

Daily Treasury Outlook

20 September 2019

Highlights

Global: Amid the flurry of central bank meetings yesterday, Wall Street largely treaded water. BOJ's Kuroda said the central bank will review economy and inflation at the October meeting, but won't allow yields to fall for a prolonged period, whilst BOE and CBC were static and BI cut 25bps as expected and still sounded dovish. The UST bonds extended gains, grinding the 10-year yield down to 1.78%. On the US-China trade front, rhetoric remains mixed with White House adviser Kudlow opining there is a "little softening" in the mood, whereas another adviser Michael Pillsbury warning that tariffs can be raised higher to 50% or 100% and there are other options involving the financial markets and Wall Street.

Market Watch: Asian markets may trade sideways today while awaiting China's Loan Prime Rate fixings later. Today is the quadruple witching day for US markets with the quarterly expiration of futures and options on indexes and stocks, where market volatility can arise. US and Chinese officials also continue low-level talks. Another light economic data today comprising of Thai trade data, German PPI, Malaysia's foreign reserves, HK CPI and Eurozone's consumer confidence. ECB's Rimsevics and Visco, Fed's Williams, Rosengren and Kaplan are also speaking.

US: The New York Fed announced another \$75b overnight repo operation for today, following \$75b each for the last two days and \$53.2b on Tuesday, suggesting that the so-called technical factors (corporate tax payments, supply issuance glut and UST inventories) had not fully resolved. Meanwhile, existing home sales surged 1.3% mom to a 5.49m annual rate, the fastest since March 2018, with the median sales price also up 4.7% yoy to \$278.2k. Initial jobless claims also rose 2k to 208k.

EU: EC president Juncker commented that he is doing "everything" to prevent a no-deal Brexit and this lifted the GBP. BOE flagged that political uncertainty regarding Brexit may entrench inflation below potential, while the OECD warned that a no-deal Brexit would push the UK economy into a recession.

Singapore: MAS will re-open \$3b of the 2-year SGS bond and \$800m of the 20-year SGS bonds for auction on 26 September.

Oil: Prices of Brent crude oil rebounded to \$64.40/bbl yesterday, after two consecutive days of declines following the surge in prices on Monday. A Texas storm has reportedly shut down several key refineries along the Gulf, which may explain the rebound in prices. There is also breaking news that a Saudi-led coalition has launched military operations against military targets in North Yemen, which is likely to add upward pressure on oil prices in the short-term.

Key Market Movements		
Equity	Value	% chg
S&P 500	3006.8	0.0%
DJIA	27095	-0.2%
Nikkei 225	22044	0.4%
SH Comp	2999.3	0.5%
STI	3158.8	-0.3%
Hang Seng	26469	-1.1%
KLCI	1596.3	-0.2%
Currencies	Value	% chg
DXY	98.272	-0.3%
USDJPY	108.02	-0.4%
EURUSD	1.1041	0.1%
GBPUSD	1.2526	0.4%
USDIDR	14063	0.0%
USDSGD	1.3787	0.3%
SGDMYR	3.0437	0.0%
Rates	Value	chg (bp)
3M UST	1.92	-1.29
10Y UST	1.78	-1.21
1Y SGS	1.86	0.00
10Y SGS	1.75	-0.87
3M LIBOR	2.16	-0.83
3M SIBOR	1.88	0.00
3M SOR	1.75	-4.60
Commodities	Value	% chg
Brent	64.4	1.3%
WTI	58.13	0.0%
Gold	1499	0.3%
Silver	17.79	0.2%
Palladium	1620	1.8%
Copper	5788	-0.4%
BCOM	79.40	-0.1%

Source: Bloomberg

Daily Treasury Outlook

20 September 2019

Major Markets

US: US markets were mixed last night, with the S&P 500 index making gains early in the session on Kudlow's optimism about the US-CN trade talks, before paring gains to close the session unmoved as Pillsbury's warning of the possibility of trade escalation rattled investors. US quadruple witching happens tonight, which will likely result in some market volatility. Looking ahead, investors will be watching several Fed speeches tonight for any hints of policy going forward. We expect the S&P 500 index to continue to see resistance around the 3020 area.

