

## Daily Treasury Outlook

18 November 2019

### Highlights

**Global:** Global risk appetite remained buoyant on Friday on hopes of a US-China trade deal as White House advisor Kudlow suggested progress in trade negotiations. US retail sales also rebounded 0.3% mom, albeit industrial production declined more than expected by 0.8% mom in October. Elsewhere, the Hong Kong economy shrank 2.9% yoy (-3.2% qoq sa) in 3Q19. The Dow Jones Index crossed 28,000 on Friday, while the UST bond yields climbed higher with the 10-year bond yield at 1.83%.

**Market watch:** Asian markets today may range trade today, awaiting further cues from Thailand's 3Q19 GDP growth estimates in a relatively data-light economic data calendar that only comprises of China's October FDI, Hong Kong's unemployment rate and US' NAHB housing market index. ECB's Guidos, Hernandez de Cos, and Lane, and Fed's Mester are also speaking. For the week ahead, watch for UK's first televised leadership debate ahead of the December elections and RBA minutes tomorrow, FOMC minutes and China's Loan Prime Rate fixing on Wednesday, BI policy meeting on Thursday (where a pause at 5% appears likely after four rate cuts, albeit still with a likely dovish bias) and a host of speakers including Fed's Williams, Mester and Kashkari, ECB president Lagarde and Bundesbank's Weidmann.

**UK:** PM Johnson said every Conservative parliamentary candidate has pledged to vote for his Brexit deal through the House of Commons if he wins a majority at the 12 December election and this will deliver Brexit if they return to government. He also offered tax cuts for businesses.

**China:** PBoC surprised the market with CNY200 billion liquidity injection via 1-year MLF on Friday after suspending open market operation for 15 working days. The MLF injection showed that PBoC remained flexible to keep the money market volatility in check after 7-day repo market rate rose broke 3% due to the peak of tax payment. On monetary policy, China's central bank published the 3Q monetary policy report. The outlook of China's monetary policy can be summarized in three P's, including: proper management of the floodgate of money supply, precise liquidity management via targeted measures and following its own pace less affected by the global situations. Separately, China's Vice Premier Liu He held another phone call with his US counterparty Lighthizer and Mnuchin on 16 Nov. The phone call was described as constructive by China side. In Chinese narrative, the constructive means the gap remained to be filled.

**Singapore:** Non-oil domestic exports shrank 12.3% yoy (-2.9% mom sa) in October, following a 8.1% yoy (-3.3% mom sa) decline in September. This is worse than market consensus forecast of -10.0% yoy (-0.8% mom sa) versus our expectations of -17.0% yoy (-5.0% mom sa). The drag came mainly from the high base this time last year from non-electronics, namely pharmaceuticals. NODX to 9 of our top 10 NODX markets also fell in October, with the exception of Taiwan (+7.0% yoy). This suggests a lacklustre start to 4Q19 growth momentum.

### Key Market Movements

Equity	Value	% chg
S&P 500	3120.5	0.8%
DJIA	28005	0.8%
Nikkei 225	23303	0.7%
SH Comp	2891.3	-0.6%
STI	3238.9	0.2%
Hang Seng	26327	0.0%
KLCI	1594.8	0.1%
Currencies	Value	% chg
DXY	97.999	-0.2%
USDJPY	108.8	0.4%
EURUSD	1.1051	0.3%
GBPUSD	1.2897	0.1%
USIDR	14077	-0.1%
USDSGD	1.3605	-0.1%
SGDMYR	3.0507	0.0%
Rates	Value	chg (bp)
3M UST	1.56	-0.02
10Y UST	1.83	1.22
1Y SGS	1.65	0.10
10Y SGS	1.76	-0.46
3M LIBOR	1.90	-0.58
3M SIBOR	1.77	-0.27
3M SOR	1.50	0.80
Commodities	Value	% chg
Brent	63.3	1.6%
WTI	57.72	1.7%
Gold	1468	-0.2%
Silver	16.96	-0.4%
Palladium	1711	-1.6%
Copper	5849	0.6%
BCOM	79.09	0.2%

Source: Bloomberg

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### Major Markets

**US:** US markets ended last week on yet another record high, with the S&P 500 index closing the Friday session up 0.8% following Larry Kudlow's hints that the US and China were close to signing a deal. Risk sentiment continues to inch higher and we expect this bullish sentiment to continue into the start of the week, following Chinese state media Xinhua's report that Vice Premier Liu He had "constructive discussions" with Mnuchin and Lighthizer over the phone on Saturday morning.

