

Daily Treasury Outlook

18 November 2020

Highlights

Global: US stocks retreated overnight as rising Covid cases weighed on investor sentiments and US retail sales data showed flagging consumer spending. The S&P 500 slipped 0.48% and VIX rose to 22.71. UST bonds gained with the tilt towards risk-off and the curve bull-flattened as the 10-year yield fell to 0.86%. The 3-month LIBOR jumped to 0.2310% (biggest increase since August) while the USD slipped. Fed's Powell warned that there is a "long way to go" as the Covid resurgence is "very much a concern" and reiterated the need for "using all of our tools to support the recovery for as long as it takes until the job is well and truly done" even as he opined that the US recovery is likely to continue at a "solid" pace. Meanwhile, Speaker Nancy Pelosi and Senate Leader Schumer have called on Mitch McConnell to resume stimulus talks. Separately, Judy Shelton's nomination to the Fed board was blocked in a Senate vote.

Market watch: Given the retraction in risk overnight as vaccine optimism faded, the rally may also hit the pause button in Asia today. The focus will be on BOT which is expected to stay unchanged at a record low of 0.5%. Today's economic data calendar comprises UK's CPI/PPI/RPI, S'pore's COE tender results, EU's CPI, and US' housing starts and building permits. BOE's Haldane and Bailey, Fed's Williams, Bullard and Kaplan are also speaking.

US: US' October retail sales rose at the slowest pace in six months at 0.3% mom, slowing from the 1.6% in September, and restaurant and bar sales recorded its first decline since April. This could point to the 4Q20 GDP growth slowing as well amid the fiscal stimulus impasse, albeit manufacturing output grew for the sixth consecutive month by 1% mom in October and the NAHB homebuilder index also hit a record 90 in November. Meanwhile, Fed's Brainard called for greater diversity of economic decision makers.

EU: Germany will provide an additional EUR 1b to subsidise climate friendly cars, according to a Reuters report.

UK: EU and UK Brexit negotiators are edging closer to agreement and could breakthrough as early as next week, according to sources.

SG: PM Lee opined that the next Budget in February 2021 will likely be running a deficit and it may take a while to come back to prudence and a balanced budget.

Oil: Brent fell 0.2% to \$43.75/bbl. Bears pushed prices to as low as \$43.05/bbl during intraday yesterday but bulls ultimately pushed back during late US hours to ensure oil closed above the \$43.50 handle.

Key Market Movements

Equity	Value	% chg
S&P 500	3609.5	-0.5%
DJIA	29783	-0.6%
Nikkei 225	26015	0.4%
SH Comp	3339.9	-0.2%
STI	2778.6	1.1%
Hang Seng	26415	0.1%
KLCI	1610.2	0.7%

	Value	% chg
DXY	92.416	-0.2%
USDJPY	104.19	-0.4%
EURUSD	1.1862	0.1%
GBPUSD	1.3246	0.4%
USIDDR	14055	-0.4%
USDSGD	1.3428	-0.2%
SGDMYR	3.0548	-0.2%

	Value	chg (bp)
3M UST	0.08	0.25
10Y UST	0.86	-4.91
1Y SGS	0.31	0.00
10Y SGS	0.97	2.30
3M LIBOR	0.22	-0.16
3M SIBOR	0.40	0.00
3M SOR	0.18	0.00

	Value	% chg
Brent	43.75	-0.2%
WTI	41.43	0.2%
Gold	1880	-0.5%
Silver	24.49	-1.1%
Palladium	2322	-0.6%
Copper	7108	0.0%
BCOM	73.89	0.2%

Source: Bloomberg

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Major Markets

US: US equities retreated on mounting virus and lockdown concerns. The S&P 500 index fell 0.5% and the Nasdaq 100 index closed 0.2% lower. Market sentiments was beaten down by growing concerns of another stringent lockdown as US Covid cases continues to soar rapidly. We think the risk rally remains intact for now but may see technical corrections in the short term.

