

Daily Treasury Outlook

27 November 2019

Highlights

Global: US president Trump again opined that US and China are in the “final throes of a very important deal”, lifting Wall Street to fresh highs as investors ignored to mixed economic data cues. Fed’s Powell reiterated that monetary policy is “well positioned”, whereas Brainard advocated moving from a 2% inflation target to a “flexible” framework with “average inflation targeting”. Elsewhere, RBA governor noted that a government bond purchase program may be deployed in the secondary market only after the central bank has cut rates to 0.25% if needed but opined this was unlikely in the near-term. Meanwhile, S&P said Australia’s AAA credit rating will be under “downward pressure” if the government opted to increase fiscal stimulus. The S&P drifted 0.2% higher overnight, while the UST bonds also crept higher with the 10-year bond yield at 1.74%.

Market watch: Asian markets may attempt to trade higher amid the positive noises on the US-China trade front. Today’s economic data calendar comprises of US’ durables goods orders, personal income and spending, pending home sales, core PCE deflator and Fed’s Beige Book, China’s industrial profits, Thailand’s manufacturing production and German import prices. ECB’s Lane is also speaking.

US: Consumer confidence slipped for a fourth straight month from 126.1 in October to 125.5 in November, but the goods trade deficit narrowed 5.7% to \$66.5b in October as both exports and imports shrank. Meanwhile, new home sales also retreated 0.7% to an annual rate of 733k.

EU: German GfK consumer sentiment rose from 9.6 to 9.7 in December, while the expectations gauge surged 15.5 points (largest increase since July 2010) which suggested that consumers had turned less bearish amid the easing tensions for US-China trade and Brexit fears.

China: The daily northbound flow into China’s A-share hit a record high of CNY21.43 billion amid MSCI index weight change as planned. The MSCI raised the inclusion factor of all large cap China A-shares in the index from 15% to 20% as well as added mid-cap A-share into the index with an inclusion factor 20% effective from Tuesday night after market close.

Singapore: October industrial production surprised on the upside again by expanding 4.0% yoy (3.4% mom sa), as biomedical surged 24.0% driven by pharmaceuticals (+29.6% yoy) and electronics also eked out positive growth of 0.4% yoy. This marked electronics’ first expansion after seven months of drought and reinforced the view that the electronics sector may have bottomed mid-year and is beginning to see some green shoots. This data is a positive harbinger for 4Q19 GDP growth momentum and suggests a potential further improvement from the revised 0.5% yoy (2.1% qoq saar) seen in 3Q19 to 0.7% yoy (1.3% qoq saar). In turn, this could herald some upside risk to our full year 2019 GDP growth forecast of 0.6% yoy.

Key Market Movements		
Equity	Value	% chg
S&P 500	3140.5	0.2%
DJIA	28122	0.2%
Nikkei 225	23373	0.3%
SH Comp	2907.1	0.0%
STI	3207.9	-0.4%
Hang Seng	26914	-0.3%
KLCI	1583.9	-0.5%
Currencies	Value	% chg
DXY	98.252	-0.1%
USDJPY	109.05	0.1%
EURUSD	1.1021	0.1%
GBPUSD	1.2866	-0.3%
USDIDR	14088	0.0%
USDSGD	1.3641	-0.1%
SGDMYR	3.0636	0.1%
Rates	Value	chg (bp)
3M UST	1.58	-0.39
10Y UST	1.74	-1.37
1Y SGS	1.68	3.20
10Y SGS	1.75	-0.35
3M LIBOR	1.92	0.14
3M SIBOR	1.77	0.00
3M SOR	1.54	-3.20
Commodities	Value	% chg
Brent	64.27	1.0%
WTI	58.41	0.7%
Gold	1461	0.4%
Silver	17.08	1.1%
Palladium	1811	0.8%
Copper	5924	1.0%
BCOM	78.66	0.1%

Source: Bloomberg

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Major Markets

US: US markets edged up last night on optimism over US-China trade talks. The S&P 500 index ended the session up 0.2%. Looking ahead, we expect the S&P 500 index to continue to see buying sentiment in the session ahead, after Trump's optimistic comments regarding the US-China trade talks. We see the index targeting the 3200 psychological level in the near term.

