

## Daily Treasury Outlook

6 November 2019

### Highlights

**Global:** Market sentiment has turned a bit more tentative on latest trade war news. China is reportedly insisting on a rollback of existing US tariffs, rather than just a cancellation of new tariffs, as the price for signing any Phase 1 deal with the US, according to Global Times editor Hu Xijin, who has positioned himself as the unofficial spokesperson for the authorities. One way to look at it is that it is merely a negotiating tactic by China. However, if it is a hardened stance from which China cannot budge – and one in which US cannot countenance – then the chances of a deal coming through would be a lot less than market appears to be pricing in. While FT already reported that the US administration has started to weigh the pros and cons of rolling back September tariffs on USD112bn worth of Chinese imports, there has been no indication thus far that Trump and his team are agreeable to it. This is especially so if there is no significant gain on the US front, apart from the agricultural goods purchase that is already on the table. All in all, the road to trade deal, wherever it leads to physically speaking (with Iowa and Alaska in play), it is still a long and winding one. This suggests RMB outlook in the near term could become very digital. RMB may weaken to 7.2 if no deal is done. Alternatively, RMB may strengthen to 6.90 should the Trump administration agree to roll back some existing tariffs.

**US:** ISM services index surprised on the upside, with a reading of 54.7 in October, higher than 53.5 expected and 52.6 the prior month. This is a welcome sign that suggests that the US services sector remains relatively buoyant despite the recent weakness in the manufacturing sector. In particular, the employment sub-component of the index is encouraging, and in line with the recent strength in employment reports.

**China:** PBoC cut its 1-year MLF rate by 5bps yesterday. The rate cut was earlier than market expectation, showing that China is not concerned about the rising CPI driven by pork prices. It also alleviated the concern that China may tighten its monetary policy marginally after the skip of TMLF last month. The move aimed to lower the funding costs to the real economy via lowering the LPR, which is supportive of risk sentiment in the near term.

**Oil:** Brent prices continue its uptrend, closing at \$62.96/bbl yesterday. Excluding the Saudi Arabia outage, yesterday's close was the highest in more than a month; trough-to-peak movements of Brent are about 9% since the start of Q4. The oil market has finally appeared to have catch on the wave of optimism in global markets, but global manufacturing activity remains sluggish and oil may find its upside capped.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3074.6	-0.1%
DJIA	27493	0.1%
Nikkei 225	23252	1.8%
SH Comp	2991.6	0.5%
STI	3248.6	0.4%
Hang Seng	27683	0.5%
KLCI	1606.7	0.2%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.983	0.5%
USDJPY	109.16	0.5%
EURUSD	1.1075	-0.5%
GBPUSD	1.2884	0.0%
USDIDR	13970	-0.3%
USDSGD	1.3583	-0.1%
SGDMYR	3.0448	-0.5%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.54	0.71
10Y UST	1.86	8.14
1Y SGS	1.67	-4.10
10Y SGS	1.75	0.51
3M LIBOR	1.91	1.78
3M SIBOR	1.80	-0.21
3M SOR	1.46	0.11
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	62.96	1.3%
WTI	57.23	1.2%
Gold	1484	-1.7%
Silver	17.58	-2.6%
Palladium	1779	-0.1%
Copper	5940	1.1%
BCOM	80.72	0.1%

Source: Bloomberg

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### Major Markets

**US:** US markets traded sideways on Tuesday, as the risk-rally took a pause after Global Times editor Hu Xijin tweeted that China will not agree to a deal without a rollback in US tariffs. The S&P 500 index closed slightly lower by 0.1%. Separately, the better-than-expected US ISM non-manufacturing PMI print eased concerns of further US economic weakness, further lowering rate cut expectations. 10Y UST yields gained 8.1bps to 1.86%. We expect any retracement in the S&P 500 index to be supported by the 50-day simple moving average at the 2980 handle.

