

Daily Treasury Outlook

29 October 2019

Highlights

Global: US-China trade optimism is likely to carry the day today amid strong hints from US president Trump that the US is ahead of schedule to sign Phase 1 of the trade deal and the US Trade Representative is considering up to a 12-month extension for certain exclusions on \$34 billion of Chinese imports that were due to expire 28 December. Brexit concerns also ebbed as the EU granted a Flexextension (flexible extension) of the Brexit deadline to 31 January, whilst the UK Parliament rebuffed PM Boris Johnson's bid for snap elections for a third time even as he intends to try again today. The S&P500 hit a record, led by Apple, Microsoft and Alphabet, while UST bonds bear-steepened with yields generally 3-6bps higher and the 10-year yield touching a high of 1.86% (highest since 16 September) before closing at 1.84% (+5bps).

Market watch: Asian markets may trade with a firmer tone today. Today's economic data calendar comprises the US' pending home sales, Conference Board consumer confidence, and S&P Core Logic house prices, Thai manufacturing production, UK Nationwide house prices and mortgage approvals. RBA's Lowe is also speaking. For the week ahead, Wednesday will print US' 3Q GDP growth (forecast: 1.6% annualised qoq, down from 2.0% in 2Q) and the BOC policy decision (likely to be static at 1.75%), but Thursday will be the main focus with the FOMC (widely expected to cut another 25bps, but whether it will be a hawkish cut or if Powell will signal more dovish intentions ahead will be the key) and the BOJ (questionable if any monetary policy easing will actually be forthcoming to counter the effects of the recent sales tax hike). Friday will also bring the key US' nonfarm payrolls, unemployment and earnings data which market consensus is eyeing +85k (previously +114k), 3.6% (+0.1% point) and +0.3% mom (previously flat).

US: The US' advance goods trade deficit unexpectedly narrowed to \$70.4 billion in September, as imports fell 4.6% to a near 2-year low while exports fell 3% amid the ongoing trade war. Wholesale inventories fell 0.3% in September and the Dallas Fed manufacturing new orders also declined to a 3-year low.

Singapore: Industrial production surprised on the upside with a 0.1% yoy (+3.7% mom sa) versus expectations for a contraction and the July reading was also revised up from -0.1% yoy to +1.2% yoy. The biomedical cluster surged 21.9% yoy in September, led by pharmaceuticals (+26.2% yoy). Excluding the biomedical cluster, manufacturing output shrank 4.3% yoy (+5.9% mom sa). Electronics output continued to contract but by a milder 9.6% yoy in September, versus the -25.0% print in August. With manufacturing output declining just 1.7% yoy in 3Q19 versus the flash estimate of -3.5% yoy, the flash 2Q19 GDP growth estimate is likely to be revised higher from the initial 0.1% yoy (0.6% qoq saar) to 0.5% yoy (+2.1% qoq saar). In turn, the full-year 2019 manufacturing growth contraction may come in at a more modest 2.0% yoy (previously estimated at -2.7% yoy), which could imply the 2019 GDP growth closer to the mid-range of the official 0-1% yoy forecast ie. 0.5% yoy.

Key Market Movements

Equity	Value	% chg
S&P 500	3039.4	0.6%
DJIA	27091	0.5%
Nikkei 225	22867	0.3%
SH Comp	2980.1	0.9%
STI	3185.5	0.0%
Hang Seng	26891	0.8%
KLCI	1570.0	0.0%
Currencies	Value	% chg
DXY	97.764	-0.1%
USDJPY	108.95	0.3%
EURUSD	1.1100	0.2%
GBPUSD	1.2863	0.3%
USDIDR	14029	-0.1%
USDSGD	1.3622	-0.1%
SGDMYR	3.0715	0.0%
Rates	Value	chg (bp)
3M UST	1.63	-3.34
10Y UST	1.84	4.77
1Y SGS	1.68	0.00
10Y SGS	1.71	0.00
3M LIBOR	1.93	-0.75
3M SIBOR	1.83	0.00
3M SOR	1.53	-1.80
Commodities	Value	% chg
Brent	61.57	-0.7%
WTI	55.81	-1.5%
Gold	1493	-0.8%
Silver	17.85	-1.1%
Palladium	1803	2.1%
Copper	5925	0.0%
BCOM	79.48	0.0%

Source: Bloomberg

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Major Markets

US: US markets started the week on a positive note after President Donald Trump provided some optimism by saying that a deal could be signed “ahead of schedule”. The S&P 500 index ended yesterday’s session up 0.6% to close at a new high of 3039.4. Better than expected earnings reports as well as rate cut bets for this week’s FOMC meeting are likely to keep the markets supported.

