

## Interest Rate Forecasts (Apr)

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### Highlights

1. **A global recession now looks imminent, with the Covid-19 epicentre now shifting to the US and Europe.** Even though major central banks like the US Federal Reserve has essentially pulled out all stops to throw liquidity, especially USD funding, at stemming a systematic economic fallout, and aggressive fiscal stimulus is following up the rear, nevertheless this may not be able to head off more economic pain to come in the second quarter. Other countries have jumped onto the fiscal and monetary bandwagon, but investors already see the credit deterioration, dividend cut back, and bankruptcies coming. This is why global risk sentiments will continue to remain soft in weeks and months ahead. April is already marking a soft start in the second quarter.
2. **The recent global and Asian economic data prints, especially manufacturing PMI, remain mostly grim.** This is despite aggressive fiscal stimulus coming onstream, for instance Singapore's Resilience Budget (equivalent to 11% of GDP with the earlier Unity Budget 2020). The fact remains that a Covid-19 vaccine is still not on the horizon yet, hence monitoring when infections peak remains critical in the interim. The USD funding squeeze, whilst alleviated by the extension of Fed swap lines with various central banks and exempting supplementary leverage ratios for UST bonds holdings and deposits for banks, have not fully dissipated post month/quarter end. Risk premiums may stay elevated amid growing credit differentiation from here on.

## Rates Outlook

2 April 2020

USD Interest Rates	2Q20	3Q20	4Q20	2021	2022
Fed Funds Target Rate	0-0.25%	0-0.25%	0-0.25%	0-0.25%	1-1.25%
1-month LIBOR	0.75%	0.55%	0.50%	0.75%	1.30%
2-month LIBOR	0.80%	0.63%	0.53%	0.80%	1.35%
3-month LIBOR	0.85%	0.70%	0.55%	0.85%	1.40%
6-month LIBOR	0.90%	0.75%	0.60%	0.90%	1.45%
12-month LIBOR	0.95%	0.80%	0.65%	0.95%	1.50%
1-year swap rate	0.60%	0.65%	0.70%	1.00%	1.55%
2-year swap rate	0.55%	0.65%	0.75%	1.05%	1.60%
3-year swap rate	0.45%	0.55%	0.78%	1.10%	1.65%
5-year swap rate	0.50%	0.60%	0.80%	1.00%	1.70%
10-year swap rate	0.65%	0.70%	0.85%	1.10%	1.75%
15-year swap rate	0.70%	0.75%	0.90%	1.15%	1.80%
20-year swap rate	0.80%	0.85%	0.95%	1.20%	1.83%
30-year swap rate	0.85%	0.90%	1.00%	1.25%	1.85%
SGD Interest Rates	2Q20	3Q20	4Q20	2021	2022
1-month SIBOR	0.80%	0.65%	0.50%	1.50%	1.55%
1-month SOR	0.50%	0.55%	0.60%	1.34%	1.40%
3-month SIBOR	0.85%	0.75%	0.70%	1.55%	1.65%
3-month SOR	0.85%	0.80%	0.75%	1.38%	1.45%
6-month SIBOR	1.00%	0.90%	0.80%	1.65%	1.70%
6-month SOR	0.75%	0.80%	0.85%	1.44%	1.52%
12-month SIBOR	1.15%	1.05%	0.95%	1.70%	1.75%
1-year swap rate	0.65%	0.73%	0.80%	0.90%	1.00%
2-year swap rate	0.75%	0.80%	0.85%	0.95%	1.05%
3-year swap rate	0.84%	0.87%	0.90%	1.00%	1.10%
5-year swap rate	1.02%	1.01%	1.00%	1.10%	1.20%
10-year swap rate	1.15%	1.18%	1.20%	1.37%	1.50%
15-year swap rate	1.25%	1.33%	1.40%	1.48%	1.58%
20-year swap rate	1.28%	1.37%	1.45%	1.55%	1.65%
30-year swap rate	1.30%	1.45%	1.50%	1.60%	1.70%

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2 April 2020

MYR forecast	2Q20	3Q20	4Q20	2021	2022
OPR	2.25%	2.00%	2.00%	2.00%	2.25%
1-month KLIBOR	2.45%	2.20%	2.25%	2.35%	2.50%
3-month KLIBOR	2.55%	2.30%	2.35%	2.40%	2.60%
6-month KLIBOR	2.70%	2.45%	2.48%	2.50%	2.80%
12-month KLIBOR	2.75%	2.48%	2.50%	2.65%	2.83%
1-year swap rate	2.35%	2.30%	2.52%	2.70%	2.85%
2-year swap rate	2.30%	2.25%	2.55%	2.75%	2.88%
3-year swap rate	2.33%	2.30%	2.60%	2.80%	2.90%
5-year swap rate	2.65%	2.60%	2.75%	2.85%	2.95%
10-year swap rate	2.75%	2.70%	2.85%	2.95%	3.05%
15-year swap rate	3.00%	3.05%	3.10%	3.15%	3.20%
20-year swap rate	3.15%	3.10%	3.15%	3.25%	3.30%
UST bond yields	2Q20	3Q20	4Q20	2021	2022
2-year UST bond yield	0.24%	0.30%	0.40%	0.90%	1.50%
5-year UST bond yield	0.36%	0.45%	0.55%	1.00%	1.60%
10-year UST bond yield	0.70%	0.73%	0.88%	1.15%	1.80%
30-year UST bond yield	1.25%	1.30%	1.35%	1.40%	2.00%
SGS bond yields	2Q20	3Q20	4Q20	2021	2022
2-year SGS yield	0.70%	0.73%	0.75%	1.00%	1.30%
5-year SGS yield	0.95%	0.98%	1.00%	1.25%	1.60%
10-year SGS yield	1.25%	1.28%	1.30%	1.50%	1.75%
15-year SGS yield	1.45%	1.48%	1.50%	1.75%	1.99%
20-year SGS yield	1.55%	1.58%	1.60%	1.80%	2.03%
30-year SGS yield	1.60%	1.65%	1.70%	1.90%	2.15%
MGS forecast	2Q20	3Q20	4Q20	2021	2022
3-year MGS yield	2.70%	2.60%	2.55%	2.50%	2.60%
5-year MGS yield	2.90%	2.80%	2.65%	2.70%	2.80%
10-year MGS yield	3.20%	3.10%	3.00%	3.10%	3.20%

## Treasury Research & Strategy

### Macro Research

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