

## Daily Treasury Outlook

4 October 2019

### Highlights

**Global:** Bad economic data prints a means higher probability of another 25bp Fed rate cut at the upcoming 31 October FOMC meeting? That explains why the disappointing non-manufacturing ISM data which missed market expectations to hit a 3-year low of 52.6 boosted the market pricing of the probability of another US rate cut has risen to 85%, and aided Wall Street's rebound overnight. Still, the flight to quality saw UST bonds rallying further with the 10-year yield lower for a sixth session to 1.53%.

**Market watch:** Asian markets are likely to tread water this morning, awaiting the RBI policy decision (where a 25bp rate cut for the repo and reverse repo rates have been pencilled in), followed by the US' September labour market report (where nonfarm payrolls, unemployment rate and average hourly earnings are tipped at 145k, 3.7% and 0.2% mom respectively). Also on tap are Malaysia's trade data, India's services and composite PMIs, and Thailand's foreign reserves. Speakers include ECB's Guidos, Fed's Rosengren, Bostic, Powell and George.

**US:** Factory orders fell 0.1% in in August, whilst orders excluding transportation were flat. Initial jobless claims rose 4k to 219k and the Challenger job cuts fell 24.8% yoy in September. Fed rhetoric remains diverse - Evans said that he's very concerned about inflation, hence he's open about the next rate cut even though the US economy should grow by around 2.25% this year with inflation just under 4%, whilst Kaplan opined that the two rate cuts so far have helped to "reduce the likelihood of a very severe slowdown but doesn't eliminate it" so he prefers to move "sooner rather than later". Clarida also noted that the Fed will continue to discuss the standing repo facility, but nothing has been decided yet. Separately, President Trump is now suggesting that China should start an investigation into the Bidens.

**EU:** The EU has given UK PM Johnson one week to revise his Brexit deal.

**Singapore:** The manufacturing and electronics PMIs retreated further to 49.5 (lowest since Jul16) and 49.1 (lowest since Jun16) respectively in September, staying in the contraction territory for the 5th and 11<sup>th</sup> months. Given broad-based weakness across new orders, new export orders and output gauges, the momentum is likely to remain muted into 4Q19 and potentially extend into 1H20 if there is no mini US-China trade deal. PMO minister Indranee Rajah said the Singapore economy has not entered a recession yet, but the government is keeping a very close eye on it.

### Key Market Movements

Equity	Value	% chg
S&P 500	2910.6	0.8%
DJIA	26201	0.5%
Nikkei 225	21342	-2.0%
SH Comp	2905.2	0.0%
STI	3088.0	-0.5%
Hang Seng	26110	0.3%
KLCI	1564.1	-0.7%
Currencies	Value	% chg
DXY	98.864	-0.2%
USDJPY	106.92	-0.2%
EURUSD	1.0965	0.1%
GBPUSD	1.2332	0.2%
USDIDR	14173	-0.2%
USDSGD	1.3801	-0.3%
SGDMYR	3.0292	0.1%
Rates	Value	chg (bp)
3M UST	1.69	-4.86
10Y UST	1.53	-6.51
1Y SGS	1.86	-0.90
10Y SGS	1.69	-4.47
3M LIBOR	2.06	-3.23
3M SIBOR	1.88	0.00
3M SOR	1.66	-2.35
Commodities	Value	% chg
Brent	57.71	0.0%
WTI	52.45	-0.4%
Gold	1505	0.4%
Silver	17.56	0.0%
Palladium	1659	-1.8%
Copper	5662	-0.3%
BCOM	77.74	0.3%

Source: Bloomberg

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### Major Markets

**US:** The S&P 500 index closed 0.8% higher yesterday but all eyes are likely to be on tonight's US NFP report. Recent weakness in US manufacturing numbers are suggesting that the report tonight may be weak, with the median estimate at 145k. A soft NFP number, however, is expected to drive the benchmark equity index higher as markets start to price in a higher probability of a third rate cut by the US Federal Reserve.

**Singapore:** The STI declined 0.50% to close at 3087.97 yesterday but may tread water today awaiting further economic cues amid fragile market sentiments. Having broken the 3100 support handle, the next support is tipped at 3067 while resistance is at 3100. The UST bond yield curve bull-steepened on the back of the services ISM slump, and the flight to quality is likely to extend to the SGS market today.

**Indonesia:** National Planning Minister, Bambang Brodjonegoro, said that the government is no longer expecting 7% growth target in its 2020-2024 medium-term plan, due to unfavorable global conditions. The new plan is likely to have 5.4-5.7% growth as the basis, depending on scenarios.

**Malaysia:** PM Mahathir reportedly said that the handover of the premiership is not an issue that has been discussed and that it is difficult to pinpoint a specific date for that. Elsewhere, August trade data is due out today with market pencilling in exports growth of 2.7% you compared to 1.7% of the previous month.

**Oil:** Brent prices continue to slide, closing at a one-month low of \$57.71/bbl yesterday. A series of bearish pressures, including the newly-implemented US-EU trade tariffs and slowing US economic indicators, is driving prices of crude oil down. In the short term, it looks like prices may be headed for August's low of \$55.63/bbl, although a strong NFP number is expected to reverse that slump tonight.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 0-3bps lower, while the belly and longer tenors broadly traded above 3bps higher (with the exception of the 7yr and 12yr rates). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 48bps to 557bps. 10Y USTs continue to fall with yields down 7bps to close at 1.53% as weak September ISM services data drove concerns about the U.S. economy ahead of the U.S. jobs report due Friday. The spread between 3-month treasury bills and 10-year treasury notes widened to -17bps and remains inverted.

