

Daily Treasury Outlook

23 October 2019

Highlights

Global: Global risk sentiment is still hanging off the Brexit headlines with the latest development that UK PM Johnson's plan to fast-track his Brexit accord through Parliament was rejected, which dragged the GBP lower. In the scenario that Brexit is delayed until 31 January, a fresh election looks likely. The CBI survey warned that the industry outlook is the weakest since 2009. Elsewhere, the US has approved duties on aluminium wire and cable imports from China for dumping, even as White House advisor Kudlow opined that phase one is moving ahead very nicely. The S&P500 fell 0.36% overnight, whilst UST bonds gained with the 10-year yield at 1.77%.

Market watch: Asian markets may see some consolidative pressure today amid swirling Brexit and trade war uncertainties. Japan is back from holiday, but today's economic data calendar is relatively light with only US' mortgage applications, FHFA house price index, Eurozone consumer confidence, Taiwan's industrial production, Malaysia's CPI, and S'pore's CPI and COE tender results.

US: Existing home sales fell 2.2% to a 5.38m annual rate, the slowest in three months, as median sales prices rose 5.9% yoy (largest annual surge since January 2018). Meanwhile, the Richmond Fed factory index rebounded from -9 to +8 in October, the highest since April, amid modest gains in shipments, orders and employment.

UK: Boris Johnson finally got his first win in the UK parliament as his Withdrawal Agreement Bill passed its "second reading" in the House of Commons. A dose of reality was, however, immediately dished out as Parliament then proceeded to reject the timetable in which Johnson planned to fast-track the Brexit bill to meet the 31 October deadline. The Withdrawal Agreement Bill will be temporarily paused until the EU reaches a decision on a Brexit extension.

Singapore: September CPI is likely to come in at 0.6% yoy (0.1% mom nsa) for headline CPI, with core CPI at 0.8% yoy, compared to the August prints of 0.5% yoy (0.5% mom nsa) and 0.8% yoy respectively.

Indonesia: President Jokowi is due to formally announce his cabinet roster today. News that Sri Mulyani will retain her role as the Finance Minister cheered investors yesterday, given her standing and performance in keeping a lid on budget deficit thus far. Elsewhere, Jokowi's contender in the presidential election twice over, Prabowo Subianto, is slated to join the cabinet as Defense Minister.

Key Market Movements		
Equity	Value	% chg
S&P 500	2996.0	-0.4%
DJIA	26788	-0.1%
Nikkei 225	22549	0.0%
SH Comp	2954.4	0.5%
STI	3160.7	0.7%
Hang Seng	26786	0.2%
KLCI	1574.1	0.2%
Currencies	Value	% chg
DXY	97.526	0.2%
USDJPY	108.49	-0.1%
EURUSD	1.1125	-0.2%
GBPUSD	1.2872	-0.7%
USIDR	14041	-0.3%
USDSGD	1.3627	0.1%
SGDMYR	3.0741	0.1%
Rates	Value	chg (bp)
3M UST	1.64	-1.23
10Y UST	1.76	-3.86
1Y SGS	1.76	0.10
10Y SGS	1.73	-1.94
3M LIBOR	1.93	-1.93
3M SIBOR	1.87	-0.25
3M SOR	1.56	-0.11
Commodities	Value	% chg
Brent	59.7	1.3%
WTI	54.48	1.8%
Gold	1488	0.2%
Silver	17.52	-0.2%
Palladium	1756	-0.3%
Copper	5818	-0.2%
BCOM	78.47	0.3%

Source: Bloomberg

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Major Markets

US: US markets ended lower last night, with the S&P 500 index closing the session down 0.4%. The soft risk-sentiment was largely due to UK PM Johnson's losing a key vote to fast-track Brexit legislation, resulting in yet another possible delay. Looking ahead, we could expect market volatility to continue as US earnings season proceeds. We expect the S&P 500 index to trade sideways within the 2980-3020 range in the immediate short term.

Singapore: The STI added 0.69% to 3160.7 yesterday but may see some profit-taking ahead of the ECB and BI policy decisions and Brexit developments. STI's support and resistance are tipped at 3110 and 3186. With UST bond yields lower by 2-4bps overnight, SGS bonds may extend gains today too. There is a \$1.4b (MAS taking \$100m) re-opening of the 7-year SGS bond to be auctioned on 29 October for issue on 1 November.

Malaysia: CPI numbers for September are due today, with headline print likely to be at 1.3% yoy compared to 1.5% the month before. Elsewhere, as of 15 October, foreign reserves rose to USD103.3bn from 103bn two weeks before. Going by Bank Negara's calculations, the reserves are sufficient to finance 7.6 months of retained imports and at 1.1 times short-term external debt.

Macau: Total visitor arrivals grew at a slightly faster pace by 8% yoy in September as visitor arrivals increased by 12.8% yoy during the Mid-Autumn Festival. By mode of transport, visitor arrivals by land continued to increase by 32.5% yoy with 14% travelling via Hong Kong-Zhuhai-Macau Bridge. This suggests that infrastructure improvement continued to support Macau's same-day tourism. By source of visitors, those from Hong Kong and China increased respectively by 27.2% yoy and 5.7% yoy, mainly due to holiday effect. Nevertheless, the prolonged social unrest in Hong Kong has deterred visitors from other major sources including South Korea (-28.6% yoy) and Japan (-15.7% yoy) as foreign tourists normally visit Hong Kong and Macau during the same trip. Overnight tourism might have been hit by a strong MOP, faltering global growth outlook, high accommodation costs and the lack of new entertainment projects as well. Moving into October, inbound tourism may benefit from the Golden Week Holiday (visitor arrivals and Mainland visitors grew by 11.5% yoy and 9.4% yoy respectively) and the infrastructure improvement. That said, tourism growth may remain moderate due to multiple headwinds.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened slightly yesterday, with the shorter tenors traded 2-3bps lower, while the belly and longer tenors traded around 3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 131bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 15bps to 507bps. The HY-IG Index spread tightened by 15bps to 376bps. 10Y USTs yields fell 3.9bps to 1.76% on uncertainty regarding Brexit, with UK PM Boris Johnson failing to get his withdrawal agreement deal fast-tracked to prevent further delays in Brexit.

