

## Daily Treasury Outlook

19 October 2020

### Highlights

**Global:** With House Speaker Nancy Pelosi's Tuesday deadline for fiscal stimulus talks, market hopes are running higher for a pre-election deal.

The S&P 500 rose 0.47% on Friday, led by late-trading gains in software, healthcare and pharma stocks, while the VIX rose to 27.41. UST bonds pared losses with the 10-year yield at 0.74%. The 3-month LIBOR stood at 0.2184%. Meanwhile, UK's sovereign credit rating was downgraded by Moody's by one notch to Aa3 with a negative outlook from Aa2 with a stable outlook, citing an erosion in economic, fiscal and institutional strength and governance (versus Fitch's AA- and S&P's AA rating), even as PM Johnson's Internal Market Bill is likely to face dissension in the House of Lords to drop the controversial parts. Separately, New Zealand PM Arden has won the elections with 49% of the vote and about 64 of the 120 seats (the first outright majority in parliament since 1996). Elsewhere, Pfizer signalled it could be ready to apply for emergency-use authorization of its Covid-19 vaccine by November.

**Market watch:** Asian markets are likely to open on a hopeful tone this morning due to heightened hopes of a push for a US fiscal stimulus deal, while awaiting for China's 3Q20 GDP growth data due later today. Today's economic data calendar also comprises of China's September industrial production, retail sales and FAI, and US' NAHB housing market index. OPEC+ is also meeting and may signal intentions to delay raising output in 2021. Fed's Powell, Clarida, Williams, Kashkari, Bostic and Harker, as well as ECB's Lagarde, Mersch, and BOE's Lane, Broadbent and Cunliffe are speaking today. For the week ahead, watch for the RBA minutes tomorrow, and the final presidential debate on Thursday.

**US:** Retail sales rose for the fifth straight month by more than expected 1.9% mom, suggesting that consumers remained upbeat in the run up to the Christmas season. However, the US budget deficit has tripled to a record \$3.1tn in FY2020, equivalent to 16.1% of GDP (largest since 1945). Meanwhile, analysts tip 3Q earnings to decline 18% yoy, which is an improvement from the 25% fall in 2Q20.

**SG:** There is a new 5-year SGS bond auction, with issue size details due on 21 October for auction on 28 October. This is the last scheduled SGS bond auction for 2020.

**Malaysia:** UMNO vice president, Datuk Seri Mohamed Khaled Nordin said that holding a general election now should be the "last option" for UMNO due to the pandemic outbreak. He said that the party's priority is to form a government that could manage the country during the crisis, adding that the final decision was in the hands of PM Muhyiddin Yassin because he knew what UMNO wanted and what the party was capable of doing. The comment came as UMNO had reportedly threatened to withdraw its support from the PM Muhyiddin's government last week.

### Key Market Movements

Equity	Value	% chg
S&P 500	3483.8	0.0%
DJIA	28606	0.4%
Nikkei 225	23411	-0.4%
SH Comp	3336.4	0.1%
STI	2533.0	0.4%
Hang Seng	24387	0.9%
KLCI	1503.8	-0.7%
	Value	% chg
DXY	93.682	-0.2%
USDJPY	105.4	0.0%
EURUSD	1.1718	0.1%
GBPUSD	1.2915	0.0%
USDIDR	14698	0.1%
USDSGD	1.3582	-0.1%
SGDMYR	3.0530	0.0%
	Value	chg (bp)
3M UST	0.09	-0.25
10Y UST	0.75	1.34
1Y SGS	0.28	-0.10
10Y SGS	0.88	0.34
3M LIBOR	0.22	-1.24
3M SIBOR	0.41	0.00
3M SOR	0.17	0.26
	Value	% chg
Brent	42.93	-0.5%
WTI	40.88	-0.2%
Gold	1899	-0.5%
Silver	24.16	-0.6%
Palladium	2335	-1.1%
Copper	6740	-0.1%
BCOM	73.38	-0.1%

Source: Bloomberg

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### Major Markets

**US:** US equities closed nearly flat last Friday, paring back gains despite a stronger than expected retail sales and positive vaccine news. The S&P 500 index was static while the Nasdaq 100 Composite index fell 0.4%. Fiscal stimulus talks are likely to continue to remain as one of the key drivers of market sentiment ahead of the final presidential debate this Thursday.