**Singapore:** The STI gained 0.22% to close at 3238.86 on Friday and may range trade between 3211-3240 today amid mixed cues from positive leads from Wall Street on Friday but a soft opening from Kospi this morning. With trade optimism following Kudlow's comments weighing on the UST bond market, especially at the front end of the curve, SGS bonds which had trade mixed on Friday, may see renewed selling pressure today.

**Indonesia:** October trade data was broadly a surprise on the upside, with exports coming in at -6.13% yoy against market expectation of -8.15%yoy. With imports shrinking more than expected, at -16.39%yoy, trade balance swung to a surplus of USD161mn compared to a deficit of USD160mn the month before.

**Malaysia:** Q3 GDP data came in at 4.4% yoy, in line with market consensus but slightly lower than our expectation of 4.5% yoy and Q2's 4.9%yoy. Private consumption bore the heaviest burden of shouldering growth up, but investment slowdown shaved off almost a percentage point off the headline print, showing impact of uncertainties on domestic businesses in particular. Exports slumped significantly, though countered by a sharp contraction in imports in net terms.

**Macau:** GDP contracted for the third consecutive quarter by 4.5% yoy in 3Q 2019. This was mainly driven by the decline in exports of services (representing 81% of total GDP), which dropped for the third consecutive quarter by 4.7% yoy. Meanwhile, the fixed capital formation continued to edge lower by 8.5% yoy. Private investment plunged by 21.9% yoy attributed to the lack of new mega entertainment projects. Nevertheless, public investment rebounded by 84.3% yoy, which helped to relieve the downside pressure of fixed capital investment. Moving forward, we expect that the economic downtrend of Macau is likely to persist. Firstly, amid stronger MOP, China and Asia's economic slowdown and negative spill-over effect of HK's social unrest, is likely to drag down the exports of services, consumption and investment sentiments. Next, due to lack of mega infrastructure projects and entertainment projects under construction, the growth of fixed investment might be limited. Looking ahead, we have downgraded our 2019 GDP forecast to -3%.

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**Oil:** The OPEC report released last Friday showed the group increasing oil production from 28.7 mbpd to 29.7mbpd. A large part of that increase, however, came solely from Saudi Arabia, which had boosted production to replenish stockpiles that were drawn down during the drone attacks. Saudi's supply rose from 8.8 mbpd in September to 9.9 mbpd in October; excluding Saudi, the rest of the bloc actually recorded a net decrease in oil supply on-month of about 150 kbpd. Coupled with positive news that China's Vice Premier Liu He had "constructive discussions" with Mnuchin and Lighthizer, oil prices staged a rally last Friday, with Brent rising to \$63.30/bbl (+1.6%).

## Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened last Friday, with the shorter tenors traded 0-4bps higher, while the belly and longer tenors traded around 4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 506bps. The HY-IG Index spread tightened 1bps to 377bps. 10Y UST Yields rose 1bps to 1.83%, rising on fresh hopes on progress of a US-China trade deal. Though this was partially offset by weaker than expected retail sales data for October.

**New Issues:** Zhenjiang Cultural Tourism Industry Group Co., Ltd priced a USD230mn 3-year bond at 7.5%, in line with IPT. Phoenix Charm International Investment Limited (Guarantor: Danyang Investment Group Co., Ltd.) priced a USD205mn 3-year bond at 7.0%, in line with final guidance. TMB Bank Public Company Limited scheduled investor meetings commencing 18 Nov for its proposed USD AT1 Perpetual bond offering. AAC Technologies Holdings Inc scheduled investor meetings commencing 18 Nov for its proposed USD bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.999	-0.17%	<b>USD-SGD</b>	1.3605	-0.11%
<b>USD-JPY</b>	108.800	0.35%	<b>EUR-SGD</b>	1.5035	0.15%
<b>EUR-USD</b>	1.1051	0.26%	<b>JPY-SGD</b>	1.2507	-0.45%
<b>AUD-USD</b>	0.6817	0.46%	<b>GBP-SGD</b>	1.7547	0.01%
<b>GBP-USD</b>	1.2897	0.12%	<b>AUD-SGD</b>	0.9279	0.39%
<b>USD-MYR</b>	4.1525	-0.10%	<b>NZD-SGD</b>	0.8710	0.21%
<b>USD-CNY</b>	7.0081	-0.18%	<b>CHF-SGD</b>	1.3745	-0.29%
<b>USD-IDR</b>	14077	-0.09%	<b>SGD-MYR</b>	3.0507	0.01%
<b>USD-VND</b>	23203	0.00%	<b>SGD-CNY</b>	5.1511	0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4500	-0.50%	<b>O/N</b>	1.5368	-1.20%
<b>2M</b>	-0.3360	-1.20%	<b>1M</b>	1.7333	-0.29%
<b>3M</b>	-0.4040	-0.29%	<b>2M</b>	1.8325	-0.50%
<b>6M</b>	-0.3330	-0.50%	<b>3M</b>	1.9026	-0.58%
<b>9M</b>	-0.1940	-0.58%	<b>6M</b>	1.9185	-0.06%
<b>12M</b>	-0.2690	-0.06%	<b>12M</b>	1.9610	-1.59%

