

## Daily Treasury Outlook

23 September 2019

### Highlights

**Global:** Global risk sentiments continued to wax and wane, even as both US and China suggested last week's talks were constructive and China Business News reported Vice Agriculture Minister Han Jun's comments that China's cancellation of US farm state visits had nothing to do with trade talks. Meanwhile, the New York Fed will extend repo operations until 10 October to boost short-term liquidity. Wall Street retreated while UST bonds gained on Friday, with the 10-year at 1.72%.

**Market Watch:** Asian markets may meander today while waiting for the PMI cues due later today. The economic data diary today comprises of a host of PMIs from US and Europe, US' Chicago Fed national Fed activity index, Taiwan's industrial production, and S'pore's August CPI. ECB president Draghi is also appearing before the European Parliament today. For the week ahead, central bank meetings include RBNZ (likely static) and BOT (with an outside chance of a cut) on Wednesday while BSP may cut rates on Thursday. In addition, watch the whole slew of Fed speakers including Williams, Bullard, Daly, Evans, Kaplan, George, Clarida, Kaskari, Harker and Quarles who will provide much fodder for investors to chew over in the coming week.

**US:** President Trump was busy tweeting over the weekend again, indicating that "we should always be paying less interest than others", "I have no intention of meeting with Iran" at the UN General Assembly this week, and his preference for a complete trade deal with China.

**EU:** UK and EU have had "serious, detailed discussion" about Brexit on Friday, according to UK Brexit secretary Stephen Barclay. Meanwhile, UK Labour leader Jeremy Corbyn is pledging to hold a second referendum on Brexit if elected.

**Singapore:** August CPI likely rose 0.5% yoy (0.5% mom sa) with core CPI at 0.8% yoy.

**China:** The spokesperson from China's agriculture Ministry said on Sunday that the change of schedule to visit US farms has nothing to do with the negotiation. Although China has denied that the farm-trip cancellation was the result of negotiation, Trump's flipflop on an interim deal may keep risk sentiment in check this week after he moved away from the consideration of an interim deal in looking for a complete deal. The 1-year September LPR was lowered by 5bps to 4.2% while 5-year LPR was kept unchanged at 4.85%. The mixed LPR fixing result shows China's current monetary easing will still be conducted within the prudent monetary policy framework though it has returned to the conventional way. The intact of 5-year LPR showed that China will not loosen its tightening on property market to stimulate the economy despite the economic slowdown.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	2992.1	-0.5%
DJIA	26935	-0.6%
Nikkei 225	22079	0.2%
SH Comp	3006.4	0.2%
STI	3159.7	0.0%
Hang Seng	26436	-0.1%
KLCI	1597.4	0.1%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	98.513	0.2%
USDJPY	107.56	-0.4%
EURUSD	1.1017	-0.2%
GBPUSD	1.2478	-0.4%
USDIDR	14055	-0.1%
USDSGD	1.3766	-0.2%
SGDMYR	3.0366	-0.2%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.90	-2.08
10Y UST	1.72	-6.25
1Y SGS	1.86	0.00
10Y SGS	1.74	-0.66
3M LIBOR	2.16	0.30
3M SIBOR	1.88	-0.08
3M SOR	1.72	-3.13
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	64.28	-0.2%
WTI	58.09	-0.2%
Gold	1517	1.2%
Silver	17.99	1.1%
Palladium	1643	1.4%
Copper	5798	0.2%
BCOM	79.20	-0.3%

Source: Bloomberg

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### Major Markets

**US:** US markets closed lower last Friday, with the S&P 500 index ending the session down 0.5%, on the back of news that scheduled trips by Chinese trade negotiators to US farms were cancelled. However, China's Ministry of Commerce has since said that trade talks between the two nations were "constructive", and Vice Agriculture Minister Han Jun also reportedly said that the cancellations were not related to trade talks. On that note, we expect the S&P 500 index to continue trading within the range of 2980-3020 in the immediate short term. Investors will be watching Fed's Williams and Daly's speeches later for any insights, as well as the US Market PMIs released tonight.