EU: Bank lending fell in September, with corporate lending growth easing from 4.3% in August to 3.7% in September.

Singapore: The STI gained 0.53% to close at 3185.53 on Friday, and may play catch up today amid positive leads from Wall Street overnight, especially the tech sector, and morning gains in Kospi. STI resistance is tipped at 3200. With the bear-steepening bias in UST bonds, SGS bonds are likely to remain under pressure today.

Hong Kong: Unemployment rate stabilized at 1.8% in 3Q 2019, whereas employed population dropped slightly from 387,300 to 387,100. Specifically, the employed population of construction sector registered the fifth consecutive decline of 6% yoy as the lack of new projects under construction weakened the relevant labour demand. Meanwhile, the employed population of retail sector (-3% yoy) and hotels and restaurants sector (-0.4% yoy) both dropped as faltering economic outlook dented both local consumption and visitor spending while a strong MOP further weighed down tourist expenditure despite resilient tourism growth. On a positive note, thanks to the buoyant mass-market segment supported by solid tourism growth, the employed population of gaming sector grew for the seventh consecutive three-month period by 0.6% yoy. Moving forward, as a lagging indicator, overall unemployment rate is expected to stagnate at 1.8% for a little while. That said, the labour market is set to soften as domestic economic outlook has been clouded by external uncertainties as well as a strong MOP. In other words, we hold onto our view that overall unemployment rate will climb gradually towards 1.9% and even 2% in the coming year.

Indonesia: The government has suspended nickel ore exports with immediate effect, rather than at the start of 2020 as planned, because of a rush in shipment to beat the deadline. According to Bloomberg, the new chairman of the Investment Coordinating Board, Bahlil Lahadalia, said that nickel ore that is meant for exports for the rest of the year will be absorbed by domestic companies with smelters instead.

Malaysia: PM Mahathir Mohamad said that only Pakatan Harapan’s presidential council can determine who is the country’s prime minister. He said this in response to some suggestion from opposition MPs that Mahathir remains as the leader until the next general election.

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Thailand: The US has suspended \$1.3bn in trade preferences for Thailand under the Generalized System of Preferences (GSP), with Thai seafood products removed from the program. Concerns about workers' rights were cited as the primary reason for the suspension of these trade preferences. This policy will be enacted six months from now. It is notable that the likes of Turkey and India also had GSP privileges terminated by the US this year. Thailand said it will seek talks with the US to regain the scrap benefits in these six months, but also added that the impact of this revocation is small and will cost at most approximately \$60mil. Separately, the Thai Finance Ministry has cut 2019 GDP growth to 2.8% from 3.0% in August, bringing it in-line with our full-year estimate.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors and belly mostly unchanged, while the longer tenors traded 1-5bps lower (with exception of the 10-year tenor which was 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 tightened 6bps to 497bps. The HY-IG Index spread tightened 4bps to 369bps. 10Y USTs rose 5bps to close at 1.84%, after positive developments on trade issues between the US and China and encouraging earnings boosted risk-on sentiment.

New Issues: Hyundai Capital America priced a USD1.5bn offering in two parts; a USD800mn 3-year bond at T+120bps (tightening from IPT of T+140-145bps area), and a USD700mn 7-year bond at T+175bps (tightening from IPT of T+195-200bps area). China Oil and Gas Group Ltd priced a USD30mn re-tap of its existing CHIOIL 5.5%'23s at 5.71%. NWD Finance (BVI) Limited (Guarantor: New World Development Company Limited) priced a USD400mn re-tap of its existing NWDEVL 6.25%-Perpetual bond at 5.875%, tightening from IPT of 6.0% area. Redsun Properties Group Limited priced a USD100mn 2-year bond at 13.0%. Chengdu Jiaozi Financial Holding Group Co., Ltd scheduled investor meetings commencing on 29 Oct for its proposed Reg S USD bond issuance. Southeast Asia Commercial Joint Stock Bank scheduled investor meetings commencing on 28 Oct for its proposed USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.764	-0.07%	USD-SGD	1.3622	-0.07%
USD-JPY	108.950	0.26%	EUR-SGD	1.5119	0.09%
EUR-USD	1.1100	0.18%	JPY-SGD	1.2501	-0.35%
AUD-USD	0.6838	0.22%	GBP-SGD	1.7518	0.19%
GBP-USD	1.2863	0.28%	AUD-SGD	0.9315	0.15%
USD-MYR	4.1845	--	NZD-SGD	0.8649	-0.09%
USD-CNY	7.0683	0.04%	CHF-SGD	1.3696	-0.11%
USD-IDR	14029	-0.06%	SGD-MYR	3.0715	--
USD-VND	23202	--	SGD-CNY	5.1885	0.08%

