

Daily Treasury Outlook

10 December 2019

Highlights

Global: US Agriculture Secretary Sonny Perdue would manage to hog headlines today, commenting that he does not see the Dec 15th tranche of tariffs being implemented, given that there has been some “backing away” by China through its waiving of retaliatory tariffs on some US imports including pork and soy. This contrasts somewhat with comments from White House economic adviser Larry Kudlow before that, without a deal, the tariffs would be implemented. The back-and-forth headlines may shift sentiment, but for all intents and purposes, the decision ultimately lies with Trump who gets the final say on whether he wants to be the Grinch that steals the Christmas from the global markets.

Market watch: For the day ahead, apart from continuing to watch the headlines, market will be looking out for China’s inflation prints for November, with market pencilling in a pick up in headline inflation from 3.8% to 4.3% on food prices. Otherwise, it is a relatively quiet day on the data front, which may feel even more so ahead of key risk events this week, including UK election and monetary policy decision announcements by the Fed and ECB.

UK: Boris Johnson of the Conservative Party is currently leading his main rival Jeremy Corbyn of the Labour Party in the opinion polls and is forecasted to win, although his lead has narrowed in recent weeks. Current opinion polls put Conservatives at 43% vs Labour at 33%.

Malaysia: World Bank has revised down its 2020 growth forecast for Malaysia from 4.6% to 4.5%. The change is reportedly due to weaker-than-anticipated investment and export growth in Q3 2019. It deems 2020 growth to be largely driven by private consumption growth, which is slated to come in at 6.5%. It noted that private investment could be further dampened, due to uncertainty over domestic economy and the effect of politics on business investment.

Oil: The rally on oil prices from last Friday’s unexpected Saudi Arabia production cut lasted just a day, as soft export numbers from China over the weekend dampened bullish sentiment. Brent prices fell 0.2% to \$64.25/bbl. Saudi Arabia, in its 2020 budget, is expecting \$65/bbl through the year against \$80/bbl from a year ago. The less-than-bullish forecast from Saudi ties in with market expectations that Brent is likely to largely trade in the low \$60 next year.

Key Market Movements

Equity	Value	% chg
S&P 500	3136.0	-0.3%
DJIA	27910	-0.4%
Nikkei 225	23431	0.3%
SH Comp	2914.5	0.1%
STI	3179.8	-0.5%
Hang Seng	26495	0.0%
KLCI	1562.7	-0.4%
Currencies	Value	% chg
DXY	97.644	-0.1%
USDJPY	108.56	0.0%
EURUSD	1.1064	0.0%
GBPUSD	1.3147	0.1%
USDIDR	14014	-0.2%
USDSGD	1.3594	-0.1%
SGDMYR	3.0588	0.0%
Rates	Value	chg (bp)
3M UST	1.53	2.81
10Y UST	1.82	-1.73
1Y SGS	1.69	0.00
10Y SGS	1.76	-0.40
3M LIBOR	1.89	0.55
3M SIBOR	1.77	-0.03
3M SOR	1.49	0.42
Commodities	Value	% chg
Brent	64.25	-0.2%
WTI	59.02	-0.3%
Gold	1462	0.1%
Silver	16.61	0.2%
Palladium	1882	0.1%
Copper	5990	0.0%
BCOM	78.14	-0.1%

Source: Bloomberg

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Major Markets

US: Markets fell last night as investors are remaining cautious in view of the looming Dec 15 deadline. The S&P500 index fell 0.3%. On trade issues, the US Agriculture Secretary said he believes the Dec 15 tariffs are unlikely to happen. However, without any concrete news on the US-China trade deal, we expect markets to trade sideways in the days leading up to the deadline as investors remain on the sidelines. We see support for the S&P500 index at the 3100 handle.

Singapore: The STI fell -0.5% yesterday despite the better-than-expected US jobs report last Friday. The benchmark equity index was probably weighed down by the soft Chinese export numbers over the weekend. Today we expect a bearish overhang to continue over the STI, possibly following overnight US indices lower which fell despite upbeat trade comments from the US Agricultural Department.

Bond Market Updates

Market Commentary: The SGD swap curve was little changed yesterday, with only the 1-year and 2-year tenor traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 541bps. The HY-IG Index spread widened 7bps to 414bps. 10Y UST Yields fell 2bps to close at 1.82%, after China reported weak trade data, showing Chinese exports in November contracted for a fourth consecutive month.

