

Daily Treasury Outlook

14 November 2019

Highlights

Global: Jerome Powell's Congressional testimony did not offer market much to chew on, with a largely rehashed emphasis on the Fed's sanguine outlook on US growth, and the lack of impetus for monetary easing in the near term. Going by inflation data, it is not as if the Fed is short of space to ease, with the latest US core inflation print for October surprising on the tame side at 2.3% yoy (versus expectation of 2.4%). Rather, Powell continued to paint a sanguine picture of the US economic strength that is still supported by the current monetary policy level. He did, however, leave himself and the FOMC a big escape clause that "noteworthy risks to this outlook remain." While he did not detail what these risks are, market does not need him to, with a reminder overnight again that the fate of the global economy depends primarily on the outcome of any US-China trade deal. This time round, the WSJ reported that China is reluctant to commit to a fixed dollar amount of farm goods purchases from the US, in contrast to the US\$50bn that Trump had publicly stated before. The latest news added to the sense that the path to any trade deal remains riddled with uncertainties and contributed to the relatively lower market risk appetite. The yield on 10yr US Treasury, for instance, dropped to around 1.87-1.89% levels, compared to 1.94% of last week.

Market watch: Asian markets may trade on a softer tone today, as doubts emerge about the progress of the US-China trade talks. For the day ahead, market will be looking out for China's retail sales and industrial production figures, as well as keeping a close eye on the unsettled situation in Hong Kong.

China: In its regular State Council meeting, China announced to lower the capital requirement for some infrastructure projects by no more than 5%. This was the first reduction of capital since September 2015. Meanwhile, company will also be allowed to use equity products to raise money for capital, which is expected to alleviate funding pressure for China's infrastructure investment. We expect China's infrastructure investment growth to rebound gradually to above 5% by the end of the year.

Oil: Brent prices rose 0.5% to \$62.37/bbl yesterday on news that American crude stockpiles declined 541k barrels. A report by OPEC also suggested that production outside of the cartel may decline in 2020, particularly within the US shale basins, which added further bullishness to the market yesterday. Brent prices continue to be capped by the resistance level of \$62.50/bbl and it may probably require further breakthrough in US-China trade talks to move the oil market higher.

Key Market Movements		
Equity	Value	% chg
S&P 500	3094.0	0.1%
DJIA	27784	0.3%
Nikkei 225	23320	-0.9%
SH Comp	2905.2	-0.3%
STI	3239.2	-0.9%
Hang Seng	26571	-1.8%
KLCI	1597.2	-0.8%
Currencies	Value	% chg
DXY	98.373	0.1%
USDJPY	108.82	-0.2%
EURUSD	1.1007	0.0%
GBPUSD	1.2851	0.0%
USDIDR	14079	0.2%
USDSGD	1.3628	0.1%
SGDMYR	3.0489	0.2%
Rates	Value	chg (bp)
3M UST	1.56	0.04
10Y UST	1.89	-4.87
1Y SGS	1.66	-1.10
10Y SGS	1.80	-2.83
3M LIBOR	1.91	0.46
3M SIBOR	1.77	0.26
3M SOR	1.51	1.65
Commodities	Value	% chg
Brent	62.37	0.5%
WTI	57.12	0.6%
Gold	1464	0.5%
Silver	16.97	1.2%
Palladium	1711	0.5%
Copper	5835	-0.6%
BCOM	78.96	-0.1%

Source: Bloomberg

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Major Markets

US: US markets turned cautious, after the WSJ reported that trade talks between the US and China have stalled over tariffs and farm purchases. The S&P 500 index retraced gains early in the session, while 10Y UST yields ended the session down 4.9bps at 1.89%. Investors are now likely to train their sights on trade headlines following the Fed's repeated indication that they are done with easing. We expect resistance for the S&P 500 index to hold at the 3100 handle.

Singapore: The STI fell 0.9% yesterday, failing to keep pace with US market gains from the day before. Fed Chair Powell signalled that further rate cuts are unlikely for now, which might add further pressure on the benchmark equity index today. Since closing at a high of 3285.72 a week ago, the STI has found it challenging to mount further rallies. We expect support for the STI to arrive at the 3200 level, which is another 1.2% downside from here.

Indonesia: A suspected suicide bomber was killed in an apparent terrorist attack attempt at the police headquarters in Medan, one of the largest cities in Indonesia. The detonation injured six people, including five police officers.

Thailand: Thailand's Finance Minister Uttama Savanayana said that more steps may be in the pipeline to boost economic growth. Past measures have not stimulated small businesses as much as the Finance Ministry have expected, the former which has been hard hit by the sluggish export sector. With monetary buffers in Thailand running thin, the onus is on fiscal policy to do the heavy lifting in the near future.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 3-5bps lower, while the belly and longer tenors traded 6-7bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 127bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 502bps. The HY-IG Index spread widened 4bps to 375bps. 10Y UST Yields fell by 5bps to 1.89%, as optimism on trade progress between the US and China fades, with trade talks reportedly hitting a snag over farm purchases.

