OCBC TREASURY RESEARCH

Daily Treasury Outlook

21 September 2020

Highlights

Global: Wall Street closed last week on a weaker note at six-week lows, with the S&P500 slipping 1.12% on Friday as the selling in tech stocks persisted, but VIX also eased to 25.83. The USD rose while UST bonds were little changed with the 10-year yield hovering around 0.70% and 3-month LIBOR lower at 0.2254%. Meanwhile, president Trump has put on hold the Tik Tok app store ban for a week after approving Oracle's bid for the US Tik Tok operations and expects $5b in new tax dollars to the US to set up a new education fund in return. US-China tensions may return to haunt markets as China unveiled its unreliable entity list in response to the US sanctions list, even as a Californian federal judge has temporarily blocked the WeChat ban. Elsewhere, Thai protestors are calling for a general strike next month after Saturday's demonstration.

Market watch: Asian markets may open on a soft tone this morning amid the Friday selloff in US equities. Market players are awaiting the PBOC's 1- and 5-year LPR fixings due later, which are tipped to be unchanged for the fifth month at 3.85% and 4.65% respectively (amid the cyclical rebound). Today's economic data calendar is very light with Taiwan's August export orders and HK's August CPI. ECB's Lagarde and Holzmann, and Fed's Brainard are also speaking. For the week ahead, of keen market interest will be Fed chair Powell's testimony to Congress from Tuesday where he will likely be grilled on the emergency programs including the Main Street Lending facilities etc. Other key events to watch include the policy decisions from the RBNZ and BOT on Wednesday, as well as the slew of Fed speakers including Mester, Rosengren, Daly, Quarles, Bullard and Williams who may weigh in on the new average inflation targeting framework.

US: The University of Michigan sentiment index rose more than expected to 78.9 in September. Congress is also pushing to finalise the short-term spending bill as early as this week as federal funding will run out by 30 September. Meanwhile president Trump is also planning to nominate a woman to succeed Justice Ruth Bader Ginsburg.

EU: The ECB has launched a review of its EUR1.35t Pandemic Emergency Purchase Program and will be discussed next month, according to the FT.

UK: Chancellor Sunak will extend business loans to support the UK economy, according to the FT.

SG: Singapore will conduct a review of women's issues to bring about a mindset change for gender equality.

Key Market Movements

Equity	Value	% chg
S&P 500	3319.5	-1.1%
DJIA	27657	-0.9%
Nikkei 225	23360	0.2%
SH Comp	3338.1	2.1%
STI	2497.7	-0.1%
Hang Seng	24455	0.5%
KLCI	1506.6	-0.4%
	Value	**% chg**
DXY	92.926	0.0%
USDJPY	104.57	-0.2%
EURUSD	1.1840	-0.1%
GBPUSD	1.2917	-0.4%
USDIDR	14735	-0.7%
USDSGD	1.3599	0.2%
SGDMYR	3.0381	-0.2%
	Value	**chg (bp)**
3M UST	0.08	-0.26
10Y UST	0.69	0.50
1Y SGS	0.29	-0.10
10Y SGS	0.88	-1.10
3M LIBOR	0.23	-0.59
3M SIBOR	0.41	0.00
3M SOR	0.18	0.29
	Value	**% chg**
Brent	43.15	-0.3%
WTI	41.11	0.3%
Gold	1951	0.3%
Silver	26.78	-0.9%
Palladium	2361	1.2%
Copper	6813	0.5%
BCOM	72.97	0.8%

Source: Bloomberg

Major Markets

US: US equities extended its decline on Friday, adding more selling pressure onto prices. The S&P 500 index fell 1.1% and the Nasdaq 100 Composite index closed 1.1% lower. We remain wary of a further equity selloff in the sessions ahead.

CN: China's Commerce Ministry unveiled rules on China's nonreliable entity list. The Ministry said the rules do not target any specific country or any specific entities. As no companies or individuals have been added into the list so far with the focus is mainly on the framework of new rulings, the near-term impact is limited. However, it does give China alternative avenues to influence foreign companies' decision when Chinese interests are involved.

