

Daily Treasury Outlook

12 November 2019

Highlights

Global: Global risk appetite was soft yesterday, with equity markets drifting lower amid concerns that progress of the US-China trade negotiations were overdone. China's monetary aggregates showed credit growth slowed more than expected to RMB618.9b in October, the slowest since at least 2017, amid weak credit demand. Elsewhere, the GBP rose on news that Nigel Farage's Brexit Party is unilaterally creating an alliance for Brexit with PM Boris Johnson's party, even though 3Q19 GDP rose a tepid 0.3% qoq (1.0% yoy) which was below market expectations. The S&P500 slipped for the first time in four sessions in quiet trading despite the jump in Boeing, while the UST bond market was closed for Veterans' Day holiday.

Market watch: Asian markets may attempt to stabilize today, but key focus will be on US president Trump's speech to the Economic Club of New York. The economic data calendar comprises Eurozone and German ZEW survey, US' NFIB small business optimism, UK's initial jobless claims and ILO unemployment rate, and S'pore's retail sales.

EU: The ECB began its second round of corporate bond purchases with almost EUR2.8b, the second largest weekly purchase since QE began in June 2016. Meanwhile, German Chancellor Merkel appeared open to Finance Minister Scholz's plan to negotiate a EU-wide bank deposit insurance scheme. Separately, Spanish elections over the weekend suggest that political deadlock has not been resolved.

Singapore: Retail sales likely shrank 2.3% yoy (+3.5% mom sa) in September, but may have declined a more modest 0.4% yoy excluding motor vehicles. This follows the August print of -4.1% yoy (-1.3% mom sa) for headline retail sales and -1.0% yoy excluding autos.

China: China's credit expansion slowed in October partly due to seasonal effect. New Yuan loan increased by CNY661.3 billion after rising by CNY1.69 trillion. However, medium and long term loan as % of total loan increased to 87.8% in October, signalling that loan demand remained resilient. Aggregate social financing rose by CNY618.9 billion in October. Off-balance sheet lending continued to shrink with entrusted loan, trust loan and bankers' acceptance fell by CNY66.7 billion, CNY62.4 billion and CNY105.3 billion respectively.

Key Market Movements

Equity	Value	% chg
S&P 500	3087.0	-0.2%
DJIA	27691	0.0%
Nikkei 225	23332	-0.3%
SH Comp	2910.0	-1.8%
STI	3240.7	-0.7%
Hang Seng	26927	-2.6%
KLCI	1608.2	-0.1%
Currencies	Value	% chg
DXY	98.200	-0.2%
USDJPY	109.05	-0.2%
EURUSD	1.1033	0.1%
GBPUSD	1.2855	0.6%
USDIDR	14068	0.4%
USDSGD	1.3608	0.1%
SGDMYR	3.0438	0.1%
Rates	Value	chg (bp)
3M UST	1.54	0.00
10Y UST	1.94	0.00
1Y SGS	1.67	0.00
10Y SGS	1.82	1.76
3M LIBOR	1.90	-0.08
3M SIBOR	1.77	0.00
3M SOR	1.48	1.36
Commodities	Value	% chg
Brent	62.18	-0.5%
WTI	56.86	-0.7%
Gold	1456	-0.2%
Silver	16.86	0.3%
Palladium	1689	-3.3%
Copper	5879	-0.8%
BCOM	79.03	-1.1%

Source: Bloomberg

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Major Markets

Singapore: The STI retreated another 0.72% to close at 3240.65 yesterday, but may eke out minor gains today amid a positive overnight lead from Wall Street, but the range remains between 3229-3285. SGS bond yields pushed 1-3bps higher yesterday, but may tread water in the interim awaiting more market direction.

Indonesia: Some nickel exporters are reportedly allowed to resume their shipment of raw nickel ores again from Indonesia, ahead of the January 2020 ban. According to Bloomberg, nine companies have been cleared for export, while two are still awaiting cargo inspection. The past few weeks have seen multiple flip flops by the authorities on the issue, injecting uncertainty to the global nickel market but also bringing forth questions about the overall policy direction of the government.

Malaysia: Former PM Najib Razak is reportedly going to have to take the stand on December 3rd to defend all the corruption charges against him, going by the order of a Malaysian judge. Going by Bloomberg report, the judge ruled that the prosecution has made a strong enough case for all charges of abuse of power, criminal breach of trust and money laundering.

Philippines: FDI non-residents' investments net inflow was \$416mn in August, according to data from the BSP yesterday. That is a marked decrease from the \$758mn of new inflows that was recorded a year ago. Both equity (\$153mn vs \$224mn last year) and debt investments (\$263mn vs \$534mn) have declined. Overall on a ytd basis, net inflows as of August 2019 stands at \$4.5bn, lesser than the \$7.5bn the same time last year.

Oil: Oman's oil chief said that OPEC is unlikely to deepen production cuts when they meet next month. This is consistent with our beliefs that Saudi Arabia will be limited to urging tighter output discipline among the likes of Iraq and Nigeria, rather than call for further supply curbs. Separately, Saudi Arabia reportedly increased production to 10.3 mbpd (its 2018 baseline) from 9.9mbpd the previous month as it sought to replenish inventories following the drone attacks on its oil facilities.

