

Daily Treasury Outlook

17 December 2019

Highlights

Global: US equity market closed at record on Monday on the back of US-China phase one deal. The White House advisor Kudlow said the trade deal has been "absolutely completed" and China is going to "double US exports to China".

Market watch: Asian markets are likely to trade on a firmer note today, following overnight US indices higher. Today watch out for US industrial production, housing starts, building permits, and a slew of labour market data from the UK including the unemployment rate and average weekly earnings. Positive data is likely to add to the bullishness of the market and send benchmark equity indices higher.

US: Markit PMI data were a mixed bag yesterday, with the manufacturing sector coming in slightly below expectations at 52.5 (est.: 52.6) but the services sector beating analysts' forecasts at 52.2 (est.: 52.0). Focus is likely to stay firm on US-China trade deal developments but an eye will also be cast on the health of the housing market today, where housing starts and building permits data for November will be released. Industrial production is also expected at 0.8% MoM, data of which will show whether the contraction in US manufacturing is showing signs of stabilisation.

EZ: Despite the upbeat outlook from ECB last week, the December flash PMI shows that Euro Zone manufacturing sector remained weak. The manufacturing PMI slipped to 45.9 from 46.9 in November. On the positive side, service PMI rebounded to 52.4 from 51.9 beating market expectations. Nevertheless, in the US, the flash December composite PMI increased to 52.2 from 52 led by service PMI.

China: China's November growth data beat market expectation. Industrial production growth reaccelerated to 6.2% yoy from 4.7% yoy in November. Manufacturing output rose by 6.3% yoy, up from 4.6% thanks to improving outlook on US-China phase one trade deal in November. Fixed asset investment grew by 5.2% in the first eleven months intact from 5.2% growth in the first ten months. Property investment growth slowed down further to 10.2% as expected. The deceleration of manufacturing investment and infrastructure investment again to 2.5% and 4% respectively from 2.6% and 4.2% disappointed the market slightly. China's infrastructure investment remained sluggish despite support from government due to funding constraints.

Singapore: Singapore's non-oil domestic exports (NODX) for November contracted 5.9%, almost in-line with our internal forecast of -5.5% and better than the market poll of -6.4%. The nominal value of electronics shipments held steady in November, although a high base from a year ago resulted in a less-than-flattering yoy decline of 23.3% vs 16.4% yoy in October. Full-year 2019 NODX is expected to decline 9.1% yoy and we expect NODX to expand 2-4% in 2020.

Key Market Movements		
Equity	Value	% chg
S&P 500	3191.5	0.7%
DJIA	28236	0.4%
Nikkei 225	23952	-0.3%
SH Comp	2984.4	0.6%
STI	3206.1	-0.2%
Hang Seng	27508	-0.6%
KLCI	1569.4	-0.1%
Currencies	Value	% chg
DXY	97.019	-0.2%
USDJPY	109.55	0.2%
EURUSD	1.1144	0.2%
GBPUSD	1.3332	0.0%
USDIDR	14010	0.1%
USDSGD	1.3545	0.1%
SGDMYR	3.0549	-0.2%
Rates	Value	chg (bp)
3M UST	1.55	-0.78
10Y UST	1.87	4.87
1Y SGS	1.72	0.00
10Y SGS	1.75	-3.55
3M LIBOR	1.90	0.60
3M SIBOR	1.77	0.00
3M SOR	1.54	0.00
Commodities	Value	% chg
Brent	65.34	0.2%
WTI	60.21	0.2%
Gold	1476	0.0%
Silver	17.04	0.6%
Palladium	1979	2.4%
Copper	6199	1.1%
BCOM	80.19	1.0%

Source: Bloomberg

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Major Markets

US: Markets rose to record highs last night as investors' appetite was boosted by easing US-China trade tensions in the wake of the phase one trade deal. The S&P500 index was up 0.7%. We expect markets to continue its upward trend in the following days on the back of a rising improved risk-on sentiment. Support for the S&P500 index remains at the 3100 handle.

Singapore: The STI fell 0.2% yesterday after reports over the weekend suggested the US-China phase one trade deal lacking in detail. The larger bullish trend remains intact, in our opinion, as positivity from the trade deal is likely to continue keeping risk sentiment supported. We see initial resistance on the benchmark equity index at 3250.

Thailand: Prime Minister Prayuth is due to give a speech on Thailand's 2020 outlook at 6.30pm SGT.