New Issues: HBIS Group Co Ltd scheduled investor roadshow commencing on 9 Dec for its potential 3-year or 5-year USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.644	-0.06%	USD-SGD	1.3594	-0.09%
USD-JPY	108.560	-0.02%	EUR-SGD	1.5041	-0.03%
EUR-USD	1.1064	0.04%	JPY-SGD	1.2523	-0.05%
AUD-USD	0.6823	-0.26%	GBP-SGD	1.7871	-0.02%
GBP-USD	1.3147	0.05%	AUD-SGD	0.9274	-0.37%
USD-MYR	4.1600	0.02%	NZD-SGD	0.8900	-0.38%
USD-CNY	7.0392	0.06%	CHF-SGD	1.3763	0.19%
USD-IDR	14014	-0.17%	SGD-MYR	3.0588	-0.01%
USD-VND	23170	-0.03%	SGD-CNY	5.1777	0.17%

Equity and Commodity

Index	Value	Net change
DJIA	27,909.60	-105.46
S&P	3,135.96	-9.95
Nasdaq	8,621.83	-34.70
Nikkei 225	23,430.70	76.30
STI	3,179.82	-14.89
KLCI	1,562.71	-5.73
JCI	6,193.79	6.92
Baltic Dry	1,558.00	--
VIX	15.86	2.24

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4560	--	O/N	1.5291	-0.03%
2M	-0.3360	-0.03%	1M	1.7151	0.50%
3M	-0.3930	0.50%	2M	1.8218	-0.06%
6M	-0.3330	-0.06%	3M	1.8905	0.55%
9M	-0.1940	0.55%	6M	1.8868	-0.14%
12M	-0.2690	-0.14%	12M	1.9231	0.05%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.55 (--)	1.61 (--)
5Y	1.62 (-0.01)	1.66 (-0.01)
10Y	1.76 (--)	1.82 (-0.02)
15Y	1.85 (-0.01)	--
20Y	1.95 (-0.01)	--
30Y	2.10 (-0.01)	2.25 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	3.00%	0.00%	0.00%	0.00%	0.00%
01/29/2020	2.70%	8.30%	0.00%	0.00%	8.30%
03/18/2020	2.30%	20.60%	0.00%	1.10%	19.40%
04/29/2020	2.00%	30.80%	0.20%	3.60%	27.00%
06/10/2020	1.70%	42.30%	0.70%	7.60%	33.90%
07/29/2020	1.50%	49.50%	1.60%	11.00%	36.80%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.80	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.55
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.02	-0.3%	Corn (per bushel)	3.6575	-0.2%
Brent (per barrel)	64.25	-0.2%	Soybean (per bushel)	8.973	0.9%
Heating Oil (per gallon)	1.9442	-0.4%	Wheat (per bushel)	5.3200	-0.1%
Gasoline (per gallon)	1.6548	0.4%	Crude Palm Oil (MYR/MT)	2,802.0	1.6%
Natural Gas (per MMBtu)	2.2320	-4.4%	Rubber (JPY/KG)	176.6	1.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,075	1.4%	Gold (per oz)	1,461.7	0.1%
Nickel (per mt)	13,340	-1.0%	Silver (per oz)	16.606	0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/10/2019 06:05	AU	RBA's Lowe Gives Speech in Sydney					
12/10/2019 07:50	JN	Money Stock M2 YoY	Nov	2.50%	2.80%	2.50%	2.40%
12/10/2019 07:50	JN	Money Stock M3 YoY	Nov	2.10%	2.30%	2.10%	2.00%
12/10/2019 08:30	AU	NAB Business Conditions	Nov	--	--	3	--
12/10/2019 08:30	AU	NAB Business Confidence	Nov	--	--	2	--
12/10/2019 09:00	PH	Trade Balance	Oct	-\$3600m	--	-\$3120m	--
12/10/2019 09:30	CH	CPI YoY	Nov	4.30%	--	3.80%	--
12/10/2019 09:30	CH	PPI YoY	Nov	-1.50%	--	-1.60%	--
12/10/2019 17:30	UK	Industrial Production YoY	Oct	-1.20%	--	-1.40%	--
12/10/2019 17:30	UK	Manufacturing Production MoM	Oct	0.00%	--	-0.40%	--
12/10/2019 17:30	UK	Monthly GDP (MoM)	Oct	0.10%	--	-0.10%	--
12/10/2019 17:30	UK	Trade Balance GBP/Mn	Oct	-£2800m	--	-£3360m	--
12/10/2019 18:00	GE	ZEW Survey Expectations	Dec	0.3	--	-2.1	--
12/10/2019 18:00	GE	ZEW Survey Current Situation	Dec	-22	--	-24.7	--
12/10/2019 18:00	GR	Industrial Production YoY	Oct	--	--	1.20%	--

Source: Bloomberg

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