DAILY TREASURY OUTLOOK

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Highlights

Global	**Global risk appetite remained fragile, albeit Wall Street stabilised overnight.** UST bond yields continued to push lower, with the 10-year tenor briefly breaking below the 2.4% handle for the first time since December 2017 to hit 2.375% (lowest since December 2017 and below the average Fed Funds rate of 2.41%) amid a sustained repricing of Fed's interest rate outlook. The Fed Funds futures market is now fully pricing in a possible rate cut by year-end, and we expect that the 10-year UST yield will make a run for the 2.3% handle amid month/quarter-end re-positioning flows. **Meanwhile, UK PM May has admitted that she does not have the votes to get her Brexit deal passed**, but opined that a no-deal Brexit will only happen with Parliament's consent. This came after the House of Commons voted 329-302 to strip power from May and pave the way to pursue Plan B options, which potentially includes other plausible scenarios like a second referendum, maintaining UK in the EU's customs union or even revoking Article 50. The EU responded with a statement indicating that a no-deal Brexit is "increasingly likely". Separately, Thailand's election uncertainty continued whilst awaiting the final results. **Asian markets may continue to seep lower this morning amid ongoing headwinds, namely pending Brexit developments.** Today's economic data calendar comprises US' conference board consumer confidence, housing starts and building permits, Hong Kong's Feb trade data and S'pore's industrial production (our forecast is 2.3% yoy and -2.0% mom sa). Fed's Harker, Evans and Daly are speaking.
TH	The results of the Thai elections are still unclear, with only the seats of 350 constituencies announced yesterday. Thaksin-linked Pheu Thai party has won 137 seats; military-aligned Palang Pracharath party has garnered 97 seats; newcomers Bhumjaithai and Future Forward parties have gotten 39 and 30 respectively; while the Democrat has amassed 33 seats. The unofficial vote count is set to be released on Friday, while the remaining 150 party-list seats may also be announced only on Friday. Based on the initial constituency seats, multiple coalitions within the Lower House looks likely to be formed as the pro-military camp and the pro-democracy camp jostle for majority.
SG	Headline inflation accelerated slightly from 0.4% yoy (-0.3% mom nsa) in January to 0.5% yoy (0.5% mom nsa) in February, mainly due to more gradual declines in private road transport and accommodation costs. However, MAS core inflation unexpectedly eased for the second month from 1.7% yoy in January to 1.5% yoy in February (low since May 2018). Like many other major central banks, MAS can afford to be "patient for longer" for the upcoming MPS in April. Our 2019 headline and core inflation forecasts are 1.0% yoy and 1.7% yoy respectively, predicated on crude oil prices remaining contained and averaging ~US$60 per barrel (WTI) this year, and some softening in the domestic hiring intentions, but cushioned by the upcoming DRC tightening for the services sector from January 2020.

Major Markets

- **US:** Wall Street ended mixed on Monday, with the S&P500 declining 0.1%. The DJIA rose 0.1%, and the Nasdaq composite fell 0.1%.

- **Singapore:** The early signalling that 2019 GDP growth for the Singapore economy will come in slightly below the mid-point of the official 1.5-3.5% growth forecast is telling of the downside growth risks. MAS core inflation has also shown no indication of crossing the 2% yoy handle anytime soon, and is in fact moderating from the 1.9% high seen in October 2018. Notably, private road transport costs rose 2.3% yoy versus 3.4% previously, amid smaller declines in both car and petrol prices. Meanwhile, accommodation costs fell 1.6% yoy versus a 1.9% decline previously, due to a more gradual decrease in housing rentals and a larger increase in the cost of housing maintenance & repairs. These two segments more than offset lower services (1.5% versus 1.7% previously amid a slower pace of increase in education service fees and airfares), retail items (1.1% versus 1.4% previously amid a smaller increase in clothing & footwear post-CNY) and electricity & gas prices (5.5% versus 6.5% previously with the phased launch of the Open Electricity Market). Inflation rhetoric sounds benign for now. MAS-MTI indicated that external inflation sources have receded with retreating global oil prices which are now expected to be lower this year compared to 2018. Domestically, supportive labour market conditions should underpin wage growth and continuing price pressures, but greater market competition in areas like telecommunications, electricity and retail consumer segments will cap the extent of the overall price increases. There is also no change to the official 2019 headline and core inflation forecast of 0.5-1.5% and 1.5-2.5% respectively.
  The STI closed down 0.91% at 3182.92 yesterday, but may attempt to stabilise today amid more positive morning cues from Kospi. Support and resistance are still tipped at 3170 and 3220. With the UST bond yields still tilting lower and the yield curve steepening overnight amid the lingering market caution, SGS bonds may continue to also rally today.