Singapore: The STI declined by 0.25% to close at 3158.80 yesterday and may continue to face consolidative pressure in the interim with the absence of any catalysts. STI's support and resistance are tipped at 3135 and 3194 respectively. With the bullish steepening of the UST bond yield curve, SGS bonds may extend gains today. MAS also sold \$3.7b of 6-month bills at 1.83%.

Indonesia: Bank Indonesia cut its policy rate by 25bps to 5.25%, as expected by us and consensus. Going into the meeting, there were some concerns that oil price volatility and FOMC hawkishness might compel them to pause. However, as it turned out, BI focused predominantly on domestic factors including low inflation and the need to boost the growth momentum. BI has also loosened macroprudential measures, including lower down payment requirements for property and vehicle loans.

Malaysia: The state-owned oil & gas company, Petronas, is due to hold press conference for its H1 financial results this morning. Attention might be paid to its financial performance, given the linkages to the government budget. Elsewhere, foreign reserves data for the first half of September is due out today.

Thailand: A poll of estimates on Bloomberg are forecasting a yoy decline of -2.0% in Thailand's August exports, due to be reported today. Another depressed export figure is likely to add pressure on the Bank of Thailand to reduce its benchmark interest rate sooner rather than later.

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20 September 2019

Bond Market Updates

Market Commentary: The SGD swap curve bear-flattened yesterday, with the shorter tenors traded 1-2bps higher (with the exception of the 1-year tenor which was 1bps lower), while the longer tenors (>5yr) traded 0-1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 525bps. 10Y USTs yields fell 1bps to 1.79%, after the New York Federal Reserve conducted a repurchase agreement (repo) operation for the third consecutive day to stabilize funding costs in the money markets. This was compounded by concerns about escalating tensions between the US and Iran. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -12bps.

New Issues: Greenland Global Investment Ltd (Guarantor: Greenland Holding Group Co., Ltd) has priced a USD500mn 4-year bond at 6.75% (6.85% at 99.48 reoffer), tightening from IPT of 7.2% area. Chongqing International Logistics Hub Park Construction Co., Ltd has priced a USD500mn 5-year bond at 4.3%, tightening from IPT of 4.5% area. Xi'An Qujiang Culture Holdings Co., Ltd has priced a USD200mn 3-year bond at 6.0%, tightening from IPT of 6.3% area. Zhongliang Holdings Group Co. Ltd has priced a USD300mn 2-year bond at 11.5% (12.0% at 99.134 reoffer), in line with final guidance. Hilong Holding Ltd has priced a USD200mn 3-year bond at 8.25% (8.45% at 99.48 reoffer), tightening from IPT of 8.875% area. STT GDC Pte Ltd has priced a SGD225mn 5-year bond at 3.59%, tightening from IPT of 3.65% area. Red Star Macalline Holding Group Co has scheduled investor calls commencing on 19 Sep for its potential guaranteed USD bond issuance.

Daily Treasury Outlook

20 September 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.272	-0.29%	USD-SGD	1.3787	0.28%
USD-JPY	108.020	-0.40%	EUR-SGD	1.5223	0.38%
EUR-USD	1.1041	0.10%	JPY-SGD	1.2761	0.59%
AUD-USD	0.6792	-0.53%	GBP-SGD	1.7270	0.64%
GBP-USD	1.2526	0.43%	AUD-SGD	0.9366	-0.24%
USD-MYR	4.1918	0.16%	NZD-SGD	0.8689	-0.08%
USD-CNY	7.0965	0.15%	CHF-SGD	1.3888	0.70%
USD-IDR	14063	-0.01%	SGD-MYR	3.0437	0.01%
USD-VND	23211	--	SGD-CNY	5.1398	-0.25%

