

Daily Treasury Outlook

25 November 2019

Highlights

Global: US president Trump continued to talk up the markets, suggesting that a Phase 1 trade deal with China was “potentially very close” and opined that he had saved Hong Kong from being “obliterated”. Meanwhile, China had announced it will lower the threshold for intellectual property right violations, which signalled an olive branch being extended to get the Phase 1 deal done. The S&P registered modest gains on Friday, while UST bonds were little changed with the 10-year bond yield at 1.77%.

Market watch: Asian markets may attempt to trade on a more positive tone this morning amid hopes on the US-China Phase 1 trade deal gaining momentum, but also watch Fed chair Powell’s speech later. Today’s economic data calendar comprises Singapore’s October CPI, Taiwan’s industrial production, German IFO business climate and US’ Chicago and Dallas Fed indices. For the week ahead, watch for Alibaba’s trading start in Hong Kong tomorrow, the revised US’ 3Q GDP growth data and consumer spending data midweek with durable goods orders ahead of Thursday’s Thanksgiving holiday, and BOK policy decision on Friday (likely to be under pressure to trim its 1.25% rate).

US: The manufacturing PMI rebounded from 51.3 to 52.2 in November, while the services PMI also improved from 50.6 to 51.6. Meanwhile, former New York Mayor Michael Bloomberg has announced he will run for the Democratic presidential nomination.

EU: ECB president Lagarde opined that “we will continuously monitor the side effects of our policies”, which suggest that the ECB is also in pause and watch mode for now. That said, European PMIs were mostly disappointing, especially for the UK services PMI. ECB’s Lane also opined that policies are “in good shape” but further rate cuts can’t be ruled out.

China: PBoC advisor Ma Jun’s comments that local government should have space to tailor property policies to the local situation caught market attention. Together with the 5-year LPR fixing rate cut, it also led to questions whether China may fine tune its property tightening measures. On data, China’s National Bureau of Statistics completed its fourth national economic census. The nominal GDP in 2018 was revised up by CNY1.9 trillion or 2.1% to CNY91.93 trillion. In addition, China unveiled the detailed guideline to protect the intellectual property rights. China aims to increase the satisfactory level of IP protection to a high degree by 2025.

Hong Kong: In Hong Kong, the anti-establishment movement won the public support with a landslide victory in local district council election. The victory may re-energize the campaign to force the HK government to come out more political solutions, which may give the city a break from those violent disruptions

Singapore: Headline and core inflation likely rose 0.6% yoy (-0.2% mom nsa) and 0.7% yoy respectively in October, which will be a slight uptick from the September prints of 0.5% yoy (0% mom nsa) and 0.6% yoy.

Key Market Movements

Equity	Value	% chg
S&P 500	3110.3	0.2%
DJIA	27876	0.4%
Nikkei 225	23113	0.3%
SH Comp	2885.3	-0.6%
STI	3225.7	1.0%
Hang Seng	26595	0.5%
KLCI	1596.8	0.3%
Currencies	Value	% chg
DXY	98.270	0.3%
USDJPY	108.66	0.0%
EURUSD	1.1021	-0.3%
GBPUSD	1.2834	-0.6%
USIDR	14093	0.0%
USDSGD	1.3642	0.1%
SGDMYR	3.0614	0.0%
Rates	Value	chg (bp)
3M UST	1.58	1.26
10Y UST	1.77	-0.17
1Y SGS	1.65	0.00
10Y SGS	1.74	0.62
3M LIBOR	1.91	1.07
3M SIBOR	1.77	0.28
3M SOR	1.58	3.95
Commodities	Value	% chg
Brent	63.39	-0.9%
WTI	57.77	-1.4%
Gold	1462	-0.2%
Silver	17.02	-0.5%
Palladium	1777	0.8%
Copper	5855	0.4%
BCOM	78.73	0.2%

Source: Bloomberg

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Major Markets

US: US markets edged up last Friday after positive comments from China's President Xi and US' President Trump. The S&P 500 index closed the session up 0.2% in the Friday session. Looking ahead, risk sentiment could possibly be supported by China's extension of an olive branch in the form of tighter intellectual property rules. We expect the S&P 500 index to be supported by the 3100 handle in the immediate near term.

UK: PM Johnson unveiled a "sensible" manifesto pledging more tax cuts and pump money into the National Health Service, as well as to get Brexit done. Johnson and the Tories are currently leading the polls ahead of the 12 December general elections

Singapore: The STI added 1.05% to close at 3225.65 on Friday, but may trade firmer today with resistance tipped at 3240 and 3258 respective, following positive Friday leads from Wall Street and morning gains in Nikkei and Kospi. With UST bonds somewhat pressured on Friday on heightened US-China trade hopes again, SGS bonds may also respond similarly, but month-end positioning later this week may limit the decline.

Indonesia: Former Jakarta governor Basuki Purnama – better known as Ahok – is reportedly going to assume the role of president commissioner of Pertamina, Indonesia's state-owned oil and gas company. The announcement was made by Erick Thohir, the newly appointed SOE minister, who has been moving to reform the government-owned companies under his purview. Ahok was previously convicted of blasphemy in 2017, and sentenced to serve two years in prison for that.

Malaysia: The Pakatan Harapan-led federal government is reportedly in dispute with the Kelantan state government, which is controlled by PAS, over MYR1bn worth of oil royalties. The dispute surrounds which oil-and-gas fields lie within the state maritime boundary, which determines how much state royalties Kelantan is entitled to.

