

Tuesday, August 22, 2017

DAILY TREASURY OUTLOOK

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Highlights

Global	Financial markets continued to meander with a soft tone overnight amid a paucity of economic data cues and as investor awaited the Jackson Hole symposium where key central bankers would gather later this week. News that Bridgewater's Ray Dalio was "tactically reducing our risk" as he was "concerned about growing internal and external conflict leading to impaired government efficiency" also weighed on market sentiments. Asian bourses may trade in a range today, awaiting BI's policy decision (likely static at 4.75% and may reiterate a dovish bias) amidst another relatively light economic data calendar that comprises of US' FHFA house price and Richmond Fed manufacturing index, German ZEW survey, HK CPI and Malaysia's foreign reserve data. ECB's Constancio is also speaking.
US	The Chicago Fed national activity index unexpectedly fell 0.01 in July, after a revised +0.16 in June. Meanwhile, Treasury Secretary Mnuchin said he aimed to work with Congress to raise the debt limit, while Senate Majority Leader McConnell also opined that there is "zero chance – no chance – we won't raise the debt ceiling".
SG	The Turkey-Spore FTA, which was signed in November 2015, will come into force on 1 October. Bilateral trade in goods was S\$1.4b in 2016, and bilateral services trade was S\$500m in 2015.
CN	The speculation that China may ease its control on individual's outward portfolio investment resurfaced again after RMB outlook improved. According to the local news, China's foreign exchange regulator is seeking State Council approval for a pilot plan for qualified Chinese individual to invest in foreign traded securities.
ID	The Bank Indonesia (BI) meeting later today may be a tricky one to call. Governor Agus Martowardojo had turned somewhat dovish over the last two weeks, mentioning that the BI is open to easing to support GDP growth. This came as a surprise as the BI had appeared comfortable with growth previously. Overall, we continue to expect BI to stand pat today, but with cautious eye towards easing bias in the upcoming meetings.
TH	Growth accelerated to its fastest in more than four years in 2Q17 to 3.7% yoy (+1.3%qoqsa), close to our in-house call of 3.6% yoy (+1.3%qoqsa). Accounting for 2Q17 growth, the Thai economy grew by 3.5% in the first half of this year, its fastest pace since 1H13. With the stellar growth print, official growth outlook has been upgraded to 3.5% - 4.0%, up from 3.3% to 3.8% for 2017.
CMD	Crude oil prices remained range-bound, which fell on Monday after Friday's gains as market-watchers digested the lower US oil rig counts. Note Libya's Sharara oilfield has been shut-down since Saturday by pipeline blockade by a militant group. Elsewhere, sustained geopolitical tensions as military exercises between S. Korea and the US went underway lifted safe haven demand; gold prices rallied to near its \$1,300/oz.

