

## Daily Treasury Outlook

7 November 2019

### Highlights

**Global:** Risk sentiments may be dented by hints that the signing of the Phase 1 of the US-China trade deal between Trump and Xi may be delayed till December. Meanwhile, Fed's Williams opined that monetary policy is "moderately accommodative" and the Fed will be data-dependent and preemptive, whilst Evans also suggested policy settings "is good for the real risks that the economy is facing" and for "getting inflation to 2%". The S&P500 stabilised to close nearly flat, dragged down by tech and energy stocks, while UST bonds rallied with the 10-year yield falling 4bps to 1.82%.

**Market watch:** Asian markets may trade sideways today as investor digest the possibility that the Phase 1 US-China trade agreement may not materialise till December. The main focus is likely to be on the BOE who is expected to keep its monetary policy settings unchanged today but governor Carney will likely sound cautious ahead of the 12 December snap elections. Today's economic data calendar comprises Philippines' 3Q19 GDP growth estimates, Indonesia's and Malaysia's foreign reserves, German industrial production, and US' initial jobless claims. The European Commission is updating its economic forecasts, while Fed's Kaplan and Bostic are also speaking.

**US:** The US' nonfarm productivity unexpectedly declined for the first time in nearly four years by 0.3% annualised rate in 3Q19, amid accelerating unit labour costs (+3.6%).

**EZ:** The Austrian central bank governor Holzmann warned that "monetary policy seems to have reached its end" and "for this reason, fiscal policy has to take over". He follows Draghi who has called for Germany to turn on fiscal stimulus.

**UK:** The resignation of Welsh Secretary Alun Cairns during PM Boris Johnson's election campaign suggests that the latter may be off to a rocky start. Meanwhile, the Office for Budget Responsibility may revise its 2020 budget deficit forecast by GBP20b and breach its target of 2% of GDP.

**China:** China said yesterday that it will focus on replenishing capital for smaller banks to enhance their capacity to manage risk via optimized capital structure. In addition, China's Vice Premier Han Zhen also reiterated to further develop the Greater Bay Area.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3076.8	0.1%
DJIA	27493	0.0%
Nikkei 225	23304	0.2%
SH Comp	2978.6	-0.4%
STI	3262.7	0.4%
Hang Seng	27689	0.0%
KLCI	1603.3	-0.2%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.952	0.0%
USDJPY	108.98	-0.2%
EURUSD	1.1066	-0.1%
GBPUSD	1.2855	-0.2%
USDIDR	14018	0.3%
USDSGD	1.3594	0.1%
SGDMYR	3.0455	0.0%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.54	0.50
10Y UST	1.83	-3.01
1Y SGS	1.68	1.00
10Y SGS	1.77	2.22
3M LIBOR	1.89	-1.48
3M SIBOR	1.80	-0.01
3M SOR	1.46	-0.28
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	61.74	-1.9%
WTI	56.35	-1.5%
Gold	1491	0.5%
Silver	17.64	0.3%
Palladium	1795	0.9%
Copper	5940	0.0%
BCOM	80.15	-0.7%

Source: Bloomberg

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### Major Markets

**US:** US markets traded sideways again on Wednesday, as investors digested news of a possible delay in signing phase one of the trade deal between Xi and Trump. The S&P 500 index ended the session almost unchanged at +0.1%. The markets are likely to lean towards cautious optimism but will be watching closely for headlines from the trade front. We expect the S&P 500 index to see initial support at the 3020 handle by the 20-day SMA then the 50-day SMA around the 2980 level if it breaks through.

**Singapore:** The STI added 0.43% to close at 3262.698 yesterday but may see some consolidative interest today amid unconvincing leads from Wall Street overnight. STI's support and resistance are tipped at 3230 and 3280 respectively. With the UST bonds market bull-flattening overnight with a strong 10-year auction, SGS bonds are also likely to be biddish today and unwind some of yesterday's losses.