Singapore: The STI slipped again by 0.40% to close at 3207.85 yesterday, but may trade with a firmer tone today, with support and resistance at 3200 and 3240 respectively. Leads from Wall Street overnight were positive, but morning cues from Nikkei and Kospi are mixed. UST bonds extended its rally overnight led again by longer tenors ahead of the month-end and Thanksgiving holiday which added to the curve flattening bias, albeit the \$18b 2-year FRN re-opening saw a discount margin of 24bps and a 2bp tail. The SGS bond market traded in a tight range yesterday and may remain rangebound in the run up to month-end.

Indonesia: Finance Minister Sri Mulyani said that the government plans to submit a revised labour law bill to the parliament by early January next year, to ease the restrictive rules under the current 2003 Labour Law that have been holding back FDI. The changes will be part of the so-called "omnibus law" on job creation that will cover nearly a dozen areas including rules on SEZs and R&D.

Malaysia: Government has won a ruling at the Court of Appeal in London for public hearings in a dispute between 1MDB and an Abu Dhabi's state investment fund, claiming that private arbitration proceedings are unsatisfactory. The case concerns Malaysia's attempt to recover USD3.5bn that was paid by 1MDB subsidiaries to an IPIC subsidiary.

Hong Kong: Exports (-9.2% yoy) and imports (-11.5% yoy) dropped for the twelfth and eleventh consecutive month respectively in September. The sluggish trading performance might be attributed to two factors. Firstly, the high base effect persisted in October due to the front-loading activities last October. Secondly, lingering trade war fears and concerns over global economic slowdown continued to dent trade and investment sentiment. From the data, weakening electronic supply chain of Asia was still observed. As the high base effect will dissipate from November, in addition to the market's optimism over the first-stage trade deal achieved, trade performance of Hong Kong might see some relief. Nevertheless, the trading activities might stay soft due to weakening economic outlook and prolonged trade war fears, which might dent the domestic and external demand. Therefore, we expect exports and imports to see single-digit negative growth in whole 2019. Supported by low base this year and the global monetary easing, we could expect some moderate rebound in Hong Kong's trading activities in 2020.

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Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors around 0-1bps higher, and the belly and longer tenors around 1-3bps lower. 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 513bps. The HY-IG Index spread widened 1bps to 385bps. 10Y UST Yields fell 1bps to 1.74% on fresh optimism on good progress of the US-China trade talks.

New Issues: PTTEP Treasury Center Co. (Guarantor: PTT Exploration and Production Public Company Limited) priced a USD650mn 40-year bond at T+172.5bps, tightening from IPT of T+195bps area. The Ministry of Finance of the People's Republic of China priced USD6.0bn in 4 tranches; a USD1.5bn 3-year bond at T+35bps (tightening from IPT of T+60bps area); a USD2.0bn 5-year bond at T+40bps (tightening from IPT of T+65bps area); a USD2.0bn 10-year bond at T+50bps (tightening from IPT of T+70bps area); and a USD500mn 20-year bond at T+70bps (tightening from IPT of T+80bps area). Yichun Development Investment HaiTong Co., Ltd (Keepwell provider: Yichun Development Investment Group Co., Ltd; SBLC provider: Jiangxi Bank Co., Ltd., Yichun Branch) priced a USD300mn 3-year bond at 4.2%, tightening from IPT of 4.5% area. AC Energy Finance International Ltd (Guarantor: AC Energy, Inc) priced a USD400mn NC3-Perpetual green bond at 5.65%, tightening from IPT of 6.0% area. Melco Resorts Finance Ltd (MPEL) priced a USD900mn 10NC5 bond at 5.375%, tightening from IPT of 5.625% area. Hangzhou Linjiang Investment Development Co. Ltd mandated banks for its proposed USD bond offering. China Huaneng Group Co., Ltd scheduled investor meetings commencing 27 Nov for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.252	-0.07%	USD-SGD	1.3641	-0.05%
USD-JPY	109.050	0.11%	EUR-SGD	1.5034	0.01%
EUR-USD	1.1021	0.06%	JPY-SGD	1.2508	-0.19%
AUD-USD	0.6788	0.13%	GBP-SGD	1.7551	-0.31%
GBP-USD	1.2866	-0.26%	AUD-SGD	0.9259	0.09%
USD-MYR	4.1832	0.12%	NZD-SGD	0.8767	0.09%
USD-CNY	7.0336	-0.04%	CHF-SGD	1.3678	-0.13%
USD-IDR	14088	0.04%	SGD-MYR	3.0636	0.07%
USD-VND	23193	-0.03%	SGD-CNY	5.1485	-0.10%

