

Daily Treasury Outlook

2 September 2020

Highlights

Global: Tech shares continue to dominate the US equity landscape, driving the S&P 500 index 0.8% overnight to a new record high of 3526.65. The series of better than expected US ISM manufacturing data last night – manufacturing PMI rose to 56.0 in August from 54.2 in July while new orders rose to 67.6 from 61.5 in the same period – signalled that recovery in the US remains intact despite the recent impasse in further fiscal support from Congress. The Eurozone PMI also stayed in expansion territory at 51.7 for the month of August, while various Asian economies such as Taiwan, Thailand and South Korea also displayed an improvement in manufacturing outlook. Oil and gold climbed, although US Treasury 10Y yields lost 3.6bp.

Market watch: Asian markets are likely to trade on a firmer foot today, following positive cues from Wall Street overnight and the series of improving PMI data globally. Key events to watch today are Australia's Q2 GDP growth, which is expected to have contracted 5.1% yoy, and US ADP employment change (expected: +1mil), which would be a useful indicator to this Friday's all-important US labour market data. Other data to note include Germany's July retail sales; Eurozone's July PPI; and US' factory orders and durable goods orders in July.

CN: Chinese President Xi Jinping called for efforts to deepen China's reform and pursue higher level opening-up to support Chinese economy. Xi highlighted that both short term responses and medium and long run growth should be considered as a whole to build a new development pattern.

SG: Manpower Minister Josephine Teo announced in parliament yesterday that companies which voluntarily adopt progressive wages and provide job progression pathways to lower-income workers will be recognised with a Progressive Wage Model (PWM) mark. This is especially so for industries that are currently not mandated to adopt the PWM, such as food services and retail trade. Minister Teo remarked that "while it may be too risky to mandate PWM in more sectors right away, we can still promote its voluntary adoption by progressive employers that are able to do so." This announcement comes a week after the Ministry of Manpower raised the minimum qualifying salary for E-pass and S-pass holders.

Gold: Gold prices edged higher as the dollar declined, rising 0.1% to \$1970.18/oz. The precious metal rose to as high as \$1992.51/oz during intraday trading yesterday, but ultimately failed to hold onto its gains. We retain our bullish view on gold.

Key Market Movements

Equity	Value	% chg
S&P 500	3526.7	0.8%
DJIA	28646	0.8%
Nikkei 225	23138	0.0%
SH Comp	3410.6	0.4%
STI	2538.6	0.2%
Hang Seng	25185	0.0%
KLCI	1521.4	-0.2%
	Value	% chg
DX	92.338	0.2%
USDJPY	105.96	0.0%
EURUSD	1.1912	-0.2%
GBPUSD	1.3384	0.1%
USIDR	14573	0.1%
USDSGD	1.3614	0.1%
SGDMYR	3.0520	-0.3%
	Value	chg (bp)
3M UST	0.10	0.53
10Y UST	0.67	-3.59
1Y SGS	0.30	0.00
10Y SGS	1.00	-1.20
3M LIBOR	0.24	0.00
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	45.58	0.7%
WTI	42.76	0.4%
Gold	1970	0.1%
Silver	28.11	-0.1%
Palladium	2279	1.5%
Copper	6688	0.3%
BCOM	73.50	0.3%

Source: Bloomberg

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Major Markets

US: US equities closed in the green, led higher once again by Tech shares. The S&P 500 index followed closed 0.75% higher. Positive market sentiment and ample liquidity continues to fuel US markets higher. We retain our bullish view on US equities in the near term.

HK: Retail sales surprised on the upside with the decline narrowing further from 24.8% yoy in June to 23.1% yoy in July, mainly due to low base effect and cash handouts. The better-than-expected data could also be attributed to the strong growth in the sales of commodities in supermarkets (+26.5% yoy), meat (+15% yoy) and fresh fruits and vegetables (+19% yoy) amid increasing preference to stay at home due to virus resurgence. However, sales of other retail outlets continued to drop notably amid stalling tourism and strict containment measures. Going forward, given the low base effect and the expectedly gradual easing of containment measures, the decline of retail sales may keep narrowing. However, as several waves of Covid-19 took a heavy toll on the labor market and the relief measures expire gradually, retail sector may not see any strong recovery. Elsewhere, USDHKD spot kept touching 7.75 amid broad dollar weakness and busy IPO pipeline (Yum China started public offering on 1st Sep). HKMA's HK\$10.85bn intervention so far this week will drive aggregate balance up to HK\$203.9bn. More interventions are expected as there could be a new wave of IPO activities in the coming months.

