

Daily Treasury Outlook

28 August 2019

Highlights

Global: Markets were roughly in consolidation mode yesterday after the past two days of US-China turmoil. In China, there continues to be an uncomfortable non-confirmation that there have been recent high level talks between the country and the US on trade negotiations, despite President Trump declaring so on Monday. A Bloomberg report stated that only a few negotiators in Beijing think an agreement is possible before the 2020 US elections. The US Treasury yield curve continues to show inversion, with the 3m/30y, 3m/10y and the 2y/10y all inverted at the moment. 10Y yields fell below 1.50% to close at 1.47% yesterday, the lowest since July 2016. Finally, in the US, the Conference Board consumer confidence survey showed a decline m/m to 135.1 from 135.7.

Market Watch: Asian markets are likely to trade choppy in today's session as markets take their cue from the US market's losses overnight. Some consolidation is expected in the near-term after the two days of market mayhem this week, as investors assess the impact of a deceleration in the state of US-China relations on global growth and earnings.

China: China's State Council announced 20 measures to stabilize consumption expectation and boost confidence with the focus to unlock potential for car consumption. China will gradually remove the restriction on car purchases and support the purchase of new energy car and transactions in the secondary market. China's industry profit rose by 2.6% yoy in July after falling by 3.1% yoy in June. Profit for private owned companies improved notably.

Oil: Oil prices rallied against a risk-off backdrop yesterday, after the API reported it expected US crude stockpiles to fall 11.1mil barrels, which if accurate will be the largest decline in two months. Iran has all but ruled out a meeting with the US even though Trump said the US was exploring the idea of easing sanctions on the country, which probably provided a secondary boost for oil prices to eke out gains. Brent, however, still failed to close above \$60/bbl, ending yesterday at \$59.51/bbl eventually.

Key Market Movements

Equity	Value	% chg
S&P 500	2869.2	-0.3%
DJIA	25778	-0.5%
Nikkei 225	20456	1.0%
SH Comp	2902.2	1.3%
STI	3067.5	0.1%
Hang Seng	25664	-0.1%
KLCI	1590.8	-0.6%
Currencies	Value	% chg
DXY	97.999	-0.1%
USDJPY	105.75	-0.3%
EURUSD	1.1090	-0.1%
GBPUSD	1.2290	0.6%
USDIDR	14255	0.1%
USDSGD	1.3893	0.1%
SGDMYR	3.0284	0.0%
Rates	Value	chg (bp)
3M UST	1.97	-0.70
10Y UST	1.47	-6.40
1Y SGS	1.85	0.00
10Y SGS	1.70	-1.82
3M LIBOR	2.14	0.00
3M SIBOR	1.88	0.00
3M SOR	1.74	0.00
Commodities	Value	% chg
Brent	59.51	1.4%
WTI	54.93	2.4%
Gold	1543	1.0%
Silver	18.20	3.0%
Palladium	1482	0.1%
Copper	5683	0.9%
BCOM	76.58	0.3%

Source: Bloomberg

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Major Markets

US: US markets was consolidating on Tuesday, with the S&P 500 trading sideways before closing down 0.3%. Trump's claims of trade discussion between the US and China was not backed up by Chinese officials, resulting in mixed market sentiment. 10Y UST yields continued to sink, dropping 6.4bps to 1.47%, the lowest since July 2016. In the near term, we think the US equities may continue to consolidate but downside risks may see the S&P 500 index head towards the 2800 resistance.

Singapore: The STI rose 0.1% yesterday at 3,067.50. Singapore equities continue to feel selling pressure from global macroeconomic headwinds and its forward P/E ratio (as estimated by Bloomberg) is one of the lowest regionally, with the Hang Seng index probably one of the few equity indices that have a lower valuation at this moment. In the medium term, we expect the STI to continue trending lower but is expected to find relatively strong support at 3,000.

Indonesia: The government has reportedly sold Rp17.4tn of bonds/t-bills in an auction yesterday, exceeding their target of Rp15tn with the ministry receiving bids worth Rp29.1tn. Meanwhile, Finance Minister Sri Mulyani has said that the government has stimulus options available to support the economy if global conditions deteriorated further. She stated that the country is "not facing a recession" but instead "facing external pressure". She also mentioned that the country has "fiscal and monetary space". Regarding taxes, she said that the country is "accelerating" tax reform and trying to "make sure that the tax base is going to be expanded enough" so that they can reduce the tax rate.

Macau: Unemployment rate increased to 1.8% in the three months through July 2019 after stabilizing at an over four-year low of 1.7% for eight consecutive three-month periods. The employed population of hotels and similar activities, and that of the gaming sector continued to increase by 5.1% yoy and 1.5% yoy respectively, owing to robust tourism and mass-market gaming. However, the employed population of retail sector, and that of restaurant & similar activities continued to decrease by 5.3% yoy and 6.3% yoy respectively amid weak spending. Meanwhile, the employed population of the construction sector decreased further by 8% yoy due to the lack of infrastructure, entertainment and housing projects under construction. Macau's economy has slipped into a technical recession in 2Q and face multiple headwinds including trade war, a strong MOP against RMB, Asia's economic slowdown and the spill-over effect of HK's social unrest. Against this backdrop, we are concerned that the job markets will further deteriorate.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors traded 2bps lower, while the longer tenors (>5yr) traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 564bps. 10Y USTs fell 6bps to 1.47%, as investors weighed the mixed signals from the US-China trade war, with Chinese officials downplaying progress towards a trade deal. Spread between the 2-year treasury notes and 10-year treasury notes remains inverted, with the spread at -4bps, while the spread between 3-month treasury bills and 10-year treasury notes also remains inverted, with the spread widening to -46bps.

