

Daily Treasury Outlook

15 September 2020

Highlights

Global: An overnight rebound in Wall Street was partly attributed to the M&A activities including Oracle's successful bid for US operations of TikTok and Gilead Sciences Inc's purchase of Immunomedics Inc, as well as positive news about vaccine progress. The S&P500 added 1.27% overnight, with VIX easing further to 25.85. Meanwhile UST bonds were little changed, with the 10-year yield at 0.67%, amid good demand for the \$105b 3- and 6-month bill auctions. The 3-month LIBOR eased to 0.2373% (lowest since late August). Over in Japan, Yoshihide Suga was voted in as expected as the new LDP leader yesterday and is touting himself as a reformer, while market speculation now turns to when a snap election may be called. Separately, OPEC warned that oil demand may fall by 9.5m barrels a day due to the Covid pandemic, down 9.5% yoy from last year, and face a more tepid recovery next year. New Zealand PM Ardern also agreed to shift the alert outside Auckland from level 1 to 2 on 21 September while extending curbs for another week.

Market watch: Asian markets may open on a firmer tone this morning, while awaiting China's industrial production and retail sales data and Australia's RBA minutes. Today's economic data calendar comprises Indonesian trade data, UK's jobless claims and ILO unemployment rate, German/Eurozone's ZEW survey, US' industrial production, Empire manufacturing index and import prices, and India's August trade data. ECB's Panetta is also speaking.

US: The New York Fed's consumer expectations survey pointed to a continued decline in pessimism about household financial situation with higher inflation tipped for 1- and 3-years out at 3%.

UK: The controversial Internal Market Bill was passed in the House of Commons by a 340-263 vote and will go to the next stage in the parliamentary process.

SG: Total employment excluding FDW fell by a record 129.1k in 1H20, while retrenchments surged to 11.35k, and also contributed to the unprecedented high number of employees (another 81,720 in 2Q20) placed on short work-week or temporary layoff. There were fewer job vacancies at 42.4k in June 2020 (-8.4% from a quarter ago), consequently pushing the seasonally adjusted ratio of job vacancies to unemployed persons to 0.57 in June 2020, albeit this is above the past recession lows. Average weekly total paid hours of work fell 1.0 hour to 43.4 hours in June. MOM also noted that unemployment rates on a monthly basis continued to increase from June in July 2020. Our house view is for the headline unemployment to rise further to 3.5% in 2H20. See report [here](#).

Key Market Movements

| Equity | Value | % chg |
|------------|--------|----------|
| S&P 500 | 3383.5 | 1.3% |
| DJIA | 27993 | 1.2% |
| Nikkei 225 | 23559 | 0.7% |
| SH Comp | 3278.8 | 0.6% |
| STI | 2482.6 | -0.3% |
| Hang Seng | 24640 | 0.6% |
| KLCI | 1511.4 | 0.4% |
| | Value | % chg |
| DXY | 93.052 | -0.3% |
| USDJPY | 105.73 | -0.4% |
| EURUSD | 1.1866 | 0.2% |
| GBPUSD | 1.2846 | 0.4% |
| USDIDR | 14880 | -0.1% |
| USDSGD | 1.3644 | -0.2% |
| SGDMYR | 3.0325 | -0.2% |
| | Value | chg (bp) |
| 3M UST | 0.10 | -0.51 |
| 10Y UST | 0.67 | 0.65 |
| 1Y SGS | 0.29 | -0.10 |
| 10Y SGS | 0.91 | -1.29 |
| 3M LIBOR | 0.25 | 0.13 |
| 3M SIBOR | 0.41 | 0.00 |
| 3M SOR | 0.20 | 0.00 |
| | Value | % chg |
| Brent | 39.61 | -0.6% |
| WTI | 37.26 | -0.2% |
| Gold | 1957 | 0.8% |
| Silver | 27.12 | 1.5% |
| Palladium | 2313 | -0.5% |
| Copper | 6796 | 0.8% |
| BCOM | 71.75 | 0.3% |

Source: Bloomberg

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Major Markets

US: US equities closed in the green as market sentiment was elevated by a deluge of M&A deals. The S&P 500 index rose 1.3% and the Nasdaq 100 Composite index closed 1.9% higher. We maintain it is too early to call an end to the tech selloff. The FOMC meeting this week will be keenly watched.

CN: During China-German-EU leaders virtual meeting, both leaders reiterated their commitment to speeding up the negotiations of the China-EU bilateral investment treaty to finalize by end of the year. Meanwhile, both sides also announced to establish a high level Environment and Climate Dialogue as well as digital dialogue and partnerships.

