

Daily Treasury Outlook

30 September 2020

Highlights

Global: The S&P 500 succumbed to profit-taking and slid 0.48% overnight after three sessions of gains, despite the better than expected September consumer confidence data and hopes that the US fiscal stimulus talks would resume today between House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin. The VIX rose to 26.27 while the USD slipped. The UST bond market saw the belly outperform and the 10-year yield at 0.65% notwithstanding a busy IG issuance slate. The 3-month LIBOR edged up to 0.2251% ahead of the month/quarter-end. Meanwhile, global Covid-19 deaths have crossed 1 million and New York city businesses saw a 40% jump in bankruptcy filings as the daily rate of positive Covid-19 tests rose above 3% for the first time in months.

Market watch: Asian markets may tread water into the month-end, awaiting China's PMI data this morning for cues ahead of its Golden Week holiday starting from tomorrow. Other economic data prints to watch include US' pending home sales and ADP employment changes, HK retail sales, German unemployment and Thai August trade data. ECB's Lagarde and Lane, Fed's Kashkari, Bowman and Bullard, and BOE's Haldane are also speaking.

US: The consumer confidence index rose to 101.8 from 86.3 previously, in its biggest surge in 17 years, with the expectations gauge at a 3-month high of 104.0. The Senate has also voted 82-6 to advance the stopgap spending bill to fund the government through 11 December. Meanwhile, the presidential candidate Joe Biden released his most recent tax returns ahead of the first presidential debate, revealing that he paid nearly \$300k in 2019. Separately, Disney will cut 28,000 jobs.

SG: MediShield Life will be enhanced, but premiums are also set to rise, and this may mean private Integrated Shield plans also face higher premiums.

CN: The latest 3Q survey from China's central bank showed that 25.1% residents expect housing prices to increase in 4Q while 51.2% expect unchanged. For business owners, 53.4% think the economy is in normal range while 45.6% thinks the economy is still weak.

Malaysia: Sabah swore in its new Chief Minister, Hajiji Noor, yesterday. The pick by PM Muhyiddin Yassin won the internal selection process, despite earlier protests by UMNO to have its candidate helm the state instead. It appears that the PM has cemented his recent gains at the national level, and political watchers will be keen to see if this would lead to a snap national election in the near future, as previously flagged before.

Key Market Movements

Equity	Value	% chg
S&P 500	3335.5	-0.5%
DJIA	27453	-0.5%
Nikkei 225	23539	0.1%
SH Comp	3224.4	0.2%
STI	2471.6	-0.5%
Hang Seng	23276	-0.9%
KLCI	1503.9	-0.5%
	Value	% chg
DXY	93.891	-0.4%
USDJPY	105.66	0.2%
EURUSD	1.1744	0.7%
GBPUSD	1.2863	0.2%
USIDR	14895	0.0%
USDSGD	1.3688	-0.3%
SGDMYR	3.0354	0.0%
	Value	chg (bp)
3M UST	0.09	-0.23
10Y UST	0.65	-0.33
1Y SGS	0.29	1.00
10Y SGS	0.87	-0.53
3M LIBOR	0.22	0.25
3M SIBOR	0.41	0.00
3M SOR	0.17	0.00
	Value	% chg
Brent	41.03	-3.3%
WTI	39.29	-3.2%
Gold	1898	0.9%
Silver	24.19	2.2%
Palladium	2322	2.7%
Copper	6579	0.1%
BCOM	70.27	-1.0%

Source: Bloomberg

Daily Treasury Outlook

30 September 2020

Major Markets

US: US equities retreated once more, with the S&P 500 index falling 0.5% while the Nasdaq 100 Composite index closed 0.3% lower. The US equity market is likely to remain wary of additional selling pressure ahead of the US presidential debate today.

SG: The STI fell 0.46% to close at 2471.61 yesterday and may consolidate today amid soft overnight cues from Wall Street. With the 20-year SGS bond re-opening digested, SGS bonds are likely to be supported into the month-end.

Indonesia: Indonesia's parliament has approved the government's 2021 budget yesterday. State spending is set at a record high of IDR2.75quadrillion (USD185bn) in 2021 as the government looks to further stimulate the economy. While growth is expected to contract this year, the government is projecting growth of 5% for 2021. Budget deficit is expected to come in at 5.7%, still relatively high compared to this year's 6.3%. BI governor Perry Warjiyo told the parliament earlier that BI may continue its "burden sharing" program if the IDR397.56tn that it had allocated for this year is not fully realized yet.

Daily Treasury Outlook

30 September 2020

Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with tenors trading 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 175bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 776bps. The HY-IG Index Spread tightened 2bps to 601bps. Flows in SGD corporates were heavy, with flows in OCBCSP 3%-PERPs, HSBC 5%-PERPs, STANLN 5.375%-PERPs, HSBC 4.7%-PERPs, UBS 4.85%-PERPs, NTUCSP 3.1%'50s, STRTR 3.73%'21s, SINTEC 4.1%-PERPs, UBS 5.875%-PERPs, STTGDC 3.13%'28s and SIASP 3.13%'27s. 10Y UST Yields remained mostly unchanged at 0.65% as investors awaited the presidential debate on Tuesday and the release of employment data due Wednesday and Friday.

