

Rates Overview

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DM Headlines

- White House, Senators Strike Deal on Massive Stimulus Package
Plan provides aid for businesses, checks for individuals
Senate and House still to vote; lawmakers optimistic
 - Fitch Lowers U.S. Prime Funds' Outlook to Negative From Stable
 - Trump Administration Weighing 90-Day Deferral of Tariffs (2)
Debate is playing out inside and outside the administration
Domestic industry pushing back against plan to defer payments
 - Fed Can Turn to Peers for Tips on Pushing Loans to Businesses
ECB, BOE and BOJ have had lending programs for years
It's unclear how valuable the support is longer term
 - Fed Enlists BlackRock In Its Massive Debt-Buying Programs
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- Europe Working to Unleash Massive Bailout Fund to Aid Countries
A 'broad' consensus seen for ESM credit lines of 2% of GDP
Leaders to discuss options in March 26 teleconference
 - ECB Sees Steepest Demand for Cash Since October 2008
Jump comes amid widening shutdown of the euro-area economy
ECB asset purchases, liquidity increase in response to crisis
 - EU Ministers Inch Toward Rescue Deal as Virus Tightens Grip (1)
Eurogroup makes minimal progress toward joint fiscal response
Spain records biggest death toll in a day despite lockdown
 - ECB Will Do All That's Needed to Provide Liquidity: Visco to La7
 - Fed's Bombast Prompts Pimco to Call on Bigger ECB QE Blowout
Fed's unlimited QE proves enticing, ECB may need to do more
Outright monetary transactions may support Italian debt: ING
 - Pandemic Is Ripping Up Supply Chains and May Boost Europe's East
 - Germany Mulls Stimulus Package to Boost Post-Virus Economy
Officials discussing debt-financed measure to revive growth
Deep recession could spur spending to accelerate recovery

- *U.K. FEB. CONSUMER PRICES RISE 1.7% Y/Y; EST. 1.7%
 - BOE Launches Extra Repo Operations After Liquidity Demand Surges
Move prompted after calls for cash by banks soared on Tuesday
BOE has not used the CTRF since it was established in 2014
 - U.K. Virus Stimulus Exceeds Boost During Financial Crisis (1)
Commitments made since Budget total 2.5% of economic output
Scale underscores threat as virus forces shutdown of activity
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- AUD Bonds Slide as RBA Pivots to Smaller Buys of Semi-Govt Debt
 - Australia Feb. skilled vacancies -0.2% m/m vs revised -0.3% prior
 - The Australian and New Zealand dollars rose as speculative funds flipped short positions after the U.S. Senate reached an agreement on a stimulus deal.
 - Yield on 3-year bond little changed at 0.29%; yield on 10-year note gains 8bps to 0.98%
 - Risks for Australian property prices and the financial system have increased in the wake of a short-term contraction in the economy, rising unemployment and depressed sentiment, S&P Global Ratings said
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- Japan Banks Tap Fed For Over \$150 Billion in Just One Week
The 84-day swap operation costs Japan banks just 0.35%
Japanese banks took \$89.3 billion in Tuesday's operations
 - One BOJ Member: Can Buy Bonds Up to Current 80Tln Yen Guideline
 - Japan Repo Rates Hit Most Expensive on Record in Dollar Rush (1)
BOJ stepping up bond purchases as desire for selling shrinks
Less JGB supply as they get pledged for dollar swap lines
 - Japan's Economic Activity Drop Sounds Alarm on Global Growth (1)
Service industry activity falls at record pace, PMI data shows
Manufacturing sector at weakest since global financial crisis
 - Olympics Delay Deals Crushing Blow to Japan's Comeback Story
 - JGB futures ended regular day 0.09 lower at 151.91
 - Benchmark 10-year cash bond yield falls 0.5bp to 0.03%
 - Five-year yield climbs 1.5bps to minus 0.105%; 20-year yield down 1bp at 0.295%

EM Headlines

- China's Hidden Symptom-Free Virus Cases Means Epidemic Not Over
Coronavirus epicenter Wuhan reports fresh case on Tuesday
Experts warn of asymptomatic carriers driving virus spread
- Worldwide Dollar Crunch Raises Red Flags in Asia Debt Market (2)
Indonesia, Malaysia, India face more challenges in repayments
Southeast Asia, India face a 67% jump in payments in 2022
- One-Year Rate Swaps Rise After Falling to 2010 Low
China's one-year interest-rate swaps rose for the first time in eight days as expectations build the central bank may be less aggressive than its peers in cutting rates.
- China's Central Bank Considering Deposit Rate Cut, FT Reports
- China's Government Faces Worst Fiscal Stress Since 2009
Income contracts 9.9% y/y in the first two months of 2020
Tax revenues drop more than 11% after economy shuts down
- S. Korea to Ease FX Prudential Rules to Support USD Funding
- BOK to Supply USD Liquidity Next Week, Using Swap Line With U.S.
- China Leans On Firms to Keep Workers Even If They're Not Working
A sudden rise in unemployment might fill the streets with disgruntled protesters.