**Hong Kong:** Markit PMI plunged to 39.3, the worse since November 2008, while the business activity in the city's private sector slumped to the softest in 21 years in October. This was mainly attributed to the double whammy from local social unrest and trade war. Notably, as trade war has pushed firms to accelerate the supply chain shift, new orders continued to tumble amid a record decrease in the demand from Mainland China. Worse still, companies have reduced purchasing and input inventories at the fastest pace since the survey started in July 1998. Going forward, thanks to the positive development of US-China trade talk, should local social unrest do not further escalate, the PMI may stabilize rather than falling further in the coming months. Still, as the PMI has stayed below 45 for four consecutive months, it reinforces that the economy remains mired in the weakest growth in decade. In other words, 4Q GDP is likely to see another year-on-year contraction and in turn lead to a full-year recession.

**Indonesia:** Q3 GDP data came in at 5.02% yoy, slightly above our expectation of 5.0%. Components suggest weaker contributions from private consumption and government spending than before. The data also bears imprints of assaults from global trade concerns, with zero contribution from exports, although a heavy shrinkage of imports meant that net exports proved to be a net contributor. Meanwhile, investment activities remained relatively lacklustre, growing at a sub-par 4.21% yoy.

**Malaysia:** Bank Negara kept its Overnight Policy Rate unchanged at 3.0% yesterday, in its last meeting for the year. While this is in line with the median consensus, it diverged from our baseline expectation of a cut. The MPC statement did not hint at any easing in the near future either, with talks abound on how growth remains anchored by private consumption and net boost from government spending. Any lingering dovishness stems primarily from global uncertainty, with exports and investment activity hurt.

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6 November 2019

### Bond Market Updates

**Market Commentary:** The SGD swap curve steepened yesterday, with the 1-year and 2-year tenors traded 1-2bps lower, while the belly and longer tenors traded 1-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 501bps. The HY-IG Index spread tightened 4bps to 373bps. 10Y USTs rose 8bps to 1.86% after ISM's services sector report for October beat expectations, adding to optimism over US economic growth and improving risk sentiment.

**New Issues:** Kaisa Group Holdings Ltd (Subsidiary Guarantors: Certain restricted subsidiaries incorporated outside the PRC) priced a USD150mn re-tap of its existing KAISAG 10.875%'23s at 12%, tightening from IPT of 12.25% area. HSBC Institutional Trust Services (Singapore) Limited (acting as trustee of AIMS APAC REIT) priced a SGD100mn 5-year bond at 3.6%, tightening from IPG of 3.7% area. Haitong International Securities Group Limited scheduled investor meetings commencing 6 Nov for its proposed USD bond issuance. China Huarong Asset Management Co., Ltd scheduled investor meetings commencing 6 Nov for its proposed USD bond issuance. Guangzhou Metro Group Co., Ltd scheduled investor conference calls for its proposed USD bond issuance. Sun Hung Kai & Co. Limited mandated banks for its proposed USD bond issuance.

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6 November 2019

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.983	0.49%	<b>USD-SGD</b>	1.3583	-0.05%
<b>USD-JPY</b>	109.160	0.53%	<b>EUR-SGD</b>	1.5043	-0.53%
<b>EUR-USD</b>	1.1075	-0.48%	<b>JPY-SGD</b>	1.2446	-0.56%
<b>AUD-USD</b>	0.6893	0.13%	<b>GBP-SGD</b>	1.7501	-0.03%
<b>GBP-USD</b>	1.2884	--	<b>AUD-SGD</b>	0.9363	0.07%
<b>USD-MYR</b>	4.1310	-0.47%	<b>NZD-SGD</b>	0.8660	-0.45%
<b>USD-CNY</b>	7.0097	-0.29%	<b>CHF-SGD</b>	1.3683	-0.53%
<b>USD-IDR</b>	13970	-0.31%	<b>SGD-MYR</b>	3.0448	-0.51%
<b>USD-VND</b>	23200	--	<b>SGD-CNY</b>	5.1576	-0.39%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	27,492.63	30.52
<b>S&amp;P</b>	3,074.62	-3.65
<b>Nasdaq</b>	8,434.68	1.48
<b>Nikkei 225</b>	23,251.99	401.22
<b>STI</b>	3,248.63	12.23
<b>KLCI</b>	1,606.74	3.18
<b>JCI</b>	6,264.15	83.81
<b>Baltic Dry</b>	1,675.00	--
<b>VIX</b>	13.10	0.27

