

## Daily Treasury Outlook

23 September 2020

### Highlights

**Global:** Wall Street ended in positive territory after tech stocks rose overnight, albeit Fed's Evans comments that the Fed could start to hike interest rates before averaging 2% took the USD higher. Fed chair Powell continued to call for fiscal stimulus to aid the US economy but did not add new information otherwise, whereas Treasury Secretary Mnuchin was non-committal. Meanwhile, House Speaker Nancy Pelosi said that the Democrats have reached an agreement on the stimulus bill and the House would vote tonight. The S&P 500 index added 1.05% and VIX fell to 26.86. The UST bonds ranged traded with the 10-year yield closed flat at 0.67%, and the \$52b 2-year note auction saw a record low yield of 0.136% and 2.42x bid-cover ratio. The 3-month LIBOR also hit a record low of 0.2225% amid flush liquidity conditions ahead of the month/quarter-end. Elsewhere, BOE's Bailey downplayed the prospect of negative interest rates.

**Market watch:** Asian markets are likely to trade with a firmer tone this morning, and investors are waiting for the RBNZ and BOT policy decisions which are expected to remain static at 0.25% and 0.5% respectively. Japan markets re-open today. Today's economic data calendar comprises Thai trade data, Malaysia and Singapore's CPI, and manufacturing, services and composite PMIs from Europe and US, and Taiwan's industrial production. There is a whole slew of Fed speakers in addition to Powell including Mester, Evans, Rosengren, Kashkari, Bostic and Daly.

**US:** US' existing home sales surged to its fastest pace in over a decade to rise for the third straight month by 2.4% to an annual rate of 6 million, while the Richmond Fed rose to a 2-year high of 21 in September. Meanwhile, President Trump is set to announce his Supreme Court judge replacement for Ruth Bader Ginsburg.

**EU:** The consumer confidence eased from -14.7 in August to -13.9 in September.

**UK:** PM Johnson set new restrictions that could last up to six months to curb the Covid spread.

**SG:** The headline and core CPI are likely to fall 0.6% yoy and 0.4% yoy respectively in August. The Covid-19 grant to help Singaporeans and PRs who lost their jobs or suffered significant income loss due to the pandemic will be extended to year-end but the criteria will be tightened to disallow ownership of more than one property and must show job search or training efforts to qualify.

**Oil:** Brent rose 0.7% but still ended the day lower than it opened at \$41.72/bbl. Volatility has returned to the oil market after almost three months of relative price stability. We expect Brent to trade between \$40-\$43/bbl in the near term.

### Key Market Movements

Equity	Value	% chg
S&P 500	3315.6	1.1%
DJIA	27288	0.5%
Nikkei 225	23360	0.0%
SH Comp	3274.3	-1.3%
STI	2463.3	-0.9%
Hang Seng	23717	-1.0%
KLCI	1505.8	0.4%
	Value	% chg
DXY	93.988	0.4%
USDJPY	104.93	0.3%
EURUSD	1.1708	-0.5%
GBPUSD	1.2733	-0.7%
USDIDR	14785	0.6%
USDSGD	1.3653	0.2%
SGDMYR	3.0323	0.0%
	Value	chg (bp)
3M UST	0.09	0.76
10Y UST	0.67	0.50
1Y SGS	0.28	-1.00
10Y SGS	0.86	-0.34
3M LIBOR	0.22	-0.21
3M SIBOR	0.41	0.00
3M SOR	0.18	0.00
	Value	% chg
Brent	41.72	0.7%
WTI	39.8	0.7%
Gold	1900	-0.6%
Silver	24.40	-1.3%
Palladium	2229	-2.1%
Copper	6780	1.3%
BCOM	71.00	-0.2%

Source: Bloomberg

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### Major Markets

**US:** US equities closed in the green, bolstered by gains in tech stocks. The S&P 500 index rose 0.7% and the Nasdaq 100 Composite Index closed 1.3% higher. Risk sentiment remains weak and we think the downside pressure on US equities have yet to materially abate.

**SG:** The STI retreated 0.90% to close at 2463.29 yesterday, but may trade with a firmer tone today amid positive leads from Wall Street overnight. SGS bonds may be sidelined today.

**HK:** The government announced to extend the existing containment measures by 7 days to 1<sup>st</sup> October while schools re-open from 23<sup>rd</sup> September. Given the persistent pandemic uncertainty, the government has become more cautious than in June. This indicates that the easing of containment measures may only be gradual going forward.

**Taiwan:** Unemployment rate edged down to 3.83% in August, better than expected. Meanwhile, the total employed population increased by 9,000 to 11,507,000, thanks to the resumption of domestic economic activities. Specifically, the employment in agriculture and the goods-producing sector dropped by 2.22% yoy and 0.75% yoy respectively while the employed population in services-providing sector grew by 0.36% yoy. Moving forward, with the resumption of domestic economic activities, the labor market is likely to improve further in the rest of this year. Nevertheless, as cross-border tourism remained restricted, the rebound of tourism and service sectors are expected to be moderate in the near term.

**Malaysia:** Malaysian assets, including the currency, may come under some relative pressure today given the stronger US dollar outturn overnight. Market will be looking out for the inflation print of August that is released today as well. We expect the headline inflation to come in at -1.3% yoy, in line with the previous print.

**Indonesia:** Indonesia's Finance Minister, Sri Mulyani, said that the economy is set to contract for the first time since the Asian financial crisis due to the virus outbreak. GDP is forecast to shrink by 0.6-1.7% this year, compared to a growth forecast range of -1.1 to 0.2% previously. Government consumption is set to be the only component showing positive growth of 0.6-4.8% this year. We see growth coming in at -1.3% this year, compared to 0% previously, due to the still-unsettled pandemic spread.

