

Daily Treasury Outlook

19 November 2019

Highlights

Global: Global risk appetite is likely to be more muted as market hopes for the US-China trade deal was pared back after a CNBC reported that Beijing was pessimistic. The meeting between US president Trump and Fed chair Powell to discuss the economy, interest rates, low inflation, dollar strength, trade etc was said to be “good and cordial”, but did little to stir markets as Powell “did not discuss his expectations for monetary policy, except to stress that the path of policy will depend entirely on incoming information that bears on the outlook for the economy”. China unexpectedly cut its 7-day repo rate for the first time since 2015 from 2.55% to 2.5%, heightening market speculation that a Loan Prime Rate cut may be next. The S&P eked out small gains, but the UST bond yields ground 1-2bps lower with the 10-year bond yield at 1.81%.

Market watch: Asian markets may drift sideways today with little market catalysts to trade on. Today’s economic data calendar is again lightweight with only US’ housing starts, building permits and FOMC minutes on tap. Fed’s Williams is also speaking.

US: Fed’s Mester, who had dissented against all three rate cuts this year, opined that “policy is now well calibrated to the economy” and “we’re in a good spot”, suggesting that the central bank is now effectively on hold. Meanwhile, Rosengren warned that “I wouldn’t want to distort financial markets to get that outcome” of inflation above 2%. The NAHB homebuilder sentiment eased for the first time in five months to 70 amid cooling buyer traffic. Japan also remained the top foreign holder of UST bonds in September despite paring \$28.9b to \$1.15t.

UK: PM Johnson announced that the corporation tax cut from 19% to 17% due next April will be cancelled to save money to spend on voters’ priorities.

EU: Germany’s BDI industry association and the DGB trade union has called for the government to boost public investments.

China: Both equity and bond market rallied together in China on Monday after PBoC unexpectedly cut its 7-day reverse repo rate for the first time since October 2015 in its open market operation yesterday. The cut together with surprising 1-year MLF injection last week and MLF rate cut in early November showed that PBoC has turned more flexible to support the growth. As such, we expect the LPR fixing tomorrow will decline by at least 5bps. In addition, the news that Trump Administration granted a new 90-day extension for the US companies to continue doing business with Huawei may also add some optimism into the market.

Singapore: Singapore is ranked the top 10th most competitive place for talent, according to the IMD World Talent report.

Key Market Movements

Equity	Value	% chg
S&P 500	3122.0	0.1%
DJIA	28036	0.1%
Nikkei 225	23417	0.5%
SH Comp	2909.2	0.6%
STI	3258.7	0.6%
Hang Seng	26681	1.3%
KLCI	1604.4	0.6%
Currencies	Value	% chg
DXY	97.794	-0.2%
USDJPY	108.68	-0.1%
EURUSD	1.1072	0.2%
GBPUSD	1.2953	0.4%
USDIDR	14081	0.0%
USDSGD	1.3605	0.0%
SGDMYR	3.0536	0.1%
Rates	Value	chg (bp)
3M UST	1.55	-0.78
10Y UST	1.82	-1.55
1Y SGS	1.65	0.00
10Y SGS	1.78	1.86
3M LIBOR	1.90	-0.15
3M SIBOR	1.77	0.00
3M SOR	1.51	0.58
Commodities	Value	% chg
Brent	62.44	-1.4%
WTI	57.05	-1.2%
Gold	1472	0.2%
Silver	17.05	0.5%
Palladium	1739	1.7%
Copper	5830	-0.3%
BCOM	78.32	-1.0%

Source: Bloomberg

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Major Markets

US: US markets edged up slightly, after the US extended a license allowing US companies to do business with Huawei, easing the pessimism from previous reports that China was not ready to sign a trade deal. The S&P 500 index ended the session up 0.1%. Looking ahead, trade headlines will likely continue to drive market sentiment. We expect the S&P 500 index to trade range within the 3090-3150 handles.

