

Daily Treasury Outlook

30 April 2020

Highlights

Global: Wall Street got a lift after the FOMC pledged to use its “full range of tools” amid the “considerable risks” posed by the Covid-19 pandemic to the medium term as well, and Gilead Sciences also made positive comments about its Covid-19 drug trial for remdesivir. The S&P500 gained 2.66% and VIX fell to 31.23 overnight, while UST bonds ended mixed with the 10-year bond yield trading water around 0.63%. The 3-month LIBOR eased to 0.686636% (lowest since July 2016) while LIBOR-OIS narrowed to 64bps. On the earnings front, Microsoft, Facebook and Tesla saw upbeat sales, but GE took a hit on aviation.

Market watch: Asian markets may attempt to trade with a firm tone today heading into the month-end and long holiday weekend. Investors await the ECB policy meeting where they are likely to add to their stimulus programs. The economic data calendar comprises of China’s official and Caixin PMIs, Japan’s housing starts, Taiwan’s 1Q20 GDP growth, and Thailand’s trade, FX reserves and current account balance. Vietnam, Hong Kong and South Korea markets are closed today.

US: The US economy contracted 4.8% annualised in 1Q20, the most since 4Q08, with consumer spending plunging 7.6%. Pending home sales also plummeted 20.8% mom in its fastest drop since May 2010. Meanwhile, the FOMC noted “weaker demand and significantly lower oil prices are holding down consumer price inflation” and that “disruptions to economic activity here and abroad have significantly affected financial conditions and have impaired the flow of credit to U.S. households and businesses”, and expects to keep its 0-0.25% interest rate until it is confident. Fed chair warned that “economic activity will likely drop at an unprecedented rate” in 2Q20. Separately, the Trump administration is planning Operation Warp Speed to develop and have 100 million doses of Covid-19 vaccine by year-end.

EU: German CPI slowed from 1.3% yoy to 0.8% yoy in April, albeit Economy Minister Altmaier warned of a record recession of -6.3% in 2020 (previously forecast at +1.1%). Meanwhile, Eurozone economic sentiment declined from 94.2 in March to 67 in April, with services leading the way at -35.0 and unemployment expectations spiking from 22.8 to 63.0.

Singapore: The 5G licenses have been awarded to Singtel and Starhub-M1. Meanwhile, DBS’ 1Q20 fell 29% to \$1.17b, in its first quarterly profit decline since 3Q17, amid the Covid-19 and oil price slump which saw a jump in loan-loss provisions. Meanwhile, Fitch placed Singapore banks on rating watch negative due to Covid-19 risks. The overall unemployment rate did not rise as fast as expected from 2.3% in 4Q19 to 2.4% in 1Q20, but still marks the highest since 3Q09 during the Global Financial Crisis (GFC). The resident and citizen unemployment rates also climbed modestly to 3.3% (+0.1% point) and 3.5% (+0.2% points) respectively, with both registering the highest readings since 4Q09 post-GFC period, albeit still substantially below their GFC quarterly peaks of 4.9% in 3Q09. Total employment also fell 19k (excluding Foreign Domestic Workers) in 1Q20, the sharpest drop since 2Q03 (-24k) during SARS.

Key Market Movements		
Equity	Value	% chg
S&P 500	2939.5	2.7%
DJIA	24634	2.2%
Nikkei 225	19771	0.0%
SH Comp	2822.4	0.4%
STI	2574.7	0.5%
Hang Seng	24644	0.3%
KLCI	1380.3	0.6%
Currencies	Value	% chg
DXY	99.565	-0.3%
USDJPY	106.68	-0.2%
EURUSD	1.0873	0.5%
GBPUSD	1.2469	0.3%
USDIDR	15295	-1.0%
USDSGD	1.412	-0.4%
SGDMYR	3.0711	-0.3%
Rates	Value	chg (bp)
3M UST	0.08	-0.76
10Y UST	0.63	1.40
1Y SGS	0.45	0.00
10Y SGS	0.94	-6.01
3M LIBOR	0.76	-8.06
3M SIBOR	0.94	-0.02
3M SOR	0.66	-6.55
Commodities	Value	% chg
Brent	22.54	10.2%
WTI	15.06	22.0%
Gold	1713	0.3%
Silver	15.30	0.9%
Palladium	1950	1.8%
Copper	5261	0.7%
BCOM	59.88	0.4%

Source: Bloomberg

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Major Markets

US: US equity markets rose on Wednesday after Gilead reported positive results from the trials of its remdesivir which boosted risk sentiment. The S&P500 index rose by 2.66%. Markets may continue their upward trend in the short term as momentum gathers due to positive news on the vaccine front. Apple, American Airlines and United Airlines are among the companies to report earnings on Thursday.

