

## Daily Treasury Outlook

21 November 2019

### Highlights

**Global:** Risk sentiment turned sour on Wednesday after the US Congress expedited the Hong Kong Human Rights and Democracy bill. The US House passed the Senate version of the bill in a nearly unanimous vote last night one day after the Senate unanimously passed the bill. The bill will be sent to President Trump, who needs to decide within 10 days whether he wants to veto or sign into the law. Given the bill has been passed almost unanimously, the Congress could be able to override Trump's veto. Although the direct impact of the bill on Hong Kong economy is limited, the market will look at China's reaction in the coming days. The bill has clouded the outlook of US-China trade talk. Meanwhile, a Reuters' report states that completion of a phase one trade deal could be delayed to next year, quoting experts close to the White House.

**Market watch:** The October FOMC meeting minutes suggest that the Fed's mid-cycle adjustment is done for now. The minutes showed that "some" policymakers were against the rate reduction in October, viewing the economic outlook as favorable and preferring to take a wait and see approach to assess the impact of previous easing measures. The probability of a December rate cut has fallen to below 5%. The Fed is expected to hold its benchmark rate in the coming months unless there is a material change of economic outlook.

**China:** China reduced both 1-year and 5-year LPR fixing by 5bps in November. The 5bps cut for 1-year LPR is in line with market expectation. Nevertheless, market has paid more attentions to 5bp rate cut on 5-year LPR fixing, which has been kept intact for the past two months as market usually takes 5-year rate as official attitude towards the property market. We are not convinced that it is the start of easing cycle. However, the rate cut showed that China is more willing to support the growth via easing monetary policy.

**Singapore:** S'pore expanded a revised 0.5% yoy (2.1% qoq saar) in 3Q19, up from the flash estimates of 0.1% yoy (0.6% qoq saar). This is spot on to our expectations of 0.5% yoy (2.1% qoq saar) for 3Q19, but slightly better than the Bloomberg consensus forecast of 0.4% yoy (1.8% qoq saar). The growth drivers and drags were largely unchanged, and we tip 4Q19 and full year 2019 GDP growth at 0.7% yoy (1.3% qoq saar) and 0.6% yoy respectively.

**Oil:** Brent prices rose yesterday, despite the general risk-off sentiment that gripped markets yesterday. News that the US Senate passed a bill backing Hong Kong protesters sent equities falling, but Brent rose 2.4% to \$62.40/bbl after the EIA reported American crude stockpiles rose less than expected. The market's attention will increasingly turn to the OPEC+ meeting in December, although we think the base case is for little to no reduction in 2020 oil output.

### Key Market Movements

Equity	Value	% chg
S&P 500	3108.5	-0.4%
DJIA	27821	-0.4%
Nikkei 225	23149	-0.6%
SH Comp	2911.1	-0.8%
STI	3229.8	-0.3%
Hang Seng	26890	-0.8%
KLCI	1601.1	-0.3%
Currencies	Value	% chg
DXY	97.934	0.1%
USDJPY	108.61	0.1%
EURUSD	1.1073	0.0%
GBPUSD	1.2924	0.0%
USIDR	14095	0.0%
USDSGD	1.3622	0.1%
SGDMYR	3.0582	0.1%
Rates	Value	chg (bp)
3M UST	1.56	0.25
10Y UST	1.74	-3.77
1Y SGS	1.65	0.10
10Y SGS	1.72	-4.76
3M LIBOR	1.89	-0.39
3M SIBOR	1.77	0.23
3M SOR	1.50	0.81
Commodities	Value	% chg
Brent	62.4	2.4%
WTI	57.01	3.0%
Gold	1472	-0.1%
Silver	17.15	0.0%
Palladium	1767	0.1%
Copper	5875	0.0%
BCOM	78.28	0.5%

Source: Bloomberg

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### Major Markets

**US:** US markets retraced gains from early in the week, following the US Senate passing of a bill that apparently supports Hong Kong protesters. This puts Trump between a rock and a hard place as signing off on the bill might impede the phase one trade deal with China he has been touting, while doing otherwise will be hugely unpopular back home. The S&P 500 index closed the session down 0.4% and 10Y UST yields lost 3.8bps to 1.74%. With markets still generally priced for a trade deal, we could possibly see some significant retracement in risk assets should the Sino-US relations break down. The S&P 500 index is currently still supported around the 3100 handle, but a break below could see it heading toward the 50-day moving average around the 3010 level.