Singapore: The STI gained another 0.61% to close at 3258.66 yesterday, but may range trade between 3231-3285 today amid modest overnight gains in Wall Street. With market sentiments now swaying to a more bearish tilt on US-China Phase 1 trade deal, the UST bond market was supported overnight, and this may prompt SGS bonds to potentially unwind yesterday's mild sell-off.

Indonesia: Finance Minister Sri Mulyani said that the deficit for full-year 2019 may reach 2.2% of GDP, the top end of the recently guided range of 2.0-2.2%, when the government noted that the initial target of 1.84% is unlikely to hold. According to Bloomberg, she cited "significant pressure" on the country's industrial sector, which has affected government revenue. Although the total revenue for the first 10 months of 2019 rose 1.2% yoy, it is still only about 70% of the full-year target. Oil and gas sector's contribution was particularly poor, sliding by 9.3% yoy. Deputy Finance Minister Suahasil Nazara said that net bonds issuance, at IDR401.7tn, has already exceeded the full-year target, but the government may issue more bonds or loans if necessary.

Malaysia: PM Mahathir Mohamad said that the recent defeat of Pakatan Harapan ruling coalition in the by-election in the Johor's Tanjung Piai constituency, requires a post-mortem look that is "detailed, serious and frank." The opposition Barisan Nasional candidate won by a majority of more than 15,000 votes. The PM said that he had expected the loss, but by a margin of not more than 2,000 votes.

Thailand: Thailand's Q3 GDP rose 2.4% yoy, coming in below expectations of 2.7% and our estimate of 2.6%. Exports remained in contraction, as largely expected, but the pace of slowdown has declined. Private consumption, however, slid to 4.2% yoy in Q3, marking the fourth consecutive quarter of falling growth in a segment that comprises about 50% of total GDP in Thailand. The falling growth rate in Thailand's household spending shows the stresses of the poor trade numbers – and subsequently the manufacturing industries, especially in electronics and automobiles – are starting to hurt domestic private expenditure. The fiscal stimulus in August and the planned 2.2tn baht budget for 2020 are steps in the right direction to arrest falling growth in consumption, but a turnaround in exports will be sorely needed beyond the reliance on fiscal impulses.

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Hong Kong: Hong Kong's jobless rate rose to 3.1% during the period from Aug 2019 to Oct 2019, the worst since Oct 2017, and unemployment rates may still rise further in the coming months. Social unrest shows no sign of easing, and the business environment for tourism, retail, hotel and catering sectors are likely to worsen. Separately, lingering uncertainties over trade war fears, the employment situation of trade sector might continue to be fragile.

Bond Market Updates

Market Commentary: The SGD swap curve traded higher across the board yesterday, with all tenors around 0-1bps 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 widened 1bps to 507bps. The HY-IG Index spread widened 2bps to 379bps. 10Y UST Yields fell 2bps to 1.82%, after reports citing a government source said the mood in Beijing regarding a US-China trade deal was pessimistic.

New Issues: Agile Group Holdings Limited priced a USD200mn NC5.5-year perpetual bond at 7.75%, tightening from IPT of 8.25% area. Shaanxi Xixian New Area Fengxi New City Development and Construction (Group) Co., Ltd (SBLC Provider: Hua Xia Bank, Xi'an Branch) priced a USD120mn 3-year bond at 3.5%, tightening from IPT of 3.75% area. Korea Expressway Corporation priced a USD200mn 3-year FRN at 3m-US LIBOR+60bps. PCGI Intermediate Holdings Limited scheduled investor calls commencing 18 Nov for its proposed USD 5-year bond issuance. Zhuhai Da Heng Qin Investment Co., Ltd. scheduled investor meetings commencing 19 Nov for its proposed USD bond issuance. Zhenjiang Transportation Industry Group Co., Ltd. scheduled investor meetings commencing 19 Nov for its proposed USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.794	-0.21%	USD-SGD	1.3605	--
USD-JPY	108.680	-0.11%	EUR-SGD	1.5065	0.20%
EUR-USD	1.1072	0.19%	JPY-SGD	1.2519	0.10%
AUD-USD	0.6811	-0.09%	GBP-SGD	1.7623	0.43%
GBP-USD	1.2953	0.43%	AUD-SGD	0.9260	-0.20%
USD-MYR	4.1560	0.08%	NZD-SGD	0.8706	-0.05%
USD-CNY	7.0261	0.26%	CHF-SGD	1.3748	0.02%
USD-IDR	14081	0.03%	SGD-MYR	3.0536	0.10%
USD-VND	23205	0.01%	SGD-CNY	5.1629	0.23%

