

Daily Treasury Outlook

11 September 2020

Highlights

Global: Tech stock rout continues, pushing the S&P 500 index and the Nasdaq 100 index down 2.8% and 4.1% respectively, with Tesla leading declines (-21%) and VIX up to 31.46. As investor risk appetite wavered, UST bonds rallied with the yield curve bull-flattening and the 10-year yield lower by 4bps to 0.68% despite the IG issuance deluge. USD rose while oil prices slipped with Brent below \$40 per barrel for the first time since June. Meanwhile, prospects for the next US fiscal stimulus remains remote as House Speaker Nancy Pelosi called Senate Majority Leader Mitch McConnell's proposal "fraudulent". Elsewhere, US-China tensions continued to simmer, with US banning imports from three Xinjiang-based companies and plans to add six more firms, while China is said to be planning to sanction US officials who visit Taiwan. President Trump continued to talk about decoupling with China saying the US loses "billions of dollars".

Market watch: Asian markets are likely to open. BOC is likely to keep its policy settings static when it meets today, but probably will stress the need to keep policy accommodative for longer. Today's economic data calendar comprises of China's August CPI and PPI, Thailand's consumer confidence, Japan's August preliminary machine tool orders, S'pore's COE premiums, and US' JOLTS job openings.

US: The NFIB small business optimism index improved from 98.8 in July to 100.2 in August.

EU: Eurozone's 2Q20 GDP growth was revised to -11.8% qoq and -14.7% yoy.

UK: Social gatherings will be capped at six persons amid new restrictions as Covid-19 cases rise in the UK, but with some exceptions for work, weddings and funerals etc.

SG: Temasek Holdings' one-year total shareholder return fell into negative territory and shrank 2.28% for the 12 months ending 31 March 2020 amid the Covid pandemic, and its 29% China exposure has overtaken Singapore's 24% for the first time.

Oil: Crude oil prices took a heavy beating yesterday, with Brent dropping 5.3% in a single session to \$39.78/bbl. This was the first time since mid-June that Brent is trading below \$40/bbl. The decline is part of a broad selloff across risk assets. Crude oil may see further downside in the coming days if market sentiment continues to sour.

Gold: Gold declined less than 0.1% for the second day in a row, ending yesterday's session at \$1932.03/oz. Intraday trading saw gold sink to as low as \$1906.66/oz, but safe haven demand ultimately meant losses on the precious metal were far less than that saw in other risk assets.

Key Market Movements		
Equity	Value	% chg
S&P 500	3331.8	-2.8%
DJIA	27501	-2.2%
Nikkei 225	23274	0.8%
SH Comp	3316.4	0.7%
STI	2504.8	-0.3%
Hang Seng	24624	0.1%
KLCI	1519.3	0.2%
	Value	% chg
DXY	93.445	0.8%
USDJPY	106.03	-0.2%
EURUSD	1.1778	-0.3%
GBPUSD	1.2982	-1.4%
USDIDR	14765	0.2%
USDSGD	1.3708	0.3%
SGDMYR	3.0444	0.1%
	Value	chg (bp)
3M UST	0.11	1.02
10Y UST	0.68	-3.92
1Y SGS	0.29	-1.00
10Y SGS	0.95	-1.58
3M LIBOR	0.24	-0.63
3M SIBOR	0.41	0.00
3M SOR	0.17	0.00
	Value	% chg
Brent	39.78	-5.3%
WTI	36.76	-7.6%
Gold	1932	-0.1%
Silver	26.67	-0.6%
Palladium	2289	-0.6%
Copper	6668	-1.8%
BCOM	71.40	-1.4%

Source: Bloomberg

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Major Markets

US: US equities slid further as the tech rout continues. The S&P 500 closed 2.8% lower and the Nasdaq 100 Composite index declined 4.8%. Renewed focus on the US-China tensions is likely to weigh on market sentiments. Risk sentiments has turned increasingly sour and that is likely to weigh on equity markets at the moment.

Taiwan: CPI declined by 0.33% yoy in Aug. Specifically, the price of fuels and lubricants dropped by 15.03% yoy as international oil prices decreased compared to previous year. The price of vegetables edged lower by 8.52 % yoy amid the high base effect driven by typhoon last year. Meanwhile, affected by global pandemic, the price of entertainment expenses fell by 2.92% yoy. Moving forward, we expect that inflation may return to positive territory gradually in the rest of this year, as "Triple Stimulus Voucher" plan and stimulus measures may help to boost consumption. Nevertheless, given the uncertain economic outlook and labor market, it is unlikely to see sharp price adjustments in the near term.

HK: The government further eased the containment measures given the receding local pandemic. Specifically, the size of public gatherings and the maximum number of diners at each table will be increased to 4 from 2. Meanwhile, more businesses including all sports venues and game centers will be allowed to re-open. The easing of measures will take effect from 11th September. The government hinted that convention centers and theme parks may be exempted from social distancing measures next Friday, if conditions allow. This will pave way for a gradual recovery in local consumption and the economy.

SG: The STI retreated 0.25% to close at 2504.76 yesterday and may flirt with the 2500 handle today given weak leads from Wall Street overnight. SGS bonds are likely to see a flight to quality today amid the retreating risk sentiments.

Malaysia: The soft US market sentiment may present a challenging day ahead for Malaysian assets. The backdrop of declining oil prices may become a narrative for taking profits as well given Malaysia's net oil exporter status. This may be particularly so given the lack of major news flow or data ahead of Bank Negara's MPC decision tomorrow, whereby we continue to see a case for 25bps rate cut on balance.

