

Daily Treasury Outlook

4 November 2019

Highlights

Global: Risk sentiments were lifted by the better-than-expected US' nonfarm payrolls print of 128k despite the GM strike and the consensus in principle on Phase 1 of the US-China trade deal. US President Donald Trump hinted that the trade deal will be signed somewhere in the US, while Saudi Arabia's Aramco has officially started its IPO process. The S&P 500 index hit a fresh record again on Friday for the third time in five days, while UST bonds lost ground with the 10-year yield at 1.72%.

Market watch: Asian markets may open with a firm tone this morning, albeit Japanese markets are closed. Today's economic data calendar comprises US' durable goods and factory orders, manufacturing PMIs from Eurozone and S'pore, and Malaysia's September trade data. ECB's Lagarde is also speaking today, with her policy guidance and outlook likely to be closely parsed. For the week ahead, central bank meetings include RBA (likely static at 0.75% for now) and BNM (likely on hold still) on Tuesday, followed by BOT (with 25bp rate cut pencilled in) on Wednesday, and BOE on Thursday (also unchanged but governor Carney will likely sound cautious ahead of the 12 December snap elections). The Philippines and Indonesia are also reporting their 3Q GDP growth, and there's a full slate of Fed speakers including Kaplan, Kashkari, Evans, Williams, Harker, Bostic and Daly this week.

US: The US' nonfarm payrolls was also revised up 95k for the previous two months, which validated the Fed's recent pause mode, albeit the unemployment rate edged up marginally to 3.6% as expected and the average hourly earnings accelerated to 0.2% mom (3.0% yoy). Whilst the manufacturing ISM shrank for the third consecutive month, it actually improved slightly from 46.3 to 47.7, with the new orders climbing from 47.3 to 49.1 and the employment gauge also picking up from 46.3 to 47.7 whereas prices paid remained very muted at 45.5 (previously 49.7).

Euro-zone: US Commerce Secretary Ross opined that the US need not implement tariffs on imported automobiles from Eurozone pending "good conversations".

Singapore: The manufacturing and electronics PMIs may stabilise around the September readings of 49.5 and 49.1 respectively, but are unlikely to stage a recovery above the 50 handle for now.

China: China's State Council said on Friday in its latest meeting that the Chinese government will concentrate their efforts to keep China's growth at a reasonable range. It is good for risk sentiment. However, the impact on China's rates is likely to be limited as it is still unclear whether China will support the economy via easing monetary policy or alternative measures.

Oil: Saudi Arabia has formally started its IPO of Aramco on Sunday, with central authorities still hopeful for a \$2 trillion valuation on the company. Central to the Kingdom's economic reforms are the \$100bn that authorities hope to receive as they attempt to create new jobs and overhaul existing infrastructure.

Key Market Movements

Equity	Value	% chg
S&P 500	3066.9	1.0%
DJIA	27347	1.1%
Nikkei 225	22851	-0.3%
SH Comp	2958.2	1.0%
STI	3229.4	0.0%
Hang Seng	27101	0.7%
KLCI	1593.3	-0.3%
Currencies	Value	% chg
DXY	97.239	-0.1%
USDJPY	108.19	0.1%
EURUSD	1.1166	0.1%
GBPUSD	1.2946	0.0%
USIDR	14039	0.0%
USDSGD	1.3577	-0.2%
SGDMYR	3.0662	-0.1%
Rates	Value	chg (bp)
3M UST	1.51	-1.04
10Y UST	1.71	1.93
1Y SGS	1.71	0.00
10Y SGS	1.73	-4.09
3M LIBOR	1.90	-0.69
3M SIBOR	1.81	-0.23
3M SOR	1.52	-1.23
Commodities	Value	% chg
Brent	61.69	3.5%
WTI	56.2	3.7%
Gold	1514	0.1%
Silver	18.13	0.1%
Palladium	1808	0.6%
Copper	5850	0.9%
BCOM	80.26	1.3%

Source: Bloomberg

Daily Treasury Outlook

4 November 2019

Major Markets

US: US markets exhibited risk-on behaviour last Friday as US non-farm payrolls beat market despite the GM strike. The S&P 500 index climbed to fresh highs, ending the session up 1.0%. Looking ahead, we could possibly see another risk rally to start the week following US Commerce Secretary Wilbur Ross's optimistic comments on US-China trade talks.

