

## Daily Treasury Outlook

19 December 2019

### Highlights

**Global:** Global risk sentiment continued to hold on though the US equity market paused its gains after Fedex shares fell by 10% due to lower profit forecast for 2020. The impeachment debate overnight before the official vote this morning is likely to have limited impact on the market as the vote was mostly adopted on partisan lines. The result is unlikely to change how the Fed assesses the economy as well as the progress of US-China trade talk.

Two more Fed officials joined their colleagues sharing the optimistic outlook on the US economy yesterday. Chicago Fed official Evans said the economy is doing remarkably well. Meanwhile, New York Fed President John Williams also expects the US economy to grow by about 2% in 2020 while the unemployment rate will stay close to its current 3.5% level.

In Europe, the IFO business climate index rose to 96.3 in December from an upwardly revised 95.1 in November, the highest since June. The higher than expected business morale shows the improving confidence in the outlook, thanks to falling tail risks including the US-China trade war and UK election.

**Market watch:** For today, market focus will shift back to central banks. The Bank of Japan is expected to keep monetary policy intact but the market will watch out for its outlook on the economy. The Bank of England is unlikely to change its interest rate but the focus will be whether it may hint a potential rate cut in early 2020. Elsewhere, Sweden may consider exiting its negative interest rate policy.

**China:** In China, the PBoC injected CNY200 billion liquidity via 7-day and 14-day reverse repo. The 14-day reverse repo rate was cut by 5bps after it cut 7-day reverse repo rate by 5bps in November. The rate cut was the catch-up move for the longer tenor. The liquidity injection showed the central bank remain flexible to keep its money market rate volatility in check to meet year-end demand.

**Thailand:** The Bank of Thailand kept its benchmark interest rate constant at 1.25% in yesterday's monetary policy meeting, as widely expected. 23/23 economists polled on Bloomberg, including us, all expected no change in the benchmark rate. 2020 GDP growth was downgraded from 3.3% to 2.8%, bringing the estimate closer to our forecast of 2.9%. We maintain the view that barring any deterioration in US-China trade relations or a worsening in the domestic political stability, the Bank of Thailand is expected to keep its benchmark rate constant through 2020.

**Oil:** Oil prices rose yesterday after the EIA reported that US crude oil inventories fell 1.1mil barrels last week. An increase in crude exports last week - the highest since October - contributed to the decline in inventories. Brent closed above \$66/bbl for the second consecutive session at \$66.17/bbl.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3191.1	0.0%
DJIA	28239	-0.1%
Nikkei 225	23934	-0.5%
SH Comp	3017.0	-0.2%
STI	3209.5	0.3%
Hang Seng	27884	0.1%
KLCI	1599.1	1.4%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.400	0.2%
USDJPY	109.55	0.1%
EURUSD	1.1114	-0.3%
GBPUSD	1.3078	-0.4%
USDIDR	13990	-0.1%
USDSGD	1.3553	0.0%
SGDMYR	3.0523	-0.1%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.55	1.27
10Y UST	1.92	3.68
1Y SGS	1.74	0.10
10Y SGS	1.73	-1.97
3M LIBOR	1.90	0.40
3M SIBOR	1.77	0.00
3M SOR	1.53	-0.14
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	66.17	0.1%
WTI	60.93	0.0%
Gold	1475	-0.1%
Silver	17.02	0.0%
Palladium	1923	-1.7%
Copper	6175	-0.4%
BCOM	80.14	-0.2%

Source: Bloomberg

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### Major Markets

**US:** US markets closed slightly lower last night as investors continued to remain on the sidelines with little reason to bid prices higher. The S&P500 index closed 0.04% lower. For today, investors' focus will most likely be on the impeachment process against Trump with the House expected to end with votes to impeach Trump. However, with the impeachment not likely to be passed in the Senate, we think that there would not be any huge downside risks due to the impeachment process.

**Singapore:** The STI rose 0.3% yesterday to record its first daily gain in four sessions. The benchmark equity index is expected, however, to continue trading in a muted range as we approach year-end, as uncertainties from Trump's impeachment and a trade deal that is yet to be signed continue to pressure the market. Today's session might prove to be subdued following Wall Street's first daily loss in six sessions last night.

### Bond Market Updates

**Market Commentary:** The SGD swap curve remained mostly unchanged yesterday, with only the 1-year tenor trading 1bps higher while the other tenors were little changed. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 120bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 501bps. The HY-IG Index spread tightened 8bps to 380bps. 10Y UST Yields rose by 4bps to close at 1.91%, due to positive investor sentiments from recent positive economic news and investors shrugging off the likely impeachment of President Trump.

