

Daily Treasury Outlook

11 November 2019

Highlights

Global: With US president Trump casting doubt on the potential rollback of existing tariffs as part of the Phase 1 trade deal with China, global risk appetite is likely to start this week on a restrained tone. Meanwhile, China's CPI hit a 7-year high of 3.8%, but PPI remained in deflation territory (-1.6% yoy) following last week's cut in the 1-year MLF by 5bps to 3.25%. Separately, India's Baa2 rating outlook was cut by Moody's to negative who warned that it could downgrade the nation if fiscal metrics deteriorated materially. The S&P500 rose 0.26% on Friday while UST bonds softened with the 10-year yield rising to 1.94%.

Market watch: Asian markets may trade with a slightly more cautious tone today amid likely premature hopes of a potential rollback of US-China existing tariffs last week. The US bond market is closed for Veterans Day holiday. Today's economic data calendar is relatively quiet with only UK' 1Q19 GDP growth (forecast: 1.1% yoy and 0.4% qoq) and Malaysia's September industrial production data due. Fed's Rosengren and ECB's Mersch are also speaking today. For the week ahead, key central bank meetings to watch include RBNZ on Wednesday where a 25bp rate cut to 0.75% appears likely (albeit hopes had been pared back somewhat), with BSP likely to stay static on Thursday (note governor Diokno had suggested "we've done more than enough for the year"), while Fed chair Powell's semi-annual testimony to the Joint Economic Committee on Wednesday and the House Committee on Thursday, as well as president Trump's speech to the Economic Club of New York on Tuesday, will be closely watched.

US: The University of Michigan sentiments improved slightly from 85.5 to 95.7 in November, albeit the current conditions gauge slipped from 113.2 to 110.9 whereas the 5-10 year inflation gauge rose from 2.3% to 2.4%. The wholesale inventories also declined more than expected by 0.4% mom in September. Meanwhile, Bostic opined "we had already done a fair amount of accommodation...we should just let that go and wait and see how it plays out" as he is worried about the policy space the US has.

UK: Chancellor Javid has warned that Labour's plans which may cost GBP1.2tn over five years would leave the UK on the brink of bankruptcy. A YouGov poll in Sunday Times puts the Tories 13 points ahead of Labour, while an Opinion poll shows a 12-point lead. Meanwhile, Moody's also cut UK's Aa2 ratings to negative outlook on policy paralysis.

Singapore: MAS is considering extending fintech funding beyond 2020, with possible areas including cyber security and AI, according to MAS MD Ravi Menon. PM Lee has warned of a tough fight at the next general election. The 2020 SGS bond issuance calendar is for 10 scheduled issues with three 2-year bonds, two 5- and 10-year bonds, and one 15-, 20-, and 30-year bonds.

Key Market Movements

Equity	Value	% chg
S&P 500	3093.1	0.3%
DJIA	27681	0.0%
Nikkei 225	23392	0.3%
SH Comp	2964.2	-0.5%
STI	3264.3	-0.7%
Hang Seng	27651	-0.7%
KLCI	1609.7	0.0%
Currencies	Value	% chg
DX	98.353	0.2%
USDJPY	109.26	0.0%
EURUSD	1.1018	-0.3%
GBPUSD	1.2774	-0.3%
USIDR	14014	0.1%
USDSGD	1.359	0.1%
SGDMYR	3.0407	0.0%
Rates	Value	chg (bp)
3M UST	1.54	-1.05
10Y UST	1.94	2.44
1Y SGS	1.67	0.00
10Y SGS	1.80	3.31
3M LIBOR	1.90	-0.29
3M SIBOR	1.77	-0.30
3M SOR	1.47	-2.16
Commodities	Value	% chg
Brent	62.51	0.4%
WTI	57.24	0.2%
Gold	1459	-0.6%
Silver	16.81	-1.7%
Palladium	1747	-3.1%
Copper	5924	-0.8%
BCOM	79.91	-0.1%

Source: Bloomberg

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Major Markets

US: The S&P 500 index closed up 0.3% on Friday despite contradictory headlines on US-China trade talks. Looking ahead, we expect markets to adopt more caution, especially on the back of the trade developments and a slew of Chinese data due to be released this week. The S&P 500 index may continue to trade sideways in the meantime, with 3050 and 3100 identified as key support and resistance levels respectively.

Singapore: The STI declined 0.65% to close at 3264.30 on Friday and may range trade today between 3251-3301 respectively. After president Trump downplayed hopes of an agreement with China on tariff rollbacks, UST bond yields fell across the curve on Friday. We could see a supportive tone in SGS bonds today.

Indonesia: Q3 current account deficit came in at USD7.67bn, narrower than the USD8.4bn in Q2. As a percentage of GDP, it marked a smaller current account deficit of 2.7%, compared to 2.9% before. Bank Indonesia said that the narrower deficit was due to lower oil-and-gas trade deficit and a broadly stable non-oil and gas trade surplus. Primary deficit has also declined due to smaller dividends repatriation and service interest payments on external debt.

Malaysia: Bank Negara has announced that it will lower the Statutory Reserve Requirement ratio for banks to 3% from 3.5% on November 16th. According to the official announcement, the move is done to support the efficient functioning of the domestic financial markets and facilitate effective liquidity management by the banking institutions. It added that SRR lowering is not a signal of the stance of monetary policy.

Oil: Brent prices ended the session higher, despite President Trump describing reports that the US was ready to roll back tariffs as “incorrect”. Little surprises are expected from this week’s OPEC report, with Saudi Arabia likely to urge production compliance from the likes of Iraq and Nigeria. The December OPEC meeting will be the main focus of the market going forward, as members convene to decide on whether to further cut production or extend the current supply curbs beyond March 2020. Separately, Saudi Aramco will allow share bidding from 17 November, with the final offer price set on 5 December.