Macau: Gross gaming revenue dropped by over 90% yoy for the fifth consecutive month by 94.5% yoy to MOP1.33 billion in August. On a positive note, with visa approvals to Macau resumed for the residents of Guangdong and those of the rest of China respectively from late August and late September, we expect gaming revenue to rebound in the coming months. The pent-up traveling demand of Mainlanders, the National Day Holiday effect and the government's promotional campaign could provide impetus for both tourism and gaming sectors as well. However, full recovery is still far off for the two pillar industries amid China's slowdown and softening labor market, conditional access to Macau and its casinos as well as China's tightening grip on overseas money-laundering. In conclusion, we hold onto our view that gaming revenue will drop over 50% yoy this year.

SG: The STI rose 0.2% yesterday to 2538.55 and may see its upward momentum continue today, following the positive grind higher in Wall Street overnight. Resistance and support for the STI are seen at 2585 and 2475 respectively in the near term.

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Malaysia: Malaysia is planning to block citizens from a number of countries with prevalent covid-19 cases from entering the country starting next Monday. The list include India, Indonesia and the Philippines and affect those with residency permits such as students and permanent residents. It is part of measures that continue to be adopted by the authorities to keep cases in check onshore.

Indonesia: President Joko Widodo said that the government may continue to seek the central bank's help in financing its budget deficit through 2022 if necessary, in a press briefing yesterday. He said that the so-called "burden sharing" with BI will be needed, unless growth can reach its 2021 target of 4.5-5.5%. He added that the law allows BI to finance the deficit including through direct bond purchases.

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Bond Market Updates

Market Commentary: The SGD swap curve mostly fell yesterday, with the shorter and belly tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower (with the exception of the 30-year that traded 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 168bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 647bps. The HY-IG Index Spread widened 1bps to 479bps. Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, HSBC 5%-PERPs, OLAMSP 4%'26s, SINTEC 4.1%-PERPs, SOCGEN 6.125%-PERPs, CS 5.625%-PERPs, CMZB 4.2%'28s, FPLSP 4.15%'27s, HSBC 4.7%-PERPs, NTUCSP 3.1%'50s and OHLSP 6.5%'23s. 10Y UST Yields fell 4bps to 0.67% on the back of upbeat US manufacturing data in August that lifted global market sentiments.

New Issues: Industrial & Commercial Bank of China Ltd/Singapore priced a USD800mn 3-year bond at T+90bps, tightening from IPT of T+130bps area and another USD1bn 5-year bond at T+100bps, tightening from IPT of T+140bps area. Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd) priced a USD200mn 2-year bond at 12.2%, tightening from IPT of 12.5% area. Komatsu Finance America Inc. (Guarantor: Komatsu Ltd.), Beijing Infrastructure Investment Co. and First Pacific Company Limited have arranged investor calls commencing 1 September 2020 for their proposed USD bond offerings. BOSCI (BVI) Ltd. has mandated banks for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.338	#DIV/0!	USD-SGD	1.3614	#DIV/0!
USD-JPY	105.960	#DIV/0!	EUR-SGD	1.6216	#DIV/0!
EUR-USD	1.191	#DIV/0!	JPY-SGD	1.2848	#DIV/0!
AUD-USD	0.737	#DIV/0!	GBP-SGD	1.8221	#DIV/0!
GBP-USD	1.338	#DIV/0!	AUD-SGD	1.0036	#DIV/0!
USD-MYR	4.144	#DIV/0!	NZD-SGD	0.9201	#DIV/0!
USD-CNY	6.828	#DIV/0!	CHF-SGD	1.4971	#DIV/0!
USD-IDR	14573	#DIV/0!	SGD-MYR	3.0520	#DIV/0!
USD-VND	23166	#DIV/0!	SGD-CNY	5.0214	#DIV/0!

