

Daily Treasury Outlook

22 October 2019

Highlights

Global: Global risk sentiments improved further as US-China trade hopes climbed after US president Trump indicated that China has “started the buying” of US agricultural goods. Investors also interpreted the UK Speaker John Bercow’s rejection of a second vote on PM Boris Johnson’s Brexit deal (“repetitive and disorderly” and “in substance the same as Saturdays motion”) as implying a Brexit extension is more likely, even though Johnson will introduce the Withdrawal Agreement Bill again today. The S&P500 rose 0.69%, summing the 3000 handle with Apple Inc hitting a record, whilst UST bonds sold off with a steepening bias as the 10-year yield pushed higher by 5bps to 1.8%.

Market watch: Asian markets may open with a firmer tone this morning, but momentum may be ephemeral. Japan is closed for a holiday. Today’s economic data calendar comprises US’ existing home sales and Richmond Fed manufacturing index, HK’s CPI, Taiwan’s unemployment rate and Malaysia’s foreign reserve. RBA’s Kent is also speaking today.

China: The LPR fixing was kept unchanged on 20 Oct for the first time since China announced the LPR reform as a result of unchanged MLF rate and stable credit spread. This raised a new question whether China will have to lower the MLF in order to bring down the LPR after the initial optimism about the narrowing credit spread lost the steam. Nevertheless, given China’s prudent tone, we don’t expect any imminent MLF cut this year.

Macau: Inflation decelerated to 2.73% in September, mainly due to high base effect. For the two most heavily weighted sections, food inflation accelerated to the highest since February 2016 at 4.41% amid higher charges for eating out and rising prices of fresh pork whereas housing inflation slowed down slightly to 1.2% due to recent housing market correction. Meanwhile, the inflation of transportation and that of recreation & cultural decelerated to 4.22% (the weakest since January 2018) and 1.21% respectively. Lower charges for airfares and package tours might have been the reasons behind. Moving forward, as pork shortage is likely to persist in the coming months, it may continue to add inflationary pressure. Nevertheless, a strong MOP and high base effect may help to contain the inflationary risks. Meanwhile, weak consumption sentiment (price index of clothing and footwear dropped for the fourth consecutive month) could also constrain the price growth. To conclude, we expect overall CPI growth to reach 2.7% in 2019

Key Market Movements		
Equity	Value	% chg
S&P 500	3006.7	0.7%
DJIA	26828	0.2%
Nikkei 225	22549	0.2%
SH Comp	2939.6	0.1%
STI	3139.2	0.8%
Hang Seng	26726	0.0%
KLCI	1570.9	0.0%
Currencies	Value	% chg
DXY	97.328	0.0%
USDJPY	108.62	0.2%
EURUSD	1.1150	-0.2%
GBPUSD	1.2960	-0.2%
USDIDR	14079	-0.5%
USDSGD	1.361	-0.2%
SGDMYR	3.0720	0.3%
Rates	Value	chg (bp)
3M UST	1.65	-0.52
10Y UST	1.80	4.57
1Y SGS	1.76	-0.10
10Y SGS	1.75	2.04
3M LIBOR	1.95	-1.26
3M SIBOR	1.87	0.00
3M SOR	1.56	-1.73
Commodities	Value	% chg
Brent	58.96	-0.8%
WTI	53.31	-0.9%
Gold	1485	-0.4%
Silver	17.56	0.0%
Palladium	1762	0.4%
Copper	5828	0.4%
BCOM	78.25	-0.5%

Source: Bloomberg

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Major Markets

US: Investors were optimistic last night on the back of positive news from the US-China trade war front and US earnings which continue to be largely positive. The S&P 500 index ended the session up 0.7%, while 10Y UST yields gained 4.6bps to end at 1.80%. The S&P 500 index closed above the 3000 level, which we expect to be the new support in the immediate short term, barring any negative headline news, while the resistance could possibly be seen at the 3020 level.

Singapore: The STI added 0.80% to rally to 3139.15 yesterday and may attempt to trade higher today. STI's resistance is tipped at 3146. With market tilting back to risk on mode precipitating the UST bond market sell-off overnight, SGS bonds may also see extended selling pressure and a steepening bias too.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 0-2bps higher (with exception of the 1-year tenor), while the belly and longer tenors traded around 3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1 bps to 131bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 522bps. The HY-IG Index spread tightened by 4bps to 391bps. 10Y USTs yields rose 4.6bps to 1.80% on optimism on US-China trade talks, with White House economic advisor Larry Kudlow saying the trade talks were "looking pretty good".

