

The Analysis Report of Bond Market in March, 2020

A、Macroeconomic Data

※America

Event	Date	Survey	Actual	Prior
ISM Index in January	2/3	48.5	50.9	47.8(Adj.)
ISM Service in January	2/5	55.1	55.5	54.9(Adj.)
Nonfarm Payrolls in January	2/7	165K	225K	147K(Adj.)
Unemployment Rate in January	2/7	3.5%	3.6%	3.5%
Hourly Earnings MoM in January	2/7	0.3%	0.2%	0.1%
Average Workweek in January	2/7	34.3	34.3	34.3
CPI MoM in January	2/13	0.2%	0.1%	0.2%
CORE CPI MoM in January	2/13	0.2%	0.2%	0.1%
NAHB Housing Market Index in February	2/18	75	74	75
PPI MoM in January	2/19	0.1%	0.5%	0.2%(Adj.)
CORE PPI MoM in January	2/19	0.2%	0.5%	0.1%
Housing Starts MoM in January	2/19	-11.2%	-3.6%	17.7%(Adj.)
Building Permits MoM in January	2/19	2.1%	9.2%	-3.7%(Adj.)
Existing Home Sales in January	2/21	5,440K	5,460K	5,530K(Adj.)
New Home Sales in January	2/26	718K	764K	708K(Adj.)
Durable Orders MoM in January	2/27	-1.4%	-0.2%	2.9%(Adj.)
Durable Orders ex transportation MoM in January	2/27	0.2%	0.9%	0.1(Adj.)
GDP-adv	2/27	2.1%	2.1%	2.1%
Personal Income MoM in January	2/28	0.4%	0.6%	0.1%(Adj.)
Personal Spending MoM in January	2/28	0.3%	0.2%	0.4%(Adj.)

✧Taiwan

Event	Date	Actual	Prior
Foreign Exchange Reserves in January	2/5	479.13(US\$ Billion)	478.13 (US\$ Billion)
CPI YoY in January	2/6	1.85%	1.14%(Adj.)
Exports YoY in January	2/7	-7.60%	4.00%
Export Orders YoY in January	2/20	-12.80%	0.90%
Industrial Production YoY in January	2/24	-1.51%	6.29%(Adj.)
Unemployment Rate in January	2/24	3.71%	3.72%
Money Supply M2 YoY in January	2/24	4.60%	4.12%

B · The Analysis of Bond Market

The U.S. Federal Reserve announced a two–yard cut in interest rates without warning on March 3 to alleviate the impact of the coronavirus on the economy. Although U.S. stocks rose for a while, people’s concerns about the epidemic have intensified, and the stock market has fallen due to the uneasy atmosphere. Under the pursuit of risk–averse buyers, the 10–year U.S. bond yield once fell below the 0.90% level, which reached a record low.

Taiwan bond market was affected by a two–yard cut in interest rates by the Fed, and the 20–year yield of treasury benchmark was bid 0.57% lower than the market expectation, which caused the 10–year yield of treasury benchmark of Taiwan to break again. The closing price of 0.4805 on March 4 hit a record low. Later, because the dealers held a wait–and–see attitude towards the new low yield, part of the profit was sold and the interest rate was slightly raised after the out of the cage. The 10–year yield of treasury benchmark has generally remained fluctuating and downward.

Looking ahead, the United States is leading a wave of cutting interest rates by central banks around the world. Although the Central Bank of the Republic of China (Taiwan) hasn’t reached a consensus on following interest rate cuts at the end of the month, the market has apparently tended to hedge. The downward pressure on the economy is still high before the epidemic is under control. The probability of following interest rate cuts is high in the future. It is estimated that the 10–year yield of treasury benchmark trading range will fluctuate between 0.43% ~ 0.49%.

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

