

Interest Rate Forecasts (Jun)

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Highlights

1. **Investors have increasingly chosen to focus on the lifting of lockdowns and the hope of a 2H recovery, notwithstanding incoming grim macroeconomic data. Still, we have to watch the ongoing clash of the titans, namely US and China, with Hong Kong caught in the crossfire?** US-China tensions have escalated, first over the Phase 1 trade deal, tech and Huawei disputes, and now China's NPC plans to implement a security law in Hong Kong. US president Trump threatened to withdraw special trading privileges for Hong Kong, but appeared to be sticking to the US-China trade deal for now. Even Trump's announcement he is terminating the relationship with the World Health Organisation did not surprise much.
2. **Whither negative interest rates?** While the Fed still draw the line against negative rates, the ECB and European Commission is embracing further additional stimulus. Japan has gone the full hog with fiscal stimulus now standing at a whopping 40% of GDP, while RBNZ and even the BOE appear to be more receptive to dipping its toes into negative rate territory. The promise of additional fiscal stimulus, monetary policy easing and infinite liquidity injections have contributed to the risk rally since late March, but the upcoming summer with the economic re-openings and potential second Covid-19 waves may be a litmus test, especially with a vaccine still only lurking in the horizon.

Rates Outlook

2 June 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%	0.5-0.75%
1-month LIBOR	0.18%	0.19%	0.20%	0.30%	0.80%
2-month LIBOR	0.27%	0.26%	0.25%	0.35%	0.83%
3-month LIBOR	0.34%	0.32%	0.30%	0.45%	0.85%
6-month LIBOR	0.51%	0.48%	0.45%	0.50%	0.90%
12-month LIBOR	0.67%	0.66%	0.65%	0.75%	0.95%
1-year swap rate	0.29%	0.29%	0.30%	0.80%	1.00%
2-year swap rate	0.25%	0.30%	0.35%	0.85%	1.10%
3-year swap rate	0.27%	0.34%	0.40%	0.90%	1.15%
5-year swap rate	0.35%	0.40%	0.45%	1.00%	1.20%
10-year swap rate	0.65%	0.68%	0.70%	1.10%	1.40%
15-year swap rate	0.83%	0.84%	0.85%	1.15%	1.50%
20-year swap rate	0.93%	0.94%	0.95%	1.20%	1.60%
30-year swap rate	0.97%	0.99%	1.00%	1.25%	1.70%
SGD Interest Rates	2Q20	3Q20	4Q20	2021	2022
1-month SIBOR	0.25%	0.23%	0.22%	0.40%	0.60%
1-month SOR	0.06%	0.03%	0.01%	0.20%	0.30%
3-month SIBOR	0.56%	0.55%	0.45%	0.70%	0.87%
3-month SOR	0.17%	0.13%	0.10%	0.25%	0.35%
6-month SIBOR	0.75%	0.70%	0.65%	0.88%	0.97%
6-month SOR	0.28%	0.20%	0.16%	0.28%	0.40%
12-month SIBOR	1.03%	1.02%	1.00%	1.10%	1.25%
1-year swap rate	0.28%	0.25%	0.20%	0.40%	0.60%
2-year swap rate	0.32%	0.31%	0.30%	0.50%	0.70%
3-year swap rate	0.38%	0.38%	0.37%	0.57%	0.80%
5-year swap rate	0.54%	0.52%	0.50%	0.70%	1.00%
10-year swap rate	0.80%	0.78%	0.75%	0.90%	1.10%
15-year swap rate	0.92%	0.85%	0.78%	0.95%	1.20%
20-year swap rate	0.93%	0.89%	0.85%	1.08%	1.25%
30-year swap rate	0.95%	0.98%	1.00%	1.15%	1.35%

Rates Outlook

2 June 2020

MYR forecast	2Q20	3Q20	4Q20	2021	2022
OPR	2.00%	2.00%	2.00%	2.25%	2.50%
1-month KLIBOR	2.19%	2.20%	2.20%	2.30%	2.65%
3-month KLIBOR	2.29%	2.27%	2.25%	2.35%	2.75%
6-month KLIBOR	2.44%	2.37%	2.30%	2.50%	2.80%
12-month KLIBOR	2.55%	2.45%	2.35%	2.55%	2.85%
1-year swap rate	2.13%	2.12%	2.11%	2.25%	2.50%
2-year swap rate	2.12%	2.11%	2.10%	2.30%	2.55%
3-year swap rate	2.15%	2.14%	2.13%	2.34%	2.63%
5-year swap rate	2.28%	2.27%	2.26%	2.50%	2.75%
10-year swap rate	2.70%	2.70%	2.70%	2.90%	3.05%
15-year swap rate	2.92%	2.91%	2.90%	3.05%	3.20%
20-year swap rate	3.09%	3.05%	3.00%	3.15%	3.30%
UST bond yields	2Q20	3Q20	4Q20	2021	2022
2-year UST bond yield	0.16%	0.20%	0.25%	0.75%	1.00%
5-year UST bond yield	0.31%	0.35%	0.40%	0.95%	1.14%
10-year UST bond yield	0.65%	0.70%	0.75%	1.15%	1.45%
30-year UST bond yield	1.44%	1.47%	1.50%	1.62%	1.75%
SGS bond yields	2Q20	3Q20	4Q20	2021	2022
2-year SGS yield	0.24%	0.23%	0.22%	0.59%	0.86%
5-year SGS yield	0.44%	0.42%	0.41%	0.68%	1.00%
10-year SGS yield	0.82%	0.79%	0.76%	1.00%	1.38%
15-year SGS yield	1.05%	1.10%	1.15%	1.30%	1.45%
20-year SGS yield	1.15%	1.20%	1.25%	1.40%	1.55%
30-year SGS yield	1.25%	1.30%	1.35%	1.50%	1.60%
MGS forecast	2Q20	3Q20	4Q20	2021	2022
3-year MGS yield	2.24%	2.24%	2.25%	2.50%	2.60%
5-year MGS yield	2.46%	2.45%	2.44%	2.75%	2.90%
10-year MGS yield	2.81%	2.79%	2.77%	2.99%	3.20%

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