Singapore: The STI closed nearly flat (-0.01%) at 3229.43 on Friday but may see some fresh risk-taking appetite returning today following more optimism on the US labour market data and the US-China trade deal. STI's support and resistance are tipped at 3211 and 3251 respectively. With the UST bonds undermined by the stronger-than-expected NFP prints which pushed yields higher and the curve flatter, and SGS bonds which had rallied by some 3-5bps on Friday may follow suit and erase some of the gains today.

Indonesia: Q3 GDP data that was due out today will be announced tomorrow instead, with market and us pencilling in growth rate of 5.0% yoy, a relative slowdown compared to the 5.05% that came up in Q2. Private consumption is likely to stay supportive, but the exports data would bear imprint of global trade softness.

Malaysia: PM Mahathir said that ASEAN countries should band together and speak with a common voice in their trade disputes to avoid being bullied, according to Bloomberg. Speaking on the side-lines of the ASEAN Summit in Bangkok, he reportedly added that although Trump is "not a very nice man," there are certain things that we can learn from such characters.

Philippines: Governor Benjamin Diokno said the BSP has "done more than enough for the year" after he was asked if there will be more rate or RRR cuts in 2019. The central bank has cut its benchmark rate and RRR by 75bp and 400bp this year.

Thailand: The Thai Rice Exporters Association has said the baht's appreciation is "killing" the industry's competitiveness and that they may lose their position as the world's second largest rice exporter if the baht continues to appreciate.

Hong Kong: Retail sales printed -18.3% yoy in September, making it eight consecutive months of decline. Social unrest has hit consumption, both from locals and visitors. This coupled with a strong HKD especially against RMB has suppressed visitor spending. Finally, social unrest has disrupted the normal operation of department stores. Moving forward, as neither trade war nor social incident will end any time soon, we expect retail sales to continue showing double-digit year-on-year decline in the coming months. We hold onto our view that retail sales will drop by 10% this year. This would further push up the unemployment rate of the retail sector and weigh down the retail shop property market.

Daily Treasury Outlook

4 November 2019

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened last Friday, with the shorter tenors traded 4-5bps lower, while the belly and longer tenors traded 6-11bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 131bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 511bps. The HY-IG Index spread widened 3bps to 380bps. 10Y USTs rose 2bps to 1.71%, after the US reported higher than expected domestic job growth numbers, though partially offset by lower than expected ISM manufacturing data.

New Issues: Beijing Capital Group Co Ltd scheduled investor meetings commencing 4 Nov for its potential USD perpetual bond issuance. POSCO mandated banks for its potential USD bond issuance. Qingdao City Construction Investment (Group) Limited mandated banks for its potential USD bond issuance.