### 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%	4.20%	0.00%	0.00%	4.20%
01/29/2020	0.0%	19.80%	0.00%	0.70%	19.10%
03/18/2020	0.0%	33.40%	0.10%	3.80%	29.50%
04/29/2020	0.0%	43.40%	0.70%	7.70%	35.10%
06/10/2020	0.0%	51.70%	1.70%	11.70%	38.20%
07/29/2020	0.0%	57.70%	2.90%	15.00%	39.50%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.72	1.7%	Corn (per bushel)	3.7125	-1.2%
Brent (per barrel)	63.30	1.6%	Soybean (per bushel)	9.183	2.0%
Heating Oil (per gallon)	1.9480	1.6%	Wheat (per bushel)	5.0275	-1.0%
Gasoline (per gallon)	1.6350	1.2%	Crude Palm Oil (MYR/MT)	2,560.0	--
Natural Gas (per MMBtu)	2.6880	1.5%	Rubber (JPY/KG)	162.2	-0.4%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,849	0.6%	Gold (per oz)	1,468.2	-0.2%
Nickel (per mt)	14,975	-1.2%	Silver (per oz)	16.963	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	28,004.89	222.93
<b>S&amp;P</b>	3,120.46	23.83
<b>Nasdaq</b>	8,540.83	61.81
<b>Nikkei 225</b>	23,303.32	161.77
<b>STI</b>	3,238.86	7.01
<b>KLCI</b>	1,594.75	1.20
<b>JCI</b>	6,128.35	29.40
<b>Baltic Dry</b>	1,357.00	-7.00
<b>VIX</b>	12.05	-1.00

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.48 (+0.01)	1.61 (+0.02)
<b>5Y</b>	1.62 (+0.02)	1.65 (+0.02)
<b>10Y</b>	1.76 (--)	1.83 (+0.01)
<b>15Y</b>	1.88 (+0.01)	--
<b>20Y</b>	2.03 (+0.02)	--
<b>30Y</b>	2.13 (+0.01)	2.30 (--)

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.83	-0.37
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.58
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/18/2019 08:01	UK	Rightmove House Prices MoM	Nov	--	-1.30%	0.60%	--
11/18/2019 08:01	UK	Rightmove House Prices YoY	Nov	--	0.30%	-0.20%	--
11/18/2019 08:30	SI	Non-oil Domestic Exports YoY	Oct	-10.00%	--	-8.10%	--
11/18/2019 08:30	SI	Non-oil Domestic Exports SA MoM	Oct	-0.80%	--	-3.30%	--
11/18/2019 08:30	SI	Electronic Exports YoY	Oct	-25.00%	--	-24.80%	--
11/18/2019 10:30	TH	GDP YoY	3Q	2.70%	--	2.30%	--
11/18/2019 10:30	TH	GDP SA QoQ	3Q	0.10%	--	0.60%	--
11/18/2019 10:30	JN	Tokyo Condominiums for Sale YoY	Oct	--	--	-30.00%	--
11/18/2019 16:30	HK	Unemployment Rate SA	Oct	3.00%	--	2.90%	--
11/18/2019 17:00	EC	ECB's Guindos speaks in Frankfurt					
11/18/2019 19:00	EC	Bundesbank Publishes Monthly Report					
11/18/2019 21:00	EC	ECB's Hernandez de Cos to speak in Madrid					
11/18/2019 21:20	EC	ECB's Lane speaks in Paris					
11/18/2019 23:00	US	NAHB Housing Market Index	Nov	71	--	71	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

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