

## Daily Treasury Outlook

10 September 2019

### Highlights

**Global:** Wall Street treaded water yesterday, awaiting the ECB policy decision on Thursday. However, UST bonds sold off in line with the European bond market on news that Germany is considering a “shadow budget” in the form of independent public agencies to take on new debt but circumvent national spending rules, and on concerns that the ECB may disappoint on its dovish intentions later this week. Meanwhile, the UK Parliament again rejected PM Johnson’s bid for early general elections on 15 October in a 293-46 vote, with Johnson reiterating that he will not ask for another delay, while the House of Commons Speaker John Bercow also announced plans to resign.

**Market Watch:** Asian markets may be sidelined today amid the lack of conviction ahead of the ECB policy meeting on Thursday. Today’s economic data calendar comprises of US’ NFIB small business optimism and JOLTS job openings, and UK’s ILO unemployment rate and jobless claims.

**US:** Treasury Secretary Mnuchin expects Chinese Vice Premier Liu He will attend trade talks in Washington in October, and PBOC Yi Gang to come and discuss currency manipulation. Meanwhile, consumer credit surged \$23.3b, lifted by credit-card balances, and suggesting that Americans remained confident about spending.

**China:** China did not roll over the maturing MLF on Monday. Instead, China injected the liquidity via the short-term open market operation. This raises the concern that China may not lower the MLF rate ahead of the next LPR fixing on 20 Sep. Nevertheless, market still expects the LPR to fall due to falling credit premium, which may support market sentiment. However, China’s reluctance to cut the MLF rate directly may keep the bond rally in check. As such, we think China’s equity may continue to outperform bond in the near term.

**Singapore:** Hiring prospects softened to +5%, the lowest in two years and down by 7% points compared to last quarter and lower by 8% points from a year ago, according to a ManpowerGroup survey. While public administration and education sectors tip higher headcounts by 25% (versus 14% three months ago), others like transportation and utilities expect to trim headcounts by 9%, with the manufacturing sector (0% versus 10%) likely the weakest in a decade and finance, insurance and real estate (+4% versus +7%) also tipping the weakest hiring pace in two years.

Key Market Movements		
Equity	Value	% chg
S&P 500	2978.4	0.0%
DJIA	26836	0.1%
Nikkei 225	21318	0.6%
SH Comp	3024.7	0.8%
STI	3146.3	0.1%
Hang Seng	26681	0.0%
KLCI	1604.5	0.0%
Currencies	Value	% chg
DXY	98.281	-0.1%
USDJPY	107.24	0.3%
EURUSD	1.1048	0.2%
GBPUSD	1.2346	0.5%
USDIDR	14035	-0.4%
USDSGD	1.3797	-0.1%
SGDMYR	3.0287	0.2%
Rates	Value	chg (bp)
3M UST	1.95	-0.01
10Y UST	1.64	8.36
1Y SGS	1.85	-0.10
10Y SGS	1.73	2.02
3M LIBOR	2.13	3.20
3M SIBOR	1.88	0.00
3M SOR	1.78	4.04
Commodities	Value	% chg
Brent	62.59	1.7%
WTI	57.85	2.4%
Gold	1499	-0.5%
Silver	18.01	-0.9%
Palladium	1545	0.2%
Copper	5815	-0.3%
BCOM	78.45	0.7%

Source: Bloomberg

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### Major Markets

**US:** US markets traded sideways last night, with the S&P 500 index (+0.0%) ending the session virtually unmoved. However, markets were slightly more risk-on, following a positive note from Treasury Secretary Steven Mnuchin earlier on the US and China trade talks making “lots of progress”. 10Y yields gained 8.4bps. Looking ahead, we expect the S&P 500 index to continue trade in the range of 2950-3000, with some bearishness expected should the ECB disappoint on the expected stimulus.

**Singapore:** The STI closed nearly flat (+0.06%) at 3146.3 yesterday and may tread water again today amid flattish cues from Wall Street overnight and modest morning gains in Kospi. With the bear steepening in UST bond market yesterday, SGS bonds are likely to see some pressure today too.

