

Daily Treasury Outlook

18 October 2019

Highlights

Global: Global risk sentiment improved after the breakthrough of Brexit deal and China's confirmation on tentative trade truce brought the glass of risk sentiment half full. Meanwhile, A host of good earnings results from US companies bolstered market sentiment overnight as well, despite a weaker-than-expected industrial production data which came in at -0.4% mom in September, showing signs of slump of automobile manufacturing due to GM strike.

Market watch: For the day ahead, apart from watching Brexit headlines, market will be looking out for Q3 GDP data out of China where market has pencilled in 6.1% yoy compared to 6.2% in Q2. Retail sales and industrial production data are due out as well at 10am.

UK: The promise of weekend is near, but don't tell that to the 650 MPs in the UK House of Commons who would have to trudge back to the Westminster to vote on the Brexit deal on Saturday. While market rejoiced yesterday as headlines about PM Johnson reaching an agreement with the EU on the terms of the Brexit divorce, the euphoria soon petered out as the realisation that such a deal would still need to be approved by the UK House of Commons and that it will not be an easy sell, to put it mildly. Already, the DUP - Johnson's partner in his ruling coalition which commands 10 seats - has said that it would oppose the deal, because introducing a customs check mechanism between Northern Ireland and the rest of the UK would be a "blood red line" that cannot be crossed no matter what. Still, politics is politics and even though Johnson himself has said that, without the DUP's support, he is not confident on winning the vote, there might still be some last-minute horse trading that wins them over. How about the others? Labour Party's Corbyn has called for a rejection of the deal, saying that the current deal is even worse than the one that Theresa May struck before. The crucial thing to watch will be Tories' own voting lines. Because some hardliners within his party may vote against the deal, Johnson might need the help of some moderate members that he had already expelled. He is also hoping to persuade the EU to categorically say that there will not be any extension beyond the October 31st deadline, to force the hands of the MPs. Given the uncertainties swirling around this final vote, perhaps market players might not have much of a weekend either after all.

EU: The German government has lowered its 2020 GDP forecast to 1% from 1.5% while the 2019 growth is projected to reach 0.5%.

China: China's Commerce Ministry said China hopes to reach a trade deal and remove additional tariff as soon as possible. Meanwhile, Premier Li also reiterated the fair treatment to foreign firms investing in China as well as the strict protection of property and intellectual property rights. Meanwhile, China's utilized foreign direct investment in the first three quarters of 2019 rose by 2.9% yoy to US\$100.78 billion, signaling the interests from foreign investors were not derailed by the lingering US-China trade war.

Key Market Movements

Equity	Value	% chg
S&P 500	2998.0	0.3%
DJIA	27026	0.1%
Nikkei 225	22452	-0.1%
SH Comp	2977.3	0.0%
STI	3126.1	-0.3%
Hang Seng	26848	0.7%
KLCI	1574.5	0.0%
Currencies	Value	% chg
DXY	97.607	-0.4%
USDJPY	108.66	-0.1%
EURUSD	1.1125	0.5%
GBPUSD	1.2891	0.5%
USIDR	14155	-0.1%
USDSGD	1.3645	-0.4%
SGDMYR	3.0621	0.2%
Rates	Value	chg (bp)
3M UST	1.66	1.27
10Y UST	1.75	1.23
1Y SGS	1.77	-1.90
10Y SGS	1.72	1.56
3M LIBOR	2.00	0.11
3M SIBOR	1.87	-0.23
3M SOR	1.58	1.69
Commodities	Value	% chg
Brent	59.91	0.8%
WTI	53.93	1.1%
Gold	1492	0.1%
Silver	17.55	0.9%
Palladium	1762	-0.4%
Copper	5739	0.2%
BCOM	78.58	0.3%

Source: Bloomberg

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Major Markets

US: US markets inched higher last night as earnings reports mostly outperformed. The S&P 500 index ended the session up 0.3%. Brexit optimism was also partly credited for the risk-on tilt in market sentiment. In the session ahead we expect to see the S&P 500 index to continue to test resistance at the 3000 handles, and a clear breakthrough should see it gunning for the 3020 highs next.

Indonesia: The government has hired McKinsey as the lead consultant in studying the pre-masterplan of the new capital. According to the National Development Planning Minister, Bambang Brodjonegoro, the consultant is expected to conclude the study in three months. The government is said to plan for ground-breaking of the new capital in H2 2020.

Malaysia: Attorney General Tommy Thomas said that Malaysia is not dropping the criminal case against Goldman Sachs in relation to the 1MDB issue, according to Bloomberg. This is in response to a report by Nikkei Asian Review yesterday citing him as saying that Malaysian authorities are engaging in talks with the US bank and that they are open to dropping the case. "We're not dropping the case. We'll see them in court," he reportedly said.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 2-4bps higher, while the belly and longer tenors traded 4-7bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 132bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 527bps. 10Y USTs yields rose to as much as 1.799% last night on the back of a Brexit deal agreement being reached between the EU and the UK, but yields fell back to 1.75% (1bps higher for the day) after concerns that the UK parliament may not support the agreement.