SG: The STI declined 0.30% to close at 2482.55 yesterday but may open firmer this morning, taking the direction from Wall Street's overnight rally and morning gains from the Kospi. Meanwhile, SGS bonds may range trade today after yields rallied by 1-2bps yesterday led by the longer dated bonds. There is an upcoming 20-year SGS bond re-opening on 28 September, with the size announcement on 21 September.

Malaysia: With the absence of major data or event risk onshore today, Malaysian assets are likely to find cues from the overnight rebound by the US equity market overnight. Malaysia may also take cues from the regional markets that are on the lookout for China's industrial production data for the month of August, as well, with market expecting an uptick to 5.1% from 4.8% yoy before.

Indonesia: Indonesia is due to report its trade data for the month of August today. Trade balance is expected to stay in surplus, albeit at a smaller amount of around USD2.2bn compared to 3.3bn of the month before. Exports would likely to remain in contractionary territory at -7.7% yoy growth, although better than the -9.9% printed for July. Meanwhile, imports are expected to shrink by 22.6% compared to 32.6% before.

Oil: OPEC cut its demand forecast for the next six quarters by 768kbpd and increased production estimates from non-OPEC suppliers by 394kbpd. Brent fell 0.6% to \$39.61/bbl.

Gold: Gold rose 0.8% to end yesterday at \$1956.86/oz, closing above the \$1950/oz level for the first time since the start of September.

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Bond Market Updates

Market Commentary: The SGD swap curve fell yesterday, with the shorter and belly tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 169bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS remained mostly unchanged at 678bps. The HY-IG Index Spread remained mostly unchanged at 509bps. Flows in SGD corporates were heavy, with flows in HSBC 5%-PERPs, NTUCSP 3.1%'50s, OLAMSP 4%'26s, WINGTA 4.35%-PERPs, CATHAY 3.375%'23s, SIASP 3.13%'27s, GSHSP 5.2%'22s and STANLN 5.375%-PERPs. 10Y UST Yields gained 1bps to 0.67%, as markets awaited FOMC meeting on Wed and further Treasury debt issuance this week.

New Issues: The Export-Import Bank of Korea priced a USD400mn 5-year bond at T+50bps, tightening from IPT of T+95bps area. CNAC HK Finbridge Co Ltd (Guarantor: China National Chemical Corp Ltd) priced a USD600mn PerpNC3 at 3.35%, tightening from IPT of 3.7% area. CNAC HK Finbridge Co Ltd priced a USD600mn 5-year bond at T+185bps, tightening from IPT of T+235bps area, a USD1bn 10-year bond at T+235bps, tightening from IPT of T+275bps area and another USD200mn 30-year bond at 3.7%, tightening from IPT of 4.15% area respectively. Wanda Group Overseas Ltd (Guarantor: Dalian Wanda Group Co Ltd) priced a USD200mn 2.5-year bond at 9%, tightening from IPT of 9.25% area. Bank of China Ltd/Paris priced a USD500mn 3-year bond at T+90bps, tightening from IPT of T+90-93bps. Korea Development Bank priced a USD200mn 1.5-year bond at O/N SOFR+55bps. Logan Group Co Ltd priced a USD100mn 4NC3 bond at 4.25%. Capitaland Treasury Ltd. (Guarantor: Capitaland Ltd.) priced a SGD800mn 12-year bond at 2.9%, tightening from IPT of 3.125% area. Marubeni Corp. has arranged investor calls commencing 14 September for its proposed USD bond offering. AVIC International Finance & Investment Limited (Guarantor: AVIC International Holding Corporation) has arranged investor calls commencing 14 September for its proposed USD bond offering. Industrial and Commercial Bank of China Ltd. has arranged investor calls commencing 14 September for its proposed USD AT1 Perp. Henan Water Conservancy Investment Group Co. has arranged investor calls commencing 14 September for its proposed USD bond offering. China Three Gorges Corporation has arranged investor calls commencing 14 September for its proposed USD bond offering.

