

## Daily Treasury Outlook

25 October 2019

### Highlights

**Global:** It now looks like a 12 December UK election may be on the cards with PM Johnson's ultimatum, even as EU leaders move to grant a Brexit extension till 31 January. Meanwhile, US Vice President Mike Pence's speech (which was delayed since 4 June) touched on China's interventions in Hong Kong but urged engagement between the US and China. Handing over the helm of the ECB, Draghi advised Lagarde to "never give up" and "monetary policy will continue to do its job" even as the Eurozone's composite PMIs stagnated at 50.2 in October. Separately, BI cut interest rates for the fourth time by 25bps to 5%, unwinding 100bps to-date of the 175bps hikes in 2018. The S&P500 rose overnight aided by earnings beats from tech companies including Microsoft (albeit Amazon.com disappointed), while UST bonds closed lower amid the \$35.3b sale of 7-year notes, with the 10-year yield little changed at 1.77%.

**Market watch:** Asian markets may range trade today. Today's economic data calendar comprises the US' University of Michigan sentiments, German IFO business climate and S'pore's industrial production. ECB's Villeroy is also speaking.

**US:** Durable goods orders fell more than expected by 1.1% in September, with orders excluding transportation also declining 0.3%. Meanwhile, initial jobless claims fell 6k to 212k, with the 4-week average to 215k. New home sales also dipped 0.7% mom in September. The October manufacturing and services PMIs came in at 51.5 and 51.0, leaving the composite PMI at 51.2 (up from 51.0).

**Japan:** BOJ warned that "credit costs remain low but have recently started to rise, particularly for regional financial institutions" and "capital adequacy ratios have continued to decline moderately". Meanwhile, the Jibun flash manufacturing PMIs slipped from 48.9 to 48.5 in October, marking its fastest fall since June 2016.

**Singapore:** September industrial production may have contracted 2.6% yoy (+4.7% mom sa) compared to -8.0% yoy (-7.5% mom sa) in August.

**China:** China's innovation index rose to a record high of 212 according to National Bureau Statistics. In addition, Singapore's central bank MAS said Singapore has deepened its collaboration with China's security regulator for capital market connection and China's central bank for bonds, a sign that Singapore-Shanghai connect may be rolled out following London-Shanghai connect.

Key Market Movements		
Equity	Value	% chg
S&P 500	3010.3	0.2%
DJIA	26806	-0.1%
Nikkei 225	22751	0.6%
SH Comp	2940.9	0.0%
STI	3168.9	0.8%
Hang Seng	26798	0.9%
KLCI	1571.1	0.1%
Currencies	Value	% chg
DXY	97.631	0.1%
USDJPY	108.61	-0.1%
EURUSD	1.1104	-0.2%
GBPUSD	1.2851	-0.5%
USIDR	14059	0.2%
USDSGD	1.3636	0.1%
SGDMYR	3.0718	0.0%
Rates	Value	chg (bp)
3M UST	1.66	1.02
10Y UST	1.77	0.18
1Y SGS	1.76	0.00
10Y SGS	1.70	1.03
3M LIBOR	1.94	0.36
3M SIBOR	1.83	-0.24
3M SOR	1.57	3.17
Commodities	Value	% chg
Brent	61.67	0.8%
WTI	56.23	0.5%
Gold	1504	0.8%
Silver	17.81	1.5%
Palladium	1776	1.8%
Copper	5880	0.0%
BCOM	79.35	0.4%

Source: Bloomberg

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### Major Markets

**US:** US markets traded sideways on Thursday before ending the session up 0.2%. Investor sentiment was mixed over Mike Pence's speech, which contained provocative messages criticizing China, yet called for better trade relations and cooperation. We could possibly see markets remaining cautiously optimistic as long as the current truce between the US and China lasts. We expect the S&P 500 index to continue to remain supported and see near term resistance at the 3020 handles.

**Singapore:** The STI gained 0.78% to close at 3168.87 yesterday and positive leads from Wall Street overnight, especially the tech sector, may lend a firmer tone today. SGS bonds remain under some modest pressure today.

**Hong Kong:** Exports (-7.3% yoy) and imports (-10.3% yoy) dropped for the eleventh and tenth consecutive month respectively in September. By country, exports to Asia as a whole dropped by 4.5% yoy while those to the US declined 24.3% yoy. Meanwhile, imports to major trading partners other than Taiwan and Vietnam continued to decrease. The further weakness in the trading activities could be attributed to three factors. First, high base amid front-loading activities during last September. Second, tariff hike by both US and China from 1<sup>st</sup> September. Third, weakening electronic supply chain of Asia on prolonged trade war. Fourth, soft internal and external demand due to global headwinds. As high base will sustain in October, we expect the decline in both imports and exports to remain notable. Though high base will dissipate from November, trading activities may stay soft due to the latter three negative factors mentioned above. Therefore, we expect exports and imports to see single-digit negative growth in 2019. On a positive note, should US-China trade talks go on well after reaching the first-stage trade deal, adding on the low base this year, we could expect some moderate rebound in the trading activities in 2020.

**Indonesia:** BI cut its benchmark interest rate by 25bp to 5.00%, as widely expected by most economists. This was the fourth consecutive cut to the seven-day reverse repo rate, entrenching a wave of dovishness across Asia. BI says external conditions were the primary driver behind the monetary loosening policies.

