

Daily Treasury Outlook

15 October 2019

Highlights

Global: Geopolitical uncertainties returned to the fore overnight, as the Trump administration announced sanctions on three senior Turkish officials and will raise steel tariffs back up to 50% as well as stop trade negotiations, while calling on Turkey to implement an immediate cease-fire on Syria. On the US-China trade front, market doubts started to emerge after US Treasury Secretary Mnuchin warned additional tariffs would be imposed if a deal with China falls apart, whilst China said it wants further talks this month to hammer out the details before inking the deal. Elsewhere, a Telegraph news report on the Brexit deal taking shape lifted the GBP briefly. The S&P500 slid overnight, while the UST bond market was closed for holiday. Market players are also waiting for further cues from the US' 3Q earnings season starting with JPMorgan Chase, Goldman Sachs, Citigroup and Wells Fargo tonight.

Market watch: With global sentiments leaning slightly towards risk-off, Asian markets may open with a softer tone this morning, as doubts emerged over the sustainability of the US-China Phase 1 trade deal. Today's economic data calendar comprises China's September CPI/PPI, Indonesian trade, UK's jobless claims and ILO unemployment rate, EZ/German ZEW survey and Indian trade data. Speakers include Fed's Bullard, George and Daly, and BOE's Carney and Vlieghe.

US: US' Empire State factory index rose 2 points to 4 in October, suggesting still subdued activity.

EU: With just 17 days left, EU president Rinne, regarding Brexit negotiations, opined that "there is no time in a practical way and in a legal base to reach an agreement before the Council meeting" which starts on Thursday.

China: China's September exports growth fell by 3.2% yoy while imports fell by 8.5% yoy. As a result of sharper decline of imports, the trade surplus widened to US\$39.65 billion. The decline in exports to the US was mainly the result of the falling demand from the US, which fell by 21.9%. The sharp decline of exports to the US was not only a result of the US-China trade war, but the base effect as well. It is the payback time for China's exports growth to US due to the frontloading activities in the same period last year. As such, we expect China's exports to US to remain weak in the coming sessions.

Malaysia: In his interview with Bloomberg, Finance Minister Lim Guan Eng said that the government will not raise taxes unnecessarily to fund infrastructure projects. To raise funds, the government plans to sell samurai bonds early next year and would continue its pursuit of assets related to the 1MDB scandal. He acknowledged that trade war has hampered the goal of achieving a balanced budget but said that, if trade tensions are resolved, the government could reach a balanced budget in 5 years.

Key Market Movements		
Equity	Value	% chg
S&P 500	2966.2	-0.1%
DJIA	26787	-0.1%
Nikkei 225	21799	0.0%
SH Comp	3007.9	1.2%
STI	3124.5	0.3%
Hang Seng	26522	0.8%
KLCI	1567.6	0.7%
Currencies	Value	% chg
DXY	98.454	0.2%
USDJPY	108.4	0.1%
EURUSD	1.1027	-0.1%
GBPUSD	1.2608	-0.5%
USDIDR	14140	0.0%
USDSGD	1.3696	-0.3%
SGDMYR	3.0572	0.3%
Rates	Value	chg (bp)
3M UST	1.66	0.00
10Y UST	1.73	0.00
1Y SGS	1.81	-1.00
10Y SGS	1.70	1.39
3M LIBOR	2.00	1.48
3M SIBOR	1.87	-0.02
3M SOR	1.57	-1.34
Commodities	Value	% chg
Brent	59.35	-1.9%
WTI	53.59	-2.0%
Gold	1493	0.3%
Silver	17.66	0.7%
Palladium	1714	0.8%
Copper	5818	0.4%
BCOM	78.58	-0.3%

Source: Bloomberg

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Major Markets

US: US markets traded sideways on Monday, with the S&P 500 index ending the session down 0.1%. Investor optimism over trade talk progress from the US and China meetings last week was slightly dampened as investors were reminded of the fragility of the current truce, when news that the Chinese side wanting more negotiations before signing a deal emerged. Looking ahead, investors are likely to be cautious before any trade deal is formally inked. We expect the S&P 500 index to trade within the 2950-3000 range in the immediate short term.

Singapore: The STI added 0.34% to close up at 3124.45 yesterday, but may trade sideways today amid weak cues from Wall Street overnight. STI's support is tipped at 3100 with resistance at 3146. With the UST bond market closed for Columbus Day holiday yesterday, SGS bond yields which had stepped up by 1-2bps yesterday may continue to range trade today as well.

Indonesia: Coordinating Minister for Economic Affairs, Darmin Nasution, said that Indonesia's GDP is set to expand by 5.1% this year, driven by domestic factors that counter the fallout from the US-China trade war. He added that trade war cannot be ended abruptly, and it may take 1-2 years before things return to normal even after a complete truce is called.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors traded 0-2bps higher, while the belly and longer tenors traded 0-1bps lower. Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 132bps and 530bps respectively. 10Y USTs cash market was closed for Columbus Day yesterday.