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Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX | 93.052 | -0.30% | USD-SGD | 1.3644 | -0.25% |
| USD-JPY | 105.730 | -0.41% | EUR-SGD | 1.6190 | -0.10% |
| EUR-USD | 1.187 | 0.17% | JPY-SGD | 1.2904 | 0.11% |
| AUD-USD | 0.729 | 0.05% | GBP-SGD | 1.7528 | 0.14% |
| GBP-USD | 1.285 | 0.39% | AUD-SGD | 0.9944 | -0.23% |
| USD-MYR | 4.145 | -0.17% | NZD-SGD | 0.9142 | 0.22% |
| USD-CNY | 6.811 | -0.35% | CHF-SGD | 1.5019 | -0.23% |
| USD-IDR | 14880 | -0.07% | SGD-MYR | 3.0325 | -0.22% |
| USD-VND | 23166 | 0.00% | SGD-CNY | 4.9962 | -0.01% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | #N/A | #N/A | O/N | #N/A | #N/A |
| 2M | #N/A | #N/A | 1M | #N/A | #N/A |
| 3M | #N/A | #N/A | 2M | #N/A | #N/A |
| 6M | #N/A | #N/A | 3M | #N/A | #N/A |
| 9M | #N/A | #N/A | 6M | #N/A | #N/A |
| 12M | #N/A | #N/A | 12M | #N/A | #N/A |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | % Hike/Cut | Implied Rate Change | Implied Rate |
|------------|-----------------|------------|---------------------|--------------|
| 09/16/2020 | -0.066 | -6.6 | 0.082 | 0.082 |
| 11/05/2020 | -0.09 | -2.4 | 0.076 | 0.076 |
| 12/16/2020 | -0.131 | -4.2 | 0.066 | 0.066 |
| 01/27/2021 | -0.186 | -5.4 | 0.052 | 0.052 |
| 03/17/2021 | -0.226 | -4.1 | 0.042 | 0.042 |
| 04/28/2021 | -0.266 | -3.9 | 0.032 | 0.032 |
| 06/16/2021 | -0.275 | -0.9 | 0.03 | 0.03 |
| 07/28/2021 | -0.306 | -3.1 | 0.023 | 0.023 |
| 09/22/2021 | -0.334 | -2.9 | 0.015 | 0.015 |
| 11/03/2021 | -0.326 | 0.9 | 0.018 | 0.018 |
| 12/15/2021 | -0.348 | -2.3 | 0.012 | 0.012 |
| 01/26/2022 | -0.376 | -2.7 | 0.005 | 0.005 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 37.26 | -0.19% | Corn (per bushel) | 3.575 | -2.1% |
| Brent (per barrel) | 39.61 | -0.55% | Soybean (per bushel) | 10.193 | 1.4% |
| Heating Oil (per gallon) | 109.34 | 0.35% | Wheat (per bushel) | 5.485 | 2.8% |
| Gasoline (per gallon) | 110.68 | 1.09% | Crude Palm Oil (MYR/MT) | 29.420 | 2.2% |
| Natural Gas (per MMBtu) | 2.31 | 1.81% | Rubber (JPY/KG) | 1.948 | -1.9% |

Base Metals

| | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|----------|-------|-----------------|---------|-------|
| Copper (per mt) | 6796.00 | 0.85% | Gold (per oz) | 1956.9 | 0.8% |
| Nickel (per mt) | 15274.00 | 1.19% | Silver (per oz) | 27.1 | 1.5% |

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|-------------------------------|-------|--------|--------|--------|---------|
| 09/15/2020 10:00 | CH | Industrial Production YoY | Aug | 5.1% | -- | 4.8% | -- |
| 09/15/2020 10:00 | CH | Retail Sales YoY | Aug | 0.0% | -- | -1.1% | -- |
| 09/15/2020 10:00 | CH | Industrial Production YTD YoY | Aug | 0.2% | -- | -0.4% | -- |
| 09/15/2020 12:00 | ID | Exports YoY | Aug | -7.72% | -- | -9.90% | -- |
| 09/15/2020 14:00 | UK | Jobless Claims Change | Aug | -- | -- | 94.4k | -- |
| 09/15/2020 14:00 | UK | ILO Unemployment Rate 3Mths | Jul | 4.1% | -- | 3.9% | -- |
| 09/15/2020 14:00 | UK | Claimant Count Rate | Aug | -- | -- | 7.5% | -- |
| 09/15/2020 14:45 | FR | CPI YoY | Aug F | 0.2% | -- | 0.2% | -- |
| 09/15/2020 14:45 | FR | CPI EU Harmonized YoY | Aug F | 0.2% | -- | 0.2% | -- |
| 09/15/2020 14:45 | FR | CPI MoM | Aug F | -0.1% | -- | -0.1% | -- |
| 09/15/2020 17:00 | GE | ZEW Survey Current Situation | Sep | -72.0 | -- | -81.3 | -- |
| 09/15/2020 17:00 | GE | ZEW Survey Expectations | Sep | 69.5 | -- | 71.5 | -- |
| 09/15/2020 20:30 | US | Empire Manufacturing | Sep | 6.8 | -- | 3.7 | -- |
| 09/15/2020 20:30 | US | Import Price Index MoM | Aug | 0.5% | -- | 0.7% | -- |
| 09/15/2020 20:30 | CA | Manufacturing Sales MoM | Jul | 9.0% | -- | 20.7% | -- |
| 09/15/2020 21:15 | US | Industrial Production MoM | Aug | 1.0% | -- | 3.0% | -- |

Source: Bloomberg

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