

Daily Treasury Outlook

30 March 2020

Highlights

Global: US equities suffered a late-Friday plunge to close 3.4%. On a weekly basis, however, it posted a 10% uptick, which is the biggest gain since 2009. Oil price remains in the doldrums, however, with WTI down 4.8% on Friday to trade at \$21.5bbl. American oil producers have been told by a key distributor to scale back production as storage tanks are close to overflowing.

News about Covid-19 spread continues to dominate headlines and minds. US top infectious disease scientist said that as many as 200,000 Americans might die from the disease, prompting President Trump to extend federal guidelines to fight the virus, including social distancing, to the end of April. Meanwhile, Treasury Secretary Mnuchin said that cash aid to Americans in the form of direct deposits or checks, as part of the USD2tn stimulus package, will arrive in three weeks. Separately, Congress has reportedly begun discussions for a fourth package, to focus on stronger workplace protections and aid for hard-hit states like NY.

Over in Europe, while the relative good news is that Italy's death toll has fallen for a second straight day, the not-so-good news is that Spain's fatalities continued to inch higher for third straight day - indicating that the fight is far from over at this point. Closer in Asia, Indonesia is reportedly preparing to lock down the capital city region while Malaysia announced a MYR250bn stimulus package to help counter the economic impact.

Market watch: Today's economic releases comprise of UK mortgage approvals, Germany's CPI, Eurozone's consumer and economic confidence, US' pending home sales and Dallas Fed manufacturing activity.

China: China's politburo meeting reiterated six stability to ensure China achieve its growth target and meet its goal of building a moderately prosperous society in 2020. Although China has not announced detailed fiscal stimulus, lagging behind its peers which have rolled out massive fiscal stimulus in the past week, the latest Politburo meeting set the tone that China is ready to do more on both monetary and fiscal front. On fiscal policy, China's politburo previewed that China will expand its fiscal support via three channels including higher fiscal deficit, higher special bond for infrastructure projects and the new special treasury bond. China's fiscal deficit target is expected to be raised to 3.5% in 2020. Meanwhile, China may also issue trillions special treasury bond, first time since 2007, to boost domestic consumption to offset the external shock to trade. On monetary policy, Politburo reiterated that it would guide the lending rate lower other than re-lending and discount facility and delay loan repayment etc.

Singapore: MAS reduced slightly the rate of appreciation of the S\$NEER to a zero percent per annum starting at the prevailing level, with no change to the policy band width. MAS said this stable monetary policy stance reflects the primary role of fiscal policy in mitigating the economic impact of Covid-19, while providing sufficient liquidity to the financial system. MAS reiterated its vigilance over market and economic conditions and stand ready to curb excessive volatility in the S\$NEER.

Key Market Movements

Equity	Value	% chg
S&P 500	2541.5	-3.4%
DJIA	21637	-4.1%
Nikkei 225	19389	3.9%
SH Comp	2772.2	0.3%
STI	2528.8	1.7%
Hang Seng	23484	0.6%
KLCI	1343.1	1.1%
Currencies	Value	% chg
DXY	98.365	-1.0%
USDJPY	107.94	-1.5%
EURUSD	1.1141	1.0%
GBPUSD	1.2460	2.1%
USIDR	16170	-0.8%
USDSGD	1.4268	-0.3%
SGDMYR	3.0293	0.5%
Rates	Value	chg (bp)
3M UST	-0.04	9.91
10Y UST	0.67	-17.01
1Y SGS	0.90	-6.00
10Y SGS	1.37	-4.46
3M LIBOR	1.37	10.76
3M SIBOR	1.02	-0.08
3M SOR	0.93	-0.39
Commodities	Value	% chg
Brent	24.93	-5.4%
WTI	21.51	-4.8%
Gold	1628	-0.2%
Silver	14.47	0.4%
Palladium	2265	-3.2%
Copper	4791	-0.3%
BCOM	62.71	-1.0%

Source: Bloomberg

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Major Markets

US: US stocks fell on Friday, ending a consecutive three days rally as investors remain cautious amidst a worsening Covid-19 outbreak in the US that has not shown signs of slowing. The S&P500 index fell by 3.37%. For the week ahead, expect investors to focus on the number of confirmed infections. A reduction in the rate of new infections is likely a key precursor for a sustained rally.

Singapore: The STI added 1.66% to close at 2528.76 on Friday post-Resilience Package announcement, but may face consolidation pressures today amid weak cues from Nikkei and Kospi. Longer-dated SGS bonds led gains on Friday and the \$2.2b re-opening of the 2-year SGS bond (with MAS taking \$200m) fetched a bid-cover ratio of 1.81x with a cut-off yield of 0.84% and a long tail of 9bps. SGS bonds may continue to be supported into the month end, amid the UST bond bull-flattening rally on Friday.

Indonesia: Indonesia is reportedly preparing to quarantine Jakarta and its surrounding areas - home to 30mn people - in a bid to curb spread of the coronavirus. This follows a spike in the number of cases in Jakarta, which reached 645, more than half of the total 1285. Death rate has remained high at 114, the highest tally in Southeast Asia.

Malaysia: The Malaysian government announced a stimulus package, with a massive headline number of MYR250bn, 17% of GDP. This includes 5.9bn for wage subsidies, 10bn in handouts to low- to middle-income households, and 50bn to guarantee working capital loans. Direct fiscal injection is 25bn, boosting the deficit to 4.0% of GDP vs. 3.4% targeted earlier. The rest is said to comprise of effects from recent BNM loans moratorium as well as participation from GLCs.

