

Rates Overview

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DM Headlines

- Emergency Measures Go Global as Cases Top 90,000: Virus Update
Governments from Japan to the U.K. prepared emergency measures or economic packages to fight the spread of the coronavirus.
- G-7 Finance Chiefs, Central Bankers Plan Virus Call Tuesday
Teleconference reflects mounting concern over economic damage
IMF mulls canceling the public portion of its spring meeting
- G-7 Draft Statement Silent on Coordinated Rate Cuts: Reuters
Draft as of now does not specifically call for new government spending or coordinated interest rate cuts by central banks
- Trump Says Fed 'Should Ease and Cut Rate Big'
- Trump Team Weighs Virus Responses to Contain Economic Fallout
Kudlow, Mnuchin favor emergency rate cut by Federal Reserve
Administration also looking at tax cut despite doubts
- Biden Gets Boost From Klobuchar, Buttigieg Before Super Tuesday
Buttigieg endorses Biden at a Dallas restaurant ahead of rally
Harry Reid, party leaders offer former vice president support
- Expect a Resilient Dollar Even If the Fed Cuts Rates: HSBC
- Virus Pushes the Global Economy Closer to a Contraction
OECD slashes 2020 economic forecast to 2.4% from 2.9%
Sees need for coordinated action if situation doesn't improve
- Emergency Fiscal Action Debated to Cushion World Virus Shock
Synchronized budget aid would be reminiscent of G-20 in 2009
Outbreak threatens weakest world growth since financial crisis
- Fed Will Need to Cut Right Back to Lower Bound, Then QE: NatWest
Expect the Fed to cut rates by "at least" 50bps between now and the end of the March meeting, Michelle Girard wrote in a March 3 note
Inter-meeting rate cut can't be ruled out; if that happens, won't rule out additional action on March 18
Notes precedent: Oct. 8 2008, Fed cut 50bps, which was followed with another 50bps on Oct. 29 meeting
- ECB Joins Central Banks Pledging Coronavirus Action If Needed
President Lagarde says measures would be proportionate to risk
G-7 finance ministers and central bankers to hold call Tuesday
- Le Maire Says Had 'Very Positive' Coronavirus Call With Lagarde
- Watch Spanish Banks With EU Court Decision on Mortgages Expected
- Italy's Budget Deficit Narrows to Lowest Since 2007
- Erdogan's Real EU Threat Lies on the Border to Syria, Not Greece
Mainly economic migrants heeding Turkish call to cross to EU
Battle for Idlib could unleash two million refugees to borders
- ECB Tested by Market Calls for Rate Cut That Will Erode Arsenal
Unlike major peers, ECB hasn't issued a statement on outbreak
Investors are predicting deposit rate will be cut on March 12

- **Bailey Faces First BOE Test as Coronavirus Rewrites Outlook**
Incoming governor will appear before lawmakers on Wednesday
His views on policy remain largely a mystery to investors
- **Coronavirus Is Disrupting British Factories' Supply Chains**
BOE pledges to maintain financial stability after stocks fall
Manufacturing PMI reading slips to 51.7 from initial estimate
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- **RBA Cuts Key Rate to 0.5%, as Seen by Half Economists Surveyed**
- **RBA Cuts, Signals Ready to Do More in Fiscal-Monetary Shot**
Lowe says government to assist most affected parts of economy
RBA: difficult to know how large, long lasting impact will be
- **BlackRock Says Virus Panic Can Turn Aussie Yields Negative**
Australia may introduce QE in the fourth quarter, Vardy says
- **Australia 4Q net exports of GDP +0.1 vs est. +0.2**
- **Australia 4Q BoP current account balance A\$1.0b vs est. A\$2.4b**
- **Australia Jan. building approvals -15.3% m/m vs est. +1.0%**
- **Australia's three-year bonds erased gains after the Reserve Bank disappointed some traders by only cutting its policy rate by 25 basis points.**
- **Yields on the 3-year bond are little changed at 0.44%**
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- **BOJ Displays Resolve on Calming Markets With Another Repo Move**
- **BOJ again offers another 500b yen repo operation, though sees only 150b yen allotted, suggesting limited demand for the additional liquidity offered**
- **Markets to BOJ: We Don't Need the Money**
The Bank of Japan's repo liquidity operation on Tuesday has underscored the impotency of monetary policy in responding to the fallout of virus.
- **Japan to Introduce More Economic Measures if Needed on Virus**
- **Japan's Aso Calls for Coordination With Other Nations on Virus**
- **Economists See Deeper Japan Recession on Virus Impact**
- **JGB futures closed regular day down 12 ticks at 153.76**
- **Benchmark 10-year bond yield rises as 2.5bps to minus 0.115% after reaching minus 0.09% earlier; 20-year yield rises 3.5bps to 0.185%**

