

Daily Treasury Outlook

31 March 2020

Highlights

Global: China's 7-day reverse repo rate cut from 2.4% to 2.2% did not stem the sea of red ink spreading across Asian equities yesterday. Overnight, the S&P500 closed higher by 3.35% led by healthcare stocks. Meanwhile, US president Trump called the price war "crazy" in talks with Russian president Putin and agreed to official talks. Elsewhere, Euro-area finance ministers will meet on 7 April to discuss their policy response, be it deploying the ESM or issuing joint coronabonds. Separately, South Korea is planning an extra budget that will include handouts to families, whilst Germany's Kurzarbeit program allows companies to pay and send workers home.

Market watch: Asian markets may stabilise into the month/quarter-end. Today's economic data releases comprise of China's March PMIs, S'pore's bank loans, UK's 4Q19 GDP growth, Thailand's February trade, HK's retail sales, German unemployment rate, and US' consumer confidence and S&P Corelogic Case-Shiller house price index.

US: President Trump said that a national stay-at-home order is "pretty unlikely". More large retailers are furloughing workers, with Gap joining Macy's, Neman Marcus and Ascena Retail Group. Meanwhile, pending home sales surprised with +2.4%, but the Dallas Fed manufacturing index slumped to a record low of -70.0.

EU: Euro-area economic confidence saw a record drop from 103.4 to 94.5 in March, the lowest since mid-2013. The German government advisers are anticipating a contraction of between 2.8% to 5.4% (potentially the worst recession since 2009).

China: China cut its 7-day reverse repo rate by 20bps to 2.2% on Monday. This is a classic top down approach after China's politburo set the tone last Friday. China has been behind the curve in terms of easing as compared to its global peer. We expect China to ease further albeit at a gradual pace.

Singapore: The NWC recommended that employers to trim non-wage costs before cutting wages, and retrenchments should be the last resort.

Indonesia: President Jokowi has asked officials to take firmer steps to limit the movement of people from the Greater Jakarta area. He added that at least 14000 people have left Jakarta for their hometowns across Java in the past week alone, raising the potential for further virus transmission. Cases continue to rise in Indonesia, to 1400 with 122 deaths. Jakarta accounts for half of the cases and 60% of deaths.

Oil: Brent fell heavily again yesterday, closing 8.7% down to \$22.76/bbl to mark the lowest price in 18 years. US President Donald Trump and Russia President Vladimir Putin reportedly had a call to discuss the slumping oil market, with the former calling the situation "really crazy". It will be difficult to envisage the US and Russia working together on a centralised output plan. What is more possible, however, is the possibility that the US might lift sanctions on Russia's Nord Stream 2 gas pipeline in exchange for reduced output from Russia.

Key Market Movements

Equity	Value	% chg
S&P 500	2626.7	3.4%
DJIA	22327	3.2%
Nikkei 225	19085	-1.6%
SH Comp	2747.2	-0.9%
STI	2416.2	-4.4%
Hang Seng	23175	-1.3%
KLCI	1328.9	-1.1%
Currencies	Value	% chg
DXY	99.181	0.8%
USDJPY	107.76	-0.2%
EURUSD	1.1048	-0.8%
GBPUSD	1.2414	-0.4%
USDIDR	16338	1.0%
USDSGD	1.4248	-0.1%
SGDMYR	3.0369	0.3%
Rates	Value	chg (bp)
3M UST	0.01	4.83
10Y UST	0.73	5.18
1Y SGS	0.85	-5.10
10Y SGS	1.24	-12.75
3M LIBOR	1.45	7.55
3M SIBOR	1.02	0.00
3M SOR	0.91	-1.75
Commodities	Value	% chg
Brent	22.76	-8.7%
WTI	20.09	-6.6%
Gold	1623	-0.3%
Silver	14.05	-2.9%
Palladium	2326	2.7%
Copper	4770	-0.4%
BCOM	62.06	-1.0%

Source: Bloomberg

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Major Markets

US: US markets built on their gains from last week, with the S&P500 index rising 3.35% overnight. We maintain our view that a sustained rally is likely to happen once there are hints of a stabilization in the rate of new confirmed cases in the US.

Macau: Unemployment rate rose to a nearly two-year high of 1.9% during the three-month through February. The labor market slackened on a broad basis. Specifically, the employed population of construction sector decreased by 4.3% mom as construction activities stalled amid covid-19 coronavirus while there have not been much mega projects in the pipeline. Meanwhile, the employed population of hotels, restaurants and similar activities and that of retail sector dropped by 2.15% mom and 0.3% mom respectively as the pandemic has brought inbound tourism to a standstill and disrupted consumption-related activities. In February, visitor arrivals (-95.6% yoy), gaming revenue (-87.8% yoy) and average hotel occupancy rate (down 76.9 percentage points to 15%) all plunged at the fastest pace on record. Going into the coming months, with global lockdowns and China's sharp economic slowdown to hit Macau's gaming, tourism, hotel, catering and retail sectors harder, hiring sentiment is expected to soften further. Overall unemployment rate may move over 2.5% to a level unseen since 2011. If this is the case, it may feed through into local consumption and the housing market.

Singapore: The STI plunged 4.45% to close at 2416.24 yesterday, but may stabilise into the month-end with more upbeat cues from Wall Street overnight and morning gains by Kospi. Despite the late session sell-off in UST bonds overnight, SGS bonds may remain bid into the month/quarter-end.