**New Issues:** Yincheng International Holding Co., Ltd priced a USD100mn 1-year bond at 12.5%. Yango Cayman Investment Ltd priced a USD62mn re-tap of its existing YANGOG 12.5%'21s at 12.5%.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.400	0.18%	<b>USD-SGD</b>	1.3553	0.02%
<b>USD-JPY</b>	109.550	0.06%	<b>EUR-SGD</b>	1.5064	-0.30%
<b>EUR-USD</b>	1.1114	-0.32%	<b>JPY-SGD</b>	1.2370	-0.03%
<b>AUD-USD</b>	0.6853	0.03%	<b>GBP-SGD</b>	1.7725	-0.37%
<b>GBP-USD</b>	1.3078	-0.40%	<b>AUD-SGD</b>	0.9289	0.06%
<b>USD-MYR</b>	4.1388	-0.07%	<b>NZD-SGD</b>	0.8931	0.26%
<b>USD-CNY</b>	7.0050	0.11%	<b>CHF-SGD</b>	1.3823	-0.01%
<b>USD-IDR</b>	13990	-0.05%	<b>SGD-MYR</b>	3.0523	-0.09%
<b>USD-VND</b>	23174	0.00%	<b>SGD-CNY</b>	5.1669	0.10%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	28,239.28	-27.88
<b>S&amp;P</b>	3,191.14	-1.38
<b>Nasdaq</b>	8,827.73	4.38
<b>Nikkei 225</b>	23,934.43	-131.69
<b>STI</b>	3,209.54	8.74
<b>KLCI</b>	1,599.11	22.16
<b>JCI</b>	6,287.25	42.90
<b>Baltic Dry</b>	1,281.00	--
<b>VIX</b>	12.58	0.29

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4650	-0.10%	<b>O/N</b>	1.5356	0.50%
<b>2M</b>	-0.3360	0.50%	<b>1M</b>	1.7639	1.90%
<b>3M</b>	-0.4000	1.90%	<b>2M</b>	1.8405	0.44%
<b>6M</b>	-0.3420	0.44%	<b>3M</b>	1.9025	0.40%
<b>9M</b>	-0.1940	0.40%	<b>6M</b>	1.9046	1.13%
<b>12M</b>	-0.2630	1.13%	<b>12M</b>	1.9684	0.88%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.56 (-)	1.63 (+0.01)
<b>5Y</b>	1.58 (-0.01)	1.73 (+0.03)
<b>10Y</b>	1.73 (-0.02)	1.92 (+0.04)
<b>15Y</b>	1.85 (-0.02)	--
<b>20Y</b>	1.93 (-0.02)	--
<b>30Y</b>	2.09 (-0.02)	2.35 (+0.04)

### 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%	10.40%	0.00%	0.00%	10.40%
29/04/2020	1.70%	19.50%	0.00%	1.10%	18.40%
10/06/2020	1.50%	28.50%	0.10%	3.10%	25.30%
29/07/2020	1.30%	36.60%	0.50%	5.60%	30.50%
09/16/2020	1.20%	44.90%	1.20%	9.00%	34.70%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.28	-0.82
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.54
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.93	0.0%	Corn (per bushel)	3.8700	-0.8%
Brent (per barrel)	66.17	0.1%	Soybean (per bushel)	9.285	0.0%
Heating Oil (per gallon)	2.0203	-0.6%	Wheat (per bushel)	5.4825	-1.4%
Gasoline (per gallon)	1.6838	-0.1%	Crude Palm Oil (MYR/MT)	2,835.0	-0.5%
Natural Gas (per MMBtu)	2.2860	-1.4%	Rubber (JPY/KG)	175.2	-0.3%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	6,175	-0.4%	Gold (per oz)	1,475.4	-0.1%
Nickel (per mt)	13,870	-0.6%	Silver (per oz)	17.017	0.0%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/19/2019	ID	Bank Indonesia 7D Reverse Repo	Dec-19	5.00%	--	5.00%	--
12/19/2019	PH	BoP Overall	Nov	--	--	\$163m	--
12/19/2019	JN	BOJ Policy Balance Rate	Dec-19	-0.10%	--	-0.10%	--
12/19/2019 05:45	NZ	GDP SA QoQ	3Q	0.50%	0.70%	0.50%	0.10%
12/19/2019 08:30	AU	Unemployment Rate	Nov	5.30%	--	5.30%	--
12/19/2019 16:00	TA	CBC Benchmark Interest Rate	Dec-19	1.38%	--	1.38%	--
12/19/2019 17:30	UK	Retail Sales Inc Auto Fuel MoM	Nov	0.20%	--	-0.10%	--
12/19/2019 17:30	UK	Retail Sales Ex Auto Fuel YoY	Nov	2.00%	--	2.70%	--
12/19/2019 17:30	UK	Retail Sales Inc Auto Fuel YoY	Nov	2.10%	--	3.10%	--
12/19/2019 20:00	UK	Bank of England Bank Rate	Dec-19	0.75%	--	0.75%	--
12/19/2019 20:00	UK	BOE Asset Purchase Target	Dec	435b	--	435b	--
12/19/2019 21:30	US	Initial Jobless Claims	Dec-14	225k	--	252k	--
12/19/2019 21:30	US	Current Account Balance	3Q	-\$122.0b	--	-\$128.2b	--
12/19/2019 23:00	US	Existing Home Sales	Nov	5.44m	--	5.46m	--
12/19/2019 23:00	US	Leading Index	Nov	0.10%	--	-0.10%	--

Source: Bloomberg

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