EM Headlines

- **GLOBAL INSIGHT: Virus to Drag China GDP to 1.2%, Send Shock**
Our central scenario is for China's 1Q GDP growth to slow to 1.2% year on year, down from 6% in 4Q 2019 and the lowest on record. In quarter-on-quarter terms, that would mean a contraction of 3.0%.
- **Hong Kong January Retail Sales Slip for 12th Straight Month**
Retail sales by value plunged 21.4% in January, data show
- **China Takes Charge of HNA, Paving Way for Faster Asset Sales**
Hainan government installs new leaders atop debt-laden group
Move is 'great news for bondholders,' credit researcher says
- **With Global Bond Yields at Record Lows, Traders Buy in China**
More room seen for bond rally as yields still high versus U.S.
A cut to benchmark deposit rate would likely help extend gain
- **Won trims early gains after the number of virus cases in the nation continued to rise and a slow down in South Korea's February inflation damped sentiment.**
- **Korean Inflation Weakens First Time in Five Months on Virus**
- **February consumer prices rise 1.1% y/y, below estimate of 1.3% gain**
- **U.S. Orders Chinese State Media to Cut Staff in U.S. by 40%**
- **Decisive RBI Means India Rates Can Fall More, Citibank Says**
The Indian central bank's decisive quest for lower interest rates to support economic growth means bond yields have more room to ease, according to Citibank N.A.
- **Indonesia Reports First Two Virus Cases as Epidemic Spreads**
Jokowi insists Indonesia is serious about responding to threat
Indonesia's stock index falls on news of confirmed infections
- **Malaysia Cuts Key Rate as Global Central Banks Act Amid Virus**
Majority of economists in Bloomberg survey forecast 25bps cut
Central bank says virus will curb first-quarter growth

- **Mexican Peso Ripe for Rally After Worst Week Since Trump Win**
Strategists at JPMorgan and BBVA predict peso will rebound
Peso has led global currency losses during past two weeks
- **Trump's border remarks adds a Mexico-specific risk, according to a note from Citigroup,**
which discourages investors from buying the peso dip due to headline risks
- **TIE swap rates are down on Monday after gains last week, as U.S. Treasury yields fell to record lows, offsetting any potential pressure from a weaker currency**
- **Curve now prices in ~100bps easing in rest of 2020**
- **Brazil's Swap Rates Signal More than 50% Chance of Rate Cut**
Brazil swap rates plunged on Monday and are pricing in more than 50% chances of a rate cut amid expectations central banks around the world will ease policies to combat the economic impact of the coronavirus outbreak.
- **Brazil to Raise Rates More Slowly in 2021 as Economy Disappoints**
Analysts see Selic rising to 5.75% by end-2021, from 4.25% now
Slow activity, anchored inflation would allow rate to stay low
- **Brazil Suspected Coronavirus Cases Soar to 433 from 252: Govt**
- **Colombia Exports at \$3.42b in January, Est. \$3.39b**
- **Davienda Colombia Feb. Manufacturing PMI 52.5 vs 53.4 in Jan.**

- Turkish Inflation Stays on Upswing While Central Bank Looks Away
- Polish Government Seeks Emergency Powers to Fight Coronavirus
Poland's government proposed legislation to give itself sweeping powers in cases of national emergencies, such as a looming outbreak of the coronavirus.
- JPMorgan Sees Hungary Rate Hike in March, Tighter Liquidity Goal
- Hungary's NBH Sees No Need to Adjust Policy on Virus: Portfolio
- Czech Government Will Halt Flights from South Korea and Italy
- East EU Narrative Shifts From Inflation to Rate Cuts
- South African Government Rebuffed in Attempt to Curb Pay
Labor unions will only discuss pay in bargaining council
Government was supposed to have given 21 days notice
- AfDB Is Ready to Give South Africa Access to Cheaper Financing
Bank welcomes Treasury's new approach to concessional loans
South Africa is struggling to contain debt-servicing costs
- Africa's most industrialized economy probably fell into a second recession in consecutive years in the fourth quarter, according to a Bloomberg survey. The median estimate is for growth to have contracted 0.2% quarter-on-quarter, compared with 0.6% in the three months before that.