CN: The confusion about China's monetary policy stance deepened yesterday with China's risk-free rates climbed up further after PBoC re-published Governor Yi Gang's research paper about China's financial structure. The paper, which was first published in April this year, argued that China should focus on stabilizing macro leverage ratio. This is a slight shift from Governor Yi's speech last month, when he said the leverage ratio will be a bit more stabilized next year. It was a relief to us last month as we think PBoC is in no rush to re-enter deleverage mode. However, this relief is shaky right now after the recent rhetoric shifts by senior officials about leverage ratio.

SG: The STI gained 1.11% to close at 2778.55 yesterday, but with the fading of vaccine optimism and the US stock market rally overnight, it may be time for a consolidation. SGS bond are likely to be supported today.

HK: Unemployment rate remained static at 6.4% during the three months to October. The consumption- and tourism-related sectors' unemployment rate dropped notably by 0.5 percentage point to 11.2% as local consumption and restaurants' dining-in services resumed gradually from September. However, for the other industries, the jobless rate either remained unchanged or increased. In particular, transportation sector's unemployment rate surged by 0.6 percentage point to a nearly 17-year high. This was probably due to the rising layoffs in the aviation industry. Moving ahead, we are still concerned about the labor market outlook as the Employment Support Scheme will end in November. Meanwhile, the consumption- and tourism-related sectors as well as the transportation sector may remain under pressure to cut jobs or salary due to the subdued internal and external demand. In conclusion, we expect overall jobless rate to go up towards 7% in the coming quarters.

Malaysia: Malaysia's major gloves manufacturer, Top Glove, said that about 5700 of its workers in Meru, Klang will be affected by the implementation of the enhanced movement control order (EMCO) from Nov 17 to Nov 30. This represents about 27% of its 21000 workers. The government had imposed the more stringent measures on the glove manufacturer after it discovered a new cluster of coronavirus cases in the facility.

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Indonesia: The Indonesian government is reportedly aiming to start its coronavirus vaccination program in December. Coordinating Minister for Maritime Affairs and Investment, Luhut Panjaitan, was quoted as saying by domestic press that the program will target an initial vaccination of about 9mn people, including healthcare workers and law enforcement officials in Jakarta and Bali. The government has been securing supplies of vaccines with several countries, including three vaccine producers in China.

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Bond Market Updates

Market Commentary: The SGD swap curve bull flattened yesterday, with the shorter and belly tenors trading 0-1bps lower while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 156bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 738bps. The HY-IG Index Spread tightened 3bps to 582bps. There were minimal flows in SGD corporates yesterday. 10Y UST Yields fell 5bps to 0.86% after data showed that US retail sales rose only 0.3% in October, missing expectations of 0.5%.

New Issues: Central China Real Estate Ltd priced a USD300mn bond at 7.875%, tightening from IPT of 8.15% area. Australia & New Zealand Banking Group Ltd priced a USD1.5bn 15NC10 sub at T+170bps, tightening from IPT of T+200bps area. Saudi Arabian Oil Co priced a USD500mn 3-year bond at T+110bps, a USD1bn 5-year bond at T+125bps, a USD2bn 10-year bond at T+145bps, a USD2.25bn 30-year bond at 3.3% and another USD2.25bn 50-year bond at 3.65%, tightening from IPT of T+140bps area, T+155bps area, T+175bps area, T+205bps area and T+230bps area respectively. Aviva Singlife Holdings Pte Ltd priced a SGD550mn 10.25NC5.25 Tier 2 bond at 3.375%, tightening from IPG of 3.75% area. Banpu Public Company Limited has arranged investor calls commencing 18 November 2020 for its proposed USD PerpNC5 offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.416	-0.24%	USD-SGD	1.3428	-0.19%
USD-JPY	104.190	-0.37%	EUR-SGD	1.5928	-0.12%
EUR-USD	1.186	0.08%	JPY-SGD	1.2888	0.18%
AUD-USD	0.730	-0.26%	GBP-SGD	1.7786	0.16%
GBP-USD	1.325	0.36%	AUD-SGD	0.9803	-0.45%
USD-MYR	4.105	-0.26%	NZD-SGD	0.9254	-0.38%
USD-CNY	6.557	-0.43%	CHF-SGD	1.4730	-0.09%
USD-IDR	14055	-0.39%	SGD-MYR	3.0548	-0.15%
USD-VND	23161	-0.02%	SGD-CNY	4.8818	-0.17%

