

Daily Treasury Outlook

8 November 2019

Highlights

Global: Risk sentiments got a major lift overnight amid hopes that existing US-China tariffs may be unwound as part of the Phase 1 deal. Meanwhile, the Bank of England kept its policy rate static at 0.75% but the fact that there were two dissenters preferring a 25bp rate cut amid the Brexit uncertainties suggest that the bias has clearly turned dovish. The S&P500 rose 0.27% while UST bonds tumbled with the 10-year yield hitting a three-month high of 1.97% before closing at 1.92%. Fed funds futures pricing of a further 25bp rate cut was also pared further.

Market watch: Asian markets may trade with a firmer tone today amid hopes of a de-escalation of potential US-China trade tariff rollback. Today's economic data calendar comprises trade data from China, Taiwan and Germany, US' University of Michigan sentiments and wholesale inventories, and Thailand's foreign reserves. Fed's Daly is speaking.

US: Initial jobless claims fell 8k to 211k, pointing to tight labour market conditions.

UK: Chancellor Javid revamped fiscal rules to allow the government to increase borrowing for investments to 3% of GDP, up from the current 2% of GDP.

Eurozone: The EC cut its growth forecast to 1.2% by 2021 with a muted inflation outlook of 1.3% then, with risks leading decidedly to the downside, especially with the possibility of a disorderly Brexit, and called for using available fiscal space actively.

China: The confirmation from White House economic adviser Kudlow that "there are going to be tariff agreements and concessions" if a phase one trade deal is positive. Nevertheless, the devil is always in details. Investors may remain cautious until they see details. The rollback of existing tariffs is a positive surprise. However, given President Trump's love of tariffs, the additional element may risk prolonging the phase one negotiation. The outcome could be digital. A breakdown of deal again may lead to risk off sentiments while a phase one agreement with a rollback of existing tariffs will definitely be positive for risk sentiment and the economy, as the markets have not fully priced in the rollback of tariff. We expect RMB to test 6.90 should US agree roll back the additional 15% tariff imposed from 1 September.

Separately, China unveiled more measures to remove restrictions on foreign investors in China's financial service sectors including banks, insurance and security brokers etc.

Key Market Movements

Equity	Value	% chg
S&P 500	3085.2	0.3%
DJIA	27675	0.7%
Nikkei 225	23330	0.1%
SH Comp	2978.7	0.0%
STI	3285.7	0.7%
Hang Seng	27847	0.6%
KLCI	1609.3	0.4%
Currencies	Value	% chg
DXY	98.143	0.2%
USDJPY	109.28	0.3%
EURUSD	1.1050	-0.1%
GBPUSD	1.2817	-0.3%
USIDR	13998	-0.1%
USDSGD	1.3576	-0.1%
SGDMYR	3.0421	-0.1%
Rates	Value	chg (bp)
3M UST	1.55	1.28
10Y UST	1.92	8.90
1Y SGS	1.67	-1.00
10Y SGS	1.77	-0.14
3M LIBOR	1.90	1.08
3M SIBOR	1.77	-2.93
3M SOR	1.49	3.22
Commodities	Value	% chg
Brent	62.29	0.9%
WTI	57.15	1.4%
Gold	1468	-1.5%
Silver	17.11	-3.0%
Palladium	1802	0.4%
Copper	5974	1.1%
BCOM	80.02	-0.2%

Source: Bloomberg

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Major Markets

US: US markets climbed last night on the back of positive news from the trade war front as representatives from both the US and China said the rollback of tariffs in phases are possible if a phase one trade deal is reached. The S&P 500 index rose 0.3% last night and might continue trending higher in the short term as the wave of global optimism continues. 3100 looks to be the next psychological level for the benchmark equity index to break.

Singapore: The STI added 0.71% to close at 3285.72 yesterday and may climb higher today amid positive leads from Wall Street overnight. STI's support and resistance are tipped at 3251 and 3301 respectively. With the ongoing slide in UST bonds, we can expect further selling pressure on SGS bonds today.

