

## Daily Treasury Outlook

24 October 2019

### Highlights

**Global:** Financial markets largely treaded overnight amid the lack of market catalysts, apart from oil which jumped 3% on the back of a surprisingly lower US inventories. The S&P500 inched up by 0.28% (with Microsoft beating estimates whereas Texas Instrument disappointed with earnings and guidance), whilst UST bonds closed little changed with the 10-year yield at 1.77%. This morning, the South Korea's GDP growth eased slightly from 0.5% qoq sa in 2Q19 to 0.4% qoq sa in 3Q19 and slightly missing market consensus forecast of 0.5% qoq sa, even though the yoy print was the same at 2.0% yoy.

**Market watch:** Asian markets may also meander and trade sideways today, awaiting the ECB and BI rate decisions due later. ECB's Draghi is unlikely to unveil any fresh policy easing but the message is likely to signal the need for unity and fiscal policy stimulus to supplement monetary policy easing. BI, on the other hand, is tipped to deliver another 25bps rate to 5%. Today's economic data calendar comprises the manufacturing/services/composite PMIs from Eurozone and US, HK trade, US' durable goods orders, initial jobless claims and new home sales.

**CA:** Canadian PM Trudeau and his Liberal Party have won a second term with a parliamentary minority but lost the popular vote nationally to his Conservative rival Andrew Scheer.

**UK:** EU leaders have agreed to accept the UK PM's request for a Brexit extension, but are divided whether it should be three months (ie. 31 January 2020) or earlier at 15 November (which France favours) and will decide when they meet again tomorrow.

**Singapore:** September headline CPI came in at 0.5% yoy (flat mom nsa), the same as August, due to cheaper housing & utilities (-1.3% yoy), clothing & footwear (-0.9% yoy) and communications (-0.9% yoy). Meanwhile, core CPI eased slightly from 0.8% yoy in August to 0.7% yoy (also flat mom) in September. This brought the year-to-date headline and core CPI to 0.6% and 1.2% yoy respectively, which is well within the telegraphed official forecast of around 0.5% and the lower end of 1-2% accordingly. COE premiums ended mixed, with category A lower at \$32,309 while categories B and E were higher at \$41,805 and \$42,020.

**China:** China's State Council unveiled new measures in its regular meeting via streamlining the process for foreign currency receivable. This will help China better manage its FX reserve.

Key Market Movements		
Equity	Value	% chg
S&P 500	3004.5	0.3%
DJIA	26834	0.2%
Nikkei 225	22625	0.3%
SH Comp	2941.6	-0.4%
STI	3144.3	-0.5%
Hang Seng	26567	-0.8%
KLCI	1568.8	-0.3%
Currencies	Value	% chg
DXY	97.491	0.0%
USDJPY	108.69	0.2%
EURUSD	1.1130	0.0%
GBPUSD	1.2912	0.3%
USIDR	14032	-0.1%
USDSGD	1.3623	0.0%
SGDMYR	3.0724	-0.1%
Rates	Value	chg (bp)
3M UST	1.65	1.27
10Y UST	1.76	0.35
1Y SGS	1.76	-0.10
10Y SGS	1.69	-3.86
3M LIBOR	1.94	0.20
3M SIBOR	1.83	-3.59
3M SOR	1.53	-2.12
Commodities	Value	% chg
Brent	61.17	2.5%
WTI	55.97	2.7%
Gold	1492	0.3%
Silver	17.55	0.2%
Palladium	1746	-0.6%
Copper	5881	1.1%
BCOM	79.01	0.7%

Source: Bloomberg

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### Major Markets

**US:** US Markets climbed on Wednesday, with the S&P 500 index ending the session up 0.3%. Investor sentiment was buoyed by better-than-expected US companies' earnings. We may see continued risk taking in the markets if US-China relations continue to maintain its recent partial truce. Investors will likely continue to trade on earnings results for the rest of the week. We expect to see resistance for the S&P 500 index at the 3020 highs.

**Singapore:** The STI declined 0.52% to close at 3144.28 yesterday and may be vulnerable to further profit-taking amid the soft morning cues from Kospi. STI's support and resistance are tipped at 3110 and 3186. With UST bond yields coming off their session lows overnight and paring gains amid the \$41b of 5-year Treasury notes, SGS bonds may stay supported today, awaiting the \$1.4b (MAS taking \$100m) re-opening of the 7-year SGS bond to be auctioned on 29 October for issue on 1 November.