- **US:** While Fed's Evans still agreed that a 2020 rate hike was appropriate, he warned that if risks were to play out, the Fed may need to cut rates to "provide the appropriate accommodation" and referenced what happened in December 1997. Meanwhile, US' Chicago Fed national activity beat estimates to come in at -0.29 in Feb, versus a revised -0.25, but the Dallas Fed manufacturing activity softened from 13.1 to 8.3, with its new orders index slipping to 2.4 in March (lowest in more than two years).

- **Europe:** The German IFO business climate unexpectedly improved from 98.7 to 99.6 in March, led by both the current assessment and expectations gauges at 103.8 and 95.6 respectively. This prompted the 10-year German bund yield to briefly break above 0% on improved economic optimism as the IFO uptick was the first in seven months.

- **China:** China's foreign currency regulator Pan Gongsheng said China will further improve the transparency of RMB daily fixing mechanism and allow the market to play a bigger role in price setting. Together with PBoC Governor Yi Gang's comments over the weekend, we think China will reduce their currency intervention.

- **Korea:** Bank of Korea governor Lee Ju-Yeol said in a speech at parliament yesterday that the central bank may consider policy shift if the economic slowdown becomes clear. However, Governor Lee also said that the preference right now is for an expansionary fiscal policy, and not monetary policy, to pick up the economic slack. A Bloomberg survey of 10 economists estimate that an additional 10.5 trillion won is further needed on top of the initial 469.6 trillion won already budgeted this year for the South Korean economy to meet its growth forecast of 2.6% this year. Governor Lee's statement yesterday appears to be the first signal that the central bank may consider easing monetary policy if the economy turns further south, after spending the first three months of 2019 claiming that it is premature for the central bank to cut rates at this stage.

- **Indonesia:** The government will hold a conventional bond auction today where the 30 year bond would be available. This auction comes amid recent increasing concerns about a worse than expected global slowdown and the effect that this could have on reducing appetite for EM assets. Given this, we expect that MoF may not be in the position to upsize the auction like it has previously.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, as most tenors traded 1-2bps lower with the exception of the 30-year swap rate trading little change. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 463bps. 10Y UST yields fell 4bps to close the session at 2.40%, the lowest since December 2017, as follow through trade from last Friday continued into the week, exacerbated by weaker equity markets and international growth which drove safe-haven demand into low-risk assets. Meanwhile, spread between yields on the 3-month and 10-year notes inverted even further to around 5bps.

- **New Issues**: Indian Railway Finance Corp Ltd has priced a USD500mn 5-year bond at CT5+150bps, tightening from IPT of +175bps area. LG Chem Ltd has scheduled investor meetings from 1 April for its potential USD bond issuance. Vertex Capital Investment Ltd (guarantor: Guangzhou Industrial Investment Fund Management Co Ltd) has scheduled investor meetings on 25-27 March for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.566	-0.09%	**USD-SGD**	1.3501	-0.18%
USD-JPY	109.970	0.05%	**EUR-SGD**	1.5272	-0.10%
EUR-USD	1.1312	0.09%	**JPY-SGD**	1.2277	-0.23%
AUD-USD	0.7112	0.41%	**GBP-SGD**	1.7810	-0.31%
GBP-USD	1.3195	-0.11%	**AUD-SGD**	0.9602	0.24%
USD-MYR	4.0690	0.11%	**NZD-SGD**	0.9326	0.28%
USD-CNY	6.7094	-0.13%	**CHF-SGD**	1.3603	-0.07%
USD-IDR	14185	0.14%	**SGD-MYR**	3.0118	0.15%
USD-VND	23200	-0.01%	**SGD-CNY**	4.9713	0.09%