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Bond Market Updates

Market Commentary: The SGD swap curve traded lower yesterday, with all tenors traded 0-2bps lower (with exception of the 1-year tenor which was 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were both unchanged at 126bps and 496bps respectively. The HY-IG Index spread remained unchanged at 370bps. Cash market for US Treasuries were closed yesterday due to the Veteran's Day holiday.

New Issues: RKPF Overseas 2019 (E) Limited (Guarantor: Road King Infrastructure Limited) priced a USD300mn NC5-Perpetual bond at 7.75%, tightening from IPT of 8% area. Dexin China Holdings Company Limited (Subsidiary Guarantors: Certain of the Issuer's Restricted Subsidiaries incorporated outside the PRC) priced a USD100mn re-tap of its existing DEXICN 12.875%'21s at 13.875%, in line with final guidance. XI HAI AN 2019 LIMITED (Guarantor: Qingdao West Coast Development (Group) Co., Ltd) priced a USD300mn 3-year bond at 3.9%, tightening from IPT of 4.5% area. Nanyang Commercial Bank, Limited scheduled investor meetings commencing 11 Nov for its proposed USD Tier 2 subordinated notes issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.200	-0.16%	USD-SGD	1.3608	0.13%
USD-JPY	109.050	-0.19%	EUR-SGD	1.5015	0.26%
EUR-USD	1.1033	0.14%	JPY-SGD	1.2476	0.23%
AUD-USD	0.6851	-0.17%	GBP-SGD	1.7492	0.70%
GBP-USD	1.2855	0.63%	AUD-SGD	0.9322	-0.02%
USD-MYR	4.1440	0.22%	NZD-SGD	0.8655	0.59%
USD-CNY	7.0103	0.21%	CHF-SGD	1.3697	0.47%
USD-IDR	14068	0.39%	SGD-MYR	3.0438	0.10%
USD-VND	23199	--	SGD-CNY	5.1517	0.20%

Equity and Commodity

Index	Value	Net change
DJIA	27,691.49	10.25
S&P	3,087.01	-6.07
Nasdaq	8,464.28	-11.04
Nikkei 225	23,331.84	-60.03
STI	3,240.65	-23.65
KLCI	1,608.15	-1.58
JCI	6,148.74	-29.25
Baltic Dry	1,378.00	--
VIX	12.69	0.62

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4630	0.80%	O/N	1.5386	-0.50%
2M	-0.3360	-0.50%	1M	1.7590	0.10%
3M	-0.3950	0.10%	2M	1.8500	0.32%
6M	-0.3240	0.32%	3M	1.9006	-0.08%
9M	-0.1940	-0.08%	6M	1.9230	0.04%
12M	-0.2620	0.04%	12M	1.9998	1.68%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (+0.02)	1.67 (--)
5Y	1.64 (+0.01)	1.75 (--)
10Y	1.82 (+0.02)	1.94 (--)
15Y	1.92 (+0.01)	--
20Y	2.03 (+0.02)	--
30Y	2.16 (+0.02)	2.42 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	0.00%	5.60%	0.00%	0.00%	5.60%
01/29/2020	0.00%	18.70%	0.00%	0.80%	17.90%
03/18/2020	0.00%	29.20%	0.10%	3.00%	26.10%
04/29/2020	0.00%	34.90%	0.30%	4.90%	29.70%
06/10/2020	0.00%	40.40%	0.70%	6.90%	32.70%
07/29/2020	0.00%	44.90%	1.20%	8.90%	34.70%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.68	0.18
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)	57.15	-0.2%	Corn (per bushel)	3.7725	--
Brent (per barrel)	62.18	-0.5%	Soybean (per bushel)	9.195	--
Heating Oil (per gallon)	1.9172	0.0%	Wheat (per bushel)	5.1025	--
Gasoline (per gallon)	1.6321	-0.1%	Crude Palm Oil (MYR/MT)	2,526.0	--
Natural Gas (per MMBtu)	2.6840	-3.8%	Rubber (JPY/KG)	161.3	1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,924	--	Gold (per oz)	1,460.8	0.1%
Nickel (per mt)	16,190	--	Silver (per oz)	16.827	0.1%

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

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
11/12/2019 18:00	GE	ZEW Survey Expectations	Nov	-1300.00%	--	-2280.00%
11/12/2019 18:00	GE	ZEW Survey Current Situation	Nov	-22.3	--	-25.3
11/13/2019 09:00	NZ	RBNZ Official Cash Rate	41579	0.0075	--	0.01
11/13/2019 17:30	UK	CPI YoY	Oct	0.016	--	0.017
11/13/2019 21:30	US	CPI MoM	Oct	0.30%	--	0.00%
11/14/2019 07:50	JN	GDP SA QoQ	3Q P	0.20%	--	0.30%
11/14/2019 07:50	JN	GDP Annualized SA QoQ	3Q P	0.90%	--	1.30%
11/14/2019 08:30	AU	Unemployment Rate	Oct	5.20%	--	5.20%
11/14/2019 08:30	AU	Employment Change	Oct	15.0k	--	14.7k
11/14/2019 16:00	PH	BSP Overnight Borrowing Rate	41944	4.00%	--	4.00%
11/14/2019 16:00	SO	CPI YoY	Oct	3.00%	--	2.90%
11/14/2019 21:30	US	Initial Jobless Claims	40118	215k	--	211k
11/15/2019 12:30	JN	Industrial Production MoM	Sep F	--	--	0.014
11/15/2019 18:00	EC	CPI YoY	Oct F	0.007	--	0.007

Source: Bloomberg

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