Equity and Commodity

Index	Value	Net change
DJIA	28,036.22	31.33
S&P	3,122.03	1.57
Nasdaq	8,549.94	9.11
Nikkei 225	23,416.76	113.44
STI	3,258.66	19.80
KLCI	1,604.36	9.61
JCI	6,122.63	-5.72
Baltic Dry	1,357.00	--
VIX	12.46	0.41

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4500	-0.30%	O/N	1.5368	0.97%
2M	-0.3360	0.97%	1M	1.7333	-2.93%
3M	-0.4040	-2.93%	2M	1.8325	-0.82%
6M	-0.3330	-0.82%	3M	1.9026	-0.15%
9M	-0.1940	-0.15%	6M	1.9185	-0.31%
12M	-0.2690	-0.31%	12M	1.9610	-1.01%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.49 (+0.01)	1.60 (-0.01)
5Y	1.63 (+0.01)	1.64 (-0.01)
10Y	1.78 (+0.02)	1.82 (-0.02)
15Y	1.90 (+0.01)	--
20Y	2.04 (+0.01)	--
30Y	2.15 (+0.02)	2.30 (-0.01)

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%	21.70%	0.00%	0.80%	21.00%
03/18/2020	0.0%	34.60%	0.10%	4.10%	30.40%
04/29/2020	0.0%	44.10%	0.70%	7.90%	35.50%
06/10/2020	0.0%	53.70%	1.90%	12.60%	39.00%
07/29/2020	0.0%	59.70%	3.30%	16.00%	39.90%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	0.17
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.59
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.05	-1.2%	Corn (per bushel)	3.6775	-0.9%
Brent (per barrel)	62.44	-1.4%	Soybean (per bushel)	9.103	-0.9%
Heating Oil (per gallon)	1.9047	-2.2%	Wheat (per bushel)	5.0725	0.9%
Gasoline (per gallon)	1.6210	-0.9%	Crude Palm Oil (MYR/MT)	2,494.0	-2.6%
Natural Gas (per MMBtu)	2.5660	-4.5%	Rubber (JPY/KG)	162.2	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,830	-0.3%	Gold (per oz)	1,471.5	0.2%
Nickel (per mt)	14,845	-0.9%	Silver (per oz)	17.046	0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/19/2019	PH	BoP Overall	Oct	--	--	\$38m	--
11/19/2019	HK	Composite Interest Rate	Oct	--	--	1.02%	--
11/19/2019 05:00	US	Net Long-term TIC Flows	Sep	--	\$49.5b	-\$41.1b	-\$41.2b
11/19/2019 05:00	US	Total Net TIC Flows	Sep	--	-\$37.6b	\$70.5b	\$41.9b
11/19/2019 05:45	NZ	PPI Output QoQ	3Q	--	1.00%	0.50%	0.40%
11/19/2019 10:00	NZ	Non Resident Bond Holdings	Oct	--	--	53.00%	--
11/19/2019 17:00	IT	Industrial Orders MoM	Sep	--	--	1.10%	--
11/19/2019 17:00	IT	Industrial Orders NSA YoY	Sep	--	--	-10.00%	--
11/19/2019 21:00	HU	Central Bank Rate Decision	Nov-19	0.90%	--	0.90%	--
11/19/2019 21:30	US	Housing Starts	Oct	1320k	--	1256k	--
11/19/2019 21:30	US	Building Permits	Oct	1385k	--	1387k	--
11/19/2019 22:00	US	Fed's Williams Speaks at Capital Markets Conference					

Source: Bloomberg

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