

## Daily Treasury Outlook

8 September 2020

### Highlights

**Global:** US-China tensions are likely to be in the spotlight again after US president Trump warned he would press for further decoupling from China. Trump opined “we’ll manufacture our critical manufacturing supplies in the US...and we’ll impose tariffs on companies that desert America to create jobs in China and other countries” and “prohibit federal contracts from companies that outsource to China” as well as “hold China accountable for allowing the virus to spread around the world”. Meanwhile, China has also retaliated by delaying renewing the press credentials of some journalists working for US media outlets in China. That said, while the US markets were out for holiday yesterday, Euro Stoxx50 added 1.64% overnight, led by automakers, whereas WTI prices extended its retreat below \$40 per barrel.

**Market watch:** Asian markets are likely to open with a modestly firmer tone this morning, but could range trade from there while awaiting further market cues. Today’s economic data calendar comprises of Australia’s NAB business conditions survey for August, Japan’s Eco Watchers survey, Germany’s July trade data, Taiwan’s August CPI, Eurozone’s final 2Q20 GDP growth and US’ NFIB small business optimism index.

**US:** President Trump also touted a Covid-19 vaccine may be ready by October.

**EU:** EU Commission president Ursula von der Leyen has warned UK PM Johnson with tampering with the Brexit divorce deal. Market concerns of a no-deal Brexit had risen in recent days.

**UK:** BOE chief economic Haldane warned that some jobs “may well not be coming back” and “keeping all those jobs on life support is in some ways prolonging the inevitable”. He also noted that the “prevailing narrative is a bit gloomier than I think is justified by the data”.

**SG:** MICE events participation will be trialled to allow up to 250 persons from 1 October. Meanwhile, the latest MAS survey of professional forecasters have shaded down the median 2020 GDP growth forecast from -5.8% to -6.0% yoy, but eyeing a 5.5% yoy rebound in 2021 (please see our report [here](#)).

**Oil:** Brent fell 1.5% on the day to \$42.01/bbl, although it went to as low as \$41.51/bbl. We expect Brent to find support at around the \$41/bbl level.

**Gold:** Gold closed almost unchanged yesterday, declining less than 0.1% to \$1933.64/oz. We expect gold to continue trading at current prices in the near term.

| Key Market Movements |        |          |
|----------------------|--------|----------|
| Equity               | Value  | % chg    |
| S&P 500              | 3427.0 | 0.0%     |
| DJIA                 | 28133  | 0.0%     |
| Nikkei 225           | 23090  | -0.5%    |
| SH Comp              | 3292.6 | -1.9%    |
| STI                  | 2511.2 | 0.1%     |
| Hang Seng            | 24590  | -0.4%    |
| KLCI                 | 1516.4 | 0.0%     |
|                      | Value  | % chg    |
| DXY                  | 92.719 | 0.0%     |
| USDJPY               | 106.27 | 0.0%     |
| EURUSD               | 1.1817 | -0.2%    |
| GBPUSD               | 1.3166 | -0.9%    |
| USDIDR               | 14740  | -0.1%    |
| USDSGD               | 1.3662 | 0.1%     |
| SGDMYR               | 3.0413 | 0.0%     |
|                      | Value  | chg (bp) |
| 3M UST               | 0.10   | 0.00     |
| 10Y UST              | 0.72   | 0.00     |
| 1Y SGS               | 0.30   | 0.10     |
| 10Y SGS              | 0.96   | 1.59     |
| 3M LIBOR             | 0.25   | -0.15    |
| 3M SIBOR             | 0.41   | 0.00     |
| 3M SOR               | 0.18   | 0.00     |
|                      | Value  | % chg    |
| Brent                | 42.01  | -1.5%    |
| WTI                  | 39.77  | 0.0%     |
| Gold                 | 1934   | 0.0%     |
| Silver               | 26.83  | -0.3%    |
| Palladium            | 2304   | 0.4%     |
| Copper               | 6789   | 1.2%     |
| BCOM                 | 72.39  | 0.0%     |

Source: Bloomberg

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### Major Markets

**US:** US markets were closed for holiday yesterday. We expect US equities to trade sideways in the near term as investors wait to see if the recent rout in tech stocks is near the bottom.

**SG:** The STI closed nearly flat (+0.06%) at 2511.21 yesterday and may open firmer this morning, tracking cues from the Kospi index. SGS yields rose by 1-3bps yesterday, and may range trade today as market players are awaiting the MAS announcement for the amount of upcoming SORA-linked floating rate notes. Today, there are the \$6.1b 84-day and \$3.3b 28-day bills auctions.