Equity and Commodity

Index	Value	Net change
DJIA	28,645.66	28645.66
S&P	3,526.65	3526.65
Nasdaq	11,939.67	11939.67
Nikkei 225	23,138.07	23138.07
STI	2,538.55	2538.55
KLCI	1,521.43	1521.43
JCI	5,310.68	5310.68
Baltic Dry	1,488.00	-16.00
VIX	26.12	26.12

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5230	-0.52%	O/N	0.0809	0.08%
2M	-0.3360	-0.34%	1M	0.1568	0.16%
3M	-0.4770	-0.48%	2M	0.1856	0.19%
6M	-0.4440	-0.44%	3M	0.2409	0.25%
9M	-0.1940	-0.20%	6M	0.3099	0.31%
12M	-0.3690	-0.36%	12M	0.4453	0.44%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (+0.22)	0.13(--)
5Y	0.52 (+0.52)	0.25 (+0.25)
10Y	1 (+1)	0.71 (+0.67)
15Y	1.31 (+1.31)	--
20Y	1.42 (+1.42)	--
30Y	1.28 (+1.28)	1.48 (+1.42)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
09/16/2020	-0.084	-8.4	0.072	0.072
11/05/2020	-0.084	0	0.072	0.072
12/16/2020	-0.134	-4.9	0.06	0.06
01/27/2021	-0.164	-3.1	0.052	0.052
03/17/2021	-0.196	-3.1	0.045	0.045

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-0.80	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.07
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	42.76	0.35%	Corn (per bushel)	3.495	0.3%
Brent (per barrel)	45.58	0.66%	Soybean (per bushel)	9.550	0.4%
Heating Oil (per gallon)	123.08	2.90%	Wheat (per bushel)	5.558	2.1%
Gasoline (per gallon)	122.47	-4.03%	Crude Palm Oil (MYR/MT)	28.910	1.6%
Natural Gas (per MMBtu)	2.53	-3.92%	Rubber (JPY/KG)	2.149	7.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6687.50	0.31%	Gold (per oz)	1970.2	0.1%
Nickel (per mt)	15534.00	1.09%	Silver (per oz)	28.1	-0.1%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/02/2020 09:30	AU	GDP SA QoQ	2Q	-6%	--	-0.3%	--
09/02/2020 22:00	US	Durable Goods Orders	Jul F	11.2%	--	11.2%	--
09/02/2020 19:00	US	MBA Mortgage Applications	Aug-28	--	--	-6.5%	--
09/02/2020 14:00	UK	Nationwide House PX MoM	Aug	0.5%	--	1.7%	--
09/02/2020 07:00	SK	CPI YoY	Aug	0.5%	0.7%	0.3%	--
09/02/2020 20:15	US	ADP Employment Change	Aug	1000k	--	167k	--
09/02/2020 14:00	UK	Nationwide House Px NSA YoY	Aug	2.0%	--	1.5%	--
09/02/2020 09:30	AU	GDP YoY	2Q	-5.1%	--	1.4%	--
09/02/2020 22:00	US	Factory Orders	Jul	6.1%	--	6.2%	--
09/02/2020 07:50	JN	Monetary Base YoY	Aug	--	--	9.8%	--
09/01/2020 09:04	PH	BoP Overall	Jul	--	--	\$80m	--
09/02/2020 07:00	SK	CPI MoM	Aug	0.4%	0.6%	0.0%	--
09/02/2020 22:00	US	Durables Ex Transportation	Jul F	2.4%	--	2.4%	--
09/02/2020	SO	Budget Balance YTD	Aug	--	--	-3833m	--
09/02/2020 22:00	US	Cap Goods Orders Nondef Ex Air	Jul F	1.9%	--	1.9%	--
09/02/2020 14:00	GE	Retail Sales MoM	Jul	0.5%	--	-1.6%	-2%

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia
WellianWiranto@ocbc.com

Terence Wu

FX Strategist
TerenceWu@ocbc.com

Howie Lee

Thailand & Commodities
HowieLee@ocbc.com

Carie Li

Hong Kong & Macau
carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau
dicksnyu@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst
ZhiQiSeow@ocbc.com

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