China: China's Parliament firmed its date for "two sessions". The National People's Congress will start from 22 May in Beijing. Noting that the meeting will not be in virtual format, meaning thousands of representatives will gather in Beijing physically. This also showed China's confidence in pandemic control. Meanwhile, in the latest politburo meeting, China's top leaders to pledge more supports to Hubei province with a package of stimulus.

Hong Kong: Total loans and advances increased at the fastest pace since August 2018 by 7.3% yoy in March. This was led by strong local loan demand (excluding trade finance) which was boosted by relief measures from the government and HKMA and companies' urgent need of cash. On the flip side, the growth of loans for use outside of HK remained slow at 4.8% yoy as compared to the monthly average of 6.2% yoy in 2H 2019, owing to PBOC's monetary easing. Going forward, as uncertainty about Covid-19 pandemic may continue to cloud business outlook and keep companies under huge cashflow pressure, local loan demand could remain strong in the near term on the back of relief measures. Meanwhile, loan demand from Mainland companies may soften further. We expect total loans to see single-digit growth this year.

Elsewhere, with housing price index falling 1% qoq as of March, the estimated number of Residential Mortgage Loans (RMLs) in negative equity tripled to 384 cases at end-March as compared to end-December 2019 while the aggregate value of RMLs in negative equity grew 144% qoq to HK\$1,867 million. Should housing price continue to decline as expected, the number and aggregate value of RMLs in negative equity will likely increase further and prompt banks to sell the foreclosed property at price lower than its estimated value. This will in turn deepen the housing market correction.

Singapore: The STI added 0.46% to close at 2574.73 yesterday and may trade firmer into the month-end amid the positive overnight cue from Wall Street. SGS bonds may also be supported by month-end positioning. The 3-month SIBOR and SOR declined to 0.88825% and 0.57910% respectively.

Indonesia: BI Governor Perry Warjiyo said that CPI headline inflation is expected to remain tame at 2.78% yoy as of the last week of April, as the partial lockdown weighs on demand. Separately, he added that BI has bought IDR2.3tn of conventional bonds in the government auction on Tuesday, after placing bids for 7.5tn.

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Malaysia: Malaysia reported the highest daily increase in new cases since April 16 yesterday. Out of the 94 new cases reported, 72 have reportedly come back from Indonesia recently. While the government has noted early success in the flattening the curve, it has nonetheless been cautious about lifting the restrictions order wholesale thus far. Still, it is reportedly considering lifting some measures to lessen the economic damage. Trade Minister Azmin Ali said that economic sectors that were considered essential services can now increase their operating capacity to 100%.

Oil: Oil prices climbed yesterday, buoyed by positive drug trials from Gilead on its Covid-19 treatment. US infectious disease expert appeared to have thrown his weight behind the drug, saying it was “quite good news”. WTI rose 22% to \$15.06/bbl while Brent added 10.2% to \$22.54/bbl. Based on its latest holdings, the USO still has 7645 and 8600 contracts for June expiry on Nymex and ICE respectively, which it gas said it plans to fully liquidate by 30 April.

Bond Market Updates

Market Commentary: The SGD swap curve bear-flattened yesterday, with the shorter and the belly tenors trading 6-9bps lower, while the longer tenors traded 8-11bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 259bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 997bps. The HY-IG Index Spread tightened 6bps to 738bps. Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, PINGIN 2.25%'21s, CMZB 4.875%'27s, SOCGEN 6.125%-PERPs, SLHSP 4.5%'25s and UBS 4.85%-PERPs. 10Y UST Yields gained marginally by 1bps by the end of the day to 0.63%, as the Federal Reserve reemphasized its plan to use every tool to rescue the economy hit hard by COVID-19. The Fed left interest rates near zero during the FOMC meeting.