**Indonesia:** President Jokowi has reportedly requested for a study on the impact of bringing forward bans on some mineral exports. According to Bloomberg, quoting Coordinating Minister of Maritime Affairs Luhut Pandjaitan, it will include an earlier curb on bauxite exports. Recently, global nickels market has been rocked by Indonesia’s decision to bring forward an export ban on nickel, two years earlier than planned.

**Thailand:** Finance Minister Uttama Savanayana reiterated once again yesterday that the government is ready to act if the current economic stimulus programmes are deemed insufficient. Thailand unveiled a 316 billion baht programme last month that aims to revive growth in the economy, especially with regards to exports and tourism. Deputy PM Somkid Jatusripitak also said that more programmes in the form of loans and income subsidies are in the pipeline to help farmers, which could be initiated as early as this month.

**Oil:** Saudi Arabia’s new energy minister Prince Abdulaziz has said that he plans no “radical” changes to the current oil policies. An OPEC+ committee is set to convene in Abu Dhabi this week to review the progress of the current production curbs. The continued resurgence in global risk appetite since last Thursday has continued to drive Brent prices higher, with the benchmark closing higher again yesterday at \$62.59/bbl. Early futures movement on Brent shows further gains early this morning, which suggests that risk-taking behaviour across major asset classes continue to remain robust.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve was little changed yesterday, with only the 1yr, 2yr and 10yr tenors higher by 1bps. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 551bps. 10Y USTs yields gained 8bps to close at 1.64%, with recent higher than usual supply in the US high-grade bond market, and risk sentiment improving amid easing of the US-China trade tensions. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, though narrower at -27bps.

**New Issues:** Industrial and Commercial Bank of China Limited, Hong Kong Branch has priced a USD2.5bn deal in 3 tranches: a USD1.0bn 3-year FRN at 3m-US LIBOR+67bps (tightening from IPT of 3m-US LIBOR+95bps area), a USD500mn 3-year bond at T+80bps (tightening from IPT of T+105bps area), and a USD1.0bn 5-year FRN at 3m-US LIBOR+78bps (tightening from IPT of 3m-US LIBOR+105bps area). Longfor Group Holdings Ltd has priced a USD850mn 10-year bond at T+247.5bps, tightening from IPT of T+280bps area. Wuhan Financial Holdings (Group) Co.,Ltd has priced a USD300mn re-tap of its existing WUECDE 5.8%'21s at 4.1%, tightening from 4.7% area. Industrial Bank of Korea has mandated banks for its potential bond issuance in either USD or EUR. Azure Power Solar Energy Pte Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance. Wuhan Metro Group Co., Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance. The Bank of East Asia, Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD AT1 bond issuance. Shandong Iron & Steel Group Co., Ltd has scheduled investor meetings commencing on 10 Sep for its potential USD bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	98.281	-0.11%	<b>USD-SGD</b>	1.3797	-0.12%
<b>USD-JPY</b>	107.240	0.30%	<b>EUR-SGD</b>	1.5243	0.05%
<b>EUR-USD</b>	1.1048	0.17%	<b>JPY-SGD</b>	1.2866	-0.42%
<b>AUD-USD</b>	0.6862	0.23%	<b>GBP-SGD</b>	1.7032	0.35%
<b>GBP-USD</b>	1.2346	0.51%	<b>AUD-SGD</b>	0.9470	0.10%
<b>USD-MYR</b>	4.1790	--	<b>NZD-SGD</b>	0.8863	0.01%
<b>USD-CNY</b>	7.1220	0.08%	<b>CHF-SGD</b>	1.3908	-0.56%
<b>USD-IDR</b>	14035	-0.43%	<b>SGD-MYR</b>	3.0287	0.20%
<b>USD-VND</b>	23200	0.01%	<b>SGD-CNY</b>	5.1492	0.10%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,835.51	38.05
<b>S&amp;P</b>	2,978.43	-0.28
<b>Nasdaq</b>	8,087.44	-15.64
<b>Nikkei 225</b>	21,318.42	118.85
<b>STI</b>	3,146.33	1.85
<b>KLCI</b>	1,604.47	--
<b>JCI</b>	6,326.21	17.26
<b>Baltic Dry</b>	2,462.00	--
<b>VIX</b>	15.27	0.27

