

Daily Treasury Outlook

31 January 2020

Highlights

Global: WHO declared the coronavirus crisis a “public health emergency of international concern”. The broadly symbolic change in classification is to allow the global community to help countries with lesser means to combat the contagion. Zooming in on China, the WHO head said that the declaration is not a vote of no confidence in the country’s ability to control the outbreak. It comes at a time when the death toll continued to climb (to 213) and the confirmed cases in China jumping to 9692 from around 7700 the day before. News about the first human-to-human transmission case in the US also brought home the concern about the extent of the potential hit on the global economy.

Overall, the sombre mood prompted early losses in the US equities market overnight, although the major indices did manage to close a tad higher in the end. Shades of safe haven demand could be seen, nonetheless. A rally in 10-year US Treasury brought yield to 1.5% intraday, resulting in the first 3m10y yield curve inversion since October 2019. In terms of data flow, US reported Q4 GDP at 2.1% qoq saar, slight better than expected though in line with Q3’s growth pace. The underlying details were not all that encouraging, however, with consumer spending slowing down to 1.8% from 3.2% in the prior quarter.

Market watch: For the day ahead, market will continue to be watchful of headline news regarding the coronavirus, though to some extent market sentiment would remain supported by China’s PMI numbers. Manufacturing PMI is came out smack at the breakeven level of 50, matching expectation though a tad lower compared to 50.2 the month before. Services side was expected to slow from 53.5 to 53, but has surprised on the upside at 54.1.

China: The World Health Organization declared the outbreak of Wuhan coronavirus as global health emergency due to concerns about potential for the virus to spread to countries with weaker health systems. The WHO also issued seven recommendations and said “there is no reason for measures that unnecessarily interfere with international travel and trade.” Meanwhile, the WHO is also ready to pool resources to support countries with weaker health system. As the label of global health emergency did not automatically trigger any specific response program, the imminent impact is limited. However, we may expect more airlines to reduce or cut their flights to China and more countries to temporarily limit the flows of people with China.

Oil: Brent closed at \$58.29/bbl to record a 2.5% decline yesterday. Yesterday’s closing marks a \$10/bbl decline from Brent’s peak in January of \$68.91/bbl, clocked during the height of the US-Iran tensions at the start of the year.

Key Market Movements

Equity	Value	% chg
S&P 500	3283.7	0.3%
DJIA	28859	0.4%
Nikkei 225	22978	-1.7%
SH Comp	2976.5	0.0%
STI	3170.7	-0.4%
Hang Seng	26449	-2.6%
KLCI	1545.6	-0.3%
Currencies	Value	% chg
DX	97.867	-0.1%
USDJPY	108.96	-0.1%
EURUSD	1.1032	0.2%
GBPUSD	1.3093	0.6%
USDIDR	13657	0.2%
USDSGD	1.3623	0.1%
SGDMYR	3.0008	0.0%
Rates	Value	chg (bp)
3M UST	1.55	1.02
10Y UST	1.59	0.17
1Y SGS	1.51	1.10
10Y SGS	1.59	-2.74
3M LIBOR	1.78	0.76
3M SIBOR	1.73	-0.40
3M SOR	1.52	0.19
Commodities	Value	% chg
Brent	58.29	-2.5%
WTI	52.14	-2.2%
Gold	1574	-0.2%
Silver	17.84	1.6%
Palladium	2299	0.0%
Copper	5588	-0.9%
BCOM	75.14	-0.9%

Source: Bloomberg

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Major Markets

US: US markets rallied after dropping earlier in yesterday's session to close higher. The S&P500 index was up 0.3%. Looking ahead, investors will be assessing the impact of the coronavirus outbreak on China's economy. Key corporate earnings today include oil giants ExxonMobil and Chevron.

Hong Kong: The trade performance of Hong Kong improved in December 2019, amid easing US-China trade war risks and low base effect. The exports reversed the downtrend and grew by 3.3% yoy in December while the decline of imports narrowed to 1.9% yoy during the same period. Moving forward, as the first stage US-China trade deal signed in January 2020 restoring the trade and investment sentiments gradually, in addition to dissipating high base effect, we believe that the overall trade performance of Hong Kong might improve in the coming months. Nevertheless, with the outbreak of Wuhan coronavirus, the trade activities with China might deteriorate significantly, in turns weighing on the overall trade performance of Hong Kong.

Singapore: The STI fell 0.4% yesterday as Asian markets continued their selloff on coronavirus fears. The benchmark equity index is likely to continue facing downward pressure today, although losses may be pared by overnight gains on Wall Street.

Malaysia: Malaysia's travel agents association said it is suspending all outbound travel to Mainland China due to the coronavirus scare, effective 27 Jan. This is said to be in line with China's directive for suspension of all group travel in and out of the afflicted country.