TD Rates Comment

US Rates Commentary:

- USTs climbing higher all session with small pause for pending RBA decision(25 vs 50bp cut) and 10yr JGB auction, which saw small sell off into. Not until RBA cut 25bps only, and a weak 10yr auction digested, along with reports of a toothless G7 meeting later today, did we take next leg higher. Talk of no cuts or coordinated action flipped SP minis to -19pts, after +25pt open. Entering Euro we -11pts. 10s 4.5bps richer, from 5pm close, but still 4bps cheaper to 3pm closes. What a day yesterday. Flow rather muted today with better selling in 7yr sector in both USTs and Spread products for 150k 01. Lot of cash trying to buy front end paper, problem is no one holds any. We all await G7 call now. Risk is no action and stocks tank again. They are looking for something, like a petulant child. May be a strong ADP and NFP will help sooth markets. ADP tomorrow though.

Bloomberg UST Comment

Treasuries Continue Bull-Steepening; Yields End Off Session Lows

By Edward Bolingbroke

(Bloomberg) --

Treasuries ended higher with the curve steeper Monday, extending last week's historic rally that sent 10- and 30-year yields to record lows. Gains spurred during U.S. morning by report that G-7 finance ministers will meet at 7am ET Tuesday to discuss response to the economic threat posed by the coronavirus were sustained through the afternoon. Treasury futures were underpinned into 3pm ET cash settlement after several U.S. deaths from the virus were reported in Washington state.

- Yields ended lower by ~8bp at front-end, steepening 2s10s by 2.4bp, 5s30s by 3.8bp; 10-year yields ended around 1.09%, richer by 5.9bp after dropping as low as 1.028% during Asia session
- Treasuries held their advance despite gains for risk assets driven by added confidence that stewards of the world's largest economies would act in concert to offset any impact from the spreading coronavirus; U.S. equity benchmarks were higher by more than 2% in late trading
- Eurodollar strip bull-steepened in line with the Treasuries move, with Mar20 contract gaining 14bp; options flows continued to favor upside protection, including a large position in June20 contracts that targets over 100bp of rate cuts by expiration
- Though it ended wider on the day, Treasuries 2s10s curve flattened over the U.S. session, from around 34bp to 25.5bp near the close, helped by a TU/TY futures block trade
- Overnight index swaps priced in around 50bp of easing for the March FOMC meeting and 100bp by the end of the year

Bloomberg Asia Comment

Treasuries Rally on G-7 Report, RBA Cuts, JGBs Dip on Weak Sale

By Stephen Spratt

(Bloomberg) --

The rally in U.S. Treasuries received a boost from a report on G-7 statement. BOJ's repo operation shows limited interest, 10-year sale sees weakest demand since 2016. Aussie bonds drop after RBA's 25bps cut, as earlier comment from Morrison boosted expectations for a 50bps reduction.

- Prior to the rate decision, Aussie bonds snapped higher after Prime Minister Morrison said that the government is "highly aligned" with the RBA on virus response. The comment supported speculation that RBA could cut rates by 50bps, prompting OIS rates to shift from pricing 25bp to well over 30bps
 - Bonds fell after RBA cut rates by 25bps. Economists were evenly split between a cut and a hold
- UST yields drop 4-5bps. Bonds were bid from open, fading the late slide into New York close. Another jump in virus cases in South Korea saw a small wobble in risk assets, adding support
- Block buy showed up in front-end with 25k EDM1 bought at 99.20. Bonds pushed to day's highs after Reuters reports a G-7 statement being drafted doesn't specifically call for new fiscal or monetary easing, citing people familiar
- JGBs futures opened lower following Treasuries, losses briefly extended after weak 10-year sale. Bid/cover dropped to 3.20x, the lowest since 2016, while the 0.14 tail was the widest this year
 - BOJ again offers another 500b yen repo operation, though sees only 150b yen allotted, suggesting limited demand for the additional liquidity offered

Bloomberg Europe Daybook

FX/RATES DAYBOOK EUROPE: Yen Rises on Report About G-7 Statement

Yen gains versus all its Group-of-10 peers following a Reuters report that the draft G-7 statement doesn't presently include specific calls for fresh fiscal spending or coordinated central bank cuts. Aussie dollar rallied against the greenback after RBA cut rates by 25bps vs growing expectations for a 50bps reduction.