New Issues: Shuifa International Holdingsbvico. Ltd (Guarantor: Shuifa Group Co Ltd) priced a USD350mn 3-year bond at 4.3%, tightening from IPT of 4.6% area. Amber Treasure Ventures Limited (Guarantor: Nan Hai Corporation Limited) priced a USD500mn 2NC1 bond at 3.5%, tightening from IPT of 4% area. SDSC International Development Limited (Guarantor: Shandong Shipping Corporation) priced a USD40mn re-tap of its SDSHIP 5.9%'22s at 5.9%, tightening from IPT of 6.4% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.565	-0.30%	USD-SGD	1.4120	-0.37%
USD-JPY	106.680	-0.18%	EUR-SGD	1.5354	0.13%
EUR-USD	1.0873	0.49%	JPY-SGD	1.3231	-0.23%
AUD-USD	0.6557	1.02%	GBP-SGD	1.7607	-0.01%
GBP-USD	1.2469	0.35%	AUD-SGD	0.9258	0.64%
USD-MYR	4.3457	-0.41%	NZD-SGD	0.8656	0.85%
USD-CNY	7.0768	-0.04%	CHF-SGD	1.4495	-0.27%
USD-IDR	15295	-0.97%	SGD-MYR	3.0711	-0.31%
USD-VND	23309	--	SGD-CNY	5.0099	0.27%

Equity and Commodity

Index	Value	Net change
DJIA	24,633.86	532.31
S&P	2,939.51	76.12
Nasdaq	8,914.71	306.98
Nikkei 225	19,771.19	--
STI	2,574.73	11.78
KLCI	1,380.30	8.10
JCI	4,567.32	37.77
Baltic Dry	655.00	--
VIX	31.23	-2.34

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4320	-0.50%	O/N	0.0508	-0.53%
2M	-0.3360	-0.53%	1M	0.4036	-3.40%
3M	-0.2320	-3.40%	2M	0.7025	-6.10%
6M	-0.1630	-6.10%	3M	0.7601	-8.06%
9M	-0.1940	-8.06%	6M	0.8619	-3.13%
12M	-0.1140	-3.13%	12M	0.9098	-1.54%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.39 (-0.03)	0.20 (-0.01)
5Y	0.55 (-0.05)	0.37 (-0.01)
10Y	0.94 (-0.06)	0.63 (+0.01)
15Y	1.16 (-0.05)	--
20Y	1.30 (-0.06)	--
30Y	1.34 (-0.04)	1.25 (+0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
10/06/2020	0.029	2.9	0.007	0.051
29/07/2020	0.015	-1.4	0.004	0.047
16/09/2020	0.015	0	0.004	0.047
05/11/2020	0.015	0	0.004	0.047
16/12/2020	0.016	0.1	0.004	0.048
27/01/2021	0.005	-1.1	0.001	0.045

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	24.60	-0.38
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.01
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	15.06	22.0%	Corn (per bushel)	3.0450	0.6%
Brent (per barrel)	22.54	10.2%	Soybean (per bushel)	8.318	0.7%
Heating Oil (per gallon)	0.6945	10.1%	Wheat (per bushel)	5.1950	-1.4%
Gasoline (per gallon)	0.7272	9.0%	Crude Palm Oil (MYR/MT)	2,060.0	0.4%
Natural Gas (per MMBtu)	1.8690	4.2%	Rubber (JPY/KG)	139.9	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,261	0.7%	Gold (per oz)	1,713.4	0.3%
Nickel (per mt)	12,315	0.2%	Silver (per oz)	15.296	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/30/2020 07:50	JN	Industrial Production MoM	Mar P	-5.00%	-3.70%	-0.30%	--
04/30/2020 09:00	CH	Manufacturing PMI	Apr	51	--	52	--
04/30/2020 09:45	CH	Caixin China PMI Mfg	Apr	50.5	--	50.1	--
04/30/2020 15:30	TH	BoP Current Account Balance	Mar	\$2408m	--	\$5382m	--
04/30/2020 15:55	GE	Unemployment Change (000's)	Apr	74.5k	--	1.0k	--
04/30/2020 16:00	TA	GDP YoY	1Q P	1.70%	--	3.31%	--
04/30/2020 17:00	EC	GDP SA QoQ	1Q A	-3.80%	--	0.10%	--
04/30/2020 17:00	EC	GDP SA YoY	1Q A	-3.40%	--	1.00%	--
04/30/2020 19:45	EC	ECB Main Refinancing Rate	Apr-30	0.00%	--	0.00%	--
04/30/2020 19:45	EC	ECB Deposit Facility Rate	Apr-30	-0.50%	--	-0.50%	--
04/30/2020 20:30	US	Initial Jobless Claims	Apr-25	3500k	--	4427k	--
04/30/2020 20:30	US	Personal Income	Mar	-1.50%	--	0.60%	--
04/30/2020 20:30	US	Personal Spending	Mar	-5.00%	--	0.20%	--
04/30/2020 20:30	CA	GDP MoM	Feb	0.10%	--	0.10%	--
04/30/2020 21:45	US	MNI Chicago PMI	Apr	37.7	--	47.8	--

Source: Bloomberg

Treasury Research & Strategy

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