New Issues: Li & Fung Ltd priced a USD100mn re-tap of its existing LIFUNG 4.375%'24s at 4.375%. SEPCO Virgin Limited (Guarantor: Power Construction Corporation of China) priced a USD300mn NC5-Perpetual bond at 3.55%, tightening from IPT of 3.9% area. PCGI Limited mandated banks for its potential 5-year USD bond issuance. Ayala Corp.'s AYC Finance mandated banks for its potential USD perpetual bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.526	0.20%	USD-SGD	1.3627	0.12%
USD-JPY	108.490	-0.12%	EUR-SGD	1.5160	-0.10%
EUR-USD	1.1125	-0.22%	JPY-SGD	1.2564	0.24%
AUD-USD	0.6855	-0.19%	GBP-SGD	1.7541	-0.56%
GBP-USD	1.2872	-0.68%	AUD-SGD	0.9342	-0.05%
USD-MYR	4.1880	0.18%	NZD-SGD	0.8729	0.11%
USD-CNY	7.0769	0.01%	CHF-SGD	1.3775	-0.22%
USD-IDR	14041	-0.27%	SGD-MYR	3.0741	0.07%
USD-VND	23206	0.01%	SGD-CNY	5.1956	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4380	0.40%	O/N	1.8111	-0.40%
2M	-0.3360	-0.40%	1M	1.8230	-2.73%
3M	-0.4080	-2.73%	2M	1.8975	-3.00%
6M	-0.3490	-3.00%	3M	1.9340	-1.93%
9M	-0.1940	-1.93%	6M	1.9343	-1.75%
12M	-0.2940	-1.75%	12M	1.9606	-2.66%

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%	89.4%	0.0%	0.0%	89.4%
12/11/2019	0.0%	93.8%	0.0%	37.4%	56.4%
01/29/2020	0.0%	96.1%	13.5%	44.3%	38.3%
03/18/2020	0.0%	96.6%	18.1%	43.4%	33.2%
04/29/2020	0.0%	97.1%	21.7%	41.9%	28.9%
06/10/2020	0.0%	97.4%	23.8%	40.6%	26.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	54.16	1.6%	Corn (per bushel)	3.8800	0.2%
Brent (per barrel)	59.70	1.3%	Soybean (per bushel)	9.340	0.1%
Heating Oil (per gallon)	1.9437	0.2%	Wheat (per bushel)	5.1800	-1.1%
Gasoline (per gallon)	1.6089	0.1%	Crude Palm Oil (MYR/MT)	2,236.0	0.9%
Natural Gas (per MMBtu)	2.2720	1.5%	Rubber (JPY/KG)	148.9	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,818	-0.2%	Gold (per oz)	1,487.7	0.2%
Nickel (per mt)	16,500	2.5%	Silver (per oz)	17.523	-0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,788.10	-39.54
S&P	2,995.99	-10.73
Nasdaq	8,104.30	-58.69
Nikkei 225	22,548.90	--
STI	3,160.67	21.52
KLCI	1,574.09	3.16
JCI	6,225.50	26.51
Baltic Dry	1,846.00	--
VIX	14.46	0.46

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.58 (-0.02)	1.59 (-0.03)
5Y	1.61 (-0.02)	1.59 (-0.02)
10Y	1.73 (-0.02)	1.76 (-0.04)
15Y	1.81 (-0.02)	--
20Y	1.91 (-0.02)	--
30Y	2.05 (-0.01)	2.25 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.00	-0.02
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.86
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/23/2019 05:45	NZ	Trade Balance NZD	Sep	-1400m	-1242m	-1565m	--
10/23/2019 05:45	NZ	Exports NZD	Sep	4.30b	4.47b	4.13b	--
10/23/2019 05:45	NZ	Imports NZD	Sep	5.70b	5.71b	5.69b	--
10/23/2019 12:00	MA	CPI YoY	Sep	1.30%	--	1.50%	--
10/23/2019 13:00	SI	CPI YoY	Sep	0.50%	--	0.50%	--
10/23/2019 13:00	SI	CPI NSA MoM	Sep	0.20%	--	0.50%	--
10/23/2019 14:45	FR	Manufacturing Confidence	Oct	102	--	102	--
10/23/2019 16:00	TA	Industrial Production YoY	Sep	0.90%	--	2.28%	--
10/23/2019 16:00	SI	Automobile COE Open Bid Cat A	Oct-23	--	--	34001	--
10/23/2019 19:00	US	MBA Mortgage Applications	Oct-18	--	--	0.50%	--
10/23/2019 21:00	US	FHFA House Price Index MoM	Aug	0.30%	--	0.40%	--
10/23/2019 22:00	EC	Consumer Confidence	Oct A	-6.8	--	-6.5	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Emmanuel Ng***Senior FX Strategist*NqCYEmmanuel@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Dick Yu***Hong Kong & Macau*dicksnyu@ocbcwh.com

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

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