**Singapore:** The STI closed nearly flat (+0.03%) at 3159.68 on Friday and may continue to trade sideways in the interim, awaiting the CPI data due later. STI's support and resistance are tipped at 3135 and 3184 respectively. With UST bond yields rallying lower by up to 7bps, SGS bonds may also extend gains today.

**Malaysia:** Foreign exchange reserves remained unchanged in the first half of September, posting USD103.5bn, the same level as end-August. According to Bank Negara's statement, the reserves are sufficient to finance 7.6 months of retained imports and is 1.1 times short-term external debt.

**Thailand:** The Bank of Thailand is convening today for its policy rate meeting. We expect no changes in the benchmark interest rate of 1.50% this month, following the surprise rate cut that the central bank conducted last month. The BoT may want to conserve its limited monetary ammunition in the event that economic conditions further turn south. The poll on Bloomberg shows an approximate 2:1 consensus that the central bank will stand pat on its key interest rate decision this month.

**Hong Kong/Macau:** The inflation for HK and Macau accelerated to 3.5% (a three-year high) and 2.83% respectively in Aug, mainly driven by rising fresh pork prices. Meanwhile, the housing market slowdown dragged down the housing inflation while higher gasoline prices pushed up the transport inflation for both cities. Moving into the coming months, prolonged pork shortage and the recent surge in oil price may continue to pose inflation pressure for both HK and Macau. Nevertheless, the upside of inflation may be capped by a strong local currency, sluggish consumer sentiments and relatively higher base during late 2018. The latest round of one-off relief measures may also help to constrain the inflation growth in HK. In conclusion, we expect overall CPI growth will reach 2.6% for HK and 2.7% for Macau in 2019.

**Oil:** Since the 14.6% spike in oil prices last Monday, Brent prices have settled around the \$64/bbl for the remaining four days of the week, suggesting that the market is likely to settle around that level in the short-term. Reports this morning from Saudi Arabia have rattled the energy markets slightly, however, on suggestions that it may take months to repair the damaged oil field. This came after a Saudi official on Sunday said that the situation was not "as rosy as you think". Tensions continue to grip the market, with the US announcing further sanctions on Iran's central bank

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and sovereign wealth fund, which will likely limit the ability by the country to import humanitarian goods

**Gold:** Prices closed at \$1,516.90/oz on Friday, the highest in slightly more than two weeks. The continuous elevated levels in the US repo market as well a fresh set of tensions on Iran from the US are probably factors in driving gold prices higher. Prices may remain elevated in the near-term.

## Bond Market Updates

**Market Commentary:** The SGD swap was little changed last Friday, with all the tenors traded 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 128bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 527bps. 10Y USTs yields fell 6bps to 1.72%, after the Chinese delegation team cancelled scheduled visits to US farms, raising concerns that a trade deal is unlikely to be made in the near term. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -17bps.

**New Issues:** Skyfame Realty (Holdings) Ltd has priced a USD100mn re-tap of its existing SKYFAM 13.0%'22s at 12.98%. Kasikornbank PCL has scheduled investor calls commencing on 20 Sep for its potential USD Tier 2 bond issuance. Beijing Haiguo Xintai Investment Holding Center has scheduled investor calls commencing on 20 Sep for its proposed USD bond issuance. Shengzhou Investment Holdings Co., Ltd has scheduled investor meetings commencing on 23 Sep for its proposed USD bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.513	0.25%	USD-SGD	1.3766	-0.15%
USD-JPY	107.560	-0.43%	EUR-SGD	1.5168	-0.36%
EUR-USD	1.1017	-0.22%	JPY-SGD	1.2804	0.34%
AUD-USD	0.6766	-0.38%	GBP-SGD	1.7177	-0.54%
GBP-USD	1.2478	-0.38%	AUD-SGD	0.9314	-0.56%
USD-MYR	4.1675	-0.58%	NZD-SGD	0.8619	-0.81%
USD-CNY	7.0916	-0.07%	CHF-SGD	1.3895	0.05%
USD-IDR	14055	-0.06%	SGD-MYR	3.0366	-0.23%
USD-VND	23204	-0.03%	SGD-CNY	5.1511	0.22%