Equity and Commodity

Index	Value	Net change
DJIA	25,516.83	14.51
S&P	2,798.36	-2.35
Nasdaq	7,637.54	-5.13
Nikkei 225	20,977.11	-650.23
STI	3,182.92	-29.18
KLCI	1,649.15	-17.51
JCI	6,411.25	-114.02
Baltic Dry	689.00	-1.00
VIX	16.33	-0.15

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	**O/N**	2.3890	--
2M	-0.3360	--	**1M**	2.4989	--
3M	-0.3090	--	**2M**	2.5560	--
6M	-0.2280	--	**3M**	2.6099	--
9M	-0.1940	--	**6M**	2.6760	--
12M	-0.1080	--	**12M**	2.7870	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-0.01)	2.24 (-0.08)
5Y	1.92 (--)	2.18 (-0.06)
10Y	2.04 (-0.01)	2.40 (-0.04)
15Y	2.29 (-0.01)	--
20Y	2.35 (-0.01)	--
30Y	2.50 (-0.01)	2.86 (-0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.0%	7.2%	0.0%	7.2%	92.8%
05/01/2019	0.0%	25.4%	1.4%	24.0%	74.6%
06/19/2019	0.0%	35.2%	4.4%	30.7%	64.8%
07/31/2019	0.0%	58.8%	13.9%	43.0%	41.2%
09/18/2019	0.0%	64.0%	17.6%	42.8%	36.0%
10/30/2019	0.0%	73.1%	24.0%	41.1%	26.9%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.11	0.01
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.40

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.82	-0.4%	Corn (per bushel)	3.7975	0.4%
Brent (per barrel)	67.21	0.3%	Soybean (per bushel)	9.065	0.3%
Heating Oil (per gallon)	1.9804	0.7%	Wheat (per bushel)	4.6950	0.8%
Gasoline (per gallon)	1.9379	0.6%	Crude Palm Oil (MYR/MT)	2,062.0	-1.3%
Natural Gas (per MMBtu)	2.7550	0.1%	Rubber (JPY/KG)	180.3	-1.3%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,312	--	Gold (per oz)	1,322.6	0.8%
Nickel (per mt)	12,995	--	Silver (per oz)	15.507	1.1%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/25/2019 12:30	JN	All Industry Activity Index MoM	Jan	-0.40%	-0.20%	-0.40%	-0.60%
03/25/2019 13:00	SI	CPI NSA MoM	Feb	0.60%	0.50%	-0.30%	--
03/25/2019 13:00	SI	CPI YoY	Feb	0.60%	0.50%	0.40%	--
03/26/2019 13:00	SI	Industrial Production SA MoM	Feb	-2.60%	--	0.90%	--
03/26/2019 13:00	SI	Industrial Production YoY	Feb	-0.40%	--	-3.10%	--
03/26/2019 16:30	HK	Exports YoY	Feb	-2.40%	--	-0.40%	--
03/26/2019 20:30	US	Housing Starts	Feb	1210k	--	1230k	--
03/26/2019 21:00	US	FHFA House Price Index MoM	Jan	0.40%	--	0.30%	--
03/26/2019 22:00	US	Richmond Fed Manufact. Index	Mar	10	--	16	--
03/26/2019 22:00	US	Conf. Board Consumer Confidence	Mar	132.5	--	131.4	--

Source: Bloomberg

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