

## Daily Treasury Outlook

3 October 2019

### Highlights

**Global:** After the ISM manufacturing scare earlier this week in the US, market players must have been hoping for some relief from economic data overnight. Alas, it was not to be. Not only did the ADP payrolls print come in lower than expected for September, at 135k, the previous month's print was also revised down significantly from 195k to 157k. In particular, hiring at small businesses showed weak momentum, suggesting poor confidence in the corner of the economy that has traditionally been the most important for net jobs creation.

**Market watch:** Given the backdrop, market will pay especially close attention to tonight's ISM services print, to gauge if the recent pains of the manufacturing sector start to affect the services part of the US economy, as well. Market is pencilling in a level of 55, lower than the 56.4 of the month before, but still comfortably within the expansionary territory. If that is indeed the case, then market might have a much-needed break. Thereafter, market would be zooming in on Friday night's Nonfarm Payrolls print, as well, with market still expecting a relatively rosy 148k print, compared to 130k of the month before.

**EU:** The WTO gave the US green light to place tariffs on \$7.5bn worth of European goods in retaliation to the bloc's protectionism practices with regards to Airbus. The EU threatened to retaliate to any US move.

**UK:** PM Boris Johnson submitted a new Brexit proposal to the EU on Wednesday. He said his plan would be a compromise by the UK and hopes that the EU would also take a step back on their end. The proposal included a solution for the Irish backstop, which involves Northern Ireland remaining in the EU's customs union till end 2020, and an option to leave.

**Singapore:** Markit PMI for the month of September came in at 48.3, deeper into the contractionary territory and marking the lowest reading since August 2012. Given the weaknesses seen across similar manufacturing sentiments across the world, that itself should not come as a big surprise. Nonetheless, pockets of weaknesses in the sub-indices, including new orders and output would warrant a close attention. Official PMI for Singapore is out at 9pm tonight, with consensus at 49.9.

**Indonesia:** President Jokowi said that he will introduce sweeping changes to labor rules by year-end and open up more sectors of the economy to FDI. In an interview with Bloomberg, he added that the labor rule change will apply to new jobs only, possibly in a bid to counter the likely opposition from labor unions. Moreover, he said that he will be retaining the well-respected Finance Minister, Sri Mulyani, in his next cabinet, potentially in an elevated role of the Economics Coordinating Minister.

### Key Market Movements

Equity	Value	% chg
S&P 500	2887.6	-1.8%
DJIA	26079	-1.9%
Nikkei 225	21779	-0.5%
SH Comp	2905.2	0.0%
STI	3103.5	-1.4%
Hang Seng	26043	-0.2%
KLCI	1574.9	-0.9%
Currencies	Value	% chg
DX	99.019	-0.1%
USDJPY	107.18	-0.5%
EURUSD	1.0959	0.2%
GBPUSD	1.2303	0.0%
USDIDR	14197	-0.1%
USDSGD	1.3842	-0.1%
SGDMYR	3.0263	0.0%
Rates	Value	chg (bp)
3M UST	1.74	-2.31
10Y UST	1.60	-3.61
1Y SGS	1.87	-0.20
10Y SGS	1.73	-1.93
3M LIBOR	2.09	0.35
3M SIBOR	1.88	0.00
3M SOR	1.69	0.47
Commodities	Value	% chg
Brent	57.69	-2.0%
WTI	52.64	-1.8%
Gold	1499	1.4%
Silver	17.56	1.9%
Palladium	1689	1.9%
Copper	5678	-0.1%
BCOM	77.52	-0.4%

Source: Bloomberg

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### Major Markets

**US:** US Markets saw a bloodbath yesterday, with all major indices closing in the red. The S&P 500 index fell 1.8%, making it the first back-to-back drops of more than 1% in the year. Fears of a US economic slowdown due to the poor ISM manufacturing PMI from Tuesday was exacerbated by a soft ADP employment print last night. Adding fuel to the fire, an untimely announcement by the Trump administration declaring tariffs on a \$7.5bn of European goods further hammered risk sentiment. We expect the S&P 500 index to find support at the 200-day SMA and August lows around the 2837 level. For the rest of the week, Services PMI data will be released later tonight, while the nonfarm payrolls are out Friday.

**Malaysia:** Daim Zainuddin, a key adviser to PM Mahathir is reportedly helping efforts to claw back some MYR8.3bn paid to a Chinese SOE that was intended to build gas pipelines in west coast of peninsula Malaysia and Sabah state.

**Hong Kong:** Retail sales dropped for the seventh consecutive month by 23% yoy in August, registering the largest decline on record. The sluggish performance of retail sales was mainly attributed to the fragile consumption sentiments of both domestic households and visitors, probably due to the uncertain domestic economic outlook, lingering US-China trade war risks and the escalating protests hindering the normal operation of shopping malls in August.

Moving forward, the downtrend of retail sales might persist in the coming months due to two unfavorable reasons. Externally speaking, with the escalating social movement, it might dent the incentives for visitors to travel Hong Kong, especially for those mainland visitors. Meanwhile, weaker RMB might also trim the consumption sentiments, which might weigh on the retail segments targeting on tourists further. Internally, due to the worries about uncertain economic outlook, the consumption behaviors of local households might turn to be more conservative. Nevertheless, the downside is likely to be contained, thanks to the still robust labor market.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 3bps lower, while the belly and longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 15bps to 509bps. 10Y USTs yields fell 3.7bps to close at 1.6% as weaker than expected US September employment data continued to add to economic growth concerns. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -14bps.