### Equity and Commodity

Index	Value	Net change
DJIA	26,935.07	-159.72
S&P	2,992.07	-14.72
Nasdaq	8,117.67	-65.20
Nikkei 225	22,079.09	34.64
STI	3,159.68	0.88
KLCI	1,597.41	1.13
JCI	6,231.47	-13.00
Baltic Dry	2,131.00	-61.00
VIX	15.32	1.27

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4540	0.30%	O/N	1.8685	-22.31%
2M	-0.3360	-22.31%	1M	2.0365	0.16%
3M	-0.3930	0.16%	2M	2.1199	-0.70%
6M	-0.3580	-0.70%	3M	2.1346	0.30%
9M	-0.1940	0.30%	6M	2.0704	0.25%
12M	-0.2980	0.25%	12M	2.0650	0.96%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.67 (+0.01)	1.68 (-0.05)
5Y	1.67 (+0.01)	1.60 (-0.06)
10Y	1.74 (-0.01)	1.72 (-0.06)
15Y	1.82 (--)	--
20Y	1.93 (-0.01)	--
30Y	2.08 (-0.01)	2.16 (-0.07)

### 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%	41.3%	0.0%	0.0%	41.3%
10/30/2019	0.0%	65.8%	0.0%	17.3%	48.6%
12/11/2019	0.0%	76.8%	5.6%	27.4%	43.9%
01/29/2020	0.0%	82.9%	11.3%	31.7%	38.5%
03/18/2020	0.0%	86.1%	15.1%	33.0%	34.5%
04/29/2020	0.0%	88.3%	18.0%	33.2%	31.2%

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.43	0.66
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.95
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.11	-2.1%	Com (per bushel)	3.7125	0.9%
Brent (per barrel)	63.60	-1.5%	Soybean (per bushel)	8.888	-0.6%
Heating Oil (per gallon)	1.9733	-0.8%	Wheat (per bushel)	4.8950	1.1%
Gasoline (per gallon)	1.6577	-1.0%	Crude Palm Oil (MYR/MT)	2,199.0	-0.6%
Natural Gas (per MMBtu)	2.6370	-1.2%	Rubber (JPY/KG)	171.0	-1.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,814	-0.1%	Gold (per oz)	1,494.0	-0.5%
Nickel (per mt)	17,200	0.9%	Silver (per oz)	17.756	-1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised
09/23/2019 21:00	EC	ECB President Mario Draghi Testifies at European Parliament				
09/23/2019 21:50	US	Fed's Williams Speaks at Treasury Market Conference				
09/23/2019 23:30	US	Fed's Daly Speaks at Conference on Economic Opportunities				
09/23/2019 17:15	UK	BOE's Tenreyro Speaks at ECB Conference in Frankfurt				
09/23/2019 13:00	SI	CPI YoY	Aug	0.50%	--	0.40%
09/23/2019 16:00	EC	Markit Eurozone Manufacturing PMI	Sep P	47.3	--	47
09/23/2019 21:45	US	Markit US Manufacturing PMI	Sep P	50.4	--	50.3
09/23/2019 16:00	EC	Markit Eurozone Composite PMI	Sep P	52	--	51.9
09/23/2019 16:00	EC	Markit Eurozone Services PMI	Sep P	53.3	--	53.5
09/23/2019 21:45	US	Markit US Services PMI	Sep P	51.5	--	50.7
09/23/2019 21:45	US	Markit US Composite PMI	Sep P	--	--	50.7
09/23/2019 16:00	TA	Industrial Production YoY	Aug	1.50%	--	3.03%
09/23/2019 13:00	SI	CPI NSA MoM	Aug	0.50%	--	-0.40%

Source: Bloomberg

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