Equity and Commodity

Index	Value	Net change
DJIA	27,090.72	132.66
S&P	3,039.42	16.87
Nasdaq	8,325.99	82.87
Nikkei 225	22,867.27	67.46
STI	3,185.53	--
KLCI	1,570.00	--
JCI	6,265.38	13.04
Baltic Dry	1,803.00	2.00
VIX	13.11	0.46

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4560	-0.50%	O/N	1.8060	0.32%
2M	-0.3360	0.32%	1M	1.8049	0.06%
3M	-0.4130	0.06%	2M	1.8810	-0.48%
6M	-0.3500	-0.48%	3M	1.9281	-0.75%
9M	-0.1940	-0.75%	6M	1.9333	0.13%
12M	-0.2930	0.13%	12M	1.9558	-0.51%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.57 (--)	1.64 (+0.03)
5Y	1.59 (--)	1.66 (+0.04)
10Y	1.71 (--)	1.84 (+0.05)
15Y	1.80 (--)	--
20Y	1.90 (--)	--
30Y	2.04 (--)	2.33 (+0.05)

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%	92.0%	0.0%	0.0%	92.0%
12/11/2019	0.0%	94.0%	0.0%	23.4%	70.6%
01/29/2020	0.0%	95.7%	6.6%	36.6%	52.5%
03/18/2020	0.0%	96.3%	11.0%	39.0%	45.3%
04/29/2020	0.0%	96.8%	14.4%	39.8%	40.3%
06/10/2020	0.0%	97.0%	16.2%	39.6%	39.9%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	3.12	-0.38
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.84
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.81	-1.5%	Corn (per bushel)	3.8400	-0.7%
Brent (per barrel)	61.57	-0.7%	Soybean (per bushel)	9.208	0.1%
Heating Oil (per gallon)	1.9618	-0.9%	Wheat (per bushel)	5.1175	-1.2%
Gasoline (per gallon)	1.6728	0.0%	Crude Palm Oil (MYR/MT)	2,309.0	--
Natural Gas (per MMBtu)	2.4460	6.3%	Rubber (JPY/KG)	150.1	2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,925	--	Gold (per oz)	1,492.5	-0.8%
Nickel (per mt)	16,775	--	Silver (per oz)	17.850	-1.1%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/29/2019	VN CPI YoY	2.05%	--	1.98%	--
10/29/2019	VN Retail Sales YTD YoY	--	--	11.60%	--
10/29/2019 05:00	SK Business Survey Manufacturing	--	72	73	--
10/29/2019 07:30	JN Tokyo CPI Ex-Fresh Food YoY	0.70%	0.50%	0.50%	--
10/29/2019 07:30	JN Tokyo CPI YoY	0.70%	0.40%	0.40%	--
10/29/2019 14:45	AU RBA Governor Lowe Gives Speech in Canberra				
10/29/2019 15:00	UK Nationwide House PX MoM	0.00%	--	-0.20%	--
10/29/2019 15:00	UK Nationwide House Px NSA YoY	0.30%	--	0.20%	--
10/29/2019 15:45	FR Consumer Confidence	104	--	104	--
10/29/2019 17:00	IT PPI MoM	--	--	-0.50%	--
10/29/2019 17:30	UK Mortgage Approvals	65.0k	--	65.5k	--
10/29/2019 19:00	EC ECB's Hernandez de Cos speaks in Madrid on				
10/29/2019 22:00	US Conf. Board Consumer Confidence	128	--	125.1	--
10/29/2019 22:00	US Pending Home Sales MoM	0.80%	--	1.60%	--

Source: Bloomberg

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