Indonesia: Finance Minister Sri Mulyani said that there was no manipulation of GDP data. The national statistics agency ("BPS") is independent and quite reputable and the government never intervenes in the statistics, she reportedly told Bloomberg. She added that she has encouraged BPS to invite global institutions to review its methodologies, partly to capture online consumption activities that are missed out from the official data currently.

Malaysia: Bank Negara is reportedly proposing a cap on cash transaction limit at MYR25,000 in 2020 in its efforts to fight financial crimes. Exemptions will be granted for transactions through licensed banks, money exchanges or prescribed institutions since they are already subjected to stringent reporting requirements.

Philippines: The Philippines posted an economic growth rate of 6.2% yoy in Q3, beating the market's and our estimate of 6.0%. Increased fiscal spending, with government expenditure rising 9.6%yoy in Q3, provided most of the upside boost. Investments surprisingly disappointed at 2.1% yoy, an increase from last quarter's contraction of -4.6% but somewhat disappointing given that import levels have returned near to its previous high. We expect the economy to post an eventual growth rate of 5.9% yoy in 2019 and 6.2% yoy in 2020.

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Bond Market Updates

Market Commentary: Shorter tenors of the SGD swap curve traded 0-1bps lower, while the belly and longer tenors traded 0-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 126bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 498bps. The HY-IG Index spread tightened 5bps to 372bps. 10Y USTs rose decisively by 9bps to 1.92% after both the US and China agreed to roll back tariffs as part of the phase one trade deal, spurring risk-on sentiment.

New Issues: Redsun Properties Group Limited (Subsidiary Guarantors: Certain of the Company's Restricted Subsidiaries incorporated outside the PRC) priced a USD150mn re-tap of its existing REDSUN 9.95%'22s at 12.7%, tightening from IPT of 12.9% area. Huarong Finance 2019 Co., Ltd (Guarantor: China Huarong International Holdings Limited; Keepwell/EIPU Provider: China Huarong Asset Management Co., Ltd) priced a USD500mn 5-year bond at T+160bps (tightening from IPT of T+190bps area) and a USD500mn 10-year bond at T+200bps (tightening from IPT of T+230bps area). Changsha Pilot Investment Holdings Group Co., Ltd priced a USD350mn 3-year bond at 3.8%, tightening from IPT of 4.35% area. City Development Company of Lanzhou (Guarantor: Lanzhou Construction Investment (Holding) Group Co., Ltd) priced a USD300mn 3-year bond at 4.15%, tightening from IPT of 4.75% area. Central Plaza Development Ltd (Guarantor: International Financial Center Property Ltd; Keepwell/EIPU Provider: Beijing Capital Group Co., Ltd) priced a USD400mn NC5-Perpetual bond at 5.75%, tightening from IPT of 6.25% area. Skyfame Realty (Holdings) Limited priced a USD69mn re-tap of its existing SKYFAM 13%'22s at 13%. Adani Transmission Ltd scheduled investor meetings commencing 10 Nov for its proposed USD bond issuance of up to USD500mn.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.143	0.19%	USD-SGD	1.3576	-0.13%
USD-JPY	109.280	0.28%	EUR-SGD	1.5000	-0.29%
EUR-USD	1.1050	-0.14%	JPY-SGD	1.2425	-0.44%
AUD-USD	0.6898	0.20%	GBP-SGD	1.7399	-0.43%
GBP-USD	1.2817	-0.30%	AUD-SGD	0.9364	0.03%
USD-MYR	4.1240	-0.33%	NZD-SGD	0.8644	-0.17%
USD-CNY	6.9784	-0.28%	CHF-SGD	1.3643	-0.40%
USD-IDR	13998	-0.14%	SGD-MYR	3.0421	-0.11%
USD-VND	23200	--	SGD-CNY	5.1393	-0.20%