Equity and Commodity

Index	Value	Net change
DJIA	28,121.68	55.21
S&P	3,140.52	6.88
Nasdaq	8,647.93	15.44
Nikkei 225	23,373.32	80.51
STI	3,207.85	-12.78
KLCI	1,583.87	-7.48
JCI	6,026.19	-44.57
Baltic Dry	1,351.00	--
VIX	11.54	-0.33

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4510	-0.30%	O/N	1.5361	0.23%
2M	-0.3360	0.23%	1M	1.6995	-0.32%
3M	-0.4040	-0.32%	2M	1.8420	0.53%
6M	-0.3380	0.53%	3M	1.9186	0.14%
9M	-0.1940	0.14%	6M	1.9191	1.19%
12M	-0.2800	1.19%	12M	1.9418	2.69%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.54 (+0.03)	1.58 (-0.03)
5Y	1.62 (--)	1.60 (-0.01)
10Y	1.75 (--)	1.74 (-0.01)
15Y	1.86 (--)	--
20Y	1.97 (-0.01)	--
30Y	2.09 (-0.01)	2.18 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	3.80%	0.00%	0.00%	0.00%	0.00%
01/29/2020	3.30%	11.80%	0.00%	0.00%	11.80%
03/18/2020	2.80%	26.20%	0.00%	2.00%	24.20%
04/29/2020	2.40%	36.90%	0.30%	5.30%	31.30%
06/10/2020	1.90%	49.10%	1.30%	10.60%	37.20%
07/29/2020	1.60%	56.40%	2.70%	14.50%	38.90%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.92	-0.25
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.41	0.7%	Corn (per bushel)	3.6750	-0.8%
Brent (per barrel)	64.27	1.0%	Soybean (per bushel)	8.843	-0.9%
Heating Oil (per gallon)	1.9606	0.8%	Wheat (per bushel)	5.3025	-0.1%
Gasoline (per gallon)	1.7047	1.8%	Crude Palm Oil (MYR/MT)	2,580.0	-2.6%
Natural Gas (per MMBtu)	2.4700	-2.4%	Rubber (JPY/KG)	168.6	-2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,924	1.0%	Gold (per oz)	1,461.4	0.4%
Nickel (per mt)	14,595	0.8%	Silver (per oz)	17.077	1.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/27/2019 20:00	US	MBA Mortgage Applications	Nov-22	--	--	-2.20%	--
11/27/2019 21:30	US	Initial Jobless Claims	Nov-23	221k	--	227k	--
11/27/2019 21:30	US	GDP Annualized QoQ	3Q S	1.90%	--	1.90%	--
11/27/2019 21:30	US	Durable Goods Orders	Oct P	-0.90%	--	-1.20%	--
11/27/2019 21:30	US	GDP Price Index	3Q S	1.70%	--	1.70%	--
11/27/2019 21:30	US	Durables Ex Transportation	Oct P	0.10%	--	-0.40%	--
11/27/2019 21:30	US	Continuing Claims	Nov-16	1691k	--	1695k	--
11/27/2019 21:30	US	Personal Consumption	3Q S	2.80%	--	2.90%	--
11/27/2019 21:30	US	Core PCE QoQ	3Q S	2.20%	--	2.20%	--
11/27/2019 21:30	US	Cap Goods Orders Nondef Ex Air	Oct P	-0.20%	--	-0.60%	--
11/27/2019 22:45	US	MNI Chicago PMI	Nov	47	--	43.2	--
11/27/2019 22:45	US	Bloomberg Consumer Comfort	Nov-24	--	--	59.1	--
11/27/2019 23:00	US	Personal Income	Oct	0.30%	--	0.30%	--
11/27/2019 23:00	US	Personal Spending	Oct	0.30%	--	0.20%	--
11/27/2019 23:00	US	Pending Home Sales MoM	Oct	0.20%	--	1.50%	--

Source: Bloomberg

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