New Issues: Muthoot Finance Ltd priced a USD450mn 3-year bond at 6.125%, tightening from IPT of 6.375% area. Avenue International Holding Limited (Keepwell and Asset Purchase Deed Provider: China Huarong Financial Leasing Co., Ltd) priced a USD300mn 363-day bond at 3.475%, tightening from IPT of 3.8% area. Bocom Leasing Management Hong Kong Company Limited priced a USD180mn 3-year FRN at 3m-US LIBOR+105bps. PTT Treasury Center Company Limited (Guarantor: PTT PCL) repurchased USD245mn of 2035 notes and USD330mn of 2042 notes and priced a replacement USD244.955mn 16-year bond at 5.875%, and a replacement USD330.09mn 23-year bond at 4.5%. Mianyang Investment Holding (Group) Co., Ltd scheduled investor conference calls on 22 Oct for its proposed USD bond issuance. Radiance Group Co., Ltd scheduled investor meetings commencing 22 Oct for its potential USD bond issuance. SMC Global Power Holdings Corp scheduled investor meetings commencing 21 Oct for its potential USD NC5.5-Perpetual bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.328	0.05%	USD-SGD	1.3610	-0.23%
USD-JPY	108.620	0.16%	EUR-SGD	1.5175	-0.28%
EUR-USD	1.1150	-0.15%	JPY-SGD	1.2534	-0.41%
AUD-USD	0.6868	0.18%	GBP-SGD	1.7639	-0.42%
GBP-USD	1.2960	-0.18%	AUD-SGD	0.9347	-0.06%
USD-MYR	4.1805	-0.14%	NZD-SGD	0.8719	0.10%
USD-CNY	7.0760	-0.08%	CHF-SGD	1.3806	-0.36%
USD-IDR	14079	-0.47%	SGD-MYR	3.0720	0.25%
USD-VND	23204	--	SGD-CNY	5.1963	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	-0.40%	O/N	1.8151	-2.30%
2M	-0.3360	-2.30%	1M	1.8503	0.39%
3M	-0.4070	0.39%	2M	1.9275	-0.74%
6M	-0.3510	-0.74%	3M	1.9533	-1.26%
9M	-0.1940	-1.26%	6M	1.9518	-2.27%
12M	-0.2980	-2.27%	12M	1.9873	-0.59%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.00-1.25%	1.25-1.50%	1.50-1.75%
10/30/2019	0.0%	89.9%	0.0%	0.0%	89.9%
12/11/2019	0.0%	93.1%	0.0%	28.5%	64.6%
01/29/2020	0.0%	95.1%	8.1%	38.7%	48.3%
03/18/2020	0.0%	95.8%	12.6%	40.1%	41.9%
04/29/2020	0.0%	96.3%	16.0%	40.3%	37.3%
06/10/2020	0.0%	96.7%	18.7%	40.0%	33.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.31	-0.9%	Corn (per bushel)	3.8725	-1.0%
Brent (per barrel)	58.96	-0.8%	Soybean (per bushel)	9.333	-0.1%
Heating Oil (per gallon)	1.9406	-0.3%	Wheat (per bushel)	5.2350	-1.6%
Gasoline (per gallon)	1.6072	-1.0%	Crude Palm Oil (MYR/MT)	2,215.0	0.3%
Natural Gas (per MMBtu)	2.2380	-3.5%	Rubber (JPY/KG)	148.9	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,828	0.4%	Gold (per oz)	1,484.5	-0.4%
Nickel (per mt)	16,100	-0.8%	Silver (per oz)	17.561	0.0%

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

Equity and Commodity

Index	Value	Net change
DJIA	26,827.64	57.44
S&P	3,006.72	20.52
Nasdaq	8,162.99	73.44
Nikkei 225	22,548.90	56.22
STI	3,139.15	24.99
KLCI	1,570.93	-0.22
JCI	6,198.99	7.04
Baltic Dry	1,855.00	--
VIX	14.00	-0.25

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.60 (+0.01)	1.62 (+0.05)
5Y	1.63 (--)	1.61 (+0.04)
10Y	1.75 (+0.02)	1.80 (+0.05)
15Y	1.83 (+0.02)	--
20Y	1.93 (+0.02)	--
30Y	2.06 (+0.02)	2.29 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.12	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.88
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/22/2019	PH	Budget Balance PHP	Sep	--	--	-2.5b	--
10/22/2019 05:00	SK	PPI YoY	Sep	--	-0.70%	-0.60%	--
10/22/2019 10:26	US	Monthly Budget Statement	Sep	\$83.0b	--	\$119.1b	--
10/22/2019 15:00	MA	Foreign Reserves	Oct-15	--	--	\$103.0b	--
10/22/2019 16:00	TA	Unemployment Rate	Sep	3.70%	--	3.73%	--
10/22/2019 16:30	HK	CPI Composite YoY	Sep	3.30%	--	3.50%	--
10/22/2019 16:30	UK	PSNB ex Banking Groups	Sep	9.7b	--	6.4b	--
10/22/2019 16:30	UK	Public Finances (PSNCR)	Sep	--	--	6.4b	--
10/22/2019 16:30	UK	Public Sector Net Borrowing	Sep	8.9b	--	5.8b	--
10/22/2019 22:00	US	Existing Home Sales	Sep	5.45m	--	5.49m	--
10/22/2019 22:00	US	Richmond Fed Manufact. Index	Oct	-7	--	-9	--
10/22/2019 22:00	US	Existing Home Sales MoM	Sep	-0.70%	--	1.30%	--
10/22/2019 22:30	CA	BoC Business Outlook Future Sales	3Q	--	--	23	--

Source: Bloomberg

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