

Daily Treasury Outlook

18 December 2019

Highlights

Global: Global stocks extended its gain on Tuesday despite renewed concerns about hard Brexit risk. US data remained supportive of risk sentiment. US housing starts rose 3.2% in November to a seasonally adjusted 1.365 million beating market expectation. Meanwhile, October housing data was also revised higher. In addition, US industrial production also rose by stronger than expected 1.1% mom after falling by 0.9% mom in October. The US housing market has regained the momentum since the Fed cut its interest rate three times. This is likely to further support the near term growth outlook. As a result of upbeat data, both Dallas Fed President Kaplan and Boston Fed President Rosengren said there is no need to cut interest rate further in the near term unless the macro outlook deteriorates.

On Brexit, PM Boris Johnson is likely to use his party's majority in Parliament to block any extension of the Brexit transition period beyond 2020 to expedite his trade negotiations with the EU. EU Commission Vice President said the tight timeline for negotiations on a comprehensive trade agreement is rigid. As a result of renewed concern about the potential hard Brexit risk by end 2020, the Pound fell by 1.35% against the dollar.

The Australian dollar was also under pressure as the minutes of its December policy meeting showed that the central bank remained open to another rate cut as early as Feb 2020 due to concerns about weak wage growth.

Market watch: Asian markets are likely to trade flat following the US session. Today, look out for Bank of Thailand benchmark interest rate decision and the CPI data releases in the Eurozone.

Thailand: The Bank of Thailand is highly expected to keep its benchmark rate constant at 1.25% in its monetary policy meeting today. All 23 estimates on Bloomberg (including our forecast) expect no change on the benchmark interest rate today. We maintain our view that the Bank of Thailand has probably reached the conclusion of rate cuts in its current cycle and will look for other methods to limit the baht's appreciation if necessary.

Philippines: Philippine remittances in October rose 8.0% yoy in October, the fastest pace of growth in 2019. Overseas remittances has grown 4.6% year to-date.

Oil: Brent prices closed above \$66/bbl for the first time yesterday since mid-July 2019, excluding the temporary spike in September over the Saudi Arabia drone attacks. Markets continue to adopt a risk-on mentality following the agreement of a phase one trade deal between the US and China last week. The bullish momentum within the oil market appears intact at the moment and may continue rising if there are no setbacks with the signing of the deal.

Key Market Movements		
Equity	Value	% chg
S&P 500	3192.5	0.0%
DJIA	28267	0.1%
Nikkei 225	24066	0.5%
SH Comp	3022.4	1.3%
STI	3200.8	-0.2%
Hang Seng	27844	1.2%
KLCI	1577.0	0.5%
Currencies	Value	% chg
DXY	97.222	0.2%
USDJPY	109.48	-0.1%
EURUSD	1.1150	0.1%
GBPUSD	1.3131	-1.5%
USDIDR	13997	-0.1%
USDSGD	1.355	0.0%
SGDMYR	3.0550	0.0%
Rates	Value	chg (bp)
3M UST	1.54	-0.98
10Y UST	1.88	0.88
1Y SGS	1.74	1.90
10Y SGS	1.75	-0.68
3M LIBOR	1.90	-0.11
3M SIBOR	1.77	0.00
3M SOR	1.53	-0.77
Commodities	Value	% chg
Brent	66.1	1.2%
WTI	60.94	1.2%
Gold	1476	0.0%
Silver	17.01	-0.2%
Palladium	1956	-1.2%
Copper	6200	0.0%
BCOM	80.29	0.1%

Source: Bloomberg

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Major Markets

US: US markets eked out marginal gains last night as positive economic data releases indicated that the US economic outlook might be improving. The S&P500 index was up 0.03%. Following the US-China partial trade deal, the S&P 500 index has been inching higher. Although there are still lingering concerns over the details of the trade deal, barring any downward slide in US-China relations we expect the US markets to continue trending higher. Support for the S&P500 index is expected at the 3100 handle.

Singapore: The STI extended its decline by 0.2% to 3200.8 yesterday. Given the mixed performance on Wall Street yesterday, it is likely that the STI may continue its downward trend in today's session. Separately, MAS sold S\$7.7bn of 84-day bills yesterday that yielded 1.84% with a bid-to-cover ratio of 2.07.

