

## Daily Treasury Outlook

22 November 2019

### Highlights

**Global:** It is all about US-China trade talks. Market sentiment consolidated further while waiting for more clarity from the US-China trade talk. On a bright note, three positive headlines have emerged in the past 24 hours. It was first reported in the morning that Vice Premier Liu He said that he was cautiously optimistic about the trade deal despite him being confused about the US demands. In the afternoon China's Commerce Ministry denied all the rumors about trade talks though they did not specify which rumors they were denying. China's Commerce Ministry said that both sides' communication channels remain open and they will try to reach a phase one deal. Shortly after China's Commerce Ministry conference, the Wall Street Journal reported that China has invited Lighthizer and Munchin to Beijing for further face to face meeting though the US side has not committed to the date. Nevertheless this raised hope that 15 Dec deadline for tariff hike may be postponed even though there is no deal reached.

**Market watch:** Asian markets might trade range today as investors weight the mixed news on the Sino-US trade front. For today, markets will watch out for the flash PMIs in Europe and US to gauge whether manufacturing sector has reacted positively to trade truce.

**US:** US job markets weakened slightly with the latest initial jobless claims rising to 227K and continuing claims jumping to 1.695 million from upward revised 1.692 million. The data, together with the downbeat retail sales and manufacturing output data last week, showed that the economy might lose speed in 4Q. Nevertheless, we think the US economy is still within a comfortable range for now.

**China:** The Hong Kong human rights bill remains a wild card for the market, which may also complicate the trade talks. It is almost inevitable that the bill will become law within the next 10 days. There are no detailed retaliation plans from Chinese side yet. The immediate fallout may be somewhat blunted by the low likelihood that the US would trigger a change in Hong Kong's status in the immediate term, (especially since it will take the form of an annual review that is more advisory in nature) and any sanctions may also be limited. As such, the bill itself may not be a big issue until China reacts. We think China may hold the key to market sentiment right now. Markets will continue to watch out for how China reacts to this bill.

**Indonesia:** Bank Indonesia kept its 7-day reverse repo rate unchanged at 5.00% as we and the broad market consensus had expected. however, it announced a 50bps reduction in reserve requirement ratio for banks starting in January 2020, which is expected to release an additional IDR26tn liquidity into the market.

Key Market Movements		
Equity	Value	% chg
S&P 500	3103.5	-0.2%
DJIA	27766	-0.2%
Nikkei 225	23039	-0.5%
SH Comp	2903.6	-0.3%
STI	3192.2	-1.2%
Hang Seng	26467	-1.6%
KLCI	1592.2	-0.6%
Currencies	Value	% chg
DXY	97.993	0.1%
USDJPY	108.63	0.0%
EURUSD	1.1059	-0.1%
GBPUSD	1.2914	-0.1%
USIDR	14090	0.0%
USDSGD	1.3631	0.1%
SGDMYR	3.0622	0.1%
Rates	Value	chg (bp)
3M UST	1.56	0.76
10Y UST	1.77	2.74
1Y SGS	1.65	-0.10
10Y SGS	1.74	2.33
3M LIBOR	1.90	0.41
3M SIBOR	1.77	-0.08
3M SOR	1.55	4.47
Commodities	Value	% chg
Brent	63.97	2.5%
WTI	58.58	2.8%
Gold	1464	-0.5%
Silver	17.10	-0.3%
Palladium	1762	-0.3%
Copper	5829	-0.8%
BCOM	78.61	0.4%

Source: Bloomberg

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### Major Markets

**US:** US markets continued to slide, as markets weighed the mixed news on the US-China trade situation. The S&P 500 index dropped 0.2% in the session. Markets are still generally priced for a trade deal, which could result in some significant retracement in risk assets should the Sino-US relations go south. 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 3015 level.

**EU:** Draghi ended his ECB presidency by calling for members not to air their dirty laundry in public, according to the ECB meeting minutes. Separately, Trump reportedly may start new trade investigation against the EU to justify auto tariffs, after he missed his deadline to do so on national security grounds.

**Macau:** The number of visitor arrivals increased by 1.76% yoy to 3,209,751 in October, due to Golden Week holiday. Specifically, same-day visitors (8.13% yoy) remained the major source of growth in October while the overnight visitors dropped by 4.84% yoy to 1,474,919 during the same period. Suggested by the data, amid the infrastructure improvement, the inbound tourism of Macau was continued to be supported, with persistent growth of same-day visitors observed. In a nutshell, we expect same-day visitors to sustain strong growth in the coming months. However, the growth of total visitor arrivals may remain moderate due to China's economic slowdown, a strong MOP and spill-over effect of Hong Kong's social unrest. This may feed through to restaurant, retail and gaming sectors.

**Hong Kong:** Inflation decelerated from September's 3.2% to 3.1% in October. For the two most heavily weighted sections, housing inflation slowed down to 3.1% (might be due to smaller increases in private housing rentals) while food inflation accelerated to 6.1% (might be due to higher pork prices). On the other hand, clothing inflation edged lower to -3.5%. Moving forward, food inflation might remain strong in the near term due to limited supply of fresh pork. Nevertheless, amid moderate global inflation and uncertain economic outlook, the overall inflation is likely to be contained in the coming months. Overall speaking, we expect that the inflation for whole 2019 will be 2.9%

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly around 1bps higher, while the longer tenors were little changed. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 509bps. The HY-IG Index spread was unchanged at 380bps. 10Y UST Yields gained 3bps to 1.78%, after reports that the US might delay the 15 December tariffs on Chinese imports, even if a phase one trade deal is not reached.