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4430	0.50%	<b>O/N</b>	1.5509	-4.13%
<b>2M</b>	-0.3360	-4.13%	<b>1M</b>	1.7710	-0.32%
<b>3M</b>	-0.3980	-0.32%	<b>2M</b>	1.8534	1.45%
<b>6M</b>	-0.3430	1.45%	<b>3M</b>	1.9083	1.78%
<b>9M</b>	-0.1940	1.78%	<b>6M</b>	1.9246	2.23%
<b>12M</b>	-0.2760	2.23%	<b>12M</b>	1.9600	3.47%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.53 (-0.04)	1.62 (+0.04)
<b>5Y</b>	1.59 (-)	1.66 (+0.07)
<b>10Y</b>	1.75 (+0.01)	1.86 (+0.08)
<b>15Y</b>	1.85 (+0.01)	--
<b>20Y</b>	1.95 (+0.02)	--
<b>30Y</b>	2.08 (+0.01)	2.34 (+0.08)

### 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%	9.00%	0.00%	0.00%	9.00%
12/11/2019	0.00%	25.80%	0.00%	1.70%	24.20%
01/29/2020	0.00%	38.50%	0.30%	5.50%	32.70%
03/18/2020	0.00%	45.20%	0.90%	8.50%	35.90%
04/29/2020	0.00%	51.10%	1.70%	11.40%	37.90%
06/10/2020	0.00%	56.10%	2.70%	14.10%	39.00%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.47	-0.88
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.56
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.23	1.2%	Corn (per bushel)	3.8175	-0.4%
Brent (per barrel)	62.96	1.3%	Soybean (per bushel)	9.218	-0.4%
Heating Oil (per gallon)	1.9566	0.8%	Wheat (per bushel)	5.1525	1.1%
Gasoline (per gallon)	1.6746	0.7%	Crude Palm Oil (MYR/MT)	2,454.0	-0.6%
Natural Gas (per MMBtu)	2.8620	1.5%	Rubber (JPY/KG)	155.9	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,940	1.1%	Gold (per oz)	1,483.6	-1.7%
Nickel (per mt)	16,280	-0.6%	Silver (per oz)	17.579	-2.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/06/2019 05:45	NZ	Unemployment Rate	3Q	4.10%	4.20%	3.90%	--
11/06/2019 05:45	NZ	Employment Change QoQ	3Q	0.20%	0.20%	0.80%	0.60%
11/06/2019 07:00	SK	BoP Current Account Balance	Sep	--	\$7477.2m	\$5265.6m	--
11/06/2019 08:30	JN	Jibun Bank Japan PMI Composite	Oct F	--	--	49.8	--
11/06/2019 08:30	JN	Jibun Bank Japan PMI Services	Oct F	--	--	50.3	--
11/06/2019 09:00	PH	Exports YoY	Sep	1.30%	--	0.60%	--
11/06/2019 09:00	PH	Trade Balance	Sep	-\$3050m	--	-\$2410m	--
11/06/2019 11:13	VN	Domestic Vehicle Sales YoY	Oct	--	--	13.10%	--
11/06/2019 15:00	GE	Factory Orders MoM	Sep	0.10%	--	-0.60%	--
11/06/2019 15:05	TH	BoT Benchmark Interest Rate	Nov-06	1.25%	--	1.50%	--
11/06/2019 16:00	TA	CPI YoY	Oct	0.45%	--	0.43%	--
11/06/2019 16:55	GE	Markit/BME Germany Composite PMI	Oct F	48.6	--	48.6	--
11/06/2019 17:00	EC	Markit Eurozone Composite PMI	Oct F	50.2	--	50.2	--
11/06/2019 17:00	EC	Markit Eurozone Services PMI	Oct F	51.8	--	51.8	--
11/06/2019 20:00	US	MBA Mortgage Applications	Nov-01	--	--	0.60%	--

Source: Bloomberg

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