

Daily Treasury Outlook

15 November 2019

Highlights

Global: A Financial Times report indicates that US and China are struggling to come close to an agreement of a “phase one” deal, with difficulties in IP protection, agricultural purchases and tariff rollbacks. Quoting unnamed US officials involved in the talks, the article suggests that American negotiators have been frustrated by what they perceive as lack of Chinese concessions in return for the demand on a rollback of existing tariffs. Meanwhile, news that US Senate is preparing for a quick passage of the Hong Kong human rights bill may complicate matters further, as well, if it adds to the already knotty broader relationship between the two countries. Data flows continue to show the damage that trade uncertainties have inflicted on the global economy. China’s October industrial output and retail sales both came in below expectations yesterday. Fixed asset investment also came in soft, at its lowest reading since 1998. Meanwhile, even though Germany did escape a technical recession with Q3 GDP eking out a better-than-expected 0.1% growth, it is hard to paint it as a sign of Teutonic strength.

Market watch: Asian markets are likely to trade range today, as investors adopt a wait-and-see position following increasing doubts over the US-China phase one progress. Important economic releases for the day includes Malaysia and Hong Kong posting their 3Q GDP results, Japan industrial production and Euro area inflation prints.

China: All three major economic indicators slowed down in October as a result of weakening supply and demand. On the supply side, industrial production has slowed down to 4.7% YoY from 5.8% in September, partially driven by slowing mining production and manufacturing production. On the demand side, fixed asset investment growth slowed down to 5.2% for the first ten months, as both property investment and infrastructure investment growth decelerated further. On a positive note, investment in the manufacturing sector has started to recover, in line with our view that the manufacturing sector may bottom out. The deceleration of retail sales growth to 7.2% from 7.8% was probably due to the delay of consumption ahead of single’s day promotion in November.

Looking ahead, with China starting to roll out more counter-cyclical measures such as the reduction of capital requirements for infrastructural projects, we expect infrastructure investment to reaccelerate in the coming months. Although property investment is expected to slow down further, the stabilisation of manufacturing investment shows that the Chinese economy may near its bottom in the near term.

Key Market Movements		
Equity	Value	% chg
S&P 500	3096.6	0.1%
DJIA	27782	0.0%
Nikkei 225	23142	-0.8%
SH Comp	2909.9	0.2%
STI	3231.9	-0.2%
Hang Seng	26324	-0.9%
KLCI	1593.6	-0.2%
Currencies	Value	% chg
DXY	98.163	-0.2%
USDJPY	108.42	-0.4%
EURUSD	1.1022	0.1%
GBPUSD	1.2882	0.2%
USIDR	14089	0.1%
USDSGD	1.362	-0.1%
SGDMYR	3.0504	0.0%
Rates	Value	chg (bp)
3M UST	1.56	-0.26
10Y UST	1.82	-6.74
1Y SGS	1.65	-1.10
10Y SGS	1.77	-3.04
3M LIBOR	1.91	0.06
3M SIBOR	1.77	-0.13
3M SOR	1.50	-0.99
Commodities	Value	% chg
Brent	62.28	-0.1%
WTI	56.77	-0.6%
Gold	1471	0.5%
Silver	17.03	0.3%
Palladium	1739	1.6%
Copper	5812	-0.4%
BCOM	78.92	-0.1%

Source: Bloomberg

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Major Markets

US: US equity markets continue to trudge on, with the S&P 500 index ending the session up 0.1% despite worries that US-China trade talks have stalled. 10Y UST yields lost 6.7bp to 1.82%. At the moment, trade headlines are likely to remain as the biggest driver of market sentiment. We expect the S&P 500 index to continue to be capped by the psychological level of 3100 in the short-term.

Singapore: The STI fell 0.2% yesterday to record a second consecutive day of losses. Soft data from China was probably the main driver in delivering bearish pressures to the benchmark equity index. The STI has risen 6.4% from trough to peak in the space of a month beginning 3 October, and we think traders are keen to take some profit in light of the recent softening risk sentiment. We expect the index to continue being supported at the 3200 level, which if broken, might see it searching for the 3100 handle.

Indonesia: Finance Minister Sri Mulyani said that budget deficit in 2020 may be higher than expected, as government is seeking to maintain growth momentum amid lower revenue. The 2020 deficit target was at 1.76% of GDP previously. The government had previously noted that the 2019 deficit would widen to 2.0-2.2% of GDP from 1.93%.

Malaysia: Q3 GDP is due out today. We expect growth to clock 4.5% yoy, compared to 4.9% of Q2. Disbursement of tax rebates may help to support private consumption, although the base effect from the effects of GST removal last year may curb the contribution to headline GDP growth rate. Investment is likely to have slowed as well given the uncertain global environment.

Philippines: The BSP left the benchmark rate unchanged at 4.00%, as widely expected. Governor Benjamin Diokno had previously said that the BSP has done more than enough this year, slashing greatly the odds of further rate cuts in the remaining two meetings this year. We think that the BSP might do two cuts to both the RRR and benchmark interest rate in 2020, with Q1 likely to see the first of these cuts.

Oil: Brent closed slightly lower yesterday at \$62.28/bbl, after the US EIA showed crude inventories increased 2.22mn barrels against the API's prior day estimate of a decline. US crude stockpiles are now at 449mn bbl, the highest since mid-July.