Equity and Commodity

Index	Value	Net change
DJIA	27,674.80	182.24
S&P	3,085.18	8.40
Nasdaq	8,434.52	23.89
Nikkei 225	23,330.32	26.50
STI	3,285.72	23.03
KLCI	1,609.33	6.08
JCI	6,165.62	-51.92
Baltic Dry	1,533.00	--
VIX	12.73	0.11

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4450	0.90%	O/N	1.5365	-1.06%
2M	-0.3360	-1.06%	1M	1.7550	-1.49%
3M	-0.4060	-1.49%	2M	1.8453	-0.94%
6M	-0.3390	-0.94%	3M	1.9043	1.08%
9M	-0.1940	1.08%	6M	1.9239	-0.24%
12M	-0.2690	-0.24%	12M	1.9766	0.98%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.52 (-0.02)	1.67 (+0.06)
5Y	1.61 (--)	1.73 (+0.1)
10Y	1.77 (--)	1.92 (+0.09)
15Y	1.87 (--)	--
20Y	1.96 (-0.01)	--
30Y	2.10 (--)	2.40 (+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%	9.30%	0.00%	0.00%	9.30%
12/11/2019	0.00%	24.00%	0.00%	1.50%	22.50%
01/29/2020	0.00%	34.10%	0.20%	4.30%	29.60%
03/18/2020	0.00%	39.20%	0.50%	6.20%	32.40%
04/29/2020	0.00%	43.50%	0.90%	8.10%	34.40%
06/10/2020	0.00%	47.40%	1.40%	9.90%	35.90%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.20	-0.60
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.57
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.15	1.4%	Corn (per bushel)	3.7525	-0.9%
Brent (per barrel)	62.29	0.9%	Soybean (per bushel)	9.250	1.1%
Heating Oil (per gallon)	1.9203	-0.4%	Wheat (per bushel)	5.1250	-0.8%
Gasoline (per gallon)	1.6355	0.6%	Crude Palm Oil (MYR/MT)	2,480.0	-0.5%
Natural Gas (per MMBtu)	2.7720	-2.0%	Rubber (JPY/KG)	159.0	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,974	1.1%	Gold (per oz)	1,468.5	-1.5%
Nickel (per mt)	16,200	-0.3%	Silver (per oz)	17.108	-3.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/08/2019	CH	Trade Balance	Oct	\$40.10b	--	\$39.65b	--
11/08/2019	CH	Exports YoY	Oct	-3.90%	--	-3.20%	--
11/08/2019	CH	Imports YoY	Oct	-7.80%	--	-8.50%	--
11/08/2019 07:30	JN	Labor Cash Earnings YoY	Sep	0.10%	0.80%	-0.20%	--
11/08/2019 08:10	US	Fed's Bostic Speaks in New York on Monetary Policy					
11/08/2019 08:30	AU	RBA Statement on Monetary Policy					
11/08/2019 13:00	JN	Leading Index CI	Sep P	92.2	--	91.9	--
11/08/2019 15:30	TH	Foreign Reserves	Nov-01	--	--	\$222.5b	--
11/08/2019 15:45	FR	Industrial Production YoY	Sep	0.30%	--	-1.40%	--
11/08/2019 15:45	FR	Manufacturing Production MoM	Sep	0.20%	--	-0.80%	--
11/08/2019 16:00	TA	Exports YoY	Oct	-0.30%	--	-4.60%	--
11/08/2019 18:00	GR	Industrial Production YoY	Sep	--	--	-0.60%	--
11/08/2019 18:00	GR	CPI YoY	Oct	--	--	-0.10%	--
11/08/2019 23:00	US	U. of Mich. Sentiment	Nov P	95.5	--	95.5	--
11/08/2019 23:00	US	Wholesale Inventories MoM	Sep F	-0.30%	--	-0.30%	--

Source: Bloomberg

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