

Daily Treasury Outlook

10 September 2019

Highlights

Global: The pendulum has swung again. After weeks of doldrums caused largely by trade war uncertainties, news about how the US and China are planning to hold ministerial-level meetings in Washington in October - the first direct negotiations since July - gave a much-welcomed oomph to global market sentiments. This is bolstered by encouraging ADP employment and services ISM from the US, and coming on the back of, relatively speaking, better political atmosphere in Hong Kong and the UK.

In response, safe haven assets slumped. US Treasury yields moved up, with the 2yr and 10yr USTs up by about 10bps each. European sovereign yields soared as well with the 30yr German Bunds even eking above the zero-line intraday after being in the negative territory for weeks. Gold slumped by about 2pct. Meanwhile, equities rallied with major US indices posting more than 1pct gains overnight.

Market Watch: Asian markets are likely to enjoy the positive boost from the majors, especially with suggestions of more monetary easing from China. Market players will be awaiting the US official employment reports tonight as well with market pencilling in 160k for nonfarm payrolls and 3.7pct for unemployment rate.

China: China's Commerce Ministry has said that the US and China should discuss how to remove the existing tariffs, to avoid the escalation of trade war, after China and US confirmed that they will meet in early October in the US for the 13th round of trade talks.

EU: German factor orders fell more than expected by 2.7% mom (-5.6% yoy) in July, compared to a revised +2.7% mom (-3.5% yoy) in June. The slump was attributed to the ongoing trade conflict and no fundamental improvement in momentum is in sight for the coming months.

Oil: Prices of crude oil rose slightly yesterday but did not appear to have broadly participated in yesterday's risk-on rally in other asset classes. Brent's gain of 0.4% could have been largely attributed to the drop in US crude inventories of -4.8mil barrels in the week ending 30 August. Gasoline prices, however, sank -4.2%, the largest one-day decline since in slightly more than a year, suggesting that there are still pockets of weaknesses in the energy space.

Key Market Movements		
Equity	Value	% chg
S&P 500	2976.0	1.3%
DJIA	26728	1.4%
Nikkei 225	21086	2.1%
SH Comp	2985.9	1.0%
STI	3147.1	0.5%
Hang Seng	26516	0.0%
KLCI	1599.8	0.0%
Currencies	Value	% chg
DX	98.414	0.0%
USDJPY	106.94	0.5%
EURUSD	1.1035	0.0%
GBPUSD	1.2334	0.7%
USDIDR	14155	0.0%
USDSGD	1.3838	0.0%
SGDMYR	3.0281	-0.1%
Rates	Value	chg (bp)
3M UST	1.95	0.75
10Y UST	1.56	9.29
1Y SGS	1.85	0.00
10Y SGS	1.67	-2.22
3M LIBOR	2.11	-1.43
3M SIBOR	1.88	0.00
3M SOR	1.73	0.57
Commodities	Value	% chg
Brent	60.95	0.4%
WTI	56.3	0.1%
Gold	1519	-2.2%
Silver	18.65	-4.8%
Palladium	1563	0.3%
Copper	5845	1.7%
BCOM	78.03	-0.5%

Source: Bloomberg

Daily Treasury Outlook

10 September 2019

Major Markets

US: US markets were risk-on last night, with the S&P 500 gaining 1.3% and the 10y UST yields up 9.3bps. A statement from Liu He that the US and China were working towards an early October trade talk, coupled with better than expected ADP employment data (195k vs est 148k) helped to boost investor confidence. Tonight, investors are likely to be watching the nonfarm payroll numbers and Powell's speech for hints on the Fed policy going forward. The S&P 500 index broke through a key resistance of 2950, and it is expected to continue its upward trajectory in the near-term towards the 3000 levels barring any negative headline news.

Singapore: The STI extended gains by another 0.53% to close at 3147.06 yesterday amid the renewed market optimism and should see another positive session today amid positive leads from Wall Street overnight and morning gains in Nikkei and Kospi. STI's support and resistance are tipped at 3106 and 3170. With the backup in UST bond yields overnight amid the recovery of global risk appetite, SGS bonds are likely to succumb to selling pressure today as well. MAS sold \$3.9% of 6-month T-bills at cut-off yield of 1.83% with a bid-cover ratio of 2.16x.

Indonesia: The Indonesian government has said that its corporate tax cut plans will result in initial revenue loss but would ultimately benefit the economy over time. Tax Director General Robert Pakpahan stated that the government revenue would decline by IDR52tn (USD3.7bn) if the corporate tax rate is cut from 25% to 22%. If it is immediately cut to 20%, the revenue would drop by IDR87tn. He added that the government is also considering a revision to the thresholds for the individual income tax. The government is planning to complete a draft of tax reform bill this year, with the goal of passing it as a law in 2020.

Daily Treasury Outlook

10 September 2019

Bond Market Updates

Market Commentary: The SGD swap curve bull-steepened slightly yesterday, with the shorter tenors traded 1-2bps lower, while the longer tenors (>5yr) traded 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 133bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 13bps to 565bps. 10Y USTs yields rose 9bps to close at 1.56%, after better than expected US economic data and US-China trade war optimism on the resumption of trade talks boosted risk-on sentiment. Spread between 3-month treasury bills and 10-year treasury notes remains inverted though narrower at -37bps.