Daily Treasury Outlook

4 November 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.239	-0.12%	USD-SGD	1.3577	-0.19%
USD-JPY	108.190	0.15%	EUR-SGD	1.5159	-0.08%
EUR-USD	1.1166	0.13%	JPY-SGD	1.2549	-0.36%
AUD-USD	0.6904	0.15%	GBP-SGD	1.7574	-0.18%
GBP-USD	1.2946	0.03%	AUD-SGD	0.9382	0.03%
USD-MYR	4.1653	-0.31%	NZD-SGD	0.8727	0.03%
USD-CNY	7.0370	-0.03%	CHF-SGD	1.3774	-0.12%
USD-IDR	14039	-0.01%	SGD-MYR	3.0662	-0.09%
USD-VND	23200	-0.01%	SGD-CNY	5.1852	0.29%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4430	0.30%	O/N	1.5921	-20.45%
2M	-0.3360	-20.45%	1M	1.7743	0.35%
3M	-0.3990	0.35%	2M	1.8389	-1.90%
6M	-0.3480	-1.90%	3M	1.8905	-0.69%
9M	-0.1940	-0.69%	6M	1.9024	-0.32%
12M	-0.2810	-0.32%	12M	1.9253	-2.45%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
10/30/2019	0.00%	14.50%	0.00%	0.00%	14.50%
12/11/2019	0.00%	39.30%	0.00%	4.20%	35.10%
01/29/2020	0.00%	51.60%	0.90%	10.50%	40.30%
03/18/2020	0.00%	58.20%	2.20%	14.60%	41.40%
04/29/2020	0.00%	63.50%	3.70%	17.90%	41.40%
06/10/2020	0.00%	68.00%	5.50%	20.90%	40.80%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.20	3.7%	Corn (per bushel)	3.8925	-0.2%
Brent (per barrel)	61.69	2.4%	Soybean (per bushel)	9.243	0.8%
Heating Oil (per gallon)	1.9331	2.9%	Wheat (per bushel)	5.1600	1.4%
Gasoline (per gallon)	1.6557	1.5%	Crude Palm Oil (MYR/MT)	2,422.0	-0.9%
Natural Gas (per MMBtu)	2.7140	3.1%	Rubber (JPY/KG)	151.7	-2.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,850	0.9%	Gold (per oz)	1,514.3	0.1%
Nickel (per mt)	16,775	0.8%	Silver (per oz)	18.130	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,347.36	301.13
S&P	3,066.91	29.35
Nasdaq	8,386.40	94.04
Nikkei 225	22,850.77	-76.27
STI	3,229.43	-0.45
KLCI	1,593.34	-4.64
JCI	6,207.19	-21.13
Baltic Dry	1,697.00	-34.00
VIX	12.30	-0.92

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.59 (-0.03)	1.55 (+0.03)
5Y	1.60 (-0.04)	1.54 (+0.02)
10Y	1.73 (-0.04)	1.71 (+0.02)
15Y	1.83 (-0.03)	--
20Y	1.91 (-0.04)	--
30Y	2.05 (-0.05)	2.19 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.73	-0.67
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.76
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/04/2019 08:00	AU	Melbourne Institute Inflation MoM	Oct	--	--	0.10%	--
11/04/2019 08:00	AU	Melbourne Institute Inflation YoY	Oct	--	--	1.50%	--
11/04/2019 08:30	AU	Retail Sales MoM	Sep	0.40%	--	0.40%	--
11/04/2019 08:30	AU	ANZ Job Advertisements MoM	Oct	--	--	0.30%	--
11/04/2019 12:00	MA	Exports YoY	Sep	0.00%	--	-0.80%	--
11/04/2019 12:00	MA	Trade Balance MYR	Sep	14.20b	--	10.92b	--
11/04/2019 16:50	FR	Markit France Manufacturing PMI	Oct F	50.5	--	50.5	--
11/04/2019 16:55	GE	Markit/BME Germany Manufacturing PMI	Oct F	41.9	--	41.9	--
11/04/2019 17:00	EC	Markit Eurozone Manufacturing PMI	Oct F	45.7	--	45.7	--
11/04/2019 17:30	UK	Markit/CIPS UK Construction PMI	Oct	44.1	--	43.3	--
11/04/2019 21:00	SI	Purchasing Managers Index	Oct	49.5	--	49.5	--
11/04/2019 23:00	US	Durable Goods Orders	Sep F	-1.10%	--	-1.10%	--
11/04/2019 23:00	US	Factory Orders	Sep	-0.40%	--	-0.10%	--
11/04/2019 23:00	US	Durables Ex Transportation	Sep F	-0.30%	--	-0.30%	--
11/04/2019 23:00	US	Cap Goods Orders Nondef Ex Air	Sep F	--	--	-0.50%	--

Source: Bloomberg

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