

Daily Treasury Outlook

16 September 2019

Highlights

Global: Global risk appetite was mostly supported into the weekend amid signs of thawing US-China trade relations, but the weekend drone attacks on Saudi Arabia's oil facilities which knocked out 5.7 million barrels per day (~5% of the world's oil supplies) may need to be digested today, albeit the US has said that it is ready to utilise its Strategic Oil Reserve if needed. Wall Street saw its third straight week of gains whereas UST bond yields continued to back higher, with the 10-year yield touching 1.90% after US retail sales rose more than expected by 0.4% mom in August whilst the July data was also revised higher. Elsewhere, UK PM Johnson sounded more upbeat on a Brexit deal ahead of his meeting with EC president Juncker today, whereas the latter warned of "utter chaos" if the UK proceeded with a no-deal Brexit on 31 October.

Market Watch: Asian markets may tread carefully this morning as market players assess if there will be any lasting implications and potential retaliation (note that the US Secretary of State Pompeo has blamed Iran) for the Saudi Arabia oil facility attack. Japanese markets are closed today. Today's economic data will kick off with China's data dump comprising August industrial production, retail sales and fixed asset investments, as well as US' Empire manufacturing and Indonesia's August trade data. ECB's Lane is also speaking. For the week ahead, key to watch include RBA minutes tomorrow, FOMC (where a 25bp rate cut has been already discounted), BOE (likely static at 0.75% amid the ongoing Brexit crisis), BOJ (where any inclination to explore deeper into negative yield territory post-ECB will be closely monitored, especially ahead of the upcoming 1 October sales tax hike) and BI (likely to cut 25bps to 5.25%) on Thursday.

US: US' retail sales excluding autos was flat on-month while the University of Michigan sentiment index improved more than expected from 89.8 to 92.0 in September, following a big drop in August, as both the current conditions and expectation gauges rose to 106.9 and 82.4 respectively. Meanwhile, the 1-year and 5-10 year inflation gauges diverged to 2.8% (previously 2.7%) and 2.3% (previously 2.6%) respectively. Business inventories accelerated to 0.4% in July.

China: China's equity market outperformed bonds in a holiday short week. Equity markets ended the week higher on the back of China's stimulus measures and the de-escalation of the trade war. However, bonds retreated as China signalled its reluctance to cut the MLF rate soon to balance its prudent monetary policy stance after the RRR cut. Market will closely monitor the rollover of the MLF this week and the second fixing for LPR on 20 Sep. We expect the LPR fixing to move lower due to narrowing credit spread though the MLF is expected to remain intact. China's equity markets may continue to outperform its bond markets.

Singapore: Container throughput fell 0.7% yoy in August, following a 3.2% recovery in July, and making it the third month of declines in the last four months.

Key Market Movements		
Equity	Value	% chg
S&P 500	3007.4	-0.1%
DJIA	27220	0.1%
Nikkei 225	21988	1.1%
SH Comp	3031.2	0.0%
STI	3211.5	0.5%
Hang Seng	27353	1.0%
KLCI	1601.3	0.0%
Currencies	Value	% chg
DXY	98.257	-0.1%
USDJPY	108.09	0.0%
EURUSD	1.1073	0.1%
GBPUSD	1.2501	1.3%
USDIDR	13965	-0.2%
USDSGD	1.3732	-0.1%
SGDMYR	3.0323	0.1%
Rates	Value	chg (bp)
3M UST	1.96	0.49
10Y UST	1.90	12.43
1Y SGS	1.86	0.00
10Y SGS	1.76	2.29
3M LIBOR	2.12	-0.88
3M SIBOR	1.88	0.00
3M SOR	1.73	-4.26
Commodities	Value	% chg
Brent	60.22	-0.3%
WTI	54.85	-0.4%
Gold	1489	-0.7%
Silver	17.44	-3.6%
Palladium	1611	-0.5%
Copper	5975	2.4%
BCOM	78.70	0.2%

Source: Bloomberg

Daily Treasury Outlook

16 September 2019

Major Markets

US: US markets are set to open lower later as futures for the S&P 500 index dropped 0.6% as of 8am SGT after closing down 0.1% last Friday. Drone attacks on Saudi Arabia's oil facilities, which reportedly took out half their production capacity, are likely to dent the positive investor risk sentiment seen almost throughout the whole of last week. Looking ahead, we expect investors to be cautious ahead of the FOMC decision this Thursday night, but markets may react to US data such as the US empire manufacturing index, and industrial production numbers in the coming days. We expect the S&P 500 to trade within the range of 2980-3020.

Singapore: The STI gained 0.52% to close at 3211.49 on Friday. Despite the weekend drone attack on Aramco infrastructure, morning cues for KOSPI are positive. Expect STI to tread between 3184-3230 in the interim. With the September tumble in the UST bond market extending amid strong US retail sales data, SGS yields are likely to remain under pressure too. On the supply side, there are also the upcoming 2- and 15-year SGS bonds re-openings with the size announcement and auctions due on 19 and 26 September respectively.

China: RMB rebounded sharply closing the gap between the spot and fixing last week on the back of three factors including the de-escalation of trade war, China's clarity on stimulus framework which dispersed market concern on Yuan as the sole tool to fight the trade war and China's further openness of its domestic financial market. We expect the USDCNY to trade in the 7-7.2 range in the near term.

Indonesia: August trade numbers are due out today, with markets expecting exports to decline by 6% yoy, slightly worse than the 5.1% yoy drop of the previous month. Trade balance is expected to post a mild surplus of USD162mn.