- Brazil Retail Tumbles for Second Month Before Virus Impact
January retail sales -1.0% m/m and +1.3% y/y : stats agency
Bigger-than-expected January decline shows weakening demand
- Even though no FX program was announced, the central bank reinforced yesterday that it has plenty of ammo to use to keep the market liquid and functional and sold \$739m in three spot auctions yesterday
- BCB counts with almost \$350b in foreign reserves, \$60b of a credit-line with Fed and the ability to use derivatives like FX swaps, which are settled in local currency
- Swap curve continues to steepen to account for the increased fiscal risk as govt announces more measures to fight the coronavirus outbreak
- Brazil Confirmed Coronavirus Cases Jump to 2,201: Govt
- Bolsonaro Says State Governors Should Suspend Lockdown
- Mexican Peso's One-Day Rally Pales Next to Downside Risks
Tuesday's bounce is not enough to convince bearish analysts
Currency may weaken to 35/USD, says Bannockburn Global Forex
- MXN's 3.7% drop on Monday can be partly attributed to the rejection by referendum of Constellations Brand's \$1.5b brewery, according to a note from Citigroup
- Project is the second large-scale international investment to be put on hold under AMLO, in the name of "public consultation"
- TIE swap rates are down 3-5bps across the curve, in line with peso gains; curve now prices in more than 90bps easing in rest of 2020, taking policy rate to ~5.5%
- Mexico Confirms 367 Covid-19 Cases, 4 Deaths: Health Official

- Last Polish Rate Cut Was Too Much, MPC's Hardt Says in Rp.pl
- Poland Imposes Curbs on Travel, Leaving Homes Due to Virus
- Poland February Unemployment Rate Unchanged at 5.5%; Est. 5.5%
- Polish Business Lobby Sees Risk of Jobless Rate Jumping to 10%
- Poland's Verbal Intervention Not Helping Zloty, Commerzbank Says
- Hungary's Central Bank Pledges Unlimited Long-Term Liquidity
- Hungary Offers Monetary Virus Response Worth a Fifth of Output
Central bank offers long-term liquidity to commercial lenders
Rate setters kept borrowing costs unchanged earlier in the day
- Hungary's central bank to hold first collateralized loan tender as part of efforts to boost liquidity in the banking system.
- Czech Government Expects QE to Help Fund Coronavirus Rescue (2)
Cabinet approves bill allowing central bank to buy state bonds
Plan follows Poland's launch of quantitative easing last week
- Czech Lawmakers Approve Wider Budget Deficit to Help Economy
- Czech Central Bank Discussed Bigger Emergency Rate Cut March 16
- Junk Rating This Week May Be Least of South Africa's Problems
More than half of survey respondents expect Moody's downgrade
Some say downgrade could free policy makers to act decisively
- South African Bonds Soar as Central Bank Starts Buying Dbt (1)
Yield on 2026 securities drops by most in 18 years; rand gains
Move comes as yields hit records amid sell-off, cash crunch

Citadel Rates Comment

Good morning! Treasuries were relatively subdued overnight, still trading in a 13 tick range in TYM0 on volumes running just below recent averages (though would be decent in pre-crisis days). There has been little movement to the curve. Congress reached an agreement on the stimulus package though this had just minimal impact on price action, having been largely priced in during yesterday's session.

The market was quite heavy throughout the day yesterday, easily absorbing the Fed's \$75b in purchases. Supply and the best day in the DJIA in nearly 90 years really weighed on the market. Both the 1y and 2y auctions tailed after decent concessions, and even corporate supply snuck in \$16b in issuance. We saw a resumption of the decent RM selling that had been going through last week, including some decent sell programs right into the close.

TYM0 had a negative day yesterday but did find some strong support off the 136-30 level just after the 2y auction. This is first support, followed by the weekly average that comes in around 136-15 today. First resistance comes at 137-15 and then up at 137-31.

Bloomberg UST Comment

USTs Drop as Stocks Rally, Curve Sharply Flattens in Late Trade

By Edward Bolingbroke

(Bloomberg) --

Another choppy session for Treasuries as the curve whipsawed after early bear - steepening move was unwound over U.S. afternoon, with 10-year sector ending well off lows. Two-year sector lagged into and out of relatively solid auction, leaving 2s10s curve near flattest levels of day. Risk took a slight break in U.S. afternoon after Italy reported second-deadliest day of the virus outbreak, but stocks regained momentum, driving the Dow Jones average to its biggest gain since 2008.