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Bond Market Updates

Market Commentary: Other than the 1-year tenor which traded 1bps higher, shorter tenors on the SGD swap curve broadly traded 0-1bps lower while the belly and longer tenors traded 1-2 bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 507bps. The HY-IG Index spread widened 4bps to 379bps. 10Y UST Yields fell by 6bps to 1.82%, over reports that the US and China are struggling to finalise the phase one trade deal.

New Issues: Adani Transmission Limited priced a USD500mn 16.5-year bond at 4.25%, tightening from IPT of 4.5% area. Shanghai Electric Group Global Investment Limited priced a US500mn 5-year bond at T+102.5bps, tightening from IPT of T+135bps area. Chalico Hong Kong Corporation Limited (Guarantor: China Aluminum International Engineering Corporation Limited; Keepwell deed provider: Aluminum Corporation of China) priced a USD350mn NC3.5-Perpetual bond at 5.0%, tightening from IPT of 5.5% area. Korea Railroad Corp. priced a USD150mn 5-year FRN at 3m-US LIBOR+70bps. Xinyi City Investment & Development Co., Ltd scheduled investor meetings commencing 18 Nov for its proposed USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.163	-0.21%	USD-SGD	1.3620	-0.06%
USD-JPY	108.420	-0.37%	EUR-SGD	1.5012	0.09%
EUR-USD	1.1022	0.14%	JPY-SGD	1.2563	0.32%
AUD-USD	0.6786	-0.76%	GBP-SGD	1.7546	0.19%
GBP-USD	1.2882	0.24%	AUD-SGD	0.9243	-0.80%
USD-MYR	4.1565	0.06%	NZD-SGD	0.8692	-0.53%
USD-CNY	7.0208	-0.04%	CHF-SGD	1.3785	0.15%
USD-IDR	14089	0.07%	SGD-MYR	3.0504	0.05%
USD-VND	23202	--	SGD-CNY	5.1500	-0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4630	-0.60%	O/N	1.5390	-0.02%
2M	-0.3360	-0.02%	1M	1.7654	0.37%
3M	-0.4020	0.37%	2M	1.8458	0.39%
6M	-0.3360	0.39%	3M	1.9099	0.06%
9M	-0.1940	0.06%	6M	1.9223	-0.39%
12M	-0.2610	-0.39%	12M	1.9870	-1.86%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	0.0%	7.1%	0.0%	0.0%	7.1%
01/29/2020	0.0%	24.7%	0.0%	1.3%	23.3%
03/18/2020	0.0%	37.5%	0.2%	5.1%	32.2%
04/29/2020	0.0%	45.0%	0.8%	8.3%	35.8%
06/10/2020	0.0%	52.8%	1.9%	12.2%	38.5%
07/29/2020	0.0%	58.4%	3.1%	15.3%	39.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.77	-0.6%	Corn (per bushel)	3.7575	0.1%
Brent (per barrel)	62.28	-0.1%	Soybean (per bushel)	9.003	-0.2%
Heating Oil (per gallon)	1.9179	0.3%	Wheat (per bushel)	5.0775	-0.2%
Gasoline (per gallon)	1.6158	-1.3%	Crude Palm Oil (MYR/MT)	2,560.0	1.0%
Natural Gas (per MMBtu)	2.6470	1.8%	Rubber (JPY/KG)	162.9	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,812	-0.4%	Gold (per oz)	1,471.4	0.5%
Nickel (per mt)	15,150	-1.5%	Silver (per oz)	17.030	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,781.96	-1.63
S&P	3,096.63	2.59
Nasdaq	8,479.02	-3.08
Nikkei 225	23,141.55	-178.32
STI	3,231.85	-7.37
KLCI	1,593.55	-3.67
JCI	6,098.95	-43.55
Baltic Dry	1,365.00	--
VIX	13.05	0.05

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.47 (-0.03)	1.59 (-0.04)
5Y	1.60 (-0.03)	1.63 (-0.06)
10Y	1.77 (-0.03)	1.82 (-0.07)
15Y	1.87 (-0.03)	--
20Y	2.00 (-0.02)	--
30Y	2.12 (-0.02)	2.30 (-0.07)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.90	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.57
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/15/2019	PH Overseas Remittances YoY	Sep 4.80%	--	4.60%	--
11/15/2019 12:00	MA GDP YoY	3Q 4.40%	--	4.90%	--
11/15/2019 12:00	ID Exports YoY	Oct -8.15%	--	-5.74%	--
11/15/2019 12:00	ID Trade Balance	Oct -\$300m	--	-\$161m	--
11/15/2019 12:30	JN Industrial Production MoM	Sep F --	--	1.40%	--
11/15/2019 12:30	JN Industrial Production YoY	Sep F --	--	1.10%	--
11/15/2019 15:30	TH Foreign Reserves	Nov-08 --	--	\$222.7b	--
11/15/2019 16:30	HK GDP YoY	3Q F -2.90%	--	-2.90%	--
11/15/2019 18:00	EC CPI YoY	Oct F 0.70%	--	0.70%	--
11/15/2019 18:00	EC CPI MoM	Oct F 0.20%	--	0.20%	--
11/15/2019 18:00	EC CPI Core YoY	Oct F 1.10%	--	1.10%	--
11/15/2019 21:30	US Retail Sales Advance MoM	Oct 0.20%	--	-0.30%	--
11/15/2019 21:30	US Empire Manufacturing	Nov 6	--	4	--
11/15/2019 21:30	US Retail Sales Ex Auto MoM	Oct 0.40%	--	-0.10%	--
11/15/2019 22:15	US Industrial Production MoM	Oct -0.40%	--	-0.40%	--

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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