New Issues: Jincheng State-Owned Capital Investment Operation Co., Ltd has priced a USD190mn 3-year bond at 6.5%, in line with IPT. Chang Development International Ltd (Guarantor: Changchun Urban Development & Investment Holdings (Group) Co., Ltd) has priced a USD250mn 3-year bond at 3.9%, tightening from IPT of 4.5% area. Indorama Ventures Global Services Ltd (Guarantor: Indorama Ventures Public Company Ltd) has priced a USD300mn 5-year bond at T+310bps, tightening from IPT of T+335bps area. FEC Finance Ltd (Guarantor: Far East Consortium International Ltd) has priced a USD250mn NC5.1-Perpetual bond at 7.35%, tightening from IPT of 7.5% area. Wharf REIC Finance (BVI) Ltd (Guarantor : Wharf Real Estate Investment Company Ltd) has priced a USD300mn 5-year bond at T+120bps, tightening from IPT of T+140bps area. Industrial and Commercial Bank of China (Macau) Ltd has priced a USD500mn 10NC5 Tier 2 bond at T+165bps, tightening from IPT of T+190bps area. Wanda Group Overseas Ltd (Guarantor: Dalian Wanda Group Co., Ltd) has priced a USD150mn re-tap of its existing DALWAN 7.5%'22s at 8.25%, in line with final guidance. Power Finance Corporation Ltd has priced a USD300mn 5-year bond at T+187.5bps (tightening from IPT of T+215bps area), and a USD450mn 10-year bond at T+240bps (tightening from IPT of T+265bps area). Guangxi Communications Investment Group Corp. Ltd has scheduled investor roadshows commencing on 6 Sep for its potential USD bond offering.

Daily Treasury Outlook

10 September 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.414	-0.04%	USD-SGD	1.3838	-0.04%
USD-JPY	106.940	0.52%	EUR-SGD	1.5270	-0.05%
EUR-USD	1.1035	--	JPY-SGD	1.2942	-0.55%
AUD-USD	0.6815	0.26%	GBP-SGD	1.7067	0.61%
GBP-USD	1.2334	0.66%	AUD-SGD	0.9430	0.21%
USD-MYR	4.1873	-0.41%	NZD-SGD	0.8820	0.16%
USD-CNY	7.1492	0.04%	CHF-SGD	1.4037	-0.55%
USD-IDR	14155	-0.04%	SGD-MYR	3.0281	-0.11%
USD-VND	23200	0.01%	SGD-CNY	5.1392	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	26,728.15	372.68
S&P	2,976.00	38.22
Nasdaq	8,116.83	139.95
Nikkei 225	21,085.94	436.80
STI	3,147.06	16.49
KLCI	1,599.75	-0.14
JCI	6,306.80	37.14
Baltic Dry	2,518.00	--
VIX	16.27	-1.06

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4410	0.60%	O/N	2.0913	0.06%
2M	-0.3360	0.06%	1M	2.0573	-0.96%
3M	-0.4430	-0.96%	2M	2.1200	-1.74%
6M	-0.4390	-1.74%	3M	2.1124	-1.43%
9M	-0.1940	-1.43%	6M	1.9873	-2.51%
12M	-0.3790	-2.51%	12M	1.8969	-3.95%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.64 (-0.01)	1.53 (+0.09)
5Y	1.60 (-0.01)	1.43 (+0.11)
10Y	1.67 (-0.02)	1.56 (+0.09)
15Y	1.81 (-0.02)	--
20Y	1.93 (-0.02)	--
30Y	2.01 (-0.03)	2.05 (+0.08)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.25-1.50%	1.5-1.75%	1.75-2%
09/18/2019	0.0%	100.0%	0.0%	14.4%	85.6%
10/30/2019	0.0%	100.0%	8.3%	55.6%	36.1%
12/11/2019	0.0%	100.0%	39.6%	42.7%	12.2%
01/29/2020	0.0%	100.0%	41.5%	24.1%	4.8%
03/18/2020	0.0%	100.0%	34.7%	16.6%	2.9%
04/29/2020	0.0%	100.0%	29.5%	12.6%	2.1%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.22	-0.21
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.21
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.30	0.1%	Corn (per bushel)	3.4650	0.1%
Brent (per barrel)	60.95	0.4%	Soybean (per bushel)	8.498	-1.5%
Heating Oil (per gallon)	1.8885	0.4%	Wheat (per bushel)	4.6400	1.7%
Gasoline (per gallon)	1.5460	0.9%	Crude Palm Oil (MYR/MT)	2,090.0	-0.5%
Natural Gas (per MMBtu)	2.4350	-0.4%	Rubber (JPY/KG)	165.0	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,845	1.7%	Gold (per oz)	1,519.1	-2.2%
Nickel (per mt)	17,500	-2.8%	Silver (per oz)	18.651	-4.8%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/06/2019	ID Foreign Reserves	Aug	--	\$125.90b	--
09/06/2019	HK Foreign Reserves	Aug	--	\$448.5b	--
09/06/2019 09:13	VN Domestic Vehicle Sales YoY	Aug	--	27.80%	--
09/06/2019 14:00	GE Industrial Production SA MoM	Jul	0.40%	-1.50%	--
09/06/2019 15:30	TH Foreign Reserves	Aug-30	--	\$220.5b	--
09/06/2019 16:00	TA CPI YoY	Aug	0.68%	0.40%	--
09/06/2019 16:00	IT Retail Sales MoM	Jul	--	1.90%	--
09/06/2019 17:00	EC GDP SA QoQ	2Q F	0.20%	0.20%	--
09/06/2019 17:00	EC GDP SA YoY	2Q F	1.10%	1.10%	--
09/06/2019 20:30	CA Unemployment Rate	Aug	5.70%	5.70%	--
09/06/2019 20:30	US Change in Nonfarm Payrolls	Aug	160k	164k	--
09/06/2019 20:30	US Unemployment Rate	Aug	3.70%	3.70%	--
09/06/2019 20:30	US Change in Manufact. Payrolls	Aug	5k	16k	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Strategy & Research*LinaSSSelena@ocbc.com**Emmanuel Ng***Senior FX Strategist*NqCYEmmanuel@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Alan Lau***Malaysia & Indonesia*AlanLau@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).