New Issues: Temasek Financial I Ltd (Guarantor: Temasek Holdings Pte Ltd) priced a USD750mn 10-year bond at T+47.5bps, tightening from IPT of T+75bps area, a USD1bn 30.5-year bond at T+90bps, tightening from IPT of T+110bps area, and another USD1bn 50-year bond at T+110bps, tightening from IPT of T+135bps area. CMHI Finance BVI Co Ltd (Guarantor: China Merchants Port Holdings Co. Ltd.) priced a USD400mn PerpNC3 bond at 3.5%, tightening from IPT of 3.85% area, and another USD200mn PerpNC5 bond at 3.875%, tightening from IPT of 4.3% area. Hong Kong JY Flower Ltd (Guarantor: Kunming Industrial Development & Investment Co Ltd) priced a USD150mn 3-year bond at 5.5%, tightening from IPT of 6% area. Jiayuan International Group Ltd priced a USD200mn 2.5-year bond at 13.75%, tightening from IPT of 13.75% area. Jiangsu Yueda Group Co.,Ltd. priced a USD100mn re-tap of its JIANYU 5.7%'23s.

Daily Treasury Outlook

30 September 2020

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.891	-0.41%	USD-SGD	1.3688	-0.31%
USD-JPY	105.660	0.15%	EUR-SGD	1.6075	0.37%
EUR-USD	1.174	0.67%	JPY-SGD	1.2956	-0.38%
AUD-USD	0.713	0.83%	GBP-SGD	1.7604	-0.09%
GBP-USD	1.286	0.23%	AUD-SGD	0.9764	0.56%
USD-MYR	4.158	-0.41%	NZD-SGD	0.9028	0.39%
USD-CNY	6.816	0.07%	CHF-SGD	1.4893	0.34%
USD-IDR	14895	-0.03%	SGD-MYR	3.0354	0.00%
USD-VND	23177	-0.01%	SGD-CNY	4.9789	0.39%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5240	-0.52%	O/N	0.0816	0.08%
2M	-0.3360	-0.34%	1M	0.1466	0.15%
3M	-0.4930	-0.50%	2M	0.1885	0.18%
6M	-0.4700	-0.47%	3M	0.2204	0.22%
9M	-0.1940	-0.20%	6M	0.2693	0.27%
12M	-0.4270	-0.43%	12M	0.3655	0.37%

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	-0.137	-3.7	0.048	0.048
04/28/2021	-0.14	-0.3	0.047	0.047
06/16/2021	-0.17	-3	0.04	0.04
07/28/2021	-0.18	-1	0.038	0.038
09/22/2021	-0.204	-2.4	0.032	0.032
11/03/2021	-0.201	0.3	0.032	0.032
12/15/2021	-0.217	-1.6	0.028	0.028
01/26/2022	-0.24	-2.3	0.023	0.023
0	0	0	0	0

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	39.29	-3.23%	Corn (per bushel)	3.648	-0.5%
Brent (per barrel)	41.03	-3.30%	Soybean (per bushel)	9.930	-0.3%
Heating Oil (per gallon)	110.90	-2.68%	Wheat (per bushel)	5.495	-0.1%
Gasoline (per gallon)	120.17	-3.60%	Crude Palm Oil (MYR/MT)	29.060	-1.5%
Natural Gas (per MMBtu)	2.56	21.89%	Rubber (JPY/KG)	2.245	0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6579.00	0.11%	Gold (per oz)	1898.1	0.9%
Nickel (per mt)	14456.00	-0.33%	Silver (per oz)	24.2	2.2%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/30/2020 07:50	JN Industrial Production MoM	Aug P	1.4%	--	8.7%
09/30/2020 09:00	CH Manufacturing PMI	Sep	51.3	--	51.0
09/30/2020 09:30	AU Building Approvals MoM	Aug	0.0%	--	12.0%
09/30/2020 09:45	CH Caixin China PMI Mfg	Sep	53.1	--	53.1
09/30/2020 14:00	UK GDP QoQ	2Q F	-20.4%	--	-20.4%
09/30/2020 14:00	UK GDP YoY	2Q F	-21.7%	--	-21.7%
09/30/2020 14:00	UK Nationwide House PX MoM	Sep	0.5%	--	2.0%
09/30/2020 14:00	UK Nationwide House Px NSA YoY	Sep	4.5%	--	3.7%
09/30/2020 14:45	FR CPI YoY	Sep P	0.2%	--	0.2%
09/30/2020 15:00	TH BoP Current Account Balance	Aug	\$2000m	--	\$1787m
09/30/2020 15:55	GE Unemployment Change (000's)	Sep	-7.0k	--	-9.0k
09/30/2020 16:30	HK Retail Sales Value YoY	Aug	-17.5%	--	-23.1%
09/30/2020 19:00	US MBA Mortgage Applications	Sep-25	--	--	6.8%
09/30/2020 20:15	US ADP Employment Change	Sep	649k	--	428k
09/30/2020 20:30	US GDP Annualized QoQ	2Q T	-31.7%	--	-31.7%
09/30/2020 20:30	CA GDP MoM	Jul	2.9%	--	6.5%

Source: Bloomberg

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