TODAY

- Eurozone CPI, PPI and unemployment rate
- Switzerland 4Q GDP
- U.K. construction PMI
- ECB's Holzmann, Norges Bank's Olsen and Nicolaisen, Riksbank's Breman speak

OVERNIGHT TRADING SESSIONS

- USD/JPY falls 0.5% as Reuters report adds to initial yen strength related to leveraged funds shorting FX pair as expectations of a Fed rate cut gathered momentum, according to an Asia-based FX trader. AUD/USD reversed losses and rallied by as much as 0.4% following RBA's decision. EUR/USD rises for fourth day while GBP/USD gains but remains below 1.28
- U.S. 2-year yields fall 6bps while 10-year yields drop 5bps. In. U.S. 30-year yields rose by 4.6bps after earlier falling to a record 1.58%; 10-year yields were up 1.5bp after earlier setting all-time low of 1.03%

TOP OVERNIGHT NEWS

- Governments in Australia, Japan, South Korea and the U.K. prepared emergency measures or economic packages to fight the spread of the coronavirus. Drugmakers said they hope to have antiviral treatments ready within months and vaccines by next year.
- Andrew Bailey, the man who becomes Bank of England governor in less than two weeks, is set to make the first public appearance connected to his new role on Wednesday. The appearance is all the more important since his views on policy remained virtually unknown, giving investors little insight into the direction the BOE may take when he takes over
- The Bank of Japan conducted an unscheduled debt buying operation for a second day amid growing expectations of a coordinated effort by global central bankers and finance ministers to mitigate the economic impact of the coronavirus. Group of Seven finance ministers and monetary officials will speak by teleconference on Tuesday, people familiar with the matter said
- Japanese Prime Minister Shinzo Abe told parliament his government is paying close attention to the effects of the coronavirus on the economy, as it implements a series of measures aimed at stemming the disease. Won't hesitate to introduce more economic measures if necessary, Abe says. Japanese Finance Minister Taro Aso calls for coordination with other nations on virus
- The Trump administration is discussing a series of steps to contain the economic and market fallout from the rapidly spreading coronavirus, including a push for the Federal Reserve to enact an emergency rate cut and a possible tax cut.
- Joe Biden is consolidating support for his Democratic presidential campaign as centrists line up behind him to effectively try to block Bernie Sanders from winning the party's nomination. Pete Buttigieg, who dropped out of the campaign Sunday night, appeared with

Biden at a Dallas restaurant and gave his endorsement. Amy Klobuchar ended her presidential bid earlier Monday and planned to endorse Biden at a rally

- Oil extended its rebound from last week's slump as global policy makers pledged to safeguard markets from the coronavirus, while OPEC and its allies are expected to deepen production cuts.

KEY VIEWS

- BlackRock Says Virus Panic Can Turn Aussie Yields Negative
- Expect a Resilient Dollar Even If the Fed Cuts Rates: HSBC

ECONOMIC DATA RELEASED

- RBA cash rate target 0.5% vs est. 0.63%
- Australia 4Q net exports of GDP +0.1 vs est. +0.2
- Australia 4Q BoP current account balance A\$1.0b vs est. A\$2.4b
- Australia Jan. building approvals -15.3% m/m vs est. +1.0%

ECONOMIC DATA (All times CET):

- 7:45am: (SZ) 4Q GDP QoQ, est. 0.2%, prior 0.4%
- 7:45am: (SZ) 4Q GDP YoY, est. 1.3%, prior 1.1%
- 8:45am: (FR) Jan. Budget Balance YTD, prior -92.8b
- 9am: (SP) Feb. Unemployment Change, est. 5,800, prior 90,248
- 10am: (IT) Jan. Unemployment Rate, est. 9.8%, prior 9.8%
- 10:30am: (UK) Feb. Markit/CIPS UK Construction PMI, est. 49, prior 48.4
- 11am: (EC) Jan. PPI MoM, est. 0.5%, prior 0.0%
- 11am: (EC) Jan. PPI YoY, est. -0.4%, prior -0.7%
- 11am: (EC) Feb. CPI Core YoY, est. 1.2%, prior 1.1%
- 11am: (EC) Feb. CPI MoM, est. 0.2%, prior -1.0%
- 11am: (EC) Feb. CPI Estimate YoY, est. 1.2%, prior 1.4%
- 11am: (EC) Jan. Unemployment Rate, est. 7.4%, prior 7.4%

CENTRAL BANKS (All times CET):

- 11am: (AS) ECB's Holzmann Speaks at Presser With IMF in Vienna
- 11:30am: (NO) Norges Bank Deputy Governor Jon Nicolaisen Speaks in Oslo
- 12pm: (SW) Riksbank's Breman Gives Speech on Monetary Policy and Climate
- 2pm: (NO) Norges Bank Governor Oystein Olsen Speaks at Oslo University
- 6pm: (SZ) Bank of Spain's de Cos speaks in Geneva