**CN:** China's export beat market expectation again in August up by 9.5% yoy in dollar term. However, imports fell by 2.1% yoy. As a result of stronger than expected export, China's trade surplus remained strong at US\$58.9 billion in August. The stronger than expected export in August was partially the result of strong demand from the US. China's exports to US reaccelerated to 20% yoy in August, fastest since February 2018. The strong demand was probably due to the frontloading of activities as a result of rising concerns about the US-China tension. This is similar to the episode we saw in the last quarter of 2018 when the trade war escalated. In addition, China's trade with ASEAN remained strong. China's exports to ASEAN rose by 12.9% yoy in August. China's strong exports to ASEAN may be supported by two factors including rising regionalization trend amid de-globalization and supply chain shift as ASEAN continued to benefit from China plus one strategy.

**Taiwan:** The exports and imports picked up by 8.3% yoy and 8.5% yoy respectively in Aug, much better than expected. From the perspective of exports, the trade of those ICT products remained resilient, with the exports of parts of electronic product, information, communication and audio-video products growing up by 19.1% yoy and 21.0% yoy respectively. Meanwhile, the decline of those traditional commodities narrowed. It reflected that the improvement of trade environment is accelerating amid the easing global pandemic and resumption of global economic activities. According to the Ministry of Finance, the exports are expected to grow by 1.5% - 4.5% yoy in Sep while a moderate growth is expected in whole 3Q. It reinforces our views that the exports will improve further in the rest of this year, which may lend some supports to aggregate economic growth. Nevertheless, the development of pandemic remains the major uncertainty.

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**Malaysia:** Malaysia's Finance Minister Tengku Zafrul Aziz said that the government is committed to ensuring that Petronas, the state-owned oil and gas giant, is able to return to profitability, even though it depends on global oil prices. He added that the Q2 loss by Petronas was due to low oil price, but for now things have turned around. It was the first time Petronas has recorded a loss since 2015, giving rise to some doubt about whether it will continue paying dividend to the government by the same amount of MYR24bn as per before. Its CEO said during a press briefing that the payout will depend on the group's "affordability". Any change in the Petronas dividend policy will be significant to fiscal revenue, since it contributes 15-20% of total government revenue.

**Indonesia:** Indonesian Rupiah saw some relative stabilization yesterday, after government officials reiterated their support for central bank independence and clarified the extent and duration of the debt monetization scheme. The issue arose last week as a parliamentary committee submitted a bill that will establish a Monetary Board helmed by Finance Minister to oversee BI and accord voting rights for ministers in BI's MPC. Ultimately, while the government's clarification helps to comfort market, the decision to pass the bill into law or not depends on the parliament.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading 1-4bps higher while the longer tenors traded 4-5bps higher. As the US market was closed on Monday to observe Labour Day, 10Y UST remained unchanged. Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, STANLN 5.375%-PERPs, KREITS 4.98%-PERPs, SPHRSP 4.1%-PERPs and CS 5.625%-PERPs.

**New Issues:** Logos Holdco Pte. (Guarantor: Logos Property Group Ltd.) priced a SGD120mn 3-year bond at 6.0%, tightening from IPT of 6.25% area. RBC Investor Services Trust Singapore Ltd. (in its capacity as trustee of Keppel REIT) priced a SGD150mn PerpNC5 bond at 3.15%, tightening from IPT of 3.50% area. Contemporary Ruiding Development Ltd. (Guarantor: Contemporary Amperex Technology Co.) has arranged investor calls commencing 7 September 2020 for its proposed USD bond offering. The Republic of Korea has arranged investor calls commencing 7 September 2020 for a possible USD bond offering.

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## Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX      | 92.719    | 0.00%    | USD-SGD | 1.3662    | 0.11%    |
| USD-JPY | 106.270   | 0.03%    | EUR-SGD | 1.6144    | -0.07%   |
| EUR-USD | 1.182     | -0.18%   | JPY-SGD | 1.2856    | 0.08%    |
| AUD-USD | 0.728     | -0.07%   | GBP-SGD | 1.7987    | -0.75%   |
| GBP-USD | 1.317     | -0.85%   | AUD-SGD | 0.9941    | 0.03%    |
| USD-MYR | 4.160     | 0.30%    | NZD-SGD | 0.9143    | -0.33%   |
| USD-CNY | 6.831     | -0.18%   | CHF-SGD | 1.4915    | -0.17%   |
| USD-IDR | 14740     | -0.07%   | SGD-MYR | 3.0413    | -0.03%   |
| USD-VND | 23176     | 0.03%    | SGD-CNY | 5.0001    | -0.02%   |

## Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.5170 | -0.51% | O/N   | 0.0816    | 0.08%  |
| 2M    | -0.3360 | -0.34% | 1M    | 0.1543    | 0.16%  |
| 3M    | -0.4830 | -0.48% | 2M    | 0.1849    | 0.20%  |
| 6M    | -0.4510 | -0.46% | 3M    | 0.2480    | 0.25%  |
| 9M    | -0.1940 | -0.20% | 6M    | 0.2921    | 0.29%  |
| 12M   | -0.4010 | -0.39% | 12M   | 0.4210    | 0.43%  |