SG: The STI declined 0.12% to close at 2497.71 on Friday and may range trade today amid mixed cues from Wall Street on Friday and the Kospi this morning. SGS bonds are likely to tread water today while waiting for the size announcement due later today on the upcoming 20-year SGS bond re-opening on 28 September.

Macau: Inflation decelerated to the weakest since November 2009 0.03% in August amid high base effect, subdued local consumption, near-standstill inbound tourism and muted housing inflation. Moving forward, given the slow recovery of tourism and the still murky outlook of economy and labor market, domestic consumption and visitor spending may remain weak. In anticipation of subdued demand, firms may remain cautious about passing on higher costs to consumers. Relief measures could also ease the inflationary pressure. Adding on high base effect and subdued external price pressures, we hold onto our view that overall inflation may fall into negative territory over the coming months and print around 1% for 2020 as a whole.

Malaysia: Malaysia's PM Muhyiddin Yassin said that snap elections will take place sooner if the ruling coalitions wins the Sabah state polls next week, as reported by domestic media. The Sabah election is scheduled to take place on 26 September, and has been viewed as a key barometer of support level for the prime minister, who commands just a slim majority of the parliament. Signs of infighting may mar his chances, however as his allies are competing among themselves for 17 of the 73 contested seats.

Indonesia: Bloomberg reports that Indonesian lawmakers have raised concerns about the proposed amendments to Bank Indonesia's governing law, amid investor concerns about curbs to the central bank's independence. Key members of the PDI-P faction that is the cornerstone supporter of President Jokowi had expressed reservations for the proposal and noted the sensitivity of markets to the need to preserve central bank independence.

Oil: Oil prices sank 0.3% on Friday but still managed to complete a turnaround of 8.3% on the week after Saudi Arabia reiterated its commitment to stabilise the market. We expect the crude oil market to re-enter the consolidation phase that was prevalent before the recent two week slide.

Gold: Gold closed above $1950/oz last Friday at $1950.86/oz. The mean level in which gold is trading appears to have shifted upwards from about $1935/oz at the start of September to $1950/oz last week.

Bond Market Updates

Market Commentary: The SGD swap curve mostly fell last Friday, with most of the tenors trading 0-1bps lower while the 1-year traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 169bps, while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 672bps. The HY-IG Index Spread widened 2bps to 502bps. Flows in SGD corporates were heavy, with flows in OLAMSP 4%'26s, SIASP 3.13%'26s, SPHSP 3.2%'30s, UBS 5.875%-PERPs, CAPLSP 2.9%'32s and HSBC 4.7%-PERPs. 10Y UST Yields fell 1bps to 0.7%, as investors were digesting the Fed's new inflation-tolerant messages and markets looked out for the progress of the new stimulus package this week.

New Issues: China Development Bank Financial Leasing Co. has arranged investor calls commencing 18 September 2020 for its proposed USD Tier 2 subordinated capital bond offering. Zhejiang Baron (BVI) Company Limited (Guarantor: Hangzhou Jianggan District Urban Construction & Comprehensive Development Co., Limited) has arranged investor calls commencing 21 September 2020 for its proposed USD bond offering.

Daily Treasury Outlook

21 September 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.926	-0.05%	USD-SGD	1.3599	0.21%
USD-JPY	104.570	-0.16%	EUR-SGD	1.6101	0.14%
EUR-USD	1.184	-0.07%	JPY-SGD	1.3004	0.37%
AUD-USD	0.729	-0.33%	GBP-SGD	1.7566	-0.23%
GBP-USD	1.292	-0.43%	AUD-SGD	0.9913	-0.10%
USD-MYR	4.116	-0.52%	NZD-SGD	0.9193	0.27%
USD-CNY	6.769	0.08%	CHF-SGD	1.4918	-0.13%
USD-IDR	14735	-0.66%	SGD-MYR	3.0381	-0.17%
USD-VND	23169	-0.04%	SGD-CNY	4.9879	0.17%

Equity and Commodity

Index	Value	Net change
DJIA	27,657.42	-244.56
S&P	3,319.47	-37.54
Nasdaq	10,793.28	-117.00
Nikkei 225	23,360.30	40.93
STI	2,497.71	-3.07
KLCI	1,506.63	-6.44
JCI	5,059.22	20.82
Baltic Dry	1,296.00	2.00
VIX	25.83	-0.63