Bond Market Updates

Market Commentary: The SGD swap curve remained mostly unchanged yesterday, with only the 1-year tenor trading 1bps lower and 12-year tenor up 1.5bps while the other tenors were little changed. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 121bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 509bps. The HY-IG Index spread tightened 4bps to 388bps. 10Y UST Yields rose by 1bps to close at 1.88%, due to stronger-than-expected housing and industrial data.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.222	0.21%	USD-SGD	1.3550	0.04%
USD-JPY	109.480	-0.06%	EUR-SGD	1.5110	0.09%
EUR-USD	1.1150	0.05%	JPY-SGD	1.2374	0.04%
AUD-USD	0.6851	-0.49%	GBP-SGD	1.7791	-1.49%
GBP-USD	1.3131	-1.51%	AUD-SGD	0.9283	-0.47%
USD-MYR	4.1425	0.00%	NZD-SGD	0.8908	-0.32%
USD-CNY	6.9969	0.04%	CHF-SGD	1.3824	0.25%
USD-IDR	13997	-0.09%	SGD-MYR	3.0550	0.00%
USD-VND	23175	0.02%	SGD-CNY	5.1619	-0.06%

Equity and Commodity

Index	Value	Net change
DJIA	28,267.16	31.27
S&P	3,192.52	1.07
Nasdaq	8,823.36	9.13
Nikkei 225	24,066.12	113.77
STI	3,200.80	-5.29
KLCI	1,576.95	7.60
JCI	6,244.35	32.76
Baltic Dry	1,281.00	-34.00
VIX	12.29	0.15

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4660	0.10%	O/N	1.5306	0.08%
2M	-0.3360	0.08%	1M	1.7449	0.75%
3M	-0.3960	0.75%	2M	1.8361	-0.07%
6M	-0.3400	-0.07%	3M	1.8985	-0.11%
9M	-0.1940	-0.11%	6M	1.8934	-0.95%
12M	-0.2620	-0.95%	12M	1.9596	-0.43%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.56 (-)	1.62 (-)
5Y	1.60 (-)	1.71 (+0.01)
10Y	1.75 (-0.01)	1.88 (+0.01)
15Y	1.87 (-0.01)	--
20Y	1.95 (-)	--
30Y	2.11 (-)	2.31 (+0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	2.10%	0.00%	0.00%	0.00%	0.00%
18/03/2020	1.90%	9.20%	0.00%	0.00%	9.20%
29/04/2020	1.70%	18.60%	0.00%	1.00%	17.60%
10/06/2020	1.50%	28.50%	0.10%	3.00%	25.30%
29/07/2020	1.30%	38.00%	0.50%	6.10%	31.40%
09/16/2020	1.10%	45.80%	1.20%	9.30%	35.20%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.50	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.62
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.94	1.2%	Corn (per bushel)	3.9000	0.5%
Brent (per barrel)	66.10	1.2%	Soybean (per bushel)	9.288	0.7%
Heating Oil (per gallon)	2.0334	1.4%	Wheat (per bushel)	5.5625	1.2%
Gasoline (per gallon)	1.6857	1.4%	Crude Palm Oil (MYR/MT)	2,849.0	-0.1%
Natural Gas (per MMBtu)	2.3190	-0.9%	Rubber (JPY/KG)	175.8	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,200	0.0%	Gold (per oz)	1,476.2	0.0%
Nickel (per mt)	13,960	-1.7%	Silver (per oz)	17.011	-0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/18/2019 07:30	AU	Westpac Leading Index MoM	Nov	--	--	-0.07%	--
12/18/2019 07:50	JN	Trade Balance	Nov	-¥350.0b	--	¥17.3b	--
12/18/2019 15:05	TH	BoT Benchmark Interest Rate	Dec-18	1.25%	--	1.25%	--
12/18/2019 17:30	UK	CPI YoY	Nov	1.50%	--	1.50%	--
12/18/2019 17:30	UK	CPI MoM	Nov	0.20%	--	-0.20%	--
12/18/2019 17:30	UK	CPI Core YoY	Nov	1.60%	--	1.70%	--
12/18/2019 17:30	UK	PPI Output NSA MoM	Nov	0.10%	--	-0.10%	--
12/18/2019 17:30	UK	PPI Output NSA YoY	Nov	0.80%	--	0.80%	--
12/18/2019 17:30	UK	RPI MoM	Nov	0.10%	--	-0.20%	--
12/18/2019 17:30	UK	RPI YoY	Nov	2.10%	--	2.10%	--
12/18/2019 17:30	UK	Retail Price Index	Nov	290.9	--	290.4	--
12/18/2019 18:00	EC	CPI YoY	Nov F	1.00%	--	0.70%	--
12/18/2019 18:00	EC	CPI MoM	Nov F	-0.30%	--	-0.30%	--
12/18/2019 18:00	EC	CPI Core YoY	Nov F	1.30%	--	1.30%	--
12/18/2019 20:00	US	MBA Mortgage Applications	Dec-13	--	--	3.80%	--

Source: Bloomberg

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