**Gold:** Gold fell 0.6% to \$1900.21/oz and even briefly broke below the \$1900 handle. Gold is now resting on a critical support level. If it materially breaks below the \$1900 level, it may attract more gold bears to the market.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve slightly fell yesterday, with the shorter tenors trading 0-1bps lower while the belly and longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 171bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 680bps. The HY-IG Index Spread widened 7bps to 509bps. Flows in SGD corporates were heavy, with flows in HSBC 4.7%-PERPs, STANLN 5.375%-PERPs, HSBC 5%-PERPs, CAPLSP 2.9%'32s, OLAMSP 4%'26s, SOCGEN 6.125%-PERPs, SINTEC 4.1%-PERPs and SOCGEN 4.3%'26s. 10Y UST Yields gained 1bps to 0.67% after US home sales in August hit a new high in nearly 14 years, largely reflecting the positive effect of record-low mortgage rates and a steady recovery of the US housing market.

**New Issues:** China Merchants Bank Co Ltd/Luxembourg Branch priced a USD300mn 3-year sustainability bond at T+95bps, tightening from IPT of T+140bps area. China Merchants Bank Singapore Branch priced USD400mn 3-year bond at 3m-US LIBOR+85bps, tightening from IPT of 3m-US LIBOR+130bps area. Zhejiang Baron BVI Co Ltd (Guarantors: Hangzhou Jianggan District Urban Construction & Comprehensive Development Co Ltd) priced a USD200mn Will Not Grow ("WNG") bond at 2.8%, tightening from IPT of 3.25% area. DianJian Haiyu Ltd. (Guarantor: Power Construction Corp. of China) priced a USD300mn PerpNC5 bond at 3.45%, tightening from IPT of 3.85% area. China Development Bank Financial Leasing Co Ltd priced a USD700mn 10NC5 bond T+275bps, tightening from IPT of T+305bps area.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.988	0.35%	USD-SGD	1.3653	0.23%
USD-JPY	104.930	0.27%	EUR-SGD	1.5986	-0.31%
EUR-USD	1.171	-0.54%	JPY-SGD	1.3018	0.01%
AUD-USD	0.717	-0.73%	GBP-SGD	1.7382	-0.44%
GBP-USD	1.273	-0.66%	AUD-SGD	0.9790	-0.50%
USD-MYR	4.133	0.24%	NZD-SGD	0.9062	-0.21%
USD-CNY	6.780	-0.37%	CHF-SGD	1.4845	-0.34%
USD-IDR	14785	0.58%	SGD-MYR	3.0323	-0.02%
USD-VND	23185	0.07%	SGD-CNY	4.9651	-0.51%

## 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
11/05/2020	-0.024	-2.4	0.076	0.076
12/16/2020	-0.056	-3.2	0.069	0.069
01/27/2021	-0.1	-4.4	0.058	0.058
03/17/2021	-0.131	-3.1	0.05	0.05
04/28/2021	-0.14	-0.9	0.047	0.047
06/16/2021	-0.154	-1.4	0.044	0.044
07/28/2021	-0.18	-2.6	0.038	0.038
09/22/2021	-0.204	-2.4	0.032	0.032
11/03/2021	-0.212	-0.8	0.029	0.029
12/15/2021	-0.221	-0.9	0.027	0.027
01/26/2022	-0.27	-4.9	0.015	0.015
0	0	0	0	0

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	39.60	0.74%	Corn (per bushel)	3.693	-0.1%
Brent (per barrel)	41.72	0.68%	Soybean (per bushel)	10.198	-0.3%
Heating Oil (per gallon)	109.61	-1.01%	Wheat (per bushel)	5.580	0.6%
Gasoline (per gallon)	116.43	-1.09%	Crude Palm Oil (MYR/MT)	29.940	-1.5%
Natural Gas (per MMBtu)	1.83	-0.05%	Rubber (JPY/KG)	2.040	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6780.00	1.32%	Gold (per oz)	1900.2	-0.6%
Nickel (per mt)	14606.00	0.45%	Silver (per oz)	24.4	-1.3%

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/23/2020 08:30	JN Jibun Bank Japan PMI Mfg	Sep P	--	47.2	--
09/23/2020 10:00	NZ RBNZ Official Cash Rate	Sep-23	0.25%	0.25%	--
09/23/2020 11:30	TH Customs Exports YoY	Aug	-13.00%	-11.37%	--
09/23/2020 12:30	JN All Industry Activity Index MoM	Jul	1.3%	6.1%	--
09/23/2020 13:00	PH BoP Overall	Aug	--	\$8m	--
09/23/2020 13:00	SI CPI YoY	Aug	-0.5%	-0.4%	--
09/23/2020 15:05	TH BoT Benchmark Interest Rate	Sep-23	0.5%	0.5%	--
09/23/2020 15:15	FR Markit France Manufacturing PMI	Sep P	50.6	49.8	--
09/23/2020 15:15	FR Markit France Services PMI	Sep P	51.5	51.5	--
09/23/2020 15:15	FR Markit France Composite PMI	Sep P	51.9	51.6	--
09/23/2020 15:30	GE Markit/BME Germany Manufacturing PMI	Sep P	52.5	52.2	--
09/23/2020 16:00	EC Markit Eurozone Manufacturing PMI	Sep P	51.9	51.7	--
09/23/2020 16:00	EC Markit Eurozone Composite PMI	Sep P	51.9	51.9	--
09/23/2020 16:30	UK Markit UK PMI Manufacturing SA	Sep P	54.0	55.2	--
09/23/2020 19:00	US MBA Mortgage Applications	Sep-18	--	-2.5%	--
09/23/2020 21:45	US Markit US Manufacturing PMI	Sep P	53.5	53.1	--

Source: Bloomberg

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