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Bond Market Updates

Market Commentary: The SGD swap curve steepened last Friday, with the shorter tenors around 1-2bps lower, while the belly and longer tenors around 0-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 510bps. The HY-IG Index spread widened 1bps to 381bps. 10Y UST Yields were little changed at 1.77%, with yields initially rising after stronger than expected manufacturing and services data, but offset by uncertainty regarding trade negotiations with China.

New Issues: Zhenjiang Transportation Industry Group Co. Ltd. Priced a USD220mn 3-year bond at 7.0%, tightening from IPT of 7.15% area. Yichun Development Investment Group Co., Ltd. Scheduled investor conference calls on 25 Nov for its proposed USD bond issuance. Shaoxing Shangyu State-owned Capital Investment and Operation Co., Ltd scheduled investor conference calls on 25 Nov for its proposed USD bond issuance. Dalian Wanda Commercial Management Group Co., Ltd scheduled investor meetings commencing 25 Nov for its proposed USD bond issuance, to be guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited. China State Construction International Holdings Limited scheduled investor conference calls on 22 Nov for its proposed USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.270	0.28%	USD-SGD	1.3642	0.08%
USD-JPY	108.660	0.03%	EUR-SGD	1.5035	-0.26%
EUR-USD	1.1021	-0.34%	JPY-SGD	1.2558	0.08%
AUD-USD	0.6786	-0.01%	GBP-SGD	1.7502	-0.53%
GBP-USD	1.2834	-0.62%	AUD-SGD	0.9257	0.05%
USD-MYR	4.1710	0.03%	NZD-SGD	0.8742	0.16%
USD-CNY	7.0383	0.13%	CHF-SGD	1.3675	-0.36%
USD-IDR	14093	0.02%	SGD-MYR	3.0614	-0.03%
USD-VND	23197	0.00%	SGD-CNY	5.1613	0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4450	-0.70%	O/N	1.5339	1.24%
2M	-0.3360	1.24%	1M	1.7028	-0.76%
3M	-0.4030	-0.76%	2M	1.8368	0.75%
6M	-0.3350	0.75%	3M	1.9173	1.07%
9M	-0.1940	1.07%	6M	1.9073	0.24%
12M	-0.2770	0.24%	12M	1.9149	-0.06%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	2.20%	0.00%	0.00%	0.00%	0.00%
01/29/2020	1.80%	17.30%	0.00%	0.00%	17.30%
03/18/2020	1.50%	27.80%	0.00%	2.20%	25.60%
04/29/2020	1.20%	41.20%	0.40%	6.70%	34.10%
06/10/2020	1.00%	51.80%	1.60%	11.70%	38.40%
07/29/2020	0.90%	58.70%	3.10%	15.60%	39.70%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.77	-1.4%	Corn (per bushel)	3.6875	0.1%
Brent (per barrel)	63.39	-0.9%	Soybean (per bushel)	8.970	-0.4%
Heating Oil (per gallon)	1.9294	-0.8%	Wheat (per bushel)	5.1525	1.2%
Gasoline (per gallon)	1.6743	-1.8%	Crude Palm Oil (MYR/MT)	2,642.0	2.7%
Natural Gas (per MMBtu)	2.6650	3.8%	Rubber (JPY/KG)	172.5	2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,855	0.4%	Gold (per oz)	1,461.9	-0.2%
Nickel (per mt)	14,635	1.0%	Silver (per oz)	17.022	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,875.62	109.33
S&P	3,110.29	6.75
Nasdaq	8,519.89	13.67
Nikkei 225	23,112.88	74.30
STI	3,225.65	33.44
KLCI	1,596.84	4.65
JCI	6,100.24	-17.12
Baltic Dry	1,284.00	29.00
VIX	12.34	-0.79

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.50 (+0.01)	1.63 (+0.02)
5Y	1.62 (-)	1.62 (+0.01)
10Y	1.74 (+0.01)	1.77 (-)
15Y	1.87 (-)	--
20Y	1.98 (-)	--
30Y	2.10 (-)	2.22 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.40	0.70
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.58
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/25/2019	PH	Budget Balance PHP	Oct	--	--	-178.6b	--
11/25/2019 13:00	SI	CPI YoY	Oct	0.50%	--	0.50%	--
11/25/2019 13:00	SI	CPI NSA MoM	Oct	-0.20%	--	0.00%	--
11/25/2019 13:00	SI	CPI Core YoY	Oct	0.70%	--	0.70%	--
11/25/2019 16:00	TA	Industrial Production YoY	Oct	-1.50%	--	-0.75%	--
11/25/2019 16:20	TA	Money Supply M2 Daily Avg YoY	Oct	--	--	3.40%	--
11/25/2019 16:20	TA	Money Supply M1B Daily Avg YoY	Oct	--	--	7.39%	--
11/25/2019 17:00	GE	IFO Business Climate	Nov	95	--	94.6	--
11/25/2019 17:00	GE	IFO Expectations	Nov	92.5	--	91.5	--
11/25/2019 17:00	GE	IFO Current Assessment	Nov	97.9	--	97.8	--
11/25/2019 19:00	EC	ECB's Villeroy speaks in Paris					
11/25/2019 19:00	UK	CBI Retailing Reported Sales	Nov	-11	--	-10	--
11/25/2019 19:45	AS	ECB's Holzmann Speaks at Conference in Vienna					
11/25/2019 21:30	US	Chicago Fed Nat Activity Index	Oct	-0.2	--	-0.45	--
11/25/2019 23:30	US	Dallas Fed Manf. Activity	Nov	-3.8	--	-5.1	--

Source: Bloomberg

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