Indonesia: Bank Indonesia's Governor Perry Warjiyo said in an investment forum yesterday that the central bank is stabilising the financial markets over "unprecedented fears" of the global markets due to the virus. He indicated there have been some fund flow reversals including from equities and bonds.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors trading 0-5bps higher while the belly and longer tenors traded 1-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 125bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 17bps to 508bps. The HY-IG Index Spread widened 15bps to 383bps. 10Y UST Yields remain mostly unchanged at 1.59%, which is a three-month low. The World Health Organisation (WHO) has declared the outbreak of the Wuhan coronavirus as a global health emergency.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.867	-0.13%	USD-SGD	1.3623	0.12%
USD-JPY	108.960	-0.06%	EUR-SGD	1.5028	0.31%
EUR-USD	1.1032	0.20%	JPY-SGD	1.2500	0.16%
AUD-USD	0.6722	-0.47%	GBP-SGD	1.7837	0.68%
GBP-USD	1.3093	0.55%	AUD-SGD	0.9155	-0.38%
USD-MYR	4.0895	0.23%	NZD-SGD	0.8836	-0.51%
USD-CNY	6.9426	--	CHF-SGD	1.4049	0.48%
USD-IDR	13657	0.17%	SGD-MYR	3.0008	-0.02%
USD-VND	23180	0.04%	SGD-CNY	5.0800	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4580	0.10%	O/N	1.5296	-0.34%
2M	-0.3360	-0.34%	1M	1.6453	-0.48%
3M	-0.3990	-0.48%	2M	1.7624	-0.16%
6M	-0.3360	-0.16%	3M	1.7771	0.76%
9M	-0.1940	0.76%	6M	1.7793	0.83%
12M	-0.2690	0.83%	12M	1.8471	1.59%

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%	13.90%	0.00%	0.00%	13.90%
29/04/2020	0.00%	26.00%	0.00%	2.00%	24.10%
10/06/2020	0.00%	45.60%	0.50%	7.80%	37.30%
29/07/2020	0.00%	59.50%	2.40%	15.30%	41.60%
16/09/2020	0.00%	72.50%	6.50%	23.80%	41.30%
05/11/2020	0.00%	77.40%	9.60%	26.90%	38.80%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.14	-2.2%	Corn (per bushel)	3.7950	-1.2%
Brent (per barrel)	58.29	-2.5%	Soybean (per bushel)	8.763	-1.9%
Heating Oil (per gallon)	1.6396	-3.8%	Wheat (per bushel)	5.6050	-0.3%
Gasoline (per gallon)	1.4937	-2.4%	Crude Palm Oil (MYR/MT)	2,684.0	-3.4%
Natural Gas (per MMBtu)	1.8290	-2.6%	Rubber (JPY/KG)	160.0	-2.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,588	-0.9%	Gold (per oz)	1,574.3	-0.2%
Nickel (per mt)	12,620	0.6%	Silver (per oz)	17.840	1.6%

Equity and Commodity

Index	Value	Net change
DJIA	28,859.44	124.99
S&P	3,283.66	10.26
Nasdaq	9,298.93	23.77
Nikkei 225	22,977.75	-401.65
STI	3,170.68	-11.89
KLCI	1,545.59	-4.88
JCI	6,057.60	-55.45
Baltic Dry	525.00	--
VIX	15.49	-0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.40 (+0.03)	1.41 (--)
5Y	1.42 (-0.01)	1.41 (--)
10Y	1.59 (-0.03)	1.59 (--)
15Y	1.73 (-0.03)	--
20Y	1.84 (-0.02)	--
30Y	1.99 (-0.02)	2.05 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.70	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.53
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Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/31/2020 07:30	JN	Jobless Rate	Dec	2.30%	2.20%	2.20%	--
01/31/2020 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Jan	0.80%	0.70%	0.80%	--
01/31/2020 07:30	JN	Job-To-Applclicant Ratio	Dec	1.57	1.57	1.57	--
01/31/2020 07:50	JN	Industrial Production MoM	Dec P	0.70%	1.30%	-1.00%	--
01/31/2020 09:00	CH	Manufacturing PMI	Jan	50	--	50.2	--
01/31/2020 15:30	TH	BoP Current Account Balance	Dec	\$3600m	--	\$3375m	--
01/31/2020 15:30	TH	Foreign Reserves	Jan-24	--	--	\$228.6b	--
01/31/2020 17:30	UK	Mortgage Approvals	Dec	65.6k	--	65.0k	--
01/31/2020 18:00	EC	GDP SA QoQ	4Q A	0.20%	--	0.20%	--
01/31/2020 18:00	EC	GDP SA YoY	4Q A	1.10%	--	1.20%	--
01/31/2020 18:00	EC	CPI MoM	Jan P	-0.90%	--	0.30%	--
01/31/2020 18:00	EC	CPI Estimate YoY	Jan	1.40%	--	1.30%	--
01/31/2020 21:30	US	Personal Income	Dec	0.30%	--	0.50%	--
01/31/2020 21:30	US	Personal Spending	Dec	0.30%	--	0.40%	--
01/31/2020 23:00	US	U. of Mich. Sentiment	Jan F	99.1	--	99.1	--

Source: Bloomberg

Treasury Research & Strategy

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