Equity and Commodity

Index	Value	Net change
DJIA	29,783.35	-167.09
S&P	3,609.53	-17.38
Nasdaq	11,899.34	-24.79
Nikkei 225	26,014.62	107.69
STI	2,778.55	30.55
KLCI	1,610.15	10.49
JCI	5,529.94	35.07
Baltic Dry	1,111.00	-4.00
VIX	22.71	0.26

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5370	-0.53%	O/N	0.0836	0.08%
2M	-0.3360	-0.34%	1M	0.1435	0.14%
3M	-0.5220	-0.51%	2M	0.1740	0.17%
6M	-0.5050	-0.50%	3M	0.2204	0.22%
9M	-0.1940	-0.20%	6M	0.2490	0.25%
12M	-0.4760	-0.47%	12M	0.3396	0.34%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.27 (+0.02)	0.17(-)
5Y	0.52 (+0.05)	0.38 (-0.03)
10Y	0.97 (+0.02)	0.86 (-0.05)
15Y	1.22 (+0.01)	--
20Y	1.25 (+0.01)	--
30Y	1.16 (+0.02)	1.61 (-0.06)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
12/16/2020	-0.033	-3.3	0.083	0.083
01/27/2021	-0.056	-2.3	0.077	0.077
03/17/2021	-0.088	-3.2	0.069	0.069
04/28/2021	-0.076	1.2	0.072	0.072
06/16/2021	-0.097	-2.1	0.067	0.067
07/28/2021	-0.096	0.1	0.067	0.067
09/22/2021	-0.096	0	0.067	0.067
11/03/2021	-0.096	0	0.067	0.067
12/15/2021	-0.097	-0.1	0.067	0.067

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-3.97	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.43	0.22%	Corn (per bushel)	4.203	1.0%
Brent (per barrel)	43.75	-0.16%	Soybean (per bushel)	11.698	1.4%
Heating Oil (per gallon)	123.91	0.83%	Wheat (per bushel)	5.953	-0.5%
Gasoline (per gallon)	115.32	0.56%	Crude Palm Oil (MYR/MT)	34.860	-0.3%
Natural Gas (per MMBtu)	2.69	-0.19%	Rubber (JPY/KG)	2.582	-5.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7108.00	1.80%	Gold (per oz)	1880.4	-0.5%
Nickel (per mt)	15894.00	0.01%	Silver (per oz)	24.5	-1.1%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
11/18/2020 05:00	US Net Long-term TIC Flows	Sep	--	\$108.9b	\$27.8b	--
11/18/2020 07:30	AU Westpac Leading Index MoM	Oct	--	0.11%		0.23%
11/18/2020 07:50	JN Trade Balance	Oct	¥300.0b	--	¥675.0b	¥687.8b
11/18/2020 15:00	TH BoT Benchmark Interest Rate	Nov-18	0.5%	--	0.5%	--
11/18/2020 15:00	UK CPI YoY	Oct	0.5%	--	0.5%	--
11/18/2020 15:00	UK CPI MoM	Oct	-0.1%	--	0.4%	--
11/18/2020 15:00	UK CPI Core YoY	Oct	1.3%	--	1.30%	--
11/18/2020 15:00	UK PPI Output NSA MoM	Oct	0.1%	--	-0.1%	--
11/18/2020 15:00	UK PPI Output NSA YoY	Oct	-0.70%	--	-0.90%	--
11/18/2020 15:00	UK RPI MoM	Oct	-0.1%	--	0.3%	--
11/18/2020 18:00	EC CPI YoY	Oct F	-0.30%	--	-0.30%	-0.3%
11/18/2020 18:00	EC CPI MoM	Oct F	0.2%	--	0.2%	--
11/18/2020 20:00	US MBA Mortgage Applications	Nov-13	--	--	-0.5%	--
11/18/2020 21:30	CA CPI YoY	Oct	0.4%	--	0.5%	--
11/18/2020 21:30	US Housing Starts	Oct	1460k	--	1415k	--
11/18/2020 21:30	CA CPI NSA MoM	Oct	0.2%	--	-0.1%	--

Source: Bloomberg

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