## Fed Rate Hike Probability

| Meeting    | # of Hikes/Cuts | % Hike/Cut | Implied Rate Change | Implied Rate |
|------------|-----------------|------------|---------------------|--------------|
| 09/16/2020 | -0.084          | -8.4       | 0.077               | 0.077        |
| 11/05/2020 | -0.108          | -2.4       | 0.072               | 0.072        |
| 12/16/2020 | -0.14           | -3.2       | 0.064               | 0.064        |
| 01/27/2021 | -0.184          | -4.4       | 0.052               | 0.052        |
| 03/17/2021 | -0.216          | -3.1       | 0.045               | 0.045        |
| 04/28/2021 | -0.224          | -0.9       | 0.043               | 0.043        |
| 06/16/2021 | -0.234          | -0.9       | 0.04                | 0.04         |
| 07/28/2021 | -0.254          | -2.1       | 0.035               | 0.035        |
| 09/22/2021 | -0.254          | 0          | 0.035               | 0.035        |
| 11/03/2021 | -0.265          | -1.1       | 0.032               | 0.032        |
| 12/15/2021 | -0.273          | -0.7       | 0.03                | 0.03         |
| 01/26/2022 | -0.294          | -2.1       | 0.025               | 0.025        |

## Commodities Futures

| Energy                   | Futures  | % chg  | Soft Commodities        | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel)         | 39.77    | -3.87% | Corn (per bushel)       | 3.473   | 0.8%  |
| Brent (per barrel)       | 42.01    | -1.52% | Soybean (per bushel)    | 9.695   | 0.1%  |
| Heating Oil (per gallon) | 115.15   | -1.39% | Wheat (per bushel)      | 5.398   | -0.6% |
| Gasoline (per gallon)    | 117.72   | -2.30% | Crude Palm Oil (MYR/MT) | 29.000  | -1.1% |
| Natural Gas (per MMBtu)  | 2.59     | 4.06%  | Rubber (JPY/KG)         | 1.980   | -0.5% |
| Base Metals              | Futures  | % chg  | Precious Metals         | Futures | % chg |
| Copper (per mt)          | 6789.00  | 1.18%  | Gold (per oz)           | 1933.6  | 0.0%  |
| Nickel (per mt)          | 15186.00 | -0.70% | Silver (per oz)         | 26.8    | -0.3% |

## Economic Calendar

| Date Time        | Event                           | Survey | Actual   | Prior | Revised |
|------------------|---------------------------------|--------|----------|-------|---------|
| 09/08/2020 07:50 | JN GDP SA QoQ                   | 2Q F   | -8.0%    | --    | -7.8%   |
| 09/08/2020 07:30 | JN Labor Cash Earnings YoY      | Jul    | -1.5%    | -1.3% | -1.7%   |
| 09/08/2020 07:30 | JN Household Spending YoY       | Jul    | -3.7%    | -7.6% | -1.2%   |
| 09/08/2020 07:50 | JN GDP Annualized SA QoQ        | 2Q F   | -28.5%   | --    | -27.8%  |
| 09/08/2020 07:50 | JN BoP Current Account Balance  | Jul    | ¥1901.4b | --    | ¥167.5b |
| 09/08/2020 07:50 | JN GDP Deflator YoY             | 2Q F   | 1.5%     | --    | 1.5%    |
| 09/08/2020 07:50 | JN Trade Balance BoP Basis      | Jul    | ¥182.1b  | --    | -¥77.3b |
| 09/08/2020 07:50 | JN GDP Nominal SA QoQ           | 2Q F   | -7.6%    | --    | -7.4%   |
| 09/08/2020 07:51 | PH Foreign Reserves             | Aug    | --       | --    | \$98.0b |
| 09/08/2020 09:30 | AU NAB Business Confidence      | Aug    | --       | --    | -14     |
| 09/08/2020 09:30 | AU NAB Business Conditions      | Aug    | --       | --    | 0       |
| 09/08/2020 14:00 | GE Trade Balance                | Jul    | 15.9b    | --    | 15.6b   |
| 09/08/2020 14:00 | GE Exports SA MoM               | Jul    | 5.0%     | --    | 14.9%   |
| 09/08/2020 17:00 | EC GDP SA QoQ                   | 2Q F   | -12.1%   | --    | -12.1%  |
| 09/08/2020 17:00 | EC GDP SA YoY                   | 2Q F   | -15%     | --    | -15%    |
| 09/08/2020 18:00 | US NFIB Small Business Optimism | Aug    | 99.0     | --    | 98.8    |

Source: Bloomberg

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