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Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened last Friday, with the shorter tenors traded 0-3bps higher, while the belly and longer tenors traded 3-5bps 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 tightened 2bps to 496bps. The HY-IG Index spread tightened 2bps to 370bps. 10Y USTs rose by 3bps to close at 1.94%, paring earlier gains to as high as 1.97%, after US President Donald Trump said he has yet to agree to rolling back tariffs sought by China.

New Issues: Adani Transmission Limited scheduled investor meetings commencing 10 Nov for its proposed USD bond issuance. Geely Automobile Holdings Ltd scheduled investor meetings commencing 11 Nov for its proposed USD perpetual bond issuance. Tata Motors Limited scheduled investor meetings commencing 11 Nov for its potential USD bond issuance. Henan Zhongyuan Financial Holding Company Limited scheduled investor meetings commencing 11 Nov for its proposed USD bond issuance. Shanghai Electric (Group) Corporation scheduled investor meetings commencing 11 Nov for its proposed USD bond issuance. China Aluminum International Engineering Corporation scheduled investor meetings commencing on 12 Nov for its proposed USD perpetual bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.353	0.21%	USD-SGD	1.3590	0.10%
USD-JPY	109.260	-0.02%	EUR-SGD	1.4976	-0.16%
EUR-USD	1.1018	-0.29%	JPY-SGD	1.2447	0.18%
AUD-USD	0.6863	-0.51%	GBP-SGD	1.7370	-0.17%
GBP-USD	1.2774	-0.34%	AUD-SGD	0.9324	-0.43%
USD-MYR	4.1347	0.26%	NZD-SGD	0.8604	-0.46%
USD-CNY	6.9959	0.25%	CHF-SGD	1.3633	-0.07%
USD-IDR	14014	0.11%	SGD-MYR	3.0407	-0.05%
USD-VND	23199	0.00%	SGD-CNY	5.1413	0.04%

Equity and Commodity

Index	Value	Net change
DJIA	27,681.24	6.44
S&P	3,093.08	7.90
Nasdaq	8,475.31	40.80
Nikkei 225	23,391.87	61.55
STI	3,264.30	-21.42
KLCI	1,609.73	0.40
JCI	6,177.99	12.36
Baltic Dry	1,378.00	-50.00
VIX	12.07	-0.66

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4630	-0.10%	O/N	1.5386	0.71%
2M	-0.3360	0.71%	1M	1.7590	0.30%
3M	-0.3950	0.30%	2M	1.8500	0.15%
6M	-0.3240	0.15%	3M	1.9006	-0.29%
9M	-0.1940	-0.29%	6M	1.9230	-0.13%
12M	-0.2620	-0.13%	12M	1.9998	0.64%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.51 (-0.01)	1.67 (+0.01)
5Y	1.64 (+0.02)	1.75 (+0.02)
10Y	1.80 (+0.03)	1.94 (+0.02)
15Y	1.91 (+0.04)	--
20Y	2.01 (+0.04)	--
30Y	2.14 (+0.04)	2.42 (+0.03)

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%	6.90%	0.00%	0.00%	6.90%
12/11/2019	0.00%	17.70%	0.00%	0.80%	16.90%
01/29/2020	0.00%	30.10%	0.10%	3.20%	26.70%
03/18/2020	0.00%	34.90%	0.30%	4.90%	29.70%
04/29/2020	0.00%	40.40%	0.70%	6.90%	32.70%
06/10/2020	0.00%	44.30%	1.10%	8.60%	34.50%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.50	0.70
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.24	0.2%	Corn (per bushel)	3.7725	0.5%
Brent (per barrel)	62.51	0.4%	Soybean (per bushel)	9.195	-0.6%
Heating Oil (per gallon)	1.9181	-0.1%	Wheat (per bushel)	5.1025	-0.4%
Gasoline (per gallon)	1.6337	-0.1%	Crude Palm Oil (MYR/MT)	2,526.0	1.9%
Natural Gas (per MMBtu)	2.7890	0.6%	Rubber (JPY/KG)	158.9	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,924	-0.8%	Gold (per oz)	1,459.0	-0.6%
Nickel (per mt)	16,190	-0.1%	Silver (per oz)	16.814	-1.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/11/2019 07:50	JN	BoP Current Account Balance	Sep	¥1710.0b	¥1612.9b	¥2157.7b	--
11/11/2019 07:50	JN	Core Machine Orders MoM	Sep	0.90%	-2.90%	-2.40%	--
11/11/2019 11:15	CH	Money Supply M2 YoY	Oct	8.40%	--	8.40%	--
11/11/2019 11:15	CH	New Yuan Loans CNY	Oct	800.0b	--	1690.0b	--
11/11/2019 12:00	MA	Industrial Production YoY	Sep	1.70%	--	1.90%	--
11/11/2019 17:00	IT	Industrial Production MoM	Sep	-0.40%	--	0.30%	--
11/11/2019 17:30	UK	GDP QoQ	3Q P	0.40%	--	-0.20%	--
11/11/2019 17:30	UK	GDP YoY	3Q P	1.10%	--	1.30%	--
11/11/2019 17:30	UK	Industrial Production MoM	Sep	-0.10%	--	-0.60%	--
11/11/2019 17:30	UK	Manufacturing Production MoM	Sep	-0.20%	--	-0.70%	--
11/11/2019 17:30	UK	Trade Balance GBP/Mn	Sep	-£2000m	--	-£1546m	--
11/11/2019 17:30	UK	Industrial Production YoY	Sep	-1.20%	--	-1.80%	--
11/11/2019 21:15	US	Fed's Rosengren Speaks in Oslo					
11/11/2019 23:30	EC	ECB's Mersch Speaks in Luxembourg					

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

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