Equity and Commodity

Index	Value	Net change
DJIA	27,094.79	-52.29
S&P	3,006.79	0.06
Nasdaq	8,182.88	5.49
Nikkei 225	22,044.45	83.74
STI	3,158.80	-8.04
KLCI	1,596.28	-3.21
JCI	6,244.47	-32.16
Baltic Dry	2,266.00	--
VIX	14.05	0.10

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	-0.20%	O/N	2.1853	3.04%
2M	-0.3360	3.04%	1M	2.0443	-1.28%
3M	-0.3960	-1.28%	2M	2.1334	-0.84%
6M	-0.3690	-0.84%	3M	2.1559	-0.83%
9M	-0.1940	-0.83%	6M	2.0815	-0.37%
12M	-0.3060	-0.37%	12M	2.0645	-0.09%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (+0.02)	1.74 (-0.02)
5Y	1.66 (-0.01)	1.66 (-0.02)
10Y	1.75 (-0.01)	1.78 (-0.01)
15Y	1.83 (-0.02)	--
20Y	1.94 (-0.02)	--
30Y	2.10 (-0.02)	2.23 (-0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.00-1.25%	1.25-1.50%	1.5-1.75%
09/18/2019	0.0%	100.0%	0.0%	42.4%	57.6%
10/30/2019	0.0%	100.0%	0.0%	49.5%	30.6%
12/11/2019	0.0%	100.0%	7.8%	42.1%	18.6%
01/29/2020	0.0%	100.0%	14.1%	35.9%	13.7%
03/18/2020	0.0%	100.0%	18.4%	31.1%	10.8%
04/29/2020	0.0%	100.0%	21.4%	27.3%	8.8%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.77	-0.65
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.55
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.13	0.0%	Corn (per bushel)	3.7275	0.4%
Brent (per barrel)	64.40	1.3%	Soybean (per bushel)	8.930	0.5%
Heating Oil (per gallon)	2.0049	1.6%	Wheat (per bushel)	4.8800	-0.3%
Gasoline (per gallon)	1.7007	2.6%	Crude Palm Oil (MYR/MT)	2,181.0	-0.8%
Natural Gas (per MMBtu)	2.5380	-3.8%	Rubber (JPY/KG)	170.0	-0.6%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,788	-0.4%	Gold (per oz)	1,499.0	0.3%
Nickel (per mt)	17,280	0.5%	Silver (per oz)	17.790	0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/20/2019 07:30	JN Natl CPI YoY	Aug 0.30%	0.30%	0.50%	--
09/20/2019 07:30	JN Natl CPI Ex Fresh Food YoY	Aug 0.50%	0.50%	0.60%	--
09/20/2019 09:30	CH 1-Year Loan Prime Rate	Sep 4.2	--	4.25	--
09/20/2019 09:30	CH 5-Year Loan Prime Rate	Sep 4.8	--	4.85	--
09/20/2019 11:00	NZ Credit Card Spending YoY	Aug --	--	5.00%	--
09/20/2019 11:30	TH Customs Exports YoY	Aug -2.00%	--	4.28%	--
09/20/2019 15:00	MA Foreign Reserves	Sep-13 --	--	\$103.5b	--
09/20/2019 15:30	TH Foreign Reserves	Sep-13 --	--	\$220.9b	--
09/20/2019 16:00	TA Export Orders YoY	Aug -2.60%	--	-3.00%	--
09/20/2019 16:30	HK CPI Composite YoY	Aug 3.10%	--	3.30%	--
09/20/2019 20:30	CA Retail Sales MoM	Jul 0.60%	--	0.00%	--
09/20/2019 20:30	CA Retail Sales Ex Auto MoM	Jul 0.30%	--	0.90%	--
09/20/2019 22:00	EC Consumer Confidence	Sep A -7	--	-7.1	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Strategy & Research*LinaSSSelena@ocbc.com**Emmanuel Ng***Senior FX Strategist*NqCYEmmanuel@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

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