New Issues: Chengdu Economic & Technological Development Zone Construction Development Co. Ltd has priced a USD200mn 3-year bond at 6.4%. Hysan Development Company Ltd has scheduled investor meetings commencing on 27 Aug for its potential USD bond issuance. Indorama Ventures Public Company Ltd has scheduled investor roadshows commencing on 28 Aug for its potential USD bond issuance. SK Hynix Inc. has scheduled investor meetings commencing on 2 Sep for its potential USD bond issuance. KEB Hana Bank has scheduled investor roadshows commencing on 2 Sep for its potential USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.999	-0.08%	USD-SGD	1.3893	0.09%
USD-JPY	105.750	-0.35%	EUR-SGD	1.5409	-0.01%
EUR-USD	1.1090	-0.11%	JPY-SGD	1.3137	0.40%
AUD-USD	0.6752	-0.34%	AUD-SGD	1.7075	0.65%
GBP-USD	1.2290	0.60%	GBP-SGD	0.9377	-0.33%
USD-MYR	4.2048	0.04%	NZD-SGD	0.8839	-0.44%
USD-CNY	7.1617	0.15%	CHF-SGD	1.4156	-0.20%
USD-IDR	14255	0.08%	SGD-MYR	3.0284	-0.03%
USD-VND	23199	-0.02%	SGD-CNY	5.1560	0.02%

Equity and Commodity

Index	Value	Net change
DJIA	25,777.90	-120.93
S&P	2,869.16	-9.22
Nasdaq	7,826.95	-26.79
Nikkei 225	20,456.08	195.04
STI	3,067.52	2.19
KLCI	1,590.84	-9.69
JCI	6,278.17	63.66
Baltic Dry	2,168.00	--
VIX	20.31	0.99

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4230	-0.60%	O/N	2.0884	--
2M	-0.3360	--	1M	2.1395	--
3M	-0.4180	--	2M	2.1714	--
6M	-0.4150	--	3M	2.1444	--
9M	-0.1940	--	6M	2.0801	--
12M	-0.3640	--	12M	2.0285	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.63 (-0.01)	1.52 (-0.02)
5Y	1.64 (-0.01)	1.38 (-0.04)
10Y	1.70 (-0.02)	1.47 (-0.06)
15Y	1.80 (-0.02)	--
20Y	1.86 (-0.02)	--
30Y	1.95 (-0.01)	1.95 (-0.09)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.25-1.50%	1.5-1.75%	1.75-2%
09/18/2019	0.0%	100.0%	0.0%	10.2%	89.8%
10/30/2019	0.0%	100.0%	5.9%	55.8%	38.4%
12/11/2019	0.0%	100.0%	39.7%	44.0%	12.4%
01/29/2020	0.0%	100.0%	42.2%	25.6%	5.2%
03/18/2020	0.0%	100.0%	36.3%	18.3%	3.3%
04/29/2020	0.0%	100.0%	31.9%	14.7%	2.5%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.10	0.40
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.10
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	54.93	2.4%	Corn (per bushel)	3.5700	-0.4%
Brent (per barrel)	59.51	1.4%	Soybean (per bushel)	8.463	-0.9%
Heating Oil (per gallon)	1.8159	1.3%	Wheat (per bushel)	4.7375	0.2%
Gasoline (per gallon)	1.6499	2.1%	Crude Palm Oil (MYR/MT)	2,184.0	-1.3%
Natural Gas (per MMBtu)	2.2020	-1.3%	Rubber (JPY/KG)	156.5	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,683	0.9%	Gold (per oz)	1,541.0	1.0%
Nickel (per mt)	15,700	0.3%	Silver (per oz)	18.153	2.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/28/2019 08:29	AR LELIQ 7-Day Notes Rate	Aug-28	--	74.99%	--
08/28/2019 14:00	GE GfK Consumer Confidence	Sep	9.6	9.7	--
08/28/2019 14:00	GE Import Price Index MoM	Jul	-0.10%	-1.40%	--
08/28/2019 14:00	GE Import Price Index YoY	Jul	-2.00%	-2.00%	--
08/28/2019 15:30	SW Retail Sales MoM	Jul	0.30%	1.00%	--
08/28/2019 15:30	SW Retail Sales WDA YoY	Jul	3.00%	3.80%	--
08/28/2019 16:00	IT Manufacturing Confidence	Aug	99.6	100.1	--
08/28/2019 16:00	AS Bank Austria Manufacturing PMI	Aug	--	47	--
08/28/2019 16:00	IT Consumer Confidence Index	Aug	112.7	113.4	--
08/28/2019 16:00	EC M3 Money Supply YoY	Jul	4.70%	4.50%	--
08/28/2019 16:00	IT Economic Sentiment	Aug	--	101.2	--
08/28/2019 19:00	US MBA Mortgage Applications	Aug-23	--	-0.90%	--

Source: Bloomberg

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