**Indonesia:** Bank Indonesia is due to announce its monetary policy decision today. We expect the central bank to keep its 7-day reverse repo rate unchanged at 5.0%, in line with broad market consensus. Having cut rates by 100bps this year, BI is likely to adopt a wait-and-see attitude for the rest of the year, even if stable domestic inflation and improvement in current account deficit technically gives them further space to ease.

**Malaysia:** October headline CPI inflation came in at 1.1% yoy, slightly higher than market expectations, but in line with September's print. While transport prices continue to see year-on-year decline, prices of food and housing ticked up by 1.6-1.8% yoy. Meanwhile, core inflation rose 1.4% yoy, lower than 1.5% and 2.0% of the previous two months.

**Thailand:** Future Forward Party (FFP) leader Thanathorn Juangroongruangkit has been found guilty of breaking election rules by holding shares in media firms while campaigning. This means that the popular leader – whose party did better than expected in the elections – has been disqualified from being a member of parliament. The FFP is a key member in Thailand's opposition bloc and it remains to be seen how much erosion of power the Pheu Thai-led opposition is set to face with the FFP's leader barred from attending parliament. The ban also puts the spotlight back on political risk in Thailand, which has already begun to capture investors' attention after the 2020 budget was narrowly passed in October.

**Hong Kong:** The legislation of Hong Kong rights and democracy bill and prohibited the export of certain crowd-control weapons to Hong Kong police forces passed the US House this morning. Under the bill, the US Secretary of State would have to review if Hong Kong retains enough autonomy to qualify for special US trading status that bolsters its role as an international financial centre annually. Meanwhile, the bill would require sanctions against individuals or officials responsible for human rights violations in Hong Kong.

The short-term impacts of the Bill on HK economy might be limited. We expect that even if the HK bills are enacted by President, the resultant review of the extent of HK's autonomy by US Secretary of State may not lead to any drastic change to HK's special trading status as this could jeopardize the improvement in the US-China relationship.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors around 1bps higher, while the belly and longer tenors traded 3-4bps lower (other than the 7-year tenor which traded 9bps 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 1bps to 510bps. The HY-IG Index spread was unchanged at 380bps. 10Y UST Yields fell 4bps to 1.75%, weighed down by news of delays in the signing of the phase one trade deal between US and China, with negotiations reportedly to extend into next year.

**New Issues:** China Overseas Finance (Cayman) VIII Limited (Guarantor: China Overseas Land & Investment Limited) priced a USD294mn 10-year bond at T+140bps, tightening from IPT of T+168bps area. Zhuhai Da Heng Qin Investment Co., Ltd. priced a USD450mn 3-year bond at 3.8%, tightening from IPT of 4.3% area. AAC Technologies Holdings Inc. priced a USD388 5NC3 bond at T+150bps, tightening from IPT of T+175bps area. Posco scheduled investor meetings commencing 28 Nov for its proposed USD bond issuance. Oil and Natural Gas Corporation Limited scheduled investor meetings commencing 21 Nov for its proposed USD bond issuance. Jiangxi Provincial Water Conservancy Investment Group Corp. scheduled investor meetings commencing 21 Nov for its proposed USD green bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.934	0.08%	USD-SGD	1.3622	0.10%
USD-JPY	108.610	0.06%	EUR-SGD	1.5082	0.04%
EUR-USD	1.1073	-0.05%	JPY-SGD	1.2541	0.02%
AUD-USD	0.6803	-0.37%	GBP-SGD	1.7602	0.07%
GBP-USD	1.2924	-0.02%	AUD-SGD	0.9263	-0.30%
USD-MYR	4.1650	0.19%	NZD-SGD	0.8742	-0.10%
USD-CNY	7.0354	0.11%	CHF-SGD	1.3745	0.04%
USD-IDR	14095	0.03%	SGD-MYR	3.0582	0.09%
USD-VND	23199	-0.01%	SGD-CNY	5.1696	0.08%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4560	-0.40%	O/N	1.5369	0.15%
2M	-0.3360	0.15%	1M	1.7216	-0.20%
3M	-0.4080	-0.20%	2M	1.8368	0.08%
6M	-0.3360	0.08%	3M	1.8946	-0.39%
9M	-0.1940	-0.39%	6M	1.9070	-1.19%
12M	-0.2710	-1.19%	12M	1.9416	-1.18%