**CN:** China unveiled 40 measures to facilitate further reform in Shenzhen including 14 measures for market based allocation of production factors, 7 measures for improving business environment, 6 measures for technology innovation, 7 measures for opening, 3 measures for public service and 3 measures for city management. Over half of the new measures will require the revision of existing legal framework according to China's economic planners. This shows the depth of the reform. On Covid-19, Qingdao found no new cases after completing test for 11 million residents. This will alleviate the concern about the possible spillover from Qingdao cluster which was complicated by people movement during the golden week holiday.

**SG:** The STI added 0.37% to close at 2533.02 on Friday and may extend gains today amid positive noises on US fiscal stimulus talks and morning gains in Kospi. With UST bond yields trading slightly higher on Friday, SGS bonds are likely to trade a tad lower today as well amid returning market optimism.

**HK:** The government is considering suspending the launch of vacancy tax at this juncture. This may have limited impact on the overall housing market but may help to ease some pressure on the high-end residential property market whose vacancy rate has been relatively high. On the other hand, the number of bankruptcy petitions presented during January to September rose by 12% yoy to 6656 due to the worsening labor market and the cautiousness of banks. However, the growth may have been capped by the government's relief measures and therefore may accelerate as the relief measures expire gradually. Finally, Ant Group reportedly will seek to pass a hearing by the HKEX this week and to start the public offering on 27<sup>th</sup> October. If this is the case, the IPO process will coincide with month-end and cause volatility in the HKD market.

**Indonesia:** President Jokowi has reportedly asked the State Secretary Pratikno to meet with various mass religious organizations including Nadhlatul Ulama and Muhammadiyah to discuss the government's motivation in pushing for the latest omnibus law on jobs creation. The move is reportedly to garner opinions and thoughts from various stakeholders, and came at a time of heightened opposition to the new law including labour unions which are concerned about the watering down of welfare provisions to workers.

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**Oil:** Oil prices fell marginally on Friday, with Brent declining 0.5% to \$42.93/bbl. OPEC+ ministers are meeting in the next 48 hours to discuss and analyse the oil market, particularly on the subject of increasing oil supplies by another 2mbpd from January 2021, before the full OPEC+ ministerial meeting at the end of next month. There are expectations that the additional 2mbpd production due to begin in January 2021 may be postponed. We expect the same but do not expect a strong price rally as the additional supply delay appears to be already heavily priced in.

**Gold:** Gold fell 0.5% to \$1899.29/oz on Friday, as the precious metal continues to hang close to the \$1900 handle.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve fell on Friday, with the belly and longer tenors trading 1-2bps lower, while the shorter tenors traded almost flat. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 164bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 14bps to 770bps. The HY-IG Index Spread widened 13bps to 605bps. Flows in SGD corporates were heavy, with flows in STANLN 5.375%-PERPs, AGSP 3.15%'25s, CATHAY 3.375%'23s, HSBC 4.7%-PERPs, OLAMSP 4%'26s, SOCGEN 6.125%-PERPs, CS 5.625%-PERPs and UBS 4.85%-PERPs. 10Y UST Yields gained 1bps to 0.75% after news that retail sales rose a higher-than-expected 1.9% in September, while consumer sentiment hit a seven-month high in early October.

**New Issues:** China Minsheng Banking Corporation Ltd. Of Hong Kong priced a USD500mn 3-year bond at 3m-US LIBOR+90bps, tightening from IPT of 3m-US LIBOR+135bps area. Urumqi Gaoxin Investment and Development Group Co. Ltd. priced a USD300mn 3-year bond at 4.75%, tightening from IPT of 5.3% area. Peak Re (BVI) Holding Ltd. (Guarantor: Peak Reinsurance Co.) has arranged investor calls commencing 16 October for its proposed USD bond offering. China Development Bank has mandated banks for its proposed USD bond offering. The Straits Trading Co. has arranged investor calls commencing 20 October for its proposed SGD bond offering. India Green Energy Holdings has arranged investor calls commencing 16 October for its proposed USD bond offering. China Everbright Limited has arranged investor calls commencing 16 October for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.682	-0.19%	USD-SGD	1.3582	-0.13%
USD-JPY	105.400	-0.05%	EUR-SGD	1.5915	-0.04%
EUR-USD	1.172	0.09%	JPY-SGD	1.2887	-0.08%
AUD-USD	0.708	-0.18%	GBP-SGD	1.7543	-0.07%
GBP-USD	1.292	0.05%	AUD-SGD	0.9618	-0.30%
USD-MYR	4.151	-0.07%	NZD-SGD	0.8972	0.00%
USD-CNY	6.698	-0.41%	CHF-SGD	1.4847	-0.15%
USD-IDR	14698	0.05%	SGD-MYR	3.0530	0.01%
USD-VND	23167	-0.01%	SGD-CNY	4.9299	-0.26%