Major Markets

- **US markets:** Equities eked out a small gain on Monday after a last ditch rally towards the end of the trading session. The S&P 500 and Dow rose 0.12% and 0.14% respectively, while the Nasdaq Composite was marginally lower. Gains in real estate and telecommunication shares just manage to offset declines in energy and financial stocks. VIX stepped lower to 13.19, compared to 14.26 previously. US Treasury yields were marginally softer, with the 2y and 10y benchmark yields standing at 1.30% and 2.18% at NY close. Overall, markets appear to be treading cautiously ahead of Jackson Hole with trading relatively light.
- **Singapore:** STI extended declines by another 0.15% to close at 3246.99 yesterday and may stay in consolidation mode today amid unconvincing cues from Wall Street overnight. STI's support and resistance are tipped at 3230 and 3260 today. With the modest overnight UST bond rally, SGS bonds may reverse yesterday's declines and open firmer this morning as well.
- **Thailand:** Growth outlook remains rosy into year-end, underpinned by the continued recovery of global trade environment into end-year. The recovering external demand does suggest positive spill-over effects into Thailand's key industries, such as private consumption (given strengthening household income and purchasing power) and investment (given strong correlation between exports and industrial output) as evident in the 2Q17 prints. As such, our year-end growth outlook of 3.5% remains unchanged for now, though at the lower end of the official growth outlook of 3.5 – 4.0%. Essentially as well, there remains little inflation risk for the year, given the lowered official CPI outlook of 0.4% - 0.9% (down from 0.8% - 1.3%) in 2017. In all, in view of the stellar growth and the tame inflation climate, we look for the Bank of Thailand to keep its benchmark rate unchanged at 1.50%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mixed yesterday, with the largest increase seen in the 15-year tenor, which rose by 2bps, and the largest decrease seen in the 7-year and 12-year tenors, which fell by 1bps. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 190bps. Similarly, the yield on JACI HY Corp traded little changed at 6.96%. 10y UST yields fell 1bps to 2.18%, as markets lacked key directional catalysts while awaiting speeches from central bankers at Jackson Hole.
- **New Issues:** Olam International Limited has priced a USD50mn 5-year bond at 3.65%. Hyundai Capital Services Inc has priced a USD600mn 5-year bond at CT5+135bps, tightening from initial guidance of CT5+170bps area. The expected issue ratings are 'A-/Baa1/NR'. China Great Wall International Holdings III Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by China Great Wall AMC (International) Holdings Company Ltd). The expected issue ratings are 'BBB+/Baa1/A'.
- **Rating Changes:** S&P has affirmed AMP Ltd's (AMP) and AMP Group Holdings Ltd's (AGHL) 'A' issuer credit ratings, while affirming the 'AA-' ratings on AMP's core operating entities and the 'A' rating on AMP Bank Ltd. S&P has revised the outlook on the aforementioned entities to stable from negative. The rating action reflects the improvement of AMP's capital and earnings following the recent rebound in profitability.

At the same time, S&P withdrew the ratings on The National Mutual Life Association of Australasia Ltd and The National Mutual Life Assoc. of Australasia Ltd (NZ) at the company's request. S&P has downgraded CAR Inc's (CAR) corporate credit rating and the rating on CAR's outstanding senior unsecured notes to 'BB' from 'BB+'. The outlook is stable. The rating action reflects S&P's view that the significant decline in CAR's long-term fleet rental business signals a deterioration in its competitive position.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.095	-0.36%	USD-SGD	1.3608	-0.15%
USD-JPY	108.980	-0.18%	EUR-SGD	1.6078	0.29%
EUR-USD	1.1815	0.46%	JPY-SGD	1.2485	0.02%
AUD-USD	0.7939	0.13%	GBP-SGD	1.7555	0.07%
GBP-USD	1.2900	0.23%	AUD-SGD	1.0802	-0.05%
USD-MYR	4.2870	-0.07%	NZD-SGD	0.9968	-0.01%
USD-CNY	6.6660	-0.07%	CHF-SGD	1.4145	0.11%
USD-IDR	13351	-0.08%	SGD-MYR	3.1436	-0.06%
USD-VND	22723	-0.03%	SGD-CNY	4.8993	0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1772	--
2M	-0.3400	--	1M	1.2350	--
3M	-0.3290	--	2M	1.2639	--
6M	-0.2710	--	3M	1.3147	--
9M	-0.2110	--	6M	1.4564	--
12M	-0.1580	--	12M	1.7262	--