**New Issues:** Zhongyuan Asset Management Co., Ltd priced a USD400mn 3-year bond at 4.2%, tightening from IPT of 4.7% area. Anton Oilfield Services Group priced a USD300mn 3NC2 bond at 7.875%, tightening from IPT of 8.25% area. Yuzhou Properties Company Limited (Subsidiary Guarantors: Certain of the issuer's restricted subsidiaries outside of the PRC) priced a USD500mn 5.5NC3 bond at 8.3%, tightening from IPT of 8.55% area. Franshion Brilliant Limited (Guarantor: China Jinmao Holdings Group Ltd) priced a USD400mn NC4.5 Perpetual bond at 7.125%. China Development Bank Corporation of Hong Kong priced a USD300mn 2-year FRN at 3m-US LIBOR+40bps. The Hongkong Land Treasury Services (Singapore) Pte. Ltd. (Guarantor: Hongkong Land Co Ltd) priced a SGD150mn 19.25-year bond at 3.45%. Korea South-East Power Co., scheduled investor meetings commencing 28 Nov for its potential USD green bond offering.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.993	0.06%	USD-SGD	1.3631	0.07%
USD-JPY	108.630	0.02%	EUR-SGD	1.5074	-0.05%
EUR-USD	1.1059	-0.13%	JPY-SGD	1.2548	0.06%
AUD-USD	0.6787	-0.24%	GBP-SGD	1.7595	-0.04%
GBP-USD	1.2914	-0.08%	AUD-SGD	0.9252	-0.12%
USD-MYR	4.1698	0.12%	NZD-SGD	0.8728	-0.16%
USD-CNY	7.0289	-0.09%	CHF-SGD	1.3724	-0.15%
USD-IDR	14090	-0.04%	SGD-MYR	3.0622	0.13%
USD-VND	23196	-0.01%	SGD-CNY	5.1598	-0.19%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4500	-0.20%	O/N	1.5290	-0.79%
2M	-0.3360	-0.79%	1M	1.7156	-0.60%
3M	-0.4060	-0.60%	2M	1.8335	-0.32%
6M	-0.3380	-0.32%	3M	1.8988	0.41%
9M	-0.1940	0.41%	6M	1.8911	-1.59%
12M	-0.2730	-1.59%	12M	1.9093	-3.24%

### 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%	0.00%	0.00%	0.00%	0.00%
01/29/2020	0.0%	17.20%	0.00%	0.00%	17.20%
03/18/2020	0.0%	30.90%	0.00%	2.90%	28.00%
04/29/2020	0.0%	46.20%	0.60%	8.50%	37.10%
06/10/2020	0.0%	57.80%	2.40%	14.70%	40.60%
07/29/2020	0.0%	64.60%	4.40%	18.90%	40.80%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.58	2.6%	Corn (per bushel)	3.6850	0.5%
Brent (per barrel)	63.97	2.5%	Soybean (per bushel)	9.010	-0.4%
Heating Oil (per gallon)	1.9447	2.8%	Wheat (per bushel)	5.0900	-1.3%
Gasoline (per gallon)	1.7044	2.9%	Crude Palm Oil (MYR/MT)	2,572.0	-0.6%
Natural Gas (per MMBtu)	2.5670	0.3%	Rubber (JPY/KG)	169.2	3.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,829	-0.8%	Gold (per oz)	1,464.4	-0.5%
Nickel (per mt)	14,485	0.9%	Silver (per oz)	17.104	-0.3%

### Equity and Commodity

Index	Value	Net change
DJIA	27,766.29	-54.80
S&P	3,103.54	-4.92
Nasdaq	8,506.21	-20.52
Nikkei 225	23,038.58	-109.99
STI	3,192.21	-37.57
KLCI	1,592.19	-8.95
JCI	6,117.36	-37.75
Baltic Dry	1,260.00	--
VIX	13.13	0.35

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.50 (+0.02)	1.60 (+0.03)
5Y	1.62 (+0.02)	1.62 (+0.03)
10Y	1.74 (+0.02)	1.77 (+0.03)
15Y	1.86 (+0.03)	--
20Y	1.98 (+0.03)	--
30Y	2.10 (+0.04)	2.23 (+0.02)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.90	-0.30
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.57
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Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/22/2019 07:30	JN	Natl CPI YoY	Oct	0.30%	0.20%	0.20%	--
11/22/2019 08:30	JN	Jibun Bank Japan PMI Mfg	Nov P	--	--	48.4	--
11/22/2019 08:30	JN	Jibun Bank Japan PMI Composite	Nov P	--	--	49.1	--
11/22/2019 08:30	JN	Jibun Bank Japan PMI Services	Nov P	--	--	49.7	--
11/22/2019 15:00	GE	GDP NSA YoY	3Q F	1.00%	--	1.00%	--
11/22/2019 15:00	MA	Foreign Reserves	Nov-15	--	--	\$103.2b	--
11/22/2019 15:30	TH	Foreign Reserves	Nov-15	--	--	\$221.9b	--
11/22/2019 16:15	FR	Markit France Manufacturing PMI	Nov P	50.9	--	50.7	--
11/22/2019 16:30	GE	Markit/BME Germany Manufacturing PMI	Nov P	42.8	--	42.1	--
11/22/2019 16:30	GE	Markit Germany Services PMI	Nov P	52	--	51.6	--
11/22/2019 16:30	GE	Markit/BME Germany Composite PMI	Nov P	49.3	--	48.9	--
11/22/2019 17:00	EC	Markit Eurozone Manufacturing PMI	Nov P	46.4	--	45.9	--
11/22/2019 17:30	UK	Markit UK PMI Manufacturing SA	Nov P	48.9	--	49.6	--
11/22/2019 22:45	US	Markit US Manufacturing PMI	Nov P	51.4	--	51.3	--
11/22/2019 23:00	US	U. of Mich. Sentiment	Nov F	95.7	--	95.7	--

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

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