Oil: Brent prices held steady above the \$65/bbl level, closing at \$65.34/bbl to eke out 0.2% gains on the day. Continued bullishness following the US-China phase one trade deal is likely to keep oil prices elevated in the near term.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors trading 0-1bps higher, while the belly and longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 122bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 513bps. The HY-IG Index spread tightened 11bps to 392bps. 10Y UST Yields rose by 5bps to close at 1.87%, with investors taking an optimistic view on the US-China Phase One trade deal, together with better than expected economic data from China and the US.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.019	-0.16%	USD-SGD	1.3545	0.09%
USD-JPY	109.550	0.16%	EUR-SGD	1.5096	0.25%
EUR-USD	1.1144	0.21%	JPY-SGD	1.2369	-0.08%
AUD-USD	0.6885	0.13%	GBP-SGD	1.8061	0.07%
GBP-USD	1.3332	0.01%	AUD-SGD	0.9327	0.23%
USD-MYR	4.1427	0.20%	NZD-SGD	0.8937	0.10%
USD-CNY	6.9935	0.25%	CHF-SGD	1.3790	0.25%
USD-IDR	14010	0.14%	SGD-MYR	3.0549	-0.15%
USD-VND	23171	--	SGD-CNY	5.1648	0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4670	0.30%	O/N	1.5299	-0.39%
2M	-0.3360	-0.39%	1M	1.7374	-0.24%
3M	-0.4000	-0.24%	2M	1.8369	0.50%
6M	-0.3400	0.50%	3M	1.8996	0.60%
9M	-0.1940	0.60%	6M	1.9029	1.65%
12M	-0.2630	1.65%	12M	1.9639	3.10%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	0.00%	0.00%	0.00%	0.00%	0.00%
18/03/2020	0.00%	7.20%	0.00%	0.00%	7.20%
29/04/2020	0.00%	17.20%	0.00%	0.80%	16.40%
10/06/2020	0.00%	28.40%	0.10%	2.90%	25.40%
29/07/2020	0.00%	39.50%	0.50%	6.40%	32.60%
09/16/2020	0.00%	47.90%	1.40%	10.00%	36.50%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.21	0.2%	Corn (per bushel)	3.8800	5.9%
Brent (per barrel)	65.34	0.2%	Soybean (per bushel)	9.220	1.6%
Heating Oil (per gallon)	2.0045	0.9%	Wheat (per bushel)	5.4975	1.9%
Gasoline (per gallon)	1.6627	0.0%	Crude Palm Oil (MYR/MT)	2,851.0	1.2%
Natural Gas (per MMBtu)	2.3410	2.0%	Rubber (JPY/KG)	175.4	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,199	1.1%	Gold (per oz)	1,476.2	0.0%
Nickel (per mt)	14,200	0.2%	Silver (per oz)	17.040	0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	28,235.89	100.51
S&P	3,191.45	22.65
Nasdaq	8,814.23	79.35
Nikkei 225	23,952.35	-70.75
STI	3,206.09	-7.96
KLCI	1,569.35	-1.81
JCI	6,211.59	14.27
Baltic Dry	1,355.00	--
VIX	12.14	-0.49

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.56 (-)	1.63 (+0.02)
5Y	1.59 (-0.03)	1.70 (+0.05)
10Y	1.75 (-0.04)	1.87 (+0.05)
15Y	1.87 (-0.03)	--
20Y	1.95 (-0.03)	--
30Y	2.11 (-0.03)	2.29 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.30	0.03
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.53
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/17/2019 05:00	US	Net Long-term TIC Flows	Oct	--	\$32.5b	\$49.5b	--
12/17/2019 05:00	US	Total Net TIC Flows	Oct	--	-\$48.3b	-\$37.6b	-\$38.1b
12/17/2019 08:30	SI	Non-oil Domestic Exports YoY	Nov	-6.40%	--	-12.30%	--
12/17/2019 08:30	SI	Non-oil Domestic Exports SA MoM	Nov	5.80%	--	-2.90%	--
12/17/2019 08:30	SI	Electronic Exports YoY	Nov	-19.70%	--	-16.40%	--
12/17/2019 15:00	JN	Tokyo Condominiums for Sale YoY	Nov	--	--	-29.50%	--
12/17/2019 16:30	HK	Unemployment Rate SA	Nov	3.20%	--	3.10%	--
12/17/2019 17:30	UK	Jobless Claims Change	Nov	--	--	33.0k	--
12/17/2019 17:30	UK	ILO Unemployment Rate 3Mths	Oct	3.90%	--	3.80%	--
12/17/2019 17:30	UK	Claimant Count Rate	Nov	--	--	3.40%	--
12/17/2019 18:00	EC	Trade Balance SA	Oct	20.0b	--	18.3b	--
12/17/2019 21:30	US	Housing Starts	Nov	1345k	--	1314k	--
12/17/2019 21:30	US	Building Permits	Nov	1418k	--	1461k	--
12/17/2019 22:15	US	Industrial Production MoM	Nov	0.80%	--	-0.80%	--
12/17/2019 22:15	US	Capacity Utilization	Nov	77.40%	--	76.70%	--

Source: Bloomberg

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