Oil: The \$3bn that the Department of Energy requested to conduct SPR purchases was not present in the \$2 trillion fiscal stimulus package that Congress unveiled over the weekend. The purchase is temporarily shelved and it may return in the near future as a separate bill from the current fiscal package. Until there is further clarity on this, however, it means oil prices might stay suppressed for longer.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 6-9bps lower, while the belly and the longer tenors traded 9-15bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 261bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 61bps to 1105bps. The HY-IG Index Spread tightened 58bps to 844bps. Flows in SGD corporates were heavy, with flows in UBS 4.85%-PERPs, STANLN 5.375%-PERPs, CS 5.625%-PERPs, SOCGEN 6.125%-PERPs, SPHRSP 4.1%-PERPs, OCBCSP 4%-PERPs, HSBC 4.7%-PERPs, LOGPH 6.125%'21s, UBS 5.875%-PERPs, MAPLSP 4.5%-PERPs and SPHSP 4%-PERPs. 10Y UST Yields fell 17bps to 0.68%, as the number of COVID-19 cases in the U.S. surpassed China and the rest of the world.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.365	-0.99%	USD-SGD	1.4268	-0.31%
USD-JPY	107.940	-1.50%	EUR-SGD	1.5906	0.75%
EUR-USD	1.1141	0.99%	JPY-SGD	1.3218	1.22%
AUD-USD	0.6168	1.73%	GBP-SGD	1.7780	1.81%
GBP-USD	1.2460	2.11%	AUD-SGD	0.8799	1.41%
USD-MYR	4.3370	0.13%	NZD-SGD	0.8611	0.91%
USD-CNY	7.0960	0.30%	CHF-SGD	1.4979	0.81%
USD-IDR	16170	-0.83%	SGD-MYR	3.0293	0.53%
USD-VND	23625	-0.05%	SGD-CNY	4.9579	0.38%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	2.80%	O/N	0.1363	-5.14%
2M	-0.3360	-5.14%	1M	0.9894	-1.83%
3M	-0.3530	-1.83%	2M	1.2564	-0.90%
6M	-0.2810	-0.90%	3M	1.4501	10.76%
9M	-0.1940	10.76%	6M	1.0720	-1.00%
12M	-0.1530	-1.00%	12M	0.9685	-1.48%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
29/04/2020	0.005	0.5	0.001	0.072
10/06/2020	-0.054	-6	-0.014	0.058
29/07/2020	-0.065	-1	-0.016	0.055
16/09/2020	-0.081	-1.6	-0.02	0.051
05/11/2020	-0.051	3	-0.013	0.058
16/12/2020	-0.066	-1.5	-0.016	0.055

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	21.51	-4.8%	Corn (per bushel)	3.4600	-0.8%
Brent (per barrel)	24.93	-5.4%	Soybean (per bushel)	8.815	0.1%
Heating Oil (per gallon)	1.0685	1.7%	Wheat (per bushel)	5.7125	0.4%
Gasoline (per gallon)	0.5737	5.5%	Crude Palm Oil (MYR/MT)	2,487.0	2.8%
Natural Gas (per MMBtu)	1.6340	-0.2%	Rubber (JPY/KG)	140.0	-2.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,791	-0.3%	Gold (per oz)	1,628.2	-0.2%
Nickel (per mt)	11,355	1.3%	Silver (per oz)	14.468	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,636.78	-915.39
S&P	2,541.47	-88.60
Nasdaq	7,502.38	-295.16
Nikkei 225	19,389.43	724.83
STI	2,528.76	41.20
KLCI	1,343.09	15.00
JCI	4,545.57	206.67
Baltic Dry	556.00	-13.00
VIX	65.54	4.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.76 (-0.06)	0.24 (-0.05)
5Y	1.09 (-0.05)	0.39 (-0.13)
10Y	1.37 (-0.04)	0.67 (-0.17)
15Y	1.54 (-0.04)	--
20Y	1.65 (-0.01)	--
30Y	1.64 (--)	1.26 (-0.17)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	12.42	-0.68
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/30/2020 10:00	SK	Department Store Sales YoY	Feb	--	--	2.50%	--
03/30/2020 10:00	SK	Discount Store Sales YoY	Feb	--	--	0.062	--
03/30/2020 15:00	GE	CPI Saxony MoM	Mar	--	--	0.005	--
03/30/2020 16:30	UK	Mortgage Approvals	Feb	68.5k	--	70.9k	--
03/30/2020 16:30	UK	Money Supply M4 MoM	Feb	--	--	0.60%	--
03/30/2020 16:30	UK	M4 Money Supply YoY	Feb	--	--	4.70%	--
03/30/2020 16:30	UK	Net Lending Sec. on Dwellings	Feb	4.0b	--	4.0b	--
03/30/2020 17:00	EC	Consumer Confidence	Mar F	--	--	-11.6	--
03/30/2020 17:00	EC	Economic Confidence	Mar	91.6	--	103.5	--
03/30/2020 20:00	GE	CPI YoY	Mar P	1.30%	--	1.70%	--
03/30/2020 20:00	GE	CPI MoM	Mar P	0.00%	--	0.40%	--
03/30/2020 20:00	GE	CPI EU Harmonized YoY	Mar P	1.30%	--	1.70%	--
03/30/2020 20:00	GE	CPI EU Harmonized MoM	Mar P	0.10%	--	0.60%	--
03/30/2020 22:00	US	Pending Home Sales MoM	Feb	-2.00%	--	5.20%	--
03/30/2020 22:30	US	Dallas Fed Manf. Activity	Mar	-10	--	1.2	--

Source: Bloomberg

Treasury Research & Strategy

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