

Daily Treasury Outlook

5 November 2019

Highlights

Global: Are they friends again? Latest updates to the most important relationship in the global economy – that of between the US and China, if you must ask – suggest a cautiously optimistic maybe. FT reports that Trump administration officials are considering whether to remove some existing tariffs on Chinese goods, as part of a concession for the partial “Phase 1” trade deal. The rollback in discussion appears to surround the September 1st 15% tariffs that were placed on USD112bn of Chinese imports on goods such as clothing, appliances and flat screen monitors. If true, this suggests a significant softening of stance on the US side, given that the news flow before this was primarily about whether US would pause on applying new tariffs, such as the one planned for December 15th, rather than rolling back tariffs that have already been applied. Given that there is no definite deadline to the signing of any agreement – since the November 16-17th APEC summit meeting in which leaders from both sides were supposed to meet has been cancelled – there is obviously still the risk that the atmosphere of truce might shift abruptly yet again. Still, market is going to take any good news it can get now.

US: Durable goods orders for September came in at -1.2% mom, slight short of expectations of 1.1%, as orders for transport equipment fell in particular, showing signs of impact from trade war concerns. Going forward, market is zooming in on ISM services print out tonight, with expectation of a slight improvement to 53.5 from 52.6 the month before, as another gauge of whether US consumers and the services sector can continue to weather the hits from the manufacturing softness.

Singapore: Singapore’s manufacturing PMI remained in contraction in October, rising slightly from 49.5 to 49.6. Among the 10 sub-indices of the PMI, the electronics sector continues to post the deepest contraction PMI of 49.3, although it increased slightly from last month’s three-year low of 49.1. Overall, 4 of 10 sub-indices in the PMI posted contractions in October, one lesser than last month, with the Output Index returning to expansion territory after a brief stint with contraction.

Indonesia: Q3 GDP data is due out today. We see growth coming in at 5.0% yoy, compared to 5.05% in the prior quarter. Private consumption growth will be the key to watch, given the highest weight in the overall GDP and also its role as the ultimate guarantor of Indonesia’s resilience in the face of global uncertainties. While retail sales figure has stayed robust, consumer loans growth has not picked up much despite BI’s round of rate cuts.

Oil: Brent prices closed above \$62/bbl for the first time in six weeks. Separately, the delivery outage from the Keystone pipeline is feared to be longer than expected, after a spillage on 29 October forced a shutdown on the conduit. Both news combined may have pushed up prices, with the optimism from the US-China trade front likely to have played a larger role in the recent rally.

Key Market Movements

Equity	Value	% chg
S&P 500	3078.3	0.4%
DJIA	27462	0.4%
Nikkei 225	22851	0.0%
SH Comp	2975.5	0.6%
STI	3236.4	0.2%
Hang Seng	27547	1.6%
KLCI	1603.6	0.6%
Currencies	Value	% chg
DXY	97.505	0.3%
USDJPY	108.58	0.4%
EURUSD	1.1128	-0.3%
GBPUSD	1.2884	-0.5%
USDIDR	14013	-0.2%
USDSGD	1.359	0.1%
SGDMYR	3.0605	-0.2%
Rates	Value	chg (bp)
3M UST	1.53	1.53
10Y UST	1.78	6.67
1Y SGS	1.71	-0.10
10Y SGS	1.74	0.77
3M LIBOR	1.89	-1.18
3M SIBOR	1.80	-0.22
3M SOR	1.46	-5.80
Commodities	Value	% chg
Brent	62.13	0.7%
WTI	56.54	0.6%
Gold	1510	-0.3%
Silver	18.06	-0.4%
Palladium	1781	-1.5%
Copper	5877	0.5%
BCOM	80.63	0.5%

Source: Bloomberg

Daily Treasury Outlook

5 November 2019

Major Markets

US: US markets continue its climb on market optimism over news of more positive developments on the US-China trade war front. The S&P 500 index is now back to breaking all-time highs, closing up 0.4% at 3078. 10Y UST yields also gained 6.7bps to 1.78%. Looking ahead, we expect the risk sentiment to continue to be buoyed by the expected signing of the phase one trade deal, although we also note that the index is currently trading at its 95th percentile P/E ratio and might be vulnerable to pullbacks.

Singapore: The STI rose 0.2% yesterday, rising almost 7 points to close at 3236.40. The benchmark equity index followed US indices from Friday higher, after the US posted better-than-expected US nonfarm payrolls for October. Gains in the STI yesterday, however, lagged regional equity movements, with the KOSPI up 1.4%, Hang Seng index up 1.7% and the SET up 1.9%, among others. The STI is expected to continue posting gains today on further trade optimism between the US and China, but given yesterday's relatively muted rally, we expect the STI's upside to be slightly capped today.

