

Daily Treasury Outlook

26 November 2019

Highlights

Global: US equity markets hit records overnight amid M&A activity and lingering optimism about US-China trade deal progress following China's announcement to tighten IP rules. The fresh wave of M&A activity included LVMH acquiring Tiffany, eBay selling StubHub to Viagogo, and Charles Schwab buying TD Ameritrade. Meanwhile, the Fed's 42-day repo offering past the year-end fetched strong demand of \$49.05b (nearly double the \$25b on tap) and prompted the central bank to boost the next 2 Dec term operation. Fed's Powell continued to opine that "at this point in the long expansion, I see the glass as much more than half full" and "we see the current stance of monetary policy as likely to remain appropriate" unless there is a "material" change in the outlook. The S&P rose 0.75% overnight, accompanied by the UST bond market with the 10-year bond yield at 1.76%.

Market watch: Asian markets look set to a firmer start this morning with Powell's upbeat economic assessment likely to provide a supportive tone. Today's economic data calendar comprises Singapore's industrial production, German GfK consumer confidence, HK trade, and US' new home sales, wholesale inventories and Conference Board consumer confidence. Speakers include ECB's Coeure and Wunsch, RBA's Lowe, and Fed's Brainard. Alibaba also starts trading today in Hong Kong.

US: The House Panel plans to submit the impeachment report soon after Thanksgiving.

EU: German Ifo business expectations improved to a four-month high of 95.0 in November, with the expectations and current assessment gauges at 82.1 and 97.9 respectively. This suggests that the German momentum may pick up into 1Q20.

China: China's central bank published its 2019 financial stability report. The PBoC said the financial risks have been resolved gradually in the past years. China's total leverage ratio declined slightly to 249.4% as of 2018 with non-financial corporate leverage ratio falling from the peak of 157.8% in 1Q 2018 to 152% as of end of 2018. However, household leverage ratio rose by 3.4% to 60.4% in 2018 according to PBoC's estimation, higher than 52.6% estimated by BIS. The rapid increase of household leverage ratio suggests that there is limited room to loosen China's property tightening measures on national level.

Singapore: October industrial production may have expanded 0.5% yoy (1.8% mom sa), with electronics and precision engineering output likely underperforming the biomedical cluster. Headline CPI eased from 0.5% yoy (-0.4% mom nsa) in September to a three-month low of 0.4% yoy (0% mom nsa) in October, aided by the steeper decline in the cost of electricity and gas prices (-12.5% yoy). Core CPI also moderated from 0.7% yoy to 0.6% yoy (0% mom nsa) in October, the lowest since March 2016. Our headline and core inflation remain at 0.6% and 1.1% yoy for 2019 before edging higher to just above the 1% handle for 2020. At this juncture, the domestic inflation picture remains dovish while the growth outlook remains somewhat tepid in the near-term, which will likely keep MAS in stasis for now.

Key Market Movements

Equity	Value	% chg
S&P 500	3133.6	0.8%
DJIA	28066	0.7%
Nikkei 225	23293	0.8%
SH Comp	2906.2	0.7%
STI	3220.6	-0.2%
Hang Seng	26993	1.5%
KLCI	1591.4	-0.3%
Currencies	Value	% chg
DXY	98.323	0.1%
USDJPY	108.93	0.2%
EURUSD	1.1014	-0.1%
GBPUSD	1.2900	0.5%
USIDR	14083	-0.1%
USDSGD	1.3648	0.0%
SGDMYR	3.0614	0.0%
Rates	Value	chg (bp)
3M UST	1.58	0.51
10Y UST	1.76	-1.55
1Y SGS	1.64	-0.10
10Y SGS	1.75	0.46
3M LIBOR	1.92	0.78
3M SIBOR	1.77	0.03
3M SOR	1.57	-1.41
Commodities	Value	% chg
Brent	63.65	0.4%
WTI	58.01	0.4%
Gold	1455	-0.5%
Silver	16.89	-0.8%
Palladium	1797	1.1%
Copper	5868	0.2%
BCOM	78.56	-0.2%

Source: Bloomberg

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Major Markets

US: US markets traded up last night due to a flurry of M&A deals and lingering optimism over US-China trade talks. The S&P 500 index ended the session up 0.8%. Looking ahead, investors will be scrutinising Trump's decision regarding the HK bill which, if signed, might prompt Chinese retaliation. However, in the near term we expect the S&P 500 index to maintain its bullish bias following Powell's positive take on the US economy.