### 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%	2.30%	0.00%	0.00%	2.30%
01/29/2020	0.0%	25.00%	0.00%	0.50%	24.40%
03/18/2020	0.0%	40.90%	0.10%	5.60%	35.20%
04/29/2020	0.0%	53.20%	1.30%	11.70%	40.20%
06/10/2020	0.0%	63.20%	3.50%	17.80%	41.60%
07/29/2020	0.0%	68.90%	5.70%	21.50%	40.80%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.11	3.4%	Corn (per bushel)	3.6675	-0.9%
Brent (per barrel)	62.40	2.4%	Soybean (per bushel)	9.050	-0.7%
Heating Oil (per gallon)	1.8921	1.9%	Wheat (per bushel)	5.1550	0.7%
Gasoline (per gallon)	1.6563	3.3%	Crude Palm Oil (MYR/MT)	2,588.0	2.7%
Natural Gas (per MMBtu)	2.5590	2.0%	Rubber (JPY/KG)	164.0	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,875	--	Gold (per oz)	1,471.6	-0.1%
Nickel (per mt)	14,360	-2.2%	Silver (per oz)	17.151	--

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
DJIA	27,821.09	-112.93
S&P	3,108.46	-11.72
Nasdaq	8,526.73	-43.93
Nikkei 225	23,148.57	-144.08
STI	3,229.78	-9.09
KLCI	1,601.14	-4.17
JCI	6,155.11	3.02
Baltic Dry	1,304.00	--
VIX	12.78	-0.08

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.47 (--)	1.58 (-0.02)
5Y	1.60 (-0.01)	1.59 (-0.03)
10Y	1.72 (-0.05)	1.74 (-0.04)
15Y	1.84 (-0.04)	--
20Y	1.95 (-0.05)	--
30Y	2.07 (-0.04)	2.21 (-0.04)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	0.23
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.57
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/21/2019	ID	Bank Indonesia 7D Reverse Repo	Nov-21	5.00%	--	5.00%	--
11/21/2019 08:00	SI	GDP YoY	3Q F	0.40%	0.50%	0.10%	--
11/21/2019 08:00	SI	GDP SAAR QoQ	3Q F	1.80%	2.10%	0.60%	--
11/21/2019 11:30	TH	Customs Exports YoY	Oct	-3.70%	--	-1.39%	--
11/21/2019 12:30	JN	All Industry Activity Index MoM	Sep	1.50%	--	0.00%	--
11/21/2019 13:30	NE	Unemployment Rate	Oct	3.50%	--	3.50%	--
11/21/2019 14:00	JN	Machine Tool Orders YoY	Oct F	--	--	-37.40%	--
11/21/2019 16:30	HK	CPI Composite YoY	Oct	3.20%	--	3.20%	--
11/21/2019 17:30	UK	PSNB ex Banking Groups	Oct	9.3b	--	9.4b	--
11/21/2019 21:30	US	Philadelphia Fed Business Outlook	Nov	6	--	5.6	--
11/21/2019 21:30	US	Continuing Claims	Nov-09	1683k	--	1683k	--
11/21/2019 21:30	US	Initial Jobless Claims	Nov-16	218k	--	225k	--
11/21/2019 23:00	US	Existing Home Sales	Oct	5.49m	--	5.38m	--
11/21/2019 23:00	US	Leading Index	Oct	-0.20%	--	-0.10%	--
11/21/2019 23:00	EC	Consumer Confidence	Nov A	-7.3	--	-7.6	--

Source: Bloomberg

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