New Issues: CITIC Securities Finance MTN Co., Ltd (Guarantor: CITIC Securities Co., Ltd) priced a USD500mn 3-year bond at T+127.5bps (tightening from IPT of T+160bps area), and a USD200mn 5-year bond at T+142.5bps (tightening from IPT of T+175bps area). Yibin Emerging Industry Investment Group Co., Ltd (Guarantor: Yibin State-Owned Assets Management Co., Ltd) priced a USD300mn 364-day bond at 5.0%, tightening from IPT of 5.2%. Health and Happiness (H&H) International Holdings Ltd (Subsidiary Guarantees: Joint and several, on a subordinated basis) priced a USD300mn 5NC2 bond at 5.625%, tightening from IPT of 6.125% area. State Elite Global Limited (Guarantor: China Construction Bank Corporation, Hong Kong Branch) priced a USD700mn 5-year FRN at 3m-US LIBOR+77bps, tightening from IPT of 3m-US LIBOR+105bps area. Soar Wise Limited (Guarantor: AVIC International Leasing Co., Ltd) priced a USD200mn NC3-Perpetual bond at 3.45%, tightening from IPT of 3.9% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.607	-0.40%	USD-SGD	1.3645	-0.40%
USD-JPY	108.660	-0.09%	EUR-SGD	1.5179	0.07%
EUR-USD	1.1125	0.48%	JPY-SGD	1.2560	-0.29%
AUD-USD	0.6824	0.96%	GBP-SGD	1.7590	0.06%
GBP-USD	1.2891	0.46%	AUD-SGD	0.9313	0.57%
USD-MYR	4.1795	-0.36%	NZD-SGD	0.8661	0.49%
USD-CNY	7.0775	-0.22%	CHF-SGD	1.3812	0.31%
USD-IDR	14155	-0.12%	SGD-MYR	3.0621	0.19%
USD-VND	23207	0.01%	SGD-CNY	5.1853	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4580	0.40%	O/N	1.8258	3.06%
2M	-0.3360	3.06%	1M	1.8775	-1.16%
3M	-0.4100	-1.16%	2M	1.9646	-0.27%
6M	-0.3540	-0.27%	3M	2.0033	0.11%
9M	-0.1940	0.11%	6M	1.9859	0.86%
12M	-0.2990	0.86%	12M	1.9923	1.81%

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%	82.2%	0.0%	0.0%	82.2%
12/11/2019	0.0%	88.0%	0.0%	26.8%	61.2%
01/29/2020	0.0%	92.0%	8.9%	38.3%	44.8%
03/18/2020	0.0%	93.3%	13.7%	39.3%	38.8%
04/29/2020	0.0%	94.1%	17.0%	39.3%	34.7%
06/10/2020	0.0%	95.0%	20.2%	38.6%	30.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.93	1.1%	Corn (per bushel)	3.9475	0.8%
Brent (per barrel)	59.91	0.8%	Soybean (per bushel)	9.315	0.4%
Heating Oil (per gallon)	1.9481	0.3%	Wheat (per bushel)	5.2550	2.4%
Gasoline (per gallon)	1.6225	-0.1%	Crude Palm Oil (MYR/MT)	2,192.0	0.1%
Natural Gas (per MMBtu)	2.3180	0.7%	Rubber (JPY/KG)	149.9	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,739	0.2%	Gold (per oz)	1,491.9	0.1%
Nickel (per mt)	16,270	-1.1%	Silver (per oz)	17.549	0.9%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,025.88	23.90
S&P	2,997.95	8.26
Nasdaq	8,156.85	32.67
Nikkei 225	22,451.86	-21.06
STI	3,126.14	-8.57
KLCI	1,574.50	-0.40
JCI	6,181.01	11.42
Baltic Dry	1,897.00	--
VIX	13.79	0.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.59 (+0.01)	1.60 (+0.02)
5Y	1.63 (+0.03)	1.58 (+0.01)
10Y	1.72 (+0.02)	1.75 (+0.01)
15Y	1.80 (+0.01)	--
20Y	1.90 (+0.01)	--
30Y	2.02 (+0.01)	2.23 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.30	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.05
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/18/2019	PH	BoP Overall	Sep	--	--	\$493m	--
10/18/2019 07:30	JN	Natl CPI YoY	Sep	0.20%	0.20%	0.30%	--
10/18/2019 07:30	JN	Natl CPI Ex Fresh Food YoY	Sep	0.30%	0.30%	0.50%	--
10/18/2019 10:00	CH	GDP YoY	3Q	6.10%	--	6.20%	--
10/18/2019 10:00	CH	Industrial Production YoY	Sep	4.90%	--	4.40%	--
10/18/2019 10:00	CH	Retail Sales YoY	Sep	7.80%	--	7.50%	--
10/18/2019 10:00	CH	Industrial Production YTD YoY	Sep	5.50%	--	5.60%	--
10/18/2019 14:35	JN	BOJ Deputy Governor Amamiya Speech					
10/18/2019 15:30	TH	Foreign Reserves	Oct-11	--	--	\$221.3b	--
10/18/2019 16:30	HK	Unemployment Rate SA	Sep	3.00%	--	2.90%	--
10/18/2019 21:00	US	Fed's Kaplan Speaks in Washington					
10/18/2019 22:00	US	Leading Index	Sep	0.00%	--	0.00%	--
10/18/2019 22:05	US	Fed's George Speaks at Fed Energy and Economy Conference					
10/18/2019 23:30	US	Fed's Clarida Speaks on Economy and Policy Outlook					

Source: Bloomberg

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