New Issues: Kunming Municipal Urban Construction Investment & Development Co., Ltd priced a USD300mn 3-year bond at 6.0%, tightening from IPT of 6.25% area. GSH Corporation Ltd priced a SGD50mn 3-year bond at 5.2%. Indian Railway Finance Corp Ltd mandated banks for its potential USD bond issuance. China Construction Bank Corporation Hong Kong Branch mandated banks for its proposed 3-year USD green bond issuance. China National Travel Service Group Corp Ltd scheduled investor meetings commencing 14 Oct for its proposed USD bond issuance. China Huarong Financial Leasing Co., Ltd scheduled investor meetings for its potential USD 363-day bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.454	0.16%	USD-SGD	1.3696	-0.27%
USD-JPY	108.400	0.10%	EUR-SGD	1.5102	-0.43%
EUR-USD	1.1027	-0.14%	JPY-SGD	1.2634	-0.22%
AUD-USD	0.6775	-0.28%	GBP-SGD	1.7268	-0.64%
GBP-USD	1.2608	-0.47%	AUD-SGD	0.9280	-0.50%
USD-MYR	4.1885	0.05%	NZD-SGD	0.8627	-0.90%
USD-CNY	7.0675	-0.29%	CHF-SGD	1.3733	-0.28%
USD-IDR	14140	0.01%	SGD-MYR	3.0572	0.34%
USD-VND	23201	--	SGD-CNY	5.1622	-0.14%

Equity and Commodity

Index	Value	Net change
DJIA	26,787.36	-29.23
S&P	2,966.15	-4.12
Nasdaq	8,048.65	-8.39
Nikkei 225	21,798.87	--
STI	3,124.45	10.48
KLCI	1,567.59	10.75
JCI	6,126.88	21.08
Baltic Dry	1,924.00	--
VIX	14.57	-1.01

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4730	2.30%	O/N	1.7989	0.63%
2M	-0.3360	0.63%	1M	1.9135	-0.78%
3M	-0.4180	-0.78%	2M	1.9746	0.92%
6M	-0.3580	0.92%	3M	2.0009	1.48%
9M	-0.1940	1.48%	6M	1.9756	4.01%
12M	-0.3030	4.01%	12M	1.9555	5.95%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.58 (+0.01)	1.59 (--)
5Y	1.60 (+0.01)	1.55 (--)
10Y	1.70 (+0.01)	1.73 (--)
15Y	1.78 (+0.02)	--
20Y	1.89 (+0.02)	--
30Y	2.01 (+0.01)	2.19 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.00-1.25%	1.25-1.50%	1.50-1.75%
10/30/2019	0.0%	68.7%	0.0%	0.0%	68.7%
12/11/2019	0.0%	81.8%	0.0%	28.7%	53.1%
01/29/2020	0.0%	87.8%	9.5%	36.8%	41.5%
03/18/2020	0.0%	89.9%	14.2%	37.6%	36.5%
04/29/2020	0.0%	91.2%	17.2%	37.5%	33.1%
06/10/2020	0.0%	92.4%	20.1%	36.8%	29.7%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.10	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.85
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.59	-2.0%	Corn (per bushel)	3.9775	--
Brent (per barrel)	59.35	-1.9%	Soybean (per bushel)	9.405	0.5%
Heating Oil (per gallon)	1.9151	-2.2%	Wheat (per bushel)	5.1100	0.6%
Gasoline (per gallon)	1.6132	-1.6%	Crude Palm Oil (MYR/MT)	2,088.0	-1.4%
Natural Gas (per MMBtu)	2.2800	3.0%	Rubber (JPY/KG)	151.0	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,818	0.4%	Gold (per oz)	1,493.2	0.3%
Nickel (per mt)	16,550	-5.7%	Silver (per oz)	17.656	0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/15/2019	PH	Overseas Remittances YoY	Aug	3.70%	--	7.50%	--
10/15/2019 04:00	NZ	REINZ House Sales YoY	Sep	--	3.30%	-6.10%	--
10/15/2019 09:30	CH	CPI YoY	Sep	2.90%	--	2.80%	--
10/15/2019 09:30	CH	PPI YoY	Sep	-1.20%	--	-0.80%	--
10/15/2019 10:19	US	Monthly Budget Statement	Sep	\$83.0b	--	\$119.1b	--
10/15/2019 12:00	ID	Exports YoY	Sep	-6.50%	--	-9.99%	--
10/15/2019 12:00	ID	Trade Balance	Sep	\$124m	--	\$85m	--
10/15/2019 12:30	JN	Industrial Production MoM	Aug F	--	--	-1.20%	--
10/15/2019 12:30	JN	Tertiary Industry Index MoM	Aug	0.60%	--	0.10%	--
10/15/2019 12:30	JN	Industrial Production YoY	Aug F	--	--	-4.70%	--
10/15/2019 16:30	UK	Jobless Claims Change	Sep	--	--	28.2k	--
10/15/2019 16:30	UK	ILO Unemployment Rate 3Mths	Aug	3.80%	--	3.80%	--
10/15/2019 16:30	UK	Claimant Count Rate	Sep	--	--	3.30%	--
10/15/2019 17:00	GE	ZEW Survey Expectations	Oct	-26.4	--	-22.5	--
10/15/2019 17:00	EC	ZEW Survey Expectations	Oct	--	--	-22.4	--

Source: Bloomberg

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