**Indonesia:** President Jokowi asked banks to start lowering interest rates, since Bank Indonesia has already cut benchmark policy rates. Speaking at the Indonesia Banking Expo, he reportedly said that "Other countries have done it. BI rate has been lowered, but banks haven't and I will wait for it".

**Malaysia:** Finance Minister Lim Guan Eng is confident that Malaysia's GDP will grow by 4.7% in 2019 as expected. He added that "If the trade dispute between China and the United States de-escalates, then there will be grounds for optimism of a more robust economic growth for Malaysia".

**Thailand:** The Bank of Thailand cut its benchmark interest rate to 1.25%, as expected by both the market and ourselves. Going into the monetary policy meeting, the market was split in its expectations of the decision that MPC members will eventually settle on. The poll on Bloomberg showed a 16/10 cut/hold split, with ourselves belonging in the camp that called for a rate cut. We were ultimately proven correct, although the vote within the MPC was not unanimous at 5-2. There were also capital outflow facilitation measures to curb the baht strength, including the ability to settle gold trades in foreign currency and increasing the threshold for repatriation of export proceeds, among others. These measures are unlikely to have a strong impact on limiting the baht's appreciation, but the message behind these measures – that the BoT will implement more baht-outflow policies if necessary – is probably more important than the policies themselves. We think this will be the last rate cut that the BoT will conduct in the current cycle as financial stability concerns start to weigh more heavily, after a 50bp rate reduction this year.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly traded 1-4bps higher, while the longer tenors were little changed. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 128bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 506bps. The HY-IG Index spread widened 4bps to 378bps. 10Y USTs fell 3bps to 1.83% on news that the phase one trade deal between the US and China might not be signed until December.

**New Issues:** Haitong International Securities Group Ltd priced a USD400mn 5.5-year bond at T+160bps, tightening from IPT of T+190bps area. Guangzhou Metro Investment Finance (BVI) Limited (Guarantor: Guangzhou Metro Investment Finance (HK) Limited; Keepwell and EIPU Provider: Guangzhou Metro Group Co., Ltd) priced a USD200mn 5-year bond at T+97.5bps, tightening from IPT of T+135bps area. Zhengzhou Urban Construction Investment Group Co., Ltd priced a USD300mn 3-year bond at 3.8%, tightening from IPT of 4.25% area. Sun Hung Kai & Co. (BVI) Limited (Guarantor: Sun Hung Kai & Co. Limited) priced a USD350mn 5-year bond at 5.75%, tightening from IPT of 5.85% area. Chengdu Jiaozi Financial Holding Group Co., Ltd priced a USD300mn 3-year bond at 3.24%, tightening from IPT of 3.75% area. Changsha Pilot Investment Holdings Group Co., Ltd scheduled investor meetings commencing 6 Nov for its proposed USD bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.952	-0.03%	<b>USD-SGD</b>	1.3594	0.08%
<b>USD-JPY</b>	108.980	-0.16%	<b>EUR-SGD</b>	1.5044	0.01%
<b>EUR-USD</b>	1.1066	-0.08%	<b>JPY-SGD</b>	1.2480	0.27%
<b>AUD-USD</b>	0.6884	-0.13%	<b>GBP-SGD</b>	1.7475	-0.15%
<b>GBP-USD</b>	1.2855	-0.23%	<b>AUD-SGD</b>	0.9361	-0.02%
<b>USD-MYR</b>	4.1375	0.16%	<b>NZD-SGD</b>	0.8659	-0.01%
<b>USD-CNY</b>	6.9981	-0.17%	<b>CHF-SGD</b>	1.3698	0.11%
<b>USD-IDR</b>	14018	0.34%	<b>SGD-MYR</b>	3.0455	0.02%
<b>USD-VND</b>	23200	--	<b>SGD-CNY</b>	5.1497	-0.15%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	27,492.56	-0.07
<b>S&amp;P</b>	3,076.78	2.16
<b>Nasdaq</b>	8,410.63	-24.05
<b>Nikkei 225</b>	23,303.82	51.83
<b>STI</b>	3,262.69	14.06
<b>KLCI</b>	1,603.25	-3.49
<b>JCI</b>	6,217.55	-46.61
<b>Baltic Dry</b>	1,656.00	--
<b>VIX</b>	12.62	-0.48