**New Issues:** PT Sri Rejeki Isman Tbk has scheduled investor update meetings on a non-deal basis commencing 3 Oct.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	99.019	-0.11%	USD-SGD	1.3842	-0.05%
USD-JPY	107.180	-0.53%	EUR-SGD	1.5169	0.19%
EUR-USD	1.0959	0.24%	JPY-SGD	1.2913	0.47%
AUD-USD	0.6707	0.04%	GBP-SGD	1.7030	-0.04%
GBP-USD	1.2303	0.01%	AUD-SGD	0.9283	-0.02%
USD-MYR	4.1945	0.04%	NZD-SGD	0.8677	0.35%
USD-CNY	7.1483	--	CHF-SGD	1.3885	-0.40%
USD-IDR	14197	-0.13%	SGD-MYR	3.0263	0.02%
USD-VND	23203	--	SGD-CNY	5.1407	0.03%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4670	--	O/N	1.8261	0.46%
2M	-0.3360	0.46%	1M	2.0109	-0.47%
3M	-0.4280	-0.47%	2M	2.0596	-0.58%
6M	-0.3870	-0.58%	3M	2.0886	0.35%
9M	-0.1940	0.35%	6M	2.0565	0.09%
12M	0.0000	0.09%	12M	2.0355	0.34%

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.00-1.25%	1.25-1.50%	1.5-1.75%
10/30/2019	0.0%	74.4%	0.0%	0.0%	74.4%
12/11/2019	0.0%	90.1%	0.0%	45.5%	44.6%
01/29/2020	0.0%	95.4%	24.5%	45.0%	25.9%
03/18/2020	0.0%	96.8%	30.6%	39.3%	19.6%
04/29/2020	0.0%	97.4%	32.4%	35.3%	16.3%
06/10/2020	0.0%	98.0%	33.0%	31.4%	13.5%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.64	-1.8%	Corn (per bushel)	3.8775	-1.2%
Brent (per barrel)	57.69	-2.0%	Soybean (per bushel)	9.138	-0.6%
Heating Oil (per gallon)	1.8730	-1.3%	Wheat (per bushel)	4.8900	-2.0%
Gasoline (per gallon)	1.5455	-1.8%	Crude Palm Oil (MYR/MT)	2,085.0	-1.1%
Natural Gas (per MMBtu)	2.2470	-1.6%	Rubber (JPY/KG)	152.1	-1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,678	-0.1%	Gold (per oz)	1,499.5	1.4%
Nickel (per mt)	17,485	1.5%	Silver (per oz)	17.560	1.9%

### Equity and Commodity

Index	Value	Net change
DJIA	26,078.62	-494.42
S&P	2,887.61	-52.64
Nasdaq	7,785.25	-123.44
Nikkei 225	21,778.61	-106.63
STI	3,103.45	-42.58
KLCI	1,574.90	-14.54
JCI	0.00	--
Baltic Dry	0.00	--
VIX	20.56	2.00

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (-0.01)	1.48 (-0.07)
5Y	1.66 (-0.01)	1.43 (-0.06)
10Y	0.00 (-)	1.60 (-0.04)
15Y	1.85 (-0.03)	--
20Y	1.93 (-0.02)	--
30Y	2.07 (-0.03)	2.09 (-)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	3.90	0.25
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.88
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Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/03/2019 07:50	JN	Foreign Buying Japan Stocks	Sep-27	--	-¥221.2b	-¥1177.8b	-¥1178.0b
10/03/2019 08:30	JN	Jibun Bank Japan PMI Services	Sep F	--	--	52.8	--
10/03/2019 09:30	AU	Trade Balance	Aug	A\$6100m	--	A\$7268m	--
10/03/2019 15:55	GE	Markit Germany Services PMI	Sep F	52.5	--	52.5	--
10/03/2019 15:55	GE	Markit/BME Germany Composite PMI	Sep F	49.1	--	49.1	--
10/03/2019 16:00	EC	Markit Eurozone Composite PMI	Sep F	50.4	--	50.4	--
10/03/2019 16:00	EC	Markit Eurozone Services PMI	Sep F	52	--	52	--
10/03/2019 16:30	UK	Markit/CIPS UK Services PMI	Sep	50.3	--	50.6	--
10/03/2019 17:00	EC	Retail Sales MoM	Aug	0.30%	--	-0.60%	--
10/03/2019 17:00	EC	Retail Sales YoY	Aug	2.00%	--	2.20%	--
10/03/2019 20:30	US	Initial Jobless Claims	Sep-28	215k	--	213k	--
10/03/2019 21:00	SI	Purchasing Managers Index	Sep	49.9	--	49.9	--
10/03/2019 22:00	US	Durable Goods Orders	Aug F	--	--	0.20%	--
10/03/2019 22:00	US	Factory Orders	Aug	-0.20%	--	1.40%	--
10/03/2019 22:00	US	ISM Non-Manufacturing Index	Sep	55	--	56.4	--

Source: Bloomberg

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