

Daily Treasury Outlook

20 November 2019

Highlights

Global: In a relatively slow day, market sentiment consolidated overnight. The US equity market fell from the record high as weak sales forecasts from chain store and department store operators fuelled worries about the negative impact of trade war on consumer spending. The progress of US-China trade talk continued to stall with President Trump reiterating on Tuesday that the US would increase tariffs on Chinese imports if trade deal is not reached.

Market watch: For today, market will continue to digest the possible impact of US Senate's Hong Kong bill. Meanwhile, market will also watch out for a few central bank events including China's LPR fixing, ECB financial stability review and the release of FOMC minutes.

US: Two US Congress bills passed over the past few hours may be the focus of today. On the positive side, the US House passed a bill extending temporary funding through 20 Dec to avert a widespread government shutdown that would have taken place later this week without it. The bill will go to Senate and is expected to be passed before midnight Thursday. On the flip side, the US Senate passed the Hong Kong Human Rights bill, one month after the House passed a similar bill. The two versions will be consolidated before going to President Trump to be signed into law. Given that the bills were passed unanimously in both chambers, a presidential veto could be overridden. China has previously warned that it will retaliate should the bill become law. The HK bill is likely to cloud the outlook of US-China trade talks.

UK: PM Johnson and Jeremy Corbyn had their first direct election face-off in a head-to-head debate. Corbyn was deemed to have outperformed expectations, coming only 2 points behind Johnson in a post-debate YouGov poll – a much narrower gap than before. Johnson's main pitch was getting a Brexit done by 31 Jan, while Corbyn focused on the policies he would implement if he wins.

China: PBoC Governor Yi Gang said yesterday that China will further step up its counter-cyclical measures to support the real economy. Meanwhile, PBoC also held the meeting with CEOs from big Chinese banks to boost the credit support to bring down the funding costs.

Singapore: Trade and Industry minister Chan Chun Sing lauded the EU and German companies for using Singapore as their regional headquarters and encouraged them to build on these foundations. He also opined that they should continue to use Singapore as launchpad into other ASEAN markets. Lastly, he touted Singapore as a stable environment for businesses amid an increasingly volatile landscape globally and called for the EU and ASEAN nations to work together to "uphold the open and rules-based global trading system".

Key Market Movements

Equity	Value	% chg
S&P 500	3120.2	-0.1%
DJIA	27934	-0.4%
Nikkei 225	23293	-0.5%
SH Comp	2934.0	0.9%
STI	3238.9	-0.6%
Hang Seng	27094	1.5%
KLCI	1605.3	0.1%
Currencies	Value	% chg
DXY	97.856	0.1%
USDJPY	108.54	-0.1%
EURUSD	1.1078	0.1%
GBPUSD	1.2926	-0.2%
USIDR	14091	0.1%
USDSGD	1.3609	0.0%
SGDMYR	3.0555	0.1%
Rates	Value	chg (bp)
3M UST	1.55	0.04
10Y UST	1.78	-3.27
1Y SGS	1.65	-0.10
10Y SGS	1.76	-1.64
3M LIBOR	1.90	-0.41
3M SIBOR	1.76	-0.38
3M SOR	1.49	-1.71
Commodities	Value	% chg
Brent	60.91	-2.5%
WTI	55.21	-3.2%
Gold	1472	0.1%
Silver	17.15	0.6%
Palladium	1765	1.5%
Copper	5875	0.8%
BCOM	77.86	-0.6%

Source: Bloomberg

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Major Markets

US: US markets slid slightly last night, as disappointing results from US retailers suggest that economic growth remains soft. The S&P 500 index ended the session down 0.1%. In the day ahead, markets are likely to remain cautious after the passing of the Hong Kong bill in the US Senate, with investors possibly remaining on the sidelines as they wait to see China's reaction. We expect the pullback in the S&P 500 index to continue in the immediate near term, with initial resistance possibly seen at the 3100 handle.

Indonesia: SOE Minister Erick Thohir has reportedly dismissed all his deputies, paving the way for his bid to reduce the number of deputies from 7 to 3 in the name of improving the efficiency and effectiveness of the ministry. Elsewhere, Bahlia Lahadalia, the chairman of the Investment Coordinating Agency, said the president has agreed to transfer the rights to decide tax incentive eligibility, as part of plan to boost ease of doing business and attract more investment into the country.

Malaysia: Headline CPI inflation for the month of October is due out today. It is expected to print a relatively mild 1.0% yoy, compared to 1.1%yoy before. We expect inflation pressure to stay largely contained, even though there might be a relative pick-up next year due to potential fuel subsidy rationalization.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday (other than the 7-year tenor which traded 3bps higher), with the shorter tenors 1-2bps lower, while the belly and longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 129bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 509bps. The HY-IG Index spread widened 1bps to 380bps. 10Y UST Yields fell 3bps to 1.78%, with US and China still debating on the amount of tariff rollback as part of their phase one trade deal.