**Hong Kong:** HKSAR government announced a new subsidy scheme to support tourism sector, in order to buffer the shocks driven by recent social unrest. The scheme would provide HKD 120 and HKD 100 cash handout respectively to travel agencies for each overnight visitor and each outbound tourist. The subsidy would be distributed to the travel agencies between November and next March and will cost the government a total of HKD 100 million. According to Edward Yau, the Secretary for Commerce and Economic Development, he expected that around 1700 travel agencies and 850,000 tourists would benefit from the new measure.

**South Korea:** South Korea's GDP grew 2.0% yoy in Q3, matching the market consensus and slightly edging our estimate of 1.9%. Soft private consumption growth of 1.7% was offset by continued robust government expenditure growth of 6.8%. Looking ahead, we expect South Korea Q4 GDP at 2.0% and full-year 2019 growth at 2.0%. 2020 growth is expected at 2.2%.

**Oil:** Brent prices broke above \$60/bbl, closing at \$61.17/bbl. A report showing inventories fell by -1.7mil barrels last week drove prices higher. This is the first time in eight trading sessions that Brent has risen above \$60/bbl but it remains to be seen if prices can be sustained above this level, given how they have been hovering around the \$57-\$60/bbl range since August.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 1-4bps lower, while the belly and longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 130.5bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 506bps. The HY-IG Index spread tightened by 1bps to 375bps. 10Y USTs erased earlier declines in yields stemming from persistent uncertainty surrounding Brexit, to close mostly unchanged at 1.765%.

**New Issues:** Republic of Indonesia priced a USD1.0bn 30-year bond at 3.75%, tightening from IPT of 4.1% area. AYC Finance Limited (Guarantor: Ayala Corporation) priced a USD400mn NC5-Perpetual bond at 4.85%, tightening from IPT of 5.125% area. CLP Power HK Finance Ltd (Guarantor: CLP Power Hong Kong Limited) priced a USD500mn NC5.25-Perpetual bond at 3.6%, tightening from IPT of 3.9% area. PCGI Intermediate Limited (Guarantor: PCGI Limited) priced a USD250mn 5-year bond at 4.75%, tightening from IPT of 5.25% area. Yuzhou Properties Company Limited (Subsidiary Guarantors: Certain of the issuer's restricted subsidiaries outside of the PRC) priced a USD500mn 5NC3 bond at 8.375%, tightening from IPT of 8.75% area. Huayi Finance I Ltd (Guarantor: Shanghai Huayi (Group) Company) priced a USD350mn 5-year bond at T+153bps, tightening from IPT of T+200bps area. Mianyang Investment Holding (Group) Co., Ltd priced a USD300mn 3-year bond at 5.95%, tightening from IPT of 6.25% area. Rugao Economic and Trade Development Company priced a USD150mn 3-year bond at 6.0%, in line with final guidance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.491	-0.04%	<b>USD-SGD</b>	1.3623	-0.03%
<b>USD-JPY</b>	108.690	0.18%	<b>EUR-SGD</b>	1.5163	0.02%
<b>EUR-USD</b>	1.1130	0.04%	<b>JPY-SGD</b>	1.2531	-0.26%
<b>AUD-USD</b>	0.6853	-0.03%	<b>GBP-SGD</b>	1.7589	0.27%
<b>GBP-USD</b>	1.2912	0.31%	<b>AUD-SGD</b>	0.9336	-0.06%
<b>USD-MYR</b>	4.1873	-0.02%	<b>NZD-SGD</b>	0.8749	0.23%
<b>USD-CNY</b>	7.0650	-0.17%	<b>CHF-SGD</b>	1.3753	-0.16%
<b>USD-IDR</b>	14032	-0.06%	<b>SGD-MYR</b>	3.0724	-0.06%
<b>USD-VND</b>	23207	0.00%	<b>SGD-CNY</b>	5.1839	-0.23%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4440	1.00%	<b>O/N</b>	1.8129	0.18%
<b>2M</b>	-0.3360	0.18%	<b>1M</b>	1.8218	-0.12%
<b>3M</b>	-0.4040	-0.12%	<b>2M</b>	1.8846	-1.29%
<b>6M</b>	-0.3480	-1.29%	<b>3M</b>	1.9360	0.20%
<b>9M</b>	-0.1940	0.20%	<b>6M</b>	1.9325	-0.17%
<b>12M</b>	-0.2840	-0.17%	<b>12M</b>	1.9673	0.66%