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4380	-0.20%	<b>O/N</b>	1.5471	-0.37%
<b>2M</b>	-0.3360	-0.37%	<b>1M</b>	1.7699	-0.11%
<b>3M</b>	-0.4030	-0.11%	<b>2M</b>	1.8546	0.12%
<b>6M</b>	-0.3440	0.12%	<b>3M</b>	1.8935	-1.48%
<b>9M</b>	-0.1940	-1.48%	<b>6M</b>	1.9263	0.16%
<b>12M</b>	-0.2780	0.16%	<b>12M</b>	1.9669	0.69%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.53 (--)	1.61 (-0.02)
<b>5Y</b>	1.61 (+0.02)	1.63 (-0.03)
<b>10Y</b>	1.77 (+0.02)	1.83 (-0.03)
<b>15Y</b>	1.87 (+0.02)	--
<b>20Y</b>	1.97 (+0.02)	--
<b>30Y</b>	2.10 (+0.02)	2.32 (-0.02)

### 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%	11.40%	0.00%	0.00%	11.40%
11/12/2019	0.00%	31.00%	0.00%	2.50%	28.50%
01/29/2020	0.00%	41.20%	0.40%	6.40%	34.50%
03/18/2020	0.00%	48.40%	1.10%	9.80%	37.40%
04/29/2020	0.00%	54.20%	2.10%	12.90%	39.00%
10/6/2020	0.00%	59.10%	3.20%	15.70%	39.80%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.10	0.13
<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)	56.35	-1.5%	Corn (per bushel)	3.7875	-0.8%
Brent (per barrel)	61.74	-1.9%	Soybean (per bushel)	9.150	-0.7%
Heating Oil (per gallon)	1.9278	-1.5%	Wheat (per bushel)	5.1675	0.3%
Gasoline (per gallon)	1.6262	-2.9%	Crude Palm Oil (MYR/MT)	2,492.0	1.5%
Natural Gas (per MMBtu)	2.8280	-1.2%	Rubber (JPY/KG)	157.1	0.8%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,907	-0.6%	Gold (per oz)	1,490.6	0.5%
Nickel (per mt)	16,245	-0.2%	Silver (per oz)	17.637	0.3%

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

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/06/2019 11:13	VN Domestic Vehicle Sales YoY	Oct	--	13.10%	--
11/07/2019	HK Foreign Reserves	Oct	--	\$438.7b	--
11/07/2019	CH Foreign Reserves	Oct	\$3100.00b	\$3092.43b	--
11/07/2019	PH Foreign Reserves	Oct	--	\$86.2b	--
11/07/2019 08:30	AU Trade Balance	Sep	A\$5050m	A\$5926m	--
11/07/2019 10:00	PH GDP YoY	3Q	6.00%	5.50%	--
11/07/2019 11:00	ID Foreign Reserves	Oct	--	\$124.33b	--
11/07/2019 15:00	GE Industrial Production SA MoM	Sep	-0.40%	0.30%	--
11/07/2019 15:00	MA Foreign Reserves	Oct-31	--	\$103.3b	--
11/07/2019 17:00	IT Retail Sales YoY	Sep	--	0.70%	--
11/07/2019 17:00	SI Foreign Reserves	Oct	--	\$272.24b	--
11/07/2019 20:00	UK Bank of England Bank Rate	Nov-07	0.75%	0.75%	--
11/07/2019 20:00	UK BOE Asset Purchase Target	Nov	435b	435b	--
11/07/2019 21:30	US Initial Jobless Claims	Nov-02	215k	218k	--
11/07/2019 21:30	US Continuing Claims	Oct-26	1682k	1690k	--

Source: Bloomberg

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