

## 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 13<sup>th</sup> 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
DXY	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

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### 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.

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### 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.

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10 September 2019

### Foreign Exchange

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

### Equity and Commodity

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

### Interbank Offer Rates (%)

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

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.64 (-0.01)	1.53 (+0.09)
<b>5Y</b>	1.60 (-0.01)	1.43 (+0.11)
<b>10Y</b>	1.67 (-0.02)	1.56 (+0.09)
<b>15Y</b>	1.81 (-0.02)	--
<b>20Y</b>	1.93 (-0.02)	--
<b>30Y</b>	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
<b>EURIBOR-OIS</b>	6.22	-0.21
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	2.21
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### 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

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