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
09/20/2017	0.0%	99.6%	0.0%	0.0%	0.0%
11/01/2017	0.8%	98.9%	0.8%	0.0%	0.0%
12/13/2017	32.3%	67.5%	32.0%	0.2%	0.0%
01/31/2018	32.9%	66.9%	32.3%	0.5%	0.0%
03/21/2018	50.4%	49.4%	41.4%	8.8%	0.1%
05/02/2018	50.7%	49.1%	41.4%	9.1%	0.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.37	-2.35%	Copper (per mt)	6,617.2	1.35%
Brent (per barrel)	51.66	-2.01%	Nickel (per mt)	11,275.5	3.04%
Heating Oil (per gallon)	1.5712	-3.04%	Aluminium (per mt)	2,069.3	0.87%
Gasoline (per gallon)	1.5841	-2.46%			
Natural Gas (per MMBtu)	2.9620	2.39%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,711.0	1.12%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	216.8	0.28%
Gold (per oz)	1,296.7	0.39%			
Silver (per oz)	17.015	0.09%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,703.75	29.24
S&P	2,428.37	2.82
Nasdaq	6,213.13	-3.40
Nikkei 225	19,393.13	-77.28
STI	3,246.99	-5.00
KLCI	1,771.62	-4.60
JCI	5,861.00	-32.84
Baltic Dry	1,260.00	--
VIX	13.19	-1.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.25 (-0.01)	1.30 (--)
5Y	1.54 (--)	1.75 (-0.01)
10Y	2.11 (--)	2.18 (-0.01)
15Y	2.31 (--)	--
20Y	2.41 (+0.01)	--
30Y	2.46 (--)	2.76 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.62	0.02
EURIBOR-OIS	2.89	-0.03
TED	31.36	--

Economic Calendar

Date	Time	Event		Survey	Actual	Prior	Revised
08/21/2017	05:00	SK	PPI YoY	Jul	--	3.00%	2.80%
08/21/2017	07:01	UK	Rightmove House Prices MoM	Aug	--	-0.90%	0.10%
08/21/2017	07:01	UK	Rightmove House Prices YoY	Aug	--	3.10%	2.80%
08/21/2017	10:30	TH	GDP SA QoQ	2Q	1.00%	1.30%	1.30%
08/21/2017 10:30	TH	GDP YoY		2Q	3.20%	3.70%	3.30%
08/21/2017	11:00	NZ	Credit Card Spending YoY	Jul	--	7.20%	8.30%
08/21/2017	11:44	MU	CPI Composite YoY	Jul	--	1.03%	1.06%
08/21/2017 12:30	JN	All Ind. Activity Index MoM		Jun	0.40%	0.40%	-0.90%
08/21/2017 16:00	TA	Export Orders YoY		Jul	13.00%	10.50%	13.00%
08/21/2017	20:30	CA	Wholesale Trade Sales MoM	Jun	-0.50%	-0.50%	0.90%
08/21/2017	20:30	US	Chicago Fed Nat Activity Index	Jul	0.1	-0.01	0.13
08/22/2017	15:00	MA	Foreign Reserves	Aug-15	--	--	\$99.4b
08/22/2017	16:00	TA	Unemployment Rate	Jul	3.80%	--	3.78%
08/22/2017 16:30	HK	CPI Composite YoY		Jul	2.00%	--	1.90%
08/22/2017	16:30	UK	Public Finances (PSNCR)	Jul	--	--	18.3b
08/22/2017	16:30	UK	Public Sector Net Borrowing	Jul	0.3b	--	6.3b
08/22/2017	16:30	UK	PSNB ex Banking Groups	Jul	1.0b	--	6.9b
08/22/2017 17:00	GE	ZEW Survey Current Situation		Aug	85.2	--	86.4
08/22/2017	17:00	EC	ZEW Survey Expectations	Aug	--	--	35.6
08/22/2017 17:00	GE	ZEW Survey Expectations		Aug	15	--	17.5
08/22/2017 20:30	CA	Retail Sales MoM		Jun	0.20%	--	0.60%
08/22/2017	20:30	CA	Retail Sales Ex Auto MoM	Jun	0.10%	--	-0.10%
08/22/2017	21:00	US	FHFA House Price Index MoM	Jun	0.50%	--	0.40%
08/22/2017	22:00	US	Richmond Fed Manufact. Index	Aug	10	--	14
08/18/2017	08:31	PH	Budget Balance PHP	Jul	--	--	-90.9b

Source: Bloomberg

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