**Philippines:** BSP's Felipe Medalla, member of the Monetary Board, said he does not think that the peso is "overshooting" even though the currency has climbed to a three-month high. Separately, the BSP has announced that it will cut its RRR by 1pp to 14% in December, continuing its dovish stance to support growth.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-steepened yesterday, with the shorter tenors traded around 2bps lower, while the belly and longer tenors traded 0-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 131bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 506bps. The HY-IG Index spread was little changed 375bps. 10Y USTs traded rangebound last night, closing little changed at 1.77%, following the release of mixed US economic data which suggested a weakening economy, but not yet in recession territory. Investors also await the result of the FOMC meeting next week, with expectations of another interest rate cut.

**New Issues:** PT Adaro Indonesia (Guarantor: PT Adaro Energy Tbk) priced a USD750mn 5NC3 bond at 4.5%, tightening from IPT of 4.875%. Agile Group Holdings Limited priced a USD500mn NC4.75-Perpetual bond at 99.196 to yield 8.09%, tightening from IPT of 8.25% area. Shanghai Pudong Development Bank Co., Ltd., London Branch priced a USD300mn 3-year green bond at 3m-US LIBOR+70bps, tightening from IPT of 3m-US LIBOR+100bps area. Radiance Capital Investments Ltd (Parent Guarantor: Radiance Group Co., Ltd) priced a USD250mn 2-year bond at 12.5%, in line with final guidance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.631	0.14%	USD-SGD	1.3636	0.10%
USD-JPY	108.610	-0.07%	EUR-SGD	1.5144	-0.13%
EUR-USD	1.1104	-0.23%	JPY-SGD	1.2555	0.19%
AUD-USD	0.6819	-0.50%	GBP-SGD	1.7524	-0.37%
GBP-USD	1.2851	-0.47%	AUD-SGD	0.9299	-0.40%
USD-MYR	4.1850	-0.05%	NZD-SGD	0.8706	-0.49%
USD-CNY	7.0690	0.06%	CHF-SGD	1.3746	-0.05%
USD-IDR	14059	0.19%	SGD-MYR	3.0718	-0.02%
USD-VND	23205	-0.01%	SGD-CNY	5.1827	-0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4430	-0.40%	O/N	1.8140	0.11%
2M	-0.3360	0.11%	1M	1.8228	0.10%
3M	-0.4020	0.10%	2M	1.8976	1.30%
6M	-0.3510	1.30%	3M	1.9396	0.36%
9M	-0.1940	0.36%	6M	1.9140	-1.85%
12M	-0.2880	-1.85%	12M	1.9428	-2.45%

### 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%	90.4%	0.0%	0.0%	90.5%
12/11/2019	0.0%	93.8%	0.0%	32.3%	61.5%
01/29/2020	0.0%	96.1%	11.7%	42.9%	41.5%
03/18/2020	0.0%	96.8%	17.2%	42.7%	34.9%
04/29/2020	0.0%	97.2%	20.6%	41.6%	30.6%
06/10/2020	0.0%	97.6%	23.5%	40.1%	26.8%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.23	0.5%	Corn (per bushel)	3.8675	-0.3%
Brent (per barrel)	61.67	0.8%	Soybean (per bushel)	9.333	-0.1%
Heating Oil (per gallon)	1.9863	1.1%	Wheat (per bushel)	5.1600	-0.9%
Gasoline (per gallon)	1.6632	0.7%	Crude Palm Oil (MYR/MT)	2,287.0	2.1%
Natural Gas (per MMBtu)	2.3160	1.5%	Rubber (JPY/KG)	149.0	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,880	0.0%	Gold (per oz)	1,504.0	0.8%
Nickel (per mt)	16,860	1.6%	Silver (per oz)	17.810	1.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

Index	Value	Net change
DJIA	26,805.53	-28.42
S&P	3,010.29	5.77
Nasdaq	8,185.80	66.00
Nikkei 225	22,750.60	125.22
STI	3,168.87	24.59
KLCI	1,571.11	2.32
JCI	6,339.65	81.84
Baltic Dry	1,779.00	--
VIX	13.71	-0.30

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.57 (--)	1.58 (--)
5Y	1.59 (--)	1.58 (-0.01)
10Y	1.70 (+0.01)	1.77 (--)
15Y	1.78 (+0.01)	--
20Y	1.88 (--)	--
30Y	2.02 (--)	2.26 (+0.01)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.75	0.08
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.87
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## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/25/2019 05:00	SK	Consumer Confidence	Oct	--	98.6	96.9	--
10/25/2019 07:50	JN	Japan Buying Foreign Bonds	Oct-18	--	--	¥1062.2b	--
10/25/2019 10:31	VN	CPI YoY	Oct	2.10%	--	1.98%	--
10/25/2019 10:31	VN	Retail Sales YTD YoY	Oct	--	--	11.60%	--
10/25/2019 10:31	VN	Industrial Production YoY	Oct	--	--	10.20%	--
10/25/2019 10:31	VN	Trade Balance	Oct	\$842m	--	\$500m	--
10/25/2019 13:00	SI	Industrial Production YoY	Sep	-4.80%	--	-8.00%	--
10/25/2019 13:00	SI	Industrial Production SA MoM	Sep	-0.90%	--	-7.50%	--
10/25/2019 14:00	JN	Machine Tool Orders YoY	Sep F	--	--	-35.50%	--
10/25/2019 14:45	FR	PPI MoM	Sep	--	--	0.00%	--
10/25/2019 15:30	TH	Foreign Reserves	Oct-18	--	--	\$220.6b	--
10/25/2019 16:00	GE	IFO Business Climate	Oct	94.5	--	94.6	--
10/25/2019 16:00	GE	IFO Expectations	Oct	91	--	90.8	--
10/25/2019 22:00	US	U. of Mich. Sentiment	Oct F	96	--	96	--

Source: Bloomberg

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