BOND SALES/PURCHASES (All times CET):

- For corporate bonds, see New Issue Monitor
- 10:45am: Spain to Sell 364-day Bills
- 10:45am: Spain to Sell 189-day Bills
- 11:15am: Switzerland to Sell 91-day Bills
- 11:30am: Germany to Sell EUR 250 M of 0.1% 2026 Linkers
- 11:30am: Germany to Sell EUR 250 M of 0.5% 2030 Linkers
- 11:30am: ESM to Sell Up to 2.5 Billion Euros of 91-day Bills

Bloomberg EM Daybook

EM Day Ahead: Malaysia Rates; South Africa GDP, Turkey Inflation

By Marcus Wong and Bloomberg Automation

(Bloomberg) --

Emerging-market stocks and currencies are rising for a second day as government stimulus measures from countries including Australia, Japan, South Korea and the U.K. help boost risk appetite. At the same time, the spread of the coronavirus around the world shows little signs of slowing.

When it comes to monetary firepower, Malaysia could be the next to cut interest rates, following in Australia's footsteps. South Africa is expected to report that it fell into a second recession in consecutive years, while Turkey's inflation is forecast to accelerate, pushing real interest rates further below zero

NOTE: All events for Tuesday, March 3 local time, unless stated otherwise.

KEY DATA IN EMERGING MARKETS:

Data	Period	Estimate	Prior
Malaysia BNM Overnight Policy Rate	March 3	2.50%	2.75%
Turkey CPI YoY	Feb.	12.70%	12.15%
Turkey PPI YoY	Feb.	9.90%	8.84%
Czech Republic GDP YoY	4Q P	1.7%	2.5% (3Q)
South Africa GDP YoY	4Q	-0.2%	0.1% (3Q)
Argentina Total Tax Revenue	Feb.	no est.	527b pesos
Mexico International Reserves Weekly	Feb. 28	no est.	\$183b

STORIES ON EM:

- Currencies Mixed as Traders Assess Monetary Action: Inside Asia
- Mexican Peso Ripe for Rally After Worst Week Since Trump Win (1)
- Emerging Value Stocks Hit Record Low Versus Growth Peers: Chart
- Korean Inflation Weakens First Time in Five Months on Virus (2)
- Turkish Inflation on Upswing While Central Bank Looks Away (1)
- China Stocks Will Continue to Beat U.S. Equities: Macro View

Market Levels

Yield Curves

	Level	COD
US 2Y	0.8610	-0.0419
US 5Y	0.9003	-0.0416
US 10Y	1.1272	-0.0360
US 30Y	1.6809	-0.0404
GER 2Y	-0.8220	+0.0020
GER 5Y	-0.8020	+0.0010
GER 10Y	-0.6210	+0.0030
GER 30Y	-0.1570	+0.0100
UK 2Y	0.2810	+0.0190
UK 5Y	0.3090	+0.0190
UK 10Y	0.4240	+0.0180
UK 30Y	0.9330	+0.0150

10Y Bond Yields

	Level	COD
Australia	0.7922	-0.0118
China	2.7387	+0.0009
Japan	-0.1130	+0.0110
Indonesia	6.8028	-0.1312
India	6.3742	+0.0257
Russia	6.3400	-0.0750
South Afri	9.1240	-0.0280
Turkey	11.9700	-0.3350
Czech	1.1429	-0.0156
Hungary	2.0536	+0.0128
Poland	1.6435	-0.0003
Brazil	6.5834	-0.0928
Mexico	6.5503	-0.2849
Colombia	6.0207	

Currencies

	Level	COD
EUR	1.1126	-0.07%
GBP	1.2807	+0.42%
JPY	107.96	+0.34%
DXY	97.587	+0.23%
JPM EM	58.389	-0.31%
CNH	6.9842	-0.30%
AUD	0.6552	+0.23%
NZD	0.6266	+0.08%
BRL	4.4744	-0.05%
MXN	19.4826	-0.44%
ARS	62.2529	-0.07%
COP	3495.55	+0.96%
RUB	66.4405	-0.02%
ZAR	15.4945	-0.74%
TRY	6.214	-0.56%
IDR	14254	-1.17%
INR	73.065	-0.93%
KRW	1194.15	-0.37%
SGD	1.3931	-0.19%
HUF	303.82	-0.21%
CZK	22.9585	-0.20%
PLN	3.8812	-0.12%
RON	4.3228	-0.07%