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5230	-0.53%	O/N	0.0831	0.08%
2M	-0.3360	-0.34%	1M	0.1558	0.16%
3M	-0.5040	-0.50%	2M	0.1869	0.19%
6M	-0.4680	-0.46%	3M	0.2254	0.23%
9M	-0.1940	-0.20%	6M	0.2753	0.28%
12M	-0.4290	-0.42%	12M	0.3739	0.38%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.22 (+0.01)	0.14(--)
5Y	0.45 (--)	0.28(--)
10Y	0.88 (-0.01)	0.69 (+0.01)
15Y	1.16 (--)	--
20Y	1.25 (-0.01)	--
30Y	1.23 (--)	1.45 (+0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
11/05/2020	-0.024	-2.4	0.076	0.076
12/16/2020	-0.035	-1.1	0.074	0.074
01/27/2021	-0.1	-6.5	0.058	0.058
03/17/2021	-0.131	-3.1	0.05	0.05
04/28/2021	-0.15	-1.9	0.045	0.045
06/16/2021	-0.154	-0.4	0.044	0.044
07/28/2021	-0.18	-2.6	0.038	0.038
09/22/2021	-0.18	0	0.038	0.038
11/03/2021	-0.191	-1.1	0.035	0.035
12/15/2021	-0.198	-0.6	0.033	0.033
01/26/2022	-0.23	-3.2	0.025	0.025
0	0	0	0	0

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-2.93	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.11	0.34%	Corn (per bushel)	3.785	0.9%
Brent (per barrel)	43.15	-0.35%	Soybean (per bushel)	10.435	1.5%
Heating Oil (per gallon)	115.90	-0.07%	Wheat (per bushel)	5.750	3.4%
Gasoline (per gallon)	123.66	1.00%	Crude Palm Oil (MYR/MT)	31.020	3.2%
Natural Gas (per MMBtu)	2.05	0.29%	Rubber (JPY/KG)	2.040	0.2%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	6812.50	0.47%	Gold (per oz)	1950.9	0.3%
Nickel (per mt)	14904.00	-1.19%	Silver (per oz)	26.8	-0.9%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/21/2020 08:00	PH	BoP Overall	Aug	--	--	$8m	--
09/21/2020 08:00	SK	Imports 20 Days YoY	Sep	--	--	-12.8%	--
09/21/2020 09:30	CH	1-Year Loan Prime Rate	Sep-21	3.85%	--	3.85%	--
09/21/2020 09:30	CH	5-Year Loan Prime Rate	Sep-21	4.65%	--	4.65%	--
09/21/2020 09:30	UK	Rightmove House Prices MoM	Sep	--	0.2%	-0.2%	--
09/21/2020 09:30	UK	Rightmove House Prices YoY	Sep	--	5.0%	4.6%	--
09/21/2020 09:30	HK	CPI Composite YoY	Aug	-1.9%	--	-2.3%	--
09/21/2020 11:00	SK	Exports 20 Days YoY	Sep	--	--	-7.0%	--
09/21/2020 11:00	IN	BoP Current Account Balance	2Q	$17.15b	--	$0.60b	--
09/21/2020 11:00	NZ	Credit Card Spending YoY	Aug	--	--	-5.8%	--
09/21/2020 11:00	NZ	Credit Card Spending MoM	Aug	--	--	1.8%	--
09/21/2020 15:00	SZ	Money Supply M3 YoY	Aug	--	--	3.8%	--
09/21/2020 16:00	SZ	Total Sight Deposits CHF	Sep-18	--	--	704.1b	--
09/21/2020 16:00	SZ	Domestic Sight Deposits CHF	Sep-18	--	--	635.3b	--
09/21/2020 20:00	CA	Bloomberg Nanos Confidence	Sep-18	--	--	5290.0%	--
09/21/2020 20:30	US	Chicago Fed Nat Activity Index	Aug	1.19	--	1.18	--

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

Co.Reg.no.:193200032W