Malaysia: Bank Negara is due to announce the decision of its last monetary policy meeting for the year today. Median of the consensus forecasts is expecting BNM to hold rate, but on balance, we see a 55% chance of the central bank cutting the OPR to 2.75% today. While global trade headlines have been on the relatively more supportive side, the damage to Malaysia's exports sector has been done. For instance, September exports data that was released yesterday showed a contraction of 6.8% yoy against market expectation of a flat 0% growth. Moreover, with inflation surprising on the low side at 1.1% yoy in September versus expectation of 1.3% and prior print of 1.5%, the central bank does have some space to pursue an insurance cut.

Hong Kong: The investment return of Hong Kong's exchange fund decreased by 55.1% qoq to HK\$20.2 billion in 3Q19 as the gain from bond investments and other stock investments shrank while foreign exchange and local stock investments continued to register a loss. Moving into the fourth quarter, we expect the exchange fund to sustain a moderate investment return as stock market will likely perform well while bond market is poised to tumble in the near term owing to reduction in global risks (including Brexit and trade war), pause in global monetary easing as well as hope for global economic stabilization. Meanwhile, USD is expected to remain range-bound and keep the foreign exchange loss contained. Taken all together, the exchange fund will likely book a decent net return this year after already gaining HK\$198.6 billion in the first three quarters. This will help sustain the healthy fiscal reserve and allow the HKMA to well defend the currency peg.

Daily Treasury Outlook

5 November 2019

Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter tenors traded 3-4bps lower, while the belly and longer tenors traded 0-3bps higher (with exception of the 10-year tenor which traded 2bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 129bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 507bps. The HY-IG Index spread tightened 2bps to 377bps. 10Y USTs rose 7bps to 1.78%, with optimistic progress seen on the US – China trade war. The US was reportedly debating whether to roll back tariffs on USD112bn of Chinese imports.

New Issues: POSCO priced a USD500mn 3-year bond at T+97.5bps, tightening from IPT of T+125bps area. Sinopec Group Overseas Development 2018 Ltd (Guarantor: China Petrochemical Corp) priced a USD2.0bn offering in 3 parts; a USD700mn 5-year bond at T+93bps (tightening from IPT of T+120bps area), a USD1.0bn 10-year bond at T+122.5bps (tightening from IPT of T+150bps area), and a USD300mn 30-year bond at 3.44% (tightening from IPT of 3.65% area). Hongkong International (Qingdao) Company Limited (Keepwell Deed, Deed of EIPU and Irrevocable Standby Facility Provider: Qingdao City Construction Investment (Group) Limited) priced a USD300mn 3-year bond at 3.90%, tightening from IPT of 4.4% area. Vanke Real Estate (Hong Kong) Company Ltd (Keepwell Deed, Deed of EIPU privoder: China Vanke Co., Ltd) priced a USD423mn 5.5-year bond at T+160bps (tightening from IPT of T+190bps area), and a USD300mn 10-year bond at T+183bps (tightening from IPT of T+210bps area). Kaisa Group Holdings Ltd priced a USD300mn 4NC2 bond at 11.95%, tightening from IPT of 12.5% area. Greentown China Holdings Limited (Subsidiary Guarantors: Certain of the Company's Restricted Subsidiaries incorporated outside the PRC) priced a USD600mn 364-day bond at 4.55%, tightening from IPT of 5.0% area. Yango Justice International Limited (Parent Guarantor: Yango Group Co., Ltd) priced a USD250mn 3.25NP2 bond at 11.5% (YTP), tightening from IPT of 11.75% area (YTP). Powerlong Real Estate Holdings Limited (Subsidiary Guarantors: Certain non-PRC subsidiaries of the Issuer) priced a USD300mn 3NC2 bond at 7.3%, tightening from IPT of 7.75% area. Shui On Development (Holding) Ltd (Guarantor: Shui On Land Ltd) priced a USD300mn 4NC2 Green Bond at 5.75%, tightening from IPT of 6.0% area. Zhongyuan Asset Management Co., Ltd scheduled investor meetings commencing 5 Nov for its proposed USD bond issuance.