New Issues: PCGI Intermediate Holdings (II) Limited (Guarantor: PCGI Intermediate Holdings Limited) priced a USD250mn 5-year bond at 5.5%, in line with IPT. China Development Bank Corporation of Hong Kong priced a USD250mn re-tap of its existing SDBC Float '24s at 3m-US LIBOR+64bps. Housing & Development Board priced a SGD700mn 5-year bond at 1.75%, in line with price guidance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.856	0.06%	USD-SGD	1.3609	0.03%
USD-JPY	108.540	-0.13%	EUR-SGD	1.5076	0.07%
EUR-USD	1.1078	0.05%	JPY-SGD	1.2539	0.16%
AUD-USD	0.6828	0.25%	GBP-SGD	1.7590	-0.19%
GBP-USD	1.2926	-0.21%	AUD-SGD	0.9291	0.33%
USD-MYR	4.1570	0.02%	NZD-SGD	0.8751	0.52%
USD-CNY	7.0276	0.02%	CHF-SGD	1.3740	-0.06%
USD-IDR	14091	0.07%	SGD-MYR	3.0555	0.06%
USD-VND	23201	-0.02%	SGD-CNY	5.1654	0.05%

Equity and Commodity

Index	Value	Net change
DJIA	27,934.02	-102.20
S&P	3,120.18	-1.85
Nasdaq	8,570.66	20.72
Nikkei 225	23,292.65	-124.11
STI	3,238.87	-19.79
KLCI	1,605.31	0.95
JCI	6,152.09	29.47
Baltic Dry	1,338.00	--
VIX	12.86	0.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4550	0.20%	O/N	1.5354	-0.14%
2M	-0.3360	-0.14%	1M	1.7236	-0.96%
3M	-0.4030	-0.96%	2M	1.8360	0.35%
6M	-0.3380	0.35%	3M	1.8985	-0.41%
9M	-0.1940	-0.41%	6M	1.9189	0.04%
12M	-0.2670	0.04%	12M	1.9534	-0.76%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.47 (-0.02)	1.60 (-)
5Y	1.61 (-0.02)	1.62 (-0.01)
10Y	1.76 (-0.02)	1.78 (-0.03)
15Y	1.88 (-0.02)	--
20Y	2.01 (-0.03)	--
30Y	2.10 (-0.05)	2.25 (-0.05)

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%	4.10%	0.00%	0.00%	4.10%
01/29/2020	0.0%	23.70%	0.00%	0.80%	22.80%
03/18/2020	0.0%	38.60%	0.20%	5.10%	33.30%
04/29/2020	0.0%	49.90%	1.10%	10.30%	38.50%
06/10/2020	0.0%	59.40%	2.80%	15.60%	40.70%
07/29/2020	0.0%	65.10%	4.60%	19.20%	40.70%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.27	0.17
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.21	-3.2%	Corn (per bushel)	3.7000	0.6%
Brent (per barrel)	60.91	-2.5%	Soybean (per bushel)	9.115	0.1%
Heating Oil (per gallon)	1.8574	-2.5%	Wheat (per bushel)	5.1200	0.9%
Gasoline (per gallon)	1.6037	-1.1%	Crude Palm Oil (MYR/MT)	2,519.0	1.0%
Natural Gas (per MMBtu)	2.5100	-2.2%	Rubber (JPY/KG)	162.1	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,875	0.8%	Gold (per oz)	1,472.5	0.1%
Nickel (per mt)	14,690	-1.0%	Silver (per oz)	17.151	0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/20/2019 05:00	SK PPI YoY	Oct	--	-0.60%	-0.70%
11/20/2019 07:30	AU Westpac Leading Index MoM	Oct	--	-0.07%	-0.08%
11/20/2019 07:50	JN Trade Balance	Oct	¥229.3b	¥17.3b	-¥123.0b
11/20/2019 07:50	JN Trade Balance Adjusted	Oct	¥248.1b	-¥34.7b	-¥97.2b
11/20/2019 07:50	JN Exports YoY	Oct	-7.50%	-9.20%	-5.20%
11/20/2019 10:00	TH Bank of Thailand's MPC Minutes				
11/20/2019 12:00	MA CPI YoY	Oct	1.00%	--	1.10%
11/20/2019 15:00	GE PPI YoY	Oct	-0.40%	--	-0.10%
11/20/2019 15:00	GE PPI MoM	Oct	0.00%	--	0.10%
11/20/2019 16:00	TA Export Orders YoY	Oct	-4.50%	--	-4.90%
11/20/2019 16:00	SI Automobile COE Open Bid Cat A	Nov-20	--	--	30000
11/20/2019 16:00	SI Automobile COE Open Bid Cat B	Nov-20	--	--	40009
11/20/2019 16:00	SI Automobile COE Open Bid Cat E	Nov-20	--	--	40101
11/20/2019 17:00	EC ECB Publishes Financial Stability Review				
11/20/2019 20:00	US MBA Mortgage Applications	Nov-15	--	--	9.60%

Source: Bloomberg

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