04)	1.58 (-0.07)
<b>15Y</b>	1.76 (+0.04)	--
<b>20Y</b>	1.86 (+0.04)	--
<b>30Y</b>	2.01 (+0.04)	2.04 (-0.07)

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
18/03/2020	0.00%	10.60%	0.00%	0.00%	10.60%
29/04/2020	0.00%	22.60%	0.00%	1.40%	21.20%
10/06/2020	0.00%	45.80%	0.40%	7.30%	38.10%
29/07/2020	0.00%	58.80%	2.10%	14.70%	41.90%
16/09/2020	0.00%	73.30%	6.50%	24.30%	41.70%
05/11/2020	0.00%	78.10%	9.70%	27.40%	39.00%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.40	0.12
<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)	53.33	-0.3%	Corn (per bushel)	3.8425	-0.6%
Brent (per barrel)	59.81	0.5%	Soybean (per bushel)	8.930	-0.2%
Heating Oil (per gallon)	1.7035	-0.7%	Wheat (per bushel)	5.6225	-1.3%
Gasoline (per gallon)	1.5308	1.8%	Crude Palm Oil (MYR/MT)	2,779.0	5.3%
Natural Gas (per MMBtu)	1.8770	-2.9%	Rubber (JPY/KG)	164.3	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,641	-1.1%	Gold (per oz)	1,576.8	0.6%
Nickel (per mt)	12,550	--	Silver (per oz)	17.559	0.5%

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

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/30/2020 05:00	SK Business Survey Manufacturing	Feb	--	77	73
01/30/2020 10:30	SI Unemployment rate SA	4Q	2.30%	--	2.30%
01/30/2020 16:30	HK Exports YoY	Dec	2.70%	--	-1.40%
01/30/2020 16:30	HK Imports YoY	Dec	-1.90%	--	-5.80%
01/30/2020 18:00	EC Consumer Confidence	Jan F	--	--	-8.1
01/30/2020 18:00	EC Unemployment Rate	Dec	7.50%	--	7.50%
01/30/2020 20:00	UK Bank of England Bank Rate	Jan-30	0.75%	--	0.75%
01/30/2020 20:00	UK BOE Asset Purchase Target	Jan	435b	--	435b
01/30/2020 21:30	US Initial Jobless Claims	Jan-25	215k	--	211k
01/30/2020 21:30	US GDP Annualized QoQ	4Q A	2.00%	--	2.10%
01/30/2020 21:30	US GDP Price Index	4Q A	1.80%	--	1.80%
01/30/2020 21:30	US Continuing Claims	Jan-18	1730k	--	1731k
01/30/2020 21:30	US Personal Consumption	4Q A	2.00%	--	3.20%
01/30/2020 21:30	US Core PCE QoQ	4Q A	1.60%	--	2.10%
01/30/2020 22:45	US Bloomberg Consumer Comfort	Jan-26	--	--	66

Source: Bloomberg

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