### 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%	91.5%	0.0%	0.0%	91.5%
12/11/2019	0.0%	94.7%	0.0%	34.4%	60.3%
01/29/2020	0.0%	96.5%	11.8%	43.3%	41.4%
03/18/2020	0.0%	97.1%	17.2%	43.0%	35.0%
04/29/2020	0.0%	97.5%	20.8%	41.8%	30.5%
06/10/2020	0.0%	97.7%	22.8%	40.7%	27.7%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.97	3.3%	Corn (per bushel)	3.8775	-0.1%
Brent (per barrel)	61.17	2.5%	Soybean (per bushel)	9.338	0.0%
Heating Oil (per gallon)	1.9643	1.1%	Wheat (per bushel)	5.2075	0.5%
Gasoline (per gallon)	1.6519	2.7%	Crude Palm Oil (MYR/MT)	2,239.0	0.1%
Natural Gas (per MMBtu)	2.2820	0.4%	Rubber (JPY/KG)	148.4	-0.3%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,881	1.1%	Gold (per oz)	1,492.1	0.3%
Nickel (per mt)	16,590	0.5%	Silver (per oz)	17.553	0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,833.95	45.85
<b>S&amp;P</b>	3,004.52	8.53
<b>Nasdaq</b>	8,119.79	15.50
<b>Nikkei 225</b>	22,625.38	76.48
<b>STI</b>	3,144.28	-16.39
<b>KLCI</b>	1,568.79	-5.30
<b>JCI</b>	6,257.81	32.31
<b>Baltic Dry</b>	1,806.00	--
<b>VIX</b>	14.01	-0.45

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.57 (-0.01)	1.58 (-0.01)
<b>5Y</b>	1.58 (-0.03)	1.59 (+0.01)
<b>10Y</b>	1.69 (-0.04)	1.76 (--)
<b>15Y</b>	1.78 (-0.03)	--
<b>20Y</b>	1.88 (-0.03)	--
<b>30Y</b>	2.02 (-0.03)	2.25 (--)

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.47	0.07
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.87
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/24/2019	ID	Bank Indonesia 7D Reverse Repo	Oct-24	5.00%	--	5.25%	--
10/24/2019 07:00	SK	GDP YoY	3Q P	2.00%	2.00%	2.00%	--
10/24/2019 07:00	SK	GDP SA QoQ	3Q P	0.50%	0.40%	1.00%	--
10/24/2019 08:30	JN	Jibun Bank Japan PMI Mfg	Oct P	--	--	48.9	--
10/24/2019 15:30	GE	Markit/BME Germany Manufacturing PMI	Oct P	42	--	41.7	--
10/24/2019 16:00	EC	Markit Eurozone Manufacturing PMI	Oct P	46	--	45.7	--
10/24/2019 16:30	HK	Exports YoY	Sep	-7.00%	--	-6.30%	--
10/24/2019 19:45	EC	ECB Main Refinancing Rate	Oct-24	0.00%	--	0.00%	--
10/24/2019 19:45	EC	ECB Deposit Facility Rate	Oct-24	-0.50%	--	-0.50%	--
10/24/2019 19:45	EC	ECB Marginal Lending Facility	Oct-24	0.25%	--	0.25%	--
10/24/2019 20:30	EC	ECB's Draghi Speaks in Frankfurt After Policy Decision					
10/24/2019 20:30	US	Initial Jobless Claims	Oct-19	215k	--	214k	--
10/24/2019 20:30	US	Durable Goods Orders	Sep P	-0.70%	--	0.20%	--
10/24/2019 21:45	US	Markit US Manufacturing PMI	Oct P	50.9	--	51.1	--
10/24/2019 22:00	US	New Home Sales	Sep	702k	--	713k	--

Source: Bloomberg

## Treasury Research & Strategy

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