Daily Treasury Outlook

5 November 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.505	0.27%	USD-SGD	1.3590	0.10%
USD-JPY	108.580	0.36%	EUR-SGD	1.5123	-0.24%
EUR-USD	1.1128	-0.34%	JPY-SGD	1.2516	-0.26%
AUD-USD	0.6884	-0.29%	GBP-SGD	1.7507	-0.38%
GBP-USD	1.2884	-0.48%	AUD-SGD	0.9356	-0.28%
USD-MYR	4.1505	-0.36%	NZD-SGD	0.8699	-0.32%
USD-CNY	7.0304	-0.09%	CHF-SGD	1.3756	-0.13%
USD-IDR	14013	-0.19%	SGD-MYR	3.0605	-0.19%
USD-VND	23200	--	SGD-CNY	5.1778	-0.14%

Equity and Commodity

Index	Value	Net change
DJIA	27,462.11	114.75
S&P	3,078.27	11.36
Nasdaq	8,433.20	46.80
Nikkei 225	22,850.77	--
STI	3,236.40	6.97
KLCI	1,603.56	10.22
JCI	6,180.34	-26.85
Baltic Dry	1,697.00	--
VIX	12.83	0.53

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4430	-0.80%	O/N	1.5921	-0.77%
2M	-0.3360	-0.77%	1M	1.7743	-1.06%
3M	-0.3990	-1.06%	2M	1.8389	-0.11%
6M	-0.3480	-0.11%	3M	1.8905	-1.18%
9M	-0.1940	-1.18%	6M	1.9024	-1.39%
12M	-0.2810	-1.39%	12M	1.9253	-3.01%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.57 (-0.02)	1.58 (+0.03)
5Y	1.59 (-)	1.59 (+0.05)
10Y	1.74 (+0.01)	1.78 (+0.07)
15Y	1.84 (+0.01)	--
20Y	1.93 (+0.03)	--
30Y	2.07 (+0.01)	2.26 (+0.07)

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%	12.70%	0.00%	0.00%	12.70%
12/11/2019	0.00%	31.70%	0.00%	2.80%	29.00%
01/29/2020	0.00%	44.80%	0.50%	7.80%	36.50%
03/18/2020	0.00%	51.30%	1.40%	11.20%	38.70%
04/29/2020	0.00%	56.30%	2.40%	14.00%	39.70%
06/10/2020	0.00%	61.00%	3.60%	16.80%	40.20%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.25	0.52
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.58
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.54	0.6%	Corn (per bushel)	3.8325	-1.5%
Brent (per barrel)	62.13	0.7%	Soybean (per bushel)	9.258	0.2%
Heating Oil (per gallon)	1.9405	0.4%	Wheat (per bushel)	5.0975	-1.2%
Gasoline (per gallon)	1.6637	0.5%	Crude Palm Oil (MYR/MT)	2,470.0	2.0%
Natural Gas (per MMBtu)	2.8210	3.9%	Rubber (JPY/KG)	151.7	0.0%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,877	0.5%	Gold (per oz)	1,509.8	-0.3%
Nickel (per mt)	16,380	-2.4%	Silver (per oz)	18.057	-0.4%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/05/2019 07:50	JN	Monetary Base YoY	Oct	--	3.10%	3.00%	--
11/05/2019 08:30	HK	Markit Hong Kong PMI	Oct	--	--	41.5	--
11/05/2019 09:00	PH	CPI YoY 2012=100	Oct	0.80%	--	0.90%	--
11/05/2019 09:45	CH	Caixin China PMI Composite	Oct	--	--	51.9	--
11/05/2019 09:45	CH	Caixin China PMI Services	Oct	51.1	--	51.3	--
11/05/2019 11:30	AU	RBA Cash Rate Target	Nov-05	0.75%	--	0.75%	--
11/05/2019 12:00	ID	GDP YoY	3Q	5.00%	--	5.05%	--
11/05/2019 15:00	MA	BNM Overnight Policy Rate	Nov-05	3.00%	--	3.00%	--
11/05/2019 17:30	UK	Markit/CIPS UK Services PMI	Oct	49.7	--	49.5	--
11/05/2019 17:30	UK	Markit/CIPS UK Composite PMI	Oct	49.5	--	49.3	--
11/05/2019 21:00	US	Fed's Barkin Speaks in Baltimore					
11/05/2019 21:30	US	Trade Balance	Sep	-\$52.4b	--	-\$54.9b	--
11/05/2019 22:45	US	Markit US Services PMI	Oct F	51	--	51	--
11/05/2019 22:45	US	Markit US Composite PMI	Oct F	--	--	51.2	--
11/05/2019 23:00	US	ISM Non-Manufacturing Index	Oct	53.5	--	52.6	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LinaSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).