

The Analysis Report of Bond Market in August, 2020

A、Macroeconomic Data

※America

Event(Adj.)	Date	Survey	Actual	Prior
ISM Index in June	7/1	49.8	52.6	43.1
Nonfarm Payrolls in June	7/2	3,230K	4,800K	2,725K(Adj.)
Unemployment Rate in June	7/2	12.5%	11.1%	13.3%
Hourly Earnings MoM in June	7/2	-0.8%	-1.2%	-1.1%(Adj.)
Average Workweek in June	7/2	34.5	34.5	34.7
ISM Service in June	7/6	50.2	57.1	45.4
PPI MoM in June	7/10	0.4%	-0.2%	0.4%
CORE PPI MoM in June	7/10	0.1%	-0.3%	-0.1%
CPI MoM in June	7/14	0.5%	0.6%	-0.1%
CORE CPI MoM in June	7/14	0.1%	0.2%	-0.1%
NAHB Housing Market Index in July	7/16	61	72	58
Housing Starts MoM in June	7/17	22.2%	17.3%	8.2%(Adj.)
Building Permits MoM in June	7/17	6.3%	2.1%	14.1%(Adj.)
Existing Home Sales in June	7/22	4,750K	4,720K	3,910K
New Home Sales in June	7/24	700K	776K	682K(Adj.)
Durable Orders MoM in June	7/27	6.9%	7.3%	15.1%(Adj.)
Durable Orders ex transportation MoM in June	7/27	3.6%	3.3%	3.6%(Adj.)
GDP-adv	7/30	-34.5%	-32.9%	-5.0%
Personal Income MoM in June	7/31	-0.6%	-1.1%	-4.4%(Adj.)
Personal Spending MoM in June	7/31	5.2%	5.6%	8.5%(Adj.)

✧Taiwan

Event	Date	Actual	Prior
Foreign Exchange Reserves in June	7/6	488.69(US\$ Billion)	484.52(US\$ Billion)
CPI YoY in June	7/7	-0.76%	-1.21%(Adj.)
Exports YoY in June	7/7	-3.80%	-2.00%
Export Orders YoY in June	7/20	6.50%	0.40%
Unemployment Rate in June	7/22	3.97%	4.16%
Industrial Production YoY in June	7/23	7.34%	1.68%(Adj.)
Money Supply M2 YoY in June	7/24	5.42%	4.18%

B · The Analysis of Bond Market

The United States announced that its GDP for the second quarter shrank by 32.9%. At the same time, the number of unemployed people receiving compensation increased by 1.43 million at the beginning of last week, and continued to increase to 17 million. Poor economic data has caused U.S. bond to maintain bull position. The recent decline in 10-year U.S. bond yield reached a record low.

The 364-day NCD continued to set a new low with the award of bid in 0.288%, and the Bid-to-Cover Ratio was 2.17 times as much, indicating that the market capital situation is overflowing. With the resurgence of tensions between China and the United States and the effect of fund easing, the recent Taiwan bond 5-year and 10-year yield both fell to record lows.

Looking ahead, although the Central Bank of the Republic of China has not decrease interest rates again, the space below the short-term rate appears to be limited. Yet, due to the pressure of the banking system to de-capitalize, whenever the yield rises, there will be buying orders waiting to be accepted. The downside of Taiwan bond yield is limited and it is not easy to rebound. Coupled with the continued decline in U.S. bond yield, the future will not rule out the opportunity for Taiwan 10-year bond yield to challenge new lows. It is estimated that the 10-year yield of treasury benchmark trading range will fluctuate between 0.36% and 0.46%.

C、The Chart of Benchmark GB Yield for 5 terms & 10 terms