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5340	-0.54%	O/N	0.0811	0.08%
2M	-0.3360	-0.34%	1M	0.1514	0.15%
3M	-0.5090	-0.51%	2M	0.1779	0.19%
6M	-0.4980	-0.50%	3M	0.2184	0.22%
9M	-0.1940	-0.20%	6M	0.2575	0.25%
12M	-0.4680	-0.47%	12M	0.3350	0.35%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
11/05/2020	-0.006	-0.6	0.087	0.087
12/16/2020	-0.054	-4.8	0.075	0.075
01/27/2021	-0.085	-3.1	0.067	0.067
03/17/2021	-0.117	-3.2	0.059	0.059
04/28/2021	-0.105	1.2	0.063	0.063
06/16/2021	-0.126	-2.1	0.057	0.057
07/28/2021	-0.125	0.1	0.058	0.058
09/22/2021	-0.173	-4.8	0.046	0.046
11/03/2021	-0.156	1.6	0.05	0.05

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.88	-0.20%	Corn (per bushel)	4.020	-0.4%
Brent (per barrel)	42.93	-0.53%	Soybean (per bushel)	10.500	-1.2%
Heating Oil (per gallon)	117.91	-0.81%	Wheat (per bushel)	6.253	1.1%
Gasoline (per gallon)	116.88	-0.95%	Crude Palm Oil (MYR/MT)	29.850	-2.1%
Natural Gas (per MMBtu)	2.77	-0.07%	Rubber (JPY/KG)	2.356	3.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6740.00	-0.13%	Gold (per oz)	1899.3	-0.5%
Nickel (per mt)	15652.00	1.49%	Silver (per oz)	24.2	-0.6%

## Equity and Commodity

Index	Value	Net change
DJIA	28,606.31	112.11
S&P	3,483.81	0.47
Nasdaq	11,671.56	-42.31
Nikkei 225	23,410.63	-96.60
STI	2,533.02	9.40
KLCI	1,503.84	-10.11
JCI	5,103.41	-1.74
Baltic Dry	1,477.00	-84.00
VIX	27.41	0.44

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.21 (--)	0.14 (--)
5Y	0.47 (--)	0.32 (+0.01)
10Y	0.88 (--)	0.75 (+0.01)
15Y	1.15 (--)	--
20Y	1.21 (--)	--
30Y	1.17 (+0.01)	1.53 (+0.02)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-2.20	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.10
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/19/2020	PH	BoP Overall	Sep	--	--	\$657m	--
10/19/2020 07:00	UK	Rightmove House Prices MoM	Oct	--	1.1%	0.2%	--
10/19/2020 07:00	UK	Rightmove House Prices YoY	Oct	--	5.5%	5.0%	--
10/19/2020 07:50	JN	Trade Balance	Sep	¥980.7b	--	¥248.3b	¥248.6b
10/19/2020 07:50	JN	Trade Balance Adjusted	Sep	¥848.7b	--	¥350.6b	--
10/19/2020 07:50	JN	Exports YoY	Sep	-2.4%	--	-14.8%	--
10/19/2020 10:00	HK	Composite Interest Rate	Sep	--	--	0.41%	--
10/19/2020 10:00	CH	GDP YoY	3Q	5.5%	--	3.2%	--
10/19/2020 10:00	CH	Industrial Production YoY	Sep	5.8%	--	5.6%	--
10/19/2020 10:00	CH	Retail Sales YoY	Sep	1.6%	--	0.5%	--
10/19/2020 10:00	CH	Industrial Production YTD YoY	Sep	1.0%	--	0.4%	--
10/19/2020 10:00	CH	GDP YTD YoY	3Q	0.7%	--	-1.6%	--
10/19/2020 10:00	CH	Fixed Assets Ex Rural YTD YoY	Sep	0.9%	--	-0.3%	--
10/19/2020 10:00	CH	Retail Sales YTD YoY	Sep	-7.4%	--	-8.6%	--
10/19/2020 10:00	CH	GDP SA QoQ	3Q	3.3%	--	11.5%	--
10/19/2020 22:00	US	NAHB Housing Market Index	Oct	83	--	83	--

Source: Bloomberg

## Treasury Research & Strategy

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