- Risk sentiment was stoked over most U.S. morning session as optimism grew that a virus aid bill will clear the Senate; S&P 500 higher by 8% ahead of the cash close, and Dow Jones by about 10%
- Treasury 10-year yields ended 4bp cheaper vs. Monday close at around 0.83% while 2-year yields rose 8bp; late outperformance in long-end of the curve pushed 2s10s, 5s30s flatter by 3.7bp and 6.8bp on the day
 - Sale of \$40 billion in 2-year notes was solid given the volatile environment and tailed the WI level by 0.8bp, stopping at 0.398%
- U.S. stock futures surged in early trade, weighing on Treasuries ahead of the auction, with Congress looking close to an unprecedented spending bill to prop up the economy
- Treasury futures open interest continued to show purge of positions driving recent choppy price action and causing the curve to whipsaw with notable bail-outs in long-end positioning

Bloomberg Asia Comment

Treasuries Erase Gains on Stimulus Plan, Aussie Bonds Drop

By Stephen Spratt

(Bloomberg) --

Treasuries were underpinned for much of the session as S&P futures dropped over 2%, before erasing losses following a U.S. Senate agreement on a \$2t stimulus bill. Aussie bonds dipped as RBA shifted QE to semi-government bonds. BOJ allotted another \$5b in 7-day swap lines and JGB repo rates cooled off from record levels.

- Treasury 10-year yields dropped as much as 3.3bps before erasing the move after the stimulus deal. Volumes were poor running at around 40% of 20-day average. Senate will resume at noon on Wednesday
 - S&P E-minis erased 2.1% drop after deal was announced
- Aussie bonds, JGBs came tumbling as risk assets bounced
- Aussie bonds were under pressure earlier as RBA announced \$2b in semi-government bond purchases
 - The pivot away from ACGBs likely led to some capitulation of long positions as buying ahead of the announcement has been a profitable strategy this week
- JGBs slide as 5-year sector lags on the curve. Japanese banks took another \$5b in 7-day dollar swap auction though there is little movement in JPY basis as corporates demand drives rather than arbitrage opportunities
- JGB T/N repo rates bounce from record negative levels seen on Tuesday after BOJ's 2t yen repo operation, however longer tenors still hover at near record levels

Bloomberg Europe Daybook

FX/RATES DAYBOOK EUROPE: Dollar Falls on Stimulus, Details Eyed

By David Finnerty

(Bloomberg) --

A gauge of dollar strength weakens for a second day as U.S. lawmakers reach an agreement over a stimulus package to support the economy impacted by the coronavirus outbreak. Norwegian krone and Canadian dollar advance as oil rises for a third day. Cable rises to 1.18 ahead of U.K. inflation data.

TODAY

- U.K. CPI, RPI and CBI reported sales
- Germany IFO data

OVERNIGHT TRADING SESSIONS

- Bloomberg Dollar Spot Index falls 0.5%, after dropping 0.7% Tuesday as investors wait for specific details of U.S. stimulus plan. GBP/USD rises back above 1.18, as it gains for a second day, while EUR/USD rises and hovers near 1.08. AUD/USD gains as much as 1.3% on U.S. stimulus news to rise back above 0.60 as speculative accounts bought Aussie. USD/JPY edges higher as it tries to hold above 111.00
- Kiwi reverses initial losses to advance for a third day versus greenback on U.S. stimulus news. NZD/USD had fallen as much as 0.6% in early Asian trade under the weight of fast-money sales, after the government's declaration of a state of emergency to combat the virus raised speculation of more support measures from the central bank, according to an Asia-based FX trader
- U.S. 2-year yields fall 2bps while 10-year yields are steady. In U.S. Treasuries fell across the curve, led by the belly of the curve, with 5-year yields rising 11bps while 7-year gained 9bps

TOP OVERNIGHT NEWS

- The Trump administration struck a deal with Senate Democrats and Republicans on an historic rescue package that tees up almost \$2 trillion in spending and tax breaks to bolster the hobbled U.S. economy and fund a nationwide effort to stem the coronavirus, according to two people familiar with the plan
- More countries tightened restrictions on residents as global cases topped 420,000, with India imposing a three-week national lockdown. U.S. President Donald Trump said he's hoping to have the economy reopened by Easter next month, even as California's governor said it would be misleading to suggest his state could emerge from its shutdown by Easter
- The euro area is preparing to make available credit lines from its bailout fund worth up to 2% of each country's output, as the region's finance ministers sought to lay out the next phase of their fiscal response to the coronavirus outbreak
- One of nine Bank of Japan board members said the central bank could buy more bonds up to its loose guideline of increasing holdings by 80 trillion per year going forward, according to a summary of opinions from the March 16 policy meeting.
- China's exclusion of people without symptoms from its official count of confirmed coronavirus cases is renewing concerns over whether its outbreak has truly come under

control. Local authorities in Wuhan -- the city where the virus first emerged -- defended their practice of not counting such cases late Monday night, after local magazine Caixin reported that the city was still finding asymptomatic cases daily.