Malaysia: Malaysia's health authorities said that as many as 91 Covid-19 patients were discharged yesterday, the highest number of recoveries in a day. The news provides some comfort as the country continues its fight against what the PM has termed "invisible" enemy forces. Confirmed cases continued to climb, by 156 yesterday, to 2626.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 18-19bps lower, while the belly and the longer tenors traded 20-22bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 8bps to 269bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 27bps to 1132bps. The HY-IG Index Spread widened 19bps to 863bps. Flows in SGD corporates were heavy, with flows in UBS 5.875%-PERPs, DBSSP 3.98%-PERPs, FPLSP 4.98%-PERPs, MLTSP 3.65%-PERPs, OCBCSP 4%-PERPs, CAPLSP 3.65%-PERPs, SPHRSP 4.1%-PERPs, HSBC 5%-PERPs, SOCGEN 6.125%-PERPs and UBS 4.85%-PERPs. Despite hitting an intraday low of 0.60%, 10Y UST Yields gained 5bps to end the day at 0.73%, as the market focused on positive news regarding the proposed manufacture of vaccines and also took signs from the U.S. stock market rally.

New Issues: Korea Electric Power has sent requests for proposals to banks for its proposed USD green bond. Export-Import Bank of Korea also sent requests for proposals to banks for its proposed USD bond.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.181	0.83%	USD-SGD	1.4248	-0.14%
USD-JPY	107.760	-0.17%	EUR-SGD	1.5736	-1.07%
EUR-USD	1.1048	-0.83%	JPY-SGD	1.3204	-0.11%
AUD-USD	0.6174	0.10%	GBP-SGD	1.7679	-0.57%
GBP-USD	1.2414	-0.37%	AUD-SGD	0.8791	-0.09%
USD-MYR	4.3270	-0.23%	NZD-SGD	0.8517	-1.09%
USD-CNY	7.1003	0.06%	CHF-SGD	1.4856	-0.82%
USD-IDR	16338	1.04%	SGD-MYR	3.0369	0.25%
USD-VND	23637	0.05%	SGD-CNY	4.9851	0.55%

Equity and Commodity

Index	Value	Net change
DJIA	22,327.48	690.70
S&P	2,626.65	85.18
Nasdaq	7,774.15	271.77
Nikkei 225	19,084.97	-304.46
STI	2,416.24	-112.52
KLCI	1,328.88	-14.21
JCI	4,414.50	-131.07
Baltic Dry	556.00	--
VIX	57.08	-8.46

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	-0.50%	O/N	0.1363	-1.36%
2M	-0.3360	-1.36%	1M	0.9894	4.85%
3M	-0.3530	4.85%	2M	1.2564	10.90%
6M	-0.2810	10.90%	3M	1.4501	7.55%
9M	-0.1940	7.55%	6M	1.0720	1.44%
12M	-0.1530	1.44%	12M	0.9685	-0.42%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.72 (-0.04)	0.23 (-0.01)
5Y	0.98 (-0.11)	0.41 (+0.02)
10Y	1.24 (-0.13)	0.73 (+0.05)
15Y	1.43 (-0.12)	--
20Y	1.55 (-0.1)	--
30Y	1.57 (-0.07)	1.34 (+0.07)

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	-0.03	-3.5	-0.007	0.064
29/07/2020	-0.035	-0.5	-0.009	0.063
16/09/2020	-0.03	0.5	-0.007	0.064
05/11/2020	-0.013	1.7	-0.003	0.068
16/12/2020	-0.008	0.4	-0.002	0.069

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	12.00	-0.42
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)	20.09	-6.6%	Corn (per bushel)	3.4125	-1.4%
Brent (per barrel)	22.76	-8.7%	Soybean (per bushel)	8.823	0.1%
Heating Oil (per gallon)	1.0194	-4.6%	Wheat (per bushel)	5.6950	-0.3%
Gasoline (per gallon)	0.5855	2.1%	Crude Palm Oil (MYR/MT)	2,591.0	4.2%
Natural Gas (per MMBtu)	1.6900	3.4%	Rubber (JPY/KG)	134.9	-3.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	4,770	-0.4%	Gold (per oz)	1,622.5	-0.3%
Nickel (per mt)	11,320	-0.3%	Silver (per oz)	14.049	-2.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/31/2020 05:45	NZ	Building Permits MoM	Feb	--	4.70%	-2.00%	-2.80%
03/31/2020 07:00	SK	Industrial Production YoY	Feb	3.40%	11.40%	-2.40%	-2.60%
03/31/2020 07:50	JN	Industrial Production MoM	Feb P	0.00%	0.40%	1.00%	--
03/31/2020 07:30	JN	Jobless Rate	Feb	2.40%	2.40%	2.40%	--
03/31/2020 07:30	JN	Job-To-Applciant Ratio	Feb	1.47	1.45	1.49	--
03/31/2020 08:00	NZ	ANZ Business Confidence	Mar	--	-63.5	-19.4	--
03/31/2020 09:00	CH	Manufacturing PMI	Mar	44.8	--	35.7	--
03/31/2020 14:00	UK	GDP QoQ	4Q F	0.00%	--	0.00%	--
03/31/2020 14:00	UK	GDP YoY	4Q F	1.10%	--	1.10%	--
03/31/2020 15:30	TH	BoP Current Account Balance	Feb	\$4250m	--	\$3444m	--
03/31/2020 16:30	HK	Retail Sales Value YoY	Feb	-40.30%	--	-21.40%	--
03/31/2020 17:00	EC	CPI MoM	Mar P	0.60%	--	0.20%	--
03/31/2020 20:30	CA	GDP MoM	Jan	0.20%	--	0.30%	--
03/31/2020 21:45	US	MNI Chicago PMI	Mar	40	--	49	--
03/31/2020 22:00	US	Conf. Board Consumer Confidence	Mar	110	--	130.7	--

Source: Bloomberg

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