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4520	1.50%	<b>O/N</b>	2.0948	-0.29%
<b>2M</b>	-0.3360	-0.29%	<b>1M</b>	2.0490	0.69%
<b>3M</b>	-0.4370	0.69%	<b>2M</b>	2.1445	3.50%
<b>6M</b>	-0.4230	3.50%	<b>3M</b>	2.1341	3.20%
<b>9M</b>	-0.1940	3.20%	<b>6M</b>	2.0341	4.56%
<b>12M</b>	-0.3580	4.56%	<b>12M</b>	1.9490	5.80%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.65 (--)	1.59 (+0.05)
<b>5Y</b>	1.63 (--)	1.50 (+0.07)
<b>10Y</b>	1.73 (+0.02)	1.64 (+0.08)
<b>15Y</b>	1.88 (+0.02)	--
<b>20Y</b>	1.99 (+0.01)	--
<b>30Y</b>	2.05 (--)	2.13 (+0.1)

### 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%	2.5%	97.5%
10/30/2019	0.0%	100.0%	1.6%	61.4%	37.1%
12/11/2019	0.0%	100.0%	37.0%	47.0%	15.1%
01/29/2020	0.0%	100.0%	42.4%	29.8%	7.0%
03/18/2020	0.0%	100.0%	38.7%	23.1%	4.9%
04/29/2020	0.0%	100.0%	34.7%	18.5%	3.7%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	6.82	0.02
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	2.15
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.85	2.4%	Corn (per bushel)	3.4075	-0.5%
Brent (per barrel)	62.59	1.7%	Soybean (per bushel)	8.450	--
Heating Oil (per gallon)	1.9277	1.4%	Wheat (per bushel)	4.7450	3.1%
Gasoline (per gallon)	1.5846	0.7%	Crude Palm Oil (MYR/MT)	2,116.0	--
Natural Gas (per MMBtu)	2.5850	3.6%	Rubber (JPY/KG)	166.0	0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,815	-0.3%	Gold (per oz)	1,499.1	-0.5%
Nickel (per mt)	18,050	2.1%	Silver (per oz)	18.009	-0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/10/2019 07:50	JN Money Stock M2 YoY	Aug 2.40%	--	2.40%	--
09/10/2019 09:13	VN Domestic Vehicle Sales YoY	Aug --	--	27.80%	--
09/10/2019 09:15	CH Money Supply M2 YoY	Aug 8.20%	--	8.10%	--
09/10/2019 09:15	NZ REINZ House Sales YoY	Aug --	--	3.70%	--
09/10/2019 09:15	CH New Yuan Loans CNY	Aug 1200.0b	--	1060.0b	--
09/10/2019 09:00	PH Exports YoY	Jul 1.90%	--	1.50%	--
09/10/2019 09:30	CH CPI YoY	Aug 2.70%	--	2.80%	--
09/10/2019 09:30	CH PPI YoY	Aug -0.90%	--	-0.30%	--
09/10/2019 14:45	FR Industrial Production YoY	Jul 0.50%	--	0.00%	--
09/10/2019 16:00	IT Industrial Production MoM	Jul -0.10%	--	-0.20%	--
09/10/2019 16:30	UK Jobless Claims Change	Aug --	--	28.0k	--
09/10/2019 16:30	UK ILO Unemployment Rate 3Mths	Jul 3.90%	--	3.90%	--
09/10/2019 16:30	UK Claimant Count Rate	Aug --	--	3.20%	--
09/10/2019 20:15	CA Housing Starts	Aug 212.5k	--	222.0k	--

Source: Bloomberg

## Treasury Research & Strategy

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