Malaysia: PM Tun Dr Mahathir Mohamad said that, if global oil prices soar, the government will provide subsidies to help offset the gasoline price hikes. The PM was asked during a press conference on whether the retail price of RON95 petrol, now selling at MYR2.08/litre, will be adjusted.

Oil: Weekend drone attacks on Saudi Arabia's oil facilities removed about 5% of global oil supplies, according to Bloomberg. Brent futures jumped almost \$12/bbl when markets opened, the biggest increase in history. Trump authorized the release of oil from US emergency reserves to counter the effects of a potential supply glut.

Daily Treasury Outlook

16 September 2019

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened last Friday, with the shorter tenors traded 1-3bps higher, while the longer tenors (>5yr) traded 3-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 514bps. 10Y USTs yields gained 13bps to close at 1.898%, after the US released better than expected retail sales data, dampening demand for safe haven treasuries. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, although the gap has narrowed to -6bps.

New Issues: Qingdao City Construction Investment (Group) Ltd has scheduled investor meetings commencing on 16 Sep for its potential USD bond issuance.

Daily Treasury Outlook

16 September 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.257	-0.05%	USD-SGD	1.3732	-0.14%
USD-JPY	108.090	-0.01%	EUR-SGD	1.5208	-0.05%
EUR-USD	1.1073	0.07%	JPY-SGD	1.2704	-0.09%
AUD-USD	0.6879	0.19%	GBP-SGD	1.7168	1.22%
GBP-USD	1.2501	1.35%	AUD-SGD	0.9448	0.08%
USD-MYR	4.1640	-0.03%	NZD-SGD	0.8759	-0.57%
USD-CNY	7.0793	--	CHF-SGD	1.3869	-0.12%
USD-IDR	13965	-0.21%	SGD-MYR	3.0323	0.06%
USD-VND	23215	0.03%	SGD-CNY	5.1505	0.03%

Equity and Commodity

Index	Value	Net change
DJIA	27,219.52	37.07
S&P	3,007.39	-2.18
Nasdaq	8,176.71	-17.76
Nikkei 225	21,988.29	228.68
STI	3,211.49	16.53
KLCI	1,601.25	0.25
JCI	6,334.84	-7.33
Baltic Dry	2,312.00	-19.00
VIX	13.74	-0.48

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	--	O/N	2.0948	-0.63%
2M	-0.3360	-0.63%	1M	2.0248	-0.84%
3M	-0.4000	-0.84%	2M	2.1151	-0.15%
6M	-0.3770	-0.15%	3M	2.1394	-0.88%
9M	-0.1940	-0.88%	6M	2.0703	-0.56%
12M	-0.3250	-0.56%	12M	2.0491	-0.30%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (--)	1.80 (+0.08)
5Y	1.67 (+0.02)	1.75 (+0.12)
10Y	1.76 (+0.02)	1.90 (+0.12)
15Y	1.88 (--)	--
20Y	1.98 (--)	--
30Y	2.09 (+0.02)	2.37 (+0.12)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.25-1.50%	1.5-1.75%	1.75-2%
09/18/2019	0.0%	100.0%	0.0%	1.9%	98.1%
10/30/2019	0.0%	100.0%	0.9%	41.7%	57.5%
12/11/2019	0.0%	100.0%	19.0%	48.7%	31.9%
01/29/2020	0.0%	100.0%	30.7%	42.1%	19.3%
03/18/2020	0.0%	100.0%	34.0%	35.5%	13.7%
04/29/2020	0.0%	100.0%	34.2%	32.7%	11.9%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	2.38
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.20
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	54.85	-0.4%	Corn (per bushel)	3.5550	0.3%
Brent (per barrel)	60.22	-0.3%	Soybean (per bushel)	8.848	0.2%
Heating Oil (per gallon)	1.8778	-0.4%	Wheat (per bushel)	4.8575	--
Gasoline (per gallon)	1.5531	0.0%	Crude Palm Oil (MYR/MT)	2,105.0	--
Natural Gas (per MMBtu)	2.6140	1.6%	Rubber (JPY/KG)	165.8	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,975	2.4%	Gold (per oz)	1,488.5	-0.7%
Nickel (per mt)	17,750	-1.3%	Silver (per oz)	17.445	-3.6%

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/13/2019 09:20	SL Exports YoY	Jul	--	5.80%	--
09/16/2019	PH Overseas Remittances YoY	Jul	1.80%	-2.90%	--
09/16/2019	PH Overseas Workers Remittances	Jul	\$2472m	\$2290m	--
09/16/2019 07:01	UK Rightmove House Prices MoM	Sep	--	-0.20%	-1.00%
09/16/2019 10:00	CH Industrial Production YoY	Aug	5.20%	4.80%	--
09/16/2019 10:00	CH Retail Sales YoY	Aug	7.90%	7.60%	--
09/16/2019 10:00	CH Industrial Production YTD YoY	Aug	5.70%	5.80%	--
09/16/2019 12:00	ID Exports YoY	Aug	-6.00%	-5.12%	--
09/16/2019 12:00	ID Trade Balance	Aug	\$162m	-\$60m	--
09/16/2019 14:30	IN Wholesale Prices YoY	Aug	1.00%	1.08%	--
09/16/2019 16:00	IT CPI EU Harmonized YoY	Aug F	0.50%	0.50%	--
09/16/2019 19:15	EC ECB Chief Economist Lane Speaks in London				
09/16/2019 20:30	US Empire Manufacturing	Sep	4	4.8	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LinaSSSelena@ocbc.com

Emmanuel Ng

Senior FX Strategist

NqCYEmmanuel@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).