New Issues: Fantasia Holdings Group Co., Ltd (Subsidiary Guarantors: Certain non-PRC subsidiaries of the Issuer) priced a USD150mn re-tap of its existing FTHDGR 12.25%'22s at 13.7%, tightening from IPPT of 13.875% area. ICBCIL Finance Co. Limited (Keepwell and Liquidity Support Deed/Deed of Asset Purchase Undertaking Provider: ICBC Financial Leasing Co., Ltd) priced a USD600mn 5-year green FRN at 3m-US LIBOR+105bps, tightening from IPT of 3m-US LIBOR+140bps area. Nanyang Commercial Bank, Limited priced a USD700mn 10NC5 Tier 2 bonds at T+218bps, tightening from IPT of T+245bps area. Tata Motors Limited priced a USD300mn 5.5-year bond at 5.875%, in line with IPT. Mapletree Commercial Trust priced a SGD250mn 10-year bond at 3.05%, tightening from IPG of 3.2% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.373	0.07%	USD-SGD	1.3628	0.07%
USD-JPY	108.820	-0.17%	EUR-SGD	1.4999	0.04%
EUR-USD	1.1007	-0.02%	JPY-SGD	1.2523	0.21%
AUD-USD	0.6838	-0.04%	GBP-SGD	1.7513	0.11%
GBP-USD	1.2851	0.05%	AUD-SGD	0.9318	--
USD-MYR	4.1540	0.28%	NZD-SGD	0.8738	1.31%
USD-CNY	7.0234	0.22%	CHF-SGD	1.3764	0.36%
USD-IDR	14079	0.18%	SGD-MYR	3.0489	0.20%
USD-VND	23202	0.01%	SGD-CNY	5.1525	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	27,783.59	92.10
S&P	3,094.04	2.20
Nasdaq	8,482.10	-3.99
Nikkei 225	23,319.87	-200.14
STI	3,239.22	-28.58
KLCI	1,597.22	-12.51
JCI	6,142.50	-38.49
Baltic Dry	1,354.00	--
VIX	13.00	0.32

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4570	0.80%	O/N	1.5393	0.06%
2M	-0.3360	0.06%	1M	1.7616	-0.16%
3M	-0.3980	-0.16%	2M	1.8419	0.34%
6M	-0.3280	0.34%	3M	1.9093	0.46%
9M	-0.1940	0.46%	6M	1.9261	0.31%
12M	-0.2550	0.31%	12M	2.0056	1.15%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.50 (-0.02)	1.64 (-0.03)
5Y	1.63 (-0.02)	1.69 (-0.05)
10Y	1.80 (-0.03)	1.89 (-0.05)
15Y	1.90 (-0.02)	--
20Y	2.02 (-0.02)	--
30Y	2.14 (-0.02)	2.36 (-0.05)

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%	7.70%	0.00%	0.00%	7.70%
01/29/2020	0.00%	25.10%	0.00%	1.40%	23.60%
03/18/2020	0.00%	35.40%	0.20%	4.50%	30.70%
04/29/2020	0.00%	41.30%	0.60%	6.90%	33.80%
06/10/2020	0.00%	47.90%	1.30%	9.90%	36.60%
07/29/2020	0.00%	53.50%	2.20%	12.80%	38.30%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.50	--
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)	57.12	0.6%	Corn (per bushel)	3.7525	-0.7%
Brent (per barrel)	62.37	0.5%	Soybean (per bushel)	9.025	-0.4%
Heating Oil (per gallon)	1.9125	0.8%	Wheat (per bushel)	5.0900	-1.5%
Gasoline (per gallon)	1.6365	1.4%	Crude Palm Oil (MYR/MT)	2,534.0	-0.8%
Natural Gas (per MMBtu)	2.6000	-0.8%	Rubber (JPY/KG)	162.9	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,835	-0.6%	Gold (per oz)	1,463.6	0.5%
Nickel (per mt)	15,380	-1.8%	Silver (per oz)	16.975	1.2%

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

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
11/14/2019 04:00	NZ	REINZ House Sales YoY	Oct	--	-4.00%	3.30%
11/14/2019 07:50	JN	GDP SA QoQ	3Q P	0.20%	0.10%	0.30%
11/14/2019 07:50	JN	GDP Annualized SA QoQ	3Q P	0.90%	0.20%	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 10:00	CH	Industrial Production YoY	Oct	5.40%	--	5.80%
11/14/2019 10:00	CH	Retail Sales YoY	Oct	7.80%	--	7.80%
11/14/2019 12:30	JN	Tertiary Industry Index MoM	Sep	1.10%	--	0.40%
11/14/2019 15:00	GE	GDP SA QoQ	3Q P	-0.10%	--	-0.10%
11/14/2019 16:00	PH	BSP Overnight Borrowing Rate	Nov-14	4.00%	--	4.00%
11/14/2019 17:30	UK	Retail Sales Inc Auto Fuel MoM	Oct	0.20%	--	0.00%
11/14/2019 17:30	UK	Retail Sales Ex Auto Fuel MoM	Oct	0.20%	--	0.20%
11/14/2019 18:00	EC	GDP SA YoY	3Q P	1.10%	--	1.10%
11/14/2019 21:30	US	Initial Jobless Claims	Nov-09	215k	--	211k
11/14/2019 21:30	US	PPI Final Demand MoM	Oct	0.30%	--	-0.30%

Source: Bloomberg

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