Indonesia: Indonesia's government sold IDR22tn worth of conventional bonds in an auction yesterday, exceeding its target of 20tn. The ministry of finance received IDR52.3tn worth of incoming bids. Foreign investors are said to have accounted for 10.57% of total incoming bids and rewarded 8.38% of the total awarded bids.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with the shorter tenors trading 1-2bps lower while the belly and longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 166bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 654bps. The HY-IG Index Spread widened 6bps to 487bps. Flows in SGD corporates were heavy, with flows in LOGOHC 6%'23s, HSBC 5%-PERPs, OLAMSP 4%'26s, STANLN 4.4%'26s, HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, CMZB 4.875%'27s, WINGTA 4.35%-PERPs, CMZB 4.2%'28s, UBS 4.85%-PERPs and UOBSP 4%-PERPs. 10Y UST Yields fell 4bps to 0.68%, as the decline in the US stock market boosted demand for safe haven US treasuries before the sale of USD35bn 10-year notes on Wednesday.

New Issues: United Overseas Bank Ltd priced a USD600mn 10.5NC5.5 Tier 2 at T+152bps, tightening from IPT of T+195bps area. BOC Aviation Ltd priced a USD750mn 10-year bond at T+197.5bps, tightening from IPT of T+240bps area. Housing & Development Board priced a SGD800mn 5-year bond at 0.69%. Transurban Group, Linyi City Construction Investment Group Co., Ltd., Nissan Motor Co., Ltd. and ENN Energy Holdings Ltd. have arranged investor calls commencing 8 September 2020 for their proposed USD bond offerings respectively.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.445	0.78%	USD-SGD	1.3708	0.34%
USD-JPY	106.030	-0.23%	EUR-SGD	1.6145	0.01%
EUR-USD	1.178	-0.33%	JPY-SGD	1.2928	0.56%
AUD-USD	0.721	-0.87%	GBP-SGD	1.7796	-1.06%
GBP-USD	1.298	-1.40%	AUD-SGD	0.9890	-0.51%
USD-MYR	4.168	0.19%	NZD-SGD	0.9073	-0.77%
USD-CNY	6.846	0.23%	CHF-SGD	1.4935	0.13%
USD-IDR	14765	0.17%	SGD-MYR	3.0444	0.10%
USD-VND	23167	-0.04%	SGD-CNY	4.9991	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5130	-0.52%	O/N	0.0816	0.08%
2M	-0.3360	-0.34%	1M	0.1556	0.15%
3M	-0.4870	-0.48%	2M	0.1833	0.18%
6M	-0.4590	-0.45%	3M	0.2418	0.25%
9M	-0.1940	-0.20%	6M	0.2933	0.29%
12M	-0.4010	-0.40%	12M	0.4210	0.42%

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	-0.151	-4.3	0.061	0.061
01/27/2021	-0.184	-3.3	0.052	0.052
03/17/2021	-0.22	-3.6	0.043	0.043
04/28/2021	-0.244	-2.4	0.038	0.038
06/16/2021	-0.243	0.1	0.038	0.038
07/28/2021	-0.264	-2.1	0.032	0.032
09/22/2021	-0.293	-2.9	0.025	0.025
11/03/2021	-0.284	0.9	0.027	0.027
12/15/2021	-0.313	-2.9	0.02	0.02
01/26/2022	-0.334	-2.1	0.015	0.015

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	36.76	-7.57%	Corn (per bushel)	3.510	1.1%
Brent (per barrel)	39.78	-5.31%	Soybean (per bushel)	9.730	0.4%
Heating Oil (per gallon)	107.68	-6.49%	Wheat (per bushel)	5.333	-1.2%
Gasoline (per gallon)	110.28	-6.32%	Crude Palm Oil (MYR/MT)	29.480	1.7%
Natural Gas (per MMBtu)	2.40	-7.26%	Rubber (JPY/KG)	2.000	1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6668.00	-1.78%	Gold (per oz)	1932.0	-0.1%
Nickel (per mt)	14888.00	-1.96%	Silver (per oz)	26.7	-0.6%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/09/2020 07:00	SK Unemployment rate SA	Aug 4.2%	3.2%	4.2%	--
09/09/2020 07:50	JN Money Stock M2 YoY	Aug 8.1%	--	7.9%	--
09/09/2020 07:50	JN Money Stock M3 YoY	Aug 6.7%	--	6.5%	--
09/09/2020 08:30	AU Westpac Consumer Conf SA MoM	Sep --	--	-9.5%	--
09/09/2020 08:30	AU Westpac Consumer Conf Index	Sep --	--	79.5	--
09/09/2020 08:31	PH Foreign Reserves	Aug --	--	\$98.0b	\$98.6b
09/09/2020 09:00	NZ ANZ Business Confidence	Sep P --	--	-41.8	--
09/09/2020 09:30	CH CPI YoY	Aug 2.4%	--	2.7%	--
09/09/2020 09:30	CH PPI YoY	Aug -1.9%	--	-2.4%	--
09/09/2020 11:30	TH Consumer Confidence Economic	Aug --	--	42.6	--
09/09/2020 14:00	JN Machine Tool Orders YoY	Aug P --	--	-31.1%	--
09/09/2020 16:00	SI Automobile COE Open Bid Cat A	40057 --	--	35710	--
09/09/2020 16:00	SI Automobile COE Open Bid Cat B	40057 --	--	38802	--
09/09/2020 19:00	US MBA Mortgage Applications	38231 --	--	-2.0%	--
09/09/2020 20:15	CA Housing Starts	Aug 217.5k	--	245.6k	--
09/09/2020 22:00	CA Bank of Canada Rate Decision	Sep-09 0.25%	--	0.25%	--

Source: Bloomberg

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