JP: The IMF downgraded Japan's growth forecast from 0.9% to 0.8% for 2019 and tip a slowing to 0.5% in 2020 and called on "fiscal policy to be supportive to protect near-term growth and promote inflation momentum".

Singapore: The STI slipped 0.16% to close at 3220.63 yesterday and may range firmer between a 3200-3240 range in the interim, following positive overnight leads from Wall Street and morning advances in Nikkei and Kospi. With UST bonds advancing overnight led by longer tenors which contributed to curve flattening, longer-dated SGS bonds are likely to stay supported too.

Indonesia: Ministry of Finance officials reportedly said that government revenue shortfall by the end of 2019 may be above IDR140tn. Up to October, the government has only received 64.56% of the IDR1577tn full-year target. The shortfall has been attributed to growth slowdown, stagnant commodity prices, as well as a slump in exports and imports.

Malaysia: Home Minister Muhyiddin Yassin said that there is a need to construct a third bridge to link Malaysia and Singapore, as a long-term measure to tackle congestion at both immigration checkpoints. He added that the third link does not necessarily have to be a bridge, but may instead be a tunnel across the Straits of Johor.

Macau: Retail sales declined for the third consecutive quarter by 0.5% yoy to MOP18.06 billion in 3Q 2019. The decline was mainly attributed to weaker retail sales of adults' clothing (-18.1% yoy) and motor vehicles (-9.3% yoy). Moving forward, weakening economic outlook and trade war escalation may continue to dent local consumption while the two factors combined with a strong MOP may weigh down visitor spending. As such, retail sales may remain subdued.

Inflation accelerated to 2.86% in October, as food inflation sped up to 4.76% (the highest level since February 2016) amid rising prices of fresh pork while housing inflation grew by 1.36% due to more expensive rentals for dwellings. Moving forward, as pork shortage is likely to persist in the coming months, it may continue to add inflationary pressure. Nevertheless, a stronger MOP and high base effect may help to contain the inflationary risks. To conclude, we expect overall CPI growth to reach 2.7% - 2.8% in 2019.

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Bond Market Updates

Market Commentary: The SGD swap curve steepened yesterday, with the shorter tenors around 0-1bps higher, and the belly and longer tenors around 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 512bps. The HY-IG Index spread widened 3bps to 384bps. 10Y UST Yields fell 2bps to 1.75%, reversing earlier intraday movements where 10Y UST yields hit as high as 1.79%, with investors watching for developments on the US-China trade deal.