**New Issues:** Adani Renewable Energy (RJ) Limited, Kodangal Solar Parks Private Limited and Wardha Solar (Maharashtra) Private Limited (all subsidiaries of Adani Green Energy Limited) co-issued and co-guaranteed a USD362.5mn 20 year (average life of 13.47yrs) sinkable green bond at 4.625%, tightening from IPT of 5% area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.864	-0.16%	<b>USD-SGD</b>	1.3801	-0.30%
<b>USD-JPY</b>	106.920	-0.24%	<b>EUR-SGD</b>	1.5133	-0.24%
<b>EUR-USD</b>	1.0965	0.05%	<b>JPY-SGD</b>	1.2917	0.03%
<b>AUD-USD</b>	0.6742	0.52%	<b>GBP-SGD</b>	1.7028	-0.01%
<b>GBP-USD</b>	1.2332	0.24%	<b>AUD-SGD</b>	0.9304	0.23%
<b>USD-MYR</b>	4.1865	-0.19%	<b>NZD-SGD</b>	0.8699	0.25%
<b>USD-CNY</b>	7.1483	--	<b>CHF-SGD</b>	1.3823	-0.45%
<b>USD-IDR</b>	14173	-0.17%	<b>SGD-MYR</b>	3.0292	0.10%
<b>USD-VND</b>	23203	--	<b>SGD-CNY</b>	5.1499	0.18%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,201.04	122.42
<b>S&amp;P</b>	2,910.63	23.02
<b>Nasdaq</b>	7,872.27	87.02
<b>Nikkei 225</b>	21,341.74	-436.87
<b>STI</b>	3,087.97	-15.48
<b>KLCI</b>	1,564.12	-10.78
<b>JCI</b>	6,038.53	-16.90
<b>Baltic Dry</b>	1,803.00	--
<b>VIX</b>	19.12	-1.44

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4680	0.70%	<b>O/N</b>	1.8513	2.51%
<b>2M</b>	-0.3360	2.51%	<b>1M</b>	1.9973	-1.36%
<b>3M</b>	-0.4250	-1.36%	<b>2M</b>	2.0339	-2.57%
<b>6M</b>	-0.3840	-2.57%	<b>3M</b>	2.0564	-3.23%
<b>9M</b>	-0.1940	-3.23%	<b>6M</b>	2.0170	-3.95%
<b>12M</b>	-0.3230	-3.95%	<b>12M</b>	1.9583	-7.72%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.64 (-0.01)	1.39 (-0.09)
<b>5Y</b>	1.64 (-0.02)	1.35 (-0.08)
<b>10Y</b>	1.69 (-0.04)	1.53 (-0.07)
<b>15Y</b>	1.80 (-0.05)	--
<b>20Y</b>	1.89 (-0.04)	--
<b>30Y</b>	2.02 (-0.05)	2.03 (-0.06)

### 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%	85.3%	0.0%	0.0%	85.3%
12/11/2019	0.0%	95.6%	0.0%	59.9%	35.8%
01/29/2020	0.0%	98.4%	38.2%	44.5%	15.7%
03/18/2020	0.0%	98.9%	40.2%	35.2%	11.2%
04/29/2020	0.0%	99.2%	39.0%	29.3%	8.7%
06/10/2020	0.0%	99.4%	37.0%	25.0%	7.1%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.28	0.08
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.85
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.45	-0.4%	Corn (per bushel)	3.8875	0.3%
Brent (per barrel)	57.71	0.0%	Soybean (per bushel)	9.118	-0.2%
Heating Oil (per gallon)	1.8760	0.2%	Wheat (per bushel)	4.8875	-0.1%
Gasoline (per gallon)	1.5559	0.7%	Crude Palm Oil (MYR/MT)	2,086.0	0.0%
Natural Gas (per MMBtu)	2.3290	3.6%	Rubber (JPY/KG)	148.6	-2.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,662	-0.3%	Gold (per oz)	1,505.2	0.4%
Nickel (per mt)	17,625	0.8%	Silver (per oz)	17.560	--

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/04/2019 20:30	US	Change in Nonfarm Payrolls	Sep	145k	--	130k	--
10/04/2019 14:15	IN	RBI Repurchase Rate	38261	0.0515	--	0.054	--
10/04/2019 09:30	AU	Retail Sales MoM	Aug	0.005	--	-0.001	--
10/04/2019 20:30	US	Unemployment Rate	Sep	0.037	--	0.037	--
10/04/2019 09:00	PH	CPI YoY 2012=100	Sep	0.011	--	0.017	--
10/04/2019 20:30	US	Trade Balance	Aug	-\$54.5b	--	-\$54.0b	--
10/04/2019 15:30	TH	Foreign Reserves	46631	--	--	\$221.7b	--
10/04/2019 08:30	HK	Markit Hong Kong PMI	Sep	--	--	40.8	--
10/04/2019 13:00	IN	Markit India PMI Services	Sep	--	--	5240.00%	--
10/04/2019 13:00	IN	Markit India PMI Composite	Sep	--	--	5260.00%	--
10/04/2019 20:30	US	Change in Manufact. Payrolls	Sep	3k	--	3k	--
10/04/2019 14:15	IN	RBI Reverse Repo Rate	38261	0.049	--	0.0515	--
10/04/2019 14:15	IN	RBI Cash Reserve Ratio	38261	0.04	--	4.00%	--
10/04/2019 20:30	CA	Int'l Merchandise Trade	Aug	-1.20b	--	-1.12b	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Strategy & Research

[LinaSSSelena@ocbc.com](mailto:LinaSSSelena@ocbc.com)

**Emmanuel Ng**

Senior FX Strategist

[NqCYEmmanuel@ocbc.com](mailto:NqCYEmmanuel@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Terence Wu**

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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