- The gold market in New York is facing a historic squeeze. At issue is whether there will be enough gold available in New York to deliver against futures contracts traded on the Comex in New York. As of Monday, open interest in the April gold contract stood at 195,604 contracts, equivalent to 19.6 million ounces. The total deliverable stocks in Comex warehouses were 8.7 million ounces.

KEY VIEWS

- Yen to Rise as USD Liquidity, Virus Still Key Concerns: Credit Agricole
- Fitch Lowers U.S. Prime Funds' Outlook to Negative From Stable

ECONOMIC DATA RELEASED

- Australia Feb. skilled vacancies -0.2% m/m vs revised -0.3% prior
- New Zealand Feb. trade surplus NZ\$594m vs est. NZ\$525m

ECONOMIC DATA (All times CET):

- 8am: (UK) Feb. CPIH YoY, est. 1.7%, prior 1.8%
- 8am: (UK) Feb. CPI YoY, est. 1.7%, prior 1.8%
- 8am: (UK) Feb. CPI Core YoY, est. 1.5%, prior 1.6%
- 8am: (UK) Feb. RPI YoY, est. 2.58%, prior 2.7%
- 8am: (UK) Feb. RPI Ex Mort Int. Payments (YoY), est. 2.65%, prior 2.8%
- 8am: (UK) Feb. PPI Input NSA YoY, est. -0.85%, prior 2.1%
- 8am: (UK) Feb. PPI Output NSA YoY, est. 0.9%, prior 1.1%
- 8am: (UK) Feb. PPI Output Core NSA YoY, est. 0.5%, prior 0.7%
- 8am: (NO) Jan. Unemployment Rate AKU, est. 3.9%, prior 3.9%
- 9am: (SP) Feb. PPI YoY, prior -0.8%
- 9:30am: (SW) Feb. PPI YoY, prior -0.4%
- 10am: (GE) March IFO Business Climate, prior 87.7
- 10am: (GE) March IFO Expectations, prior 82
- 10am: (GE) March IFO Current Assessment, prior 93.8
- 10am: (SZ) March Credit Suisse Survey Expectations, prior 7.7
- 10:30am: (UK) Jan. House Price Index YoY, est. 2.7%, prior 2.2%
- 12pm: (UK) March CBI Retailing Reported Sales, est. -15, prior 1
- 12pm: (UK) March CBI Total Dist. Reported Sales, est. -10, prior 7

CENTRAL BANKS (All times CET):

- Nothing major scheduled

BOND SALES/PURCHASES (All times CET):

- For corporate bonds, see New Issue Monitor
- 11am: Sweden to Sell 2 Billion Kronor of 0.125% 2031 Bonds
- 11am: Norway to Sell 2 Billion Kroner of 3% 2024 Bonds

Bloomberg EM Daybook

EM Day Ahead: Thai Rates; Argentina GDP; Brazil Current Account

By Marcus Wong and Bloomberg Automation

(Bloomberg) --

Emerging-market assets will get another leg-up after the U.S. Congress and White House agreed on a fiscal stimulus deal, with most emerging-Asia equities already in the green for a third day in a row following the Federal Reserve's unprecedented stimulus plan announced Monday.

Economists are split over the Bank of Thailand decision following last Friday's emergency cut to 0.75%. Nine out of 17 surveyed forecast a reduction and the remainder predict rates will be kept on hold. Argentina's GDP is expected to contract again in the fourth quarter. Brazil's current-account deficit is forecast to improve after January's worst deficit since 2015, even as the real hovers close to record lows against the dollar.

NOTE: All events for Wednesday, March 25 local time, unless stated otherwise.

KEY DATA IN EMERGING MARKETS:

Data	Period	Estimate	Prior
Thailand BoT Benchmark Interest Rate	Mar 25	0.50%	0.75%
Russia CPI WoW	Mar 23	no est.	0.1%
Brazil Inflation IPCA-15 MoM	Mar	0.06%	0.22%
Mexico Retail Sales YoY	Jan	2.8%	3.2%
Brazil Current Account Balance	Feb	-\$3.4b	-\$11.9b
Brazil Foreign Direct Investment	Feb	\$6.2b	\$5.6b
Argentina GDP YoY	4Q	-1.0%	-1.7%

STORIES ON EM:

- Won Rises With Ringgit on Policy Support Optimism: Inside Asia
- Worldwide Dollar Crunch Raises Red Flags in Asia Debt Market
- China Micro Stimulus Keeping EM Stocks From Leading: Macro View
- Funds Can Snap Up Cheap EM Stocks Amid Virus, Copley Says
- Life Insurers Keep Faith in India Stocks Amid Mayhem

Market Levels