New Issues: China State Construction Finance (Cayman) III Limited (Guarantor: China State Construction International Holdings Limited) priced a USD500mn NC5-Perpetual bond at T+241bps, tightening from IPT of T+293bps area. TMB Bank Public Company Limited priced a USD400mn a NC5-Perpetual AT1 at 4.9%, tightening from IPT of 5.2% area. Tianfeng Securities Co., Ltd scheduled investor meetings commencing 26 Nov for its proposed USD bond issuance. AC Energy Finance International Limited scheduled investor conference calls on 25 Nov for its potential USD NC3-Perpetual bond issuance. The People's Republic of China, acting through the Ministry of Finance, mandated banks for its potential multi-tranche USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.323	0.05%	USD-SGD	1.3648	0.04%
USD-JPY	108.930	0.25%	EUR-SGD	1.5032	-0.02%
EUR-USD	1.1014	-0.06%	JPY-SGD	1.2532	-0.21%
AUD-USD	0.6779	-0.10%	GBP-SGD	1.7605	0.59%
GBP-USD	1.2900	0.51%	AUD-SGD	0.9251	-0.06%
USD-MYR	4.1783	0.18%	NZD-SGD	0.8759	0.19%
USD-CNY	7.0364	-0.03%	CHF-SGD	1.3696	0.15%
USD-IDR	14083	-0.07%	SGD-MYR	3.0614	--
USD-VND	23199	0.01%	SGD-CNY	5.1535	-0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4450	0.30%	O/N	1.5339	-0.75%
2M	-0.3360	-0.75%	1M	1.7028	-0.52%
3M	-0.4030	-0.52%	2M	1.8368	-0.43%
6M	-0.3350	-0.43%	3M	1.9173	0.78%
9M	-0.1940	0.78%	6M	1.9073	1.37%
12M	-0.2770	1.37%	12M	1.9149	0.63%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	4.10%	0.00%	0.00%	0.00%	0.00%
01/29/2020	3.50%	13.00%	0.00%	0.00%	13.00%
03/18/2020	3.20%	21.50%	0.00%	1.30%	20.20%
04/29/2020	2.50%	37.20%	0.30%	5.30%	31.70%
06/10/2020	2.10%	47.80%	1.10%	9.90%	36.70%
07/29/2020	1.70%	56.00%	2.60%	14.30%	38.90%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.01	0.4%	Corn (per bushel)	3.7050	0.5%
Brent (per barrel)	63.65	0.4%	Soybean (per bushel)	8.925	-0.5%
Heating Oil (per gallon)	1.9443	0.8%	Wheat (per bushel)	5.3100	3.1%
Gasoline (per gallon)	1.6748	0.0%	Crude Palm Oil (MYR/MT)	2,650.0	0.3%
Natural Gas (per MMBtu)	2.5310	-5.0%	Rubber (JPY/KG)	172.0	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,868	0.2%	Gold (per oz)	1,455.3	-0.5%
Nickel (per mt)	14,480	-1.1%	Silver (per oz)	16.890	-0.8%

Equity and Commodity

Index	Value	Net change
DJIA	28,066.47	190.85
S&P	3,133.64	23.35
Nasdaq	8,632.49	112.60
Nikkei 225	23,292.81	179.93
STI	3,220.63	-5.02
KLCI	1,591.35	-5.49
JCI	6,070.76	-29.48
Baltic Dry	1,284.00	--
VIX	11.87	-0.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.51 (+0.01)	1.61 (-0.01)
5Y	1.62 (--)	1.61 (-0.01)
10Y	1.75 (--)	1.76 (-0.02)
15Y	1.86 (--)	--
20Y	1.98 (--)	--
30Y	2.10 (--)	2.20 (-0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.27	-0.13
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.58
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Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/26/2019 07:50	JN	PPI Services YoY	Oct	1.60%	2.10%	0.50%	--
11/26/2019 13:00	SI	Industrial Production YoY	Oct	-1.40%	--	0.10%	--
11/26/2019 13:00	SI	Industrial Production SA MoM	Oct	0.60%	--	3.70%	--
11/26/2019 15:00	GE	GfK Consumer Confidence	Dec	9.6	--	9.6	--
11/26/2019 16:15	EC	ECB's Coeure, Wunsch Speak in Brussels					
11/26/2019 16:30	HK	Exports YoY	Oct	-8.40%	--	-7.30%	--
11/26/2019 16:30	HK	Imports YoY	Oct	-10.60%	--	-10.30%	--
11/26/2019 17:05	AU	RBA's Lowe Gives Speech in Sydney					
11/26/2019 17:30	UK	UK Finance Loans for Housing	Oct	42200	--	42310	--
11/26/2019 21:30	US	Wholesale Inventories MoM	Oct P	0.20%	--	-0.40%	--
11/26/2019 22:00	US	FHFA House Price Index MoM	Sep	0.30%	--	0.20%	--
11/26/2019 23:00	US	Conf. Board Consumer Confidence	Nov	127	--	125.9	--
11/26/2019 23:00	US	New Home Sales	Oct	705k	--	701k	--
11/26/2019 23:00	US	Richmond Fed Manufact. Index	Nov	5	--	8	--
11/26/2019 23:00	US	New Home Sales MoM	Oct	0.60%	--	-0.70%	--

Source: Bloomberg

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