

## Daily Treasury Outlook

30 August 2019

### Highlights

**Global:** Global risk sentiment improved on Thursday in hopes that the US and China will restart trade talks. China's Commerce Ministry spokesperson said although China had ample countermeasures, China prefers to hold dialogue and would much rather focus on removing existing tariffs. Meanwhile, China also remains open to the previously planned face-to-face meeting in September. President Trump said later that trade talks are scheduled on Thursday at a different level.

**Market Watch:** Asian markets are expected to rally in today's session, but gains are likely to be capped as we approach month-end. The additional stress of the first set of new tariffs are also expected to take place this weekend on 1 September and unless the US and China can find a resolution within the next 48 hours, it is likely the new tariffs will weigh on the markets on Monday. Cautious optimism will likely be the order for the day in Asia and expect a degree of profit-taking to occur as Asian markets reach its closing hours.

**US:** The US 2Q GDP growth was revised down to 2% qoq annualized from previously reported 2.1%. The downward revision was mainly due to weak inventory investment and drags from trade sector. However, US corporate profits rebounded with earnings after taxes without inventory valuation and capital consumption adjustment rose 4.8% from the previous quarter.

**EU:** Italy's acting Prime Minister Conte will get his second term to head up a new coalition of the 5-star movement and Democratic Party, ending a three-week political crisis. This helped send the Italian government bond yields to all time low at auction. In addition, incoming ECB President Lagarde said yesterday that there is still room for the ECB to cut interest rates and have a "broad toolkit" which can help them combat a downturn in the economy.

**Oil:** Brent prices inched higher overnight, closing above \$61/bbl for the first time in two weeks. Optimism on the trade front, after President Trump said that talks were scheduled between the US and China, drove prices higher. The drawdown in US inventories, however, continue to pressure WTI prices faster than Brent, resulting in the still-compressed Brent-WTI spread that we are witnessing right now.

### Key Market Movements

Equity	Value	% chg
S&P 500	2924.6	1.3%
DJIA	26362	1.3%
Nikkei 225	20461	-0.1%
SH Comp	2890.9	-0.1%
STI	3081.8	0.8%
Hang Seng	25704	0.3%
KLCI	1595.2	0.3%
Currencies	Value	% chg
DXY	98.507	0.3%
USDJPY	106.52	0.4%
EURUSD	1.1057	-0.2%
GBPUSD	1.2181	-0.3%
USIDDR	14235	-0.2%
USDSGD	1.3877	-0.1%
SGDMYR	3.0389	0.2%
Rates	Value	chg (bp)
3M UST	1.98	-0.01
10Y UST	1.49	1.51
1Y SGS	1.85	0.00
10Y SGS	1.69	1.41
3M LIBOR	2.12	0.68
3M SIBOR	1.88	0.00
3M SOR	1.72	1.74
Commodities	Value	% chg
Brent	61.08	1.0%
WTI	56.71	1.7%
Gold	1528	-0.7%
Silver	18.27	-0.5%
Palladium	1476	0.1%
Copper	5727	0.6%
BCOM	77.49	0.4%

Source: Bloomberg

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### Major Markets

**US:** US markets rallied on Thursday, with the S&P 500 index ending the session up 1.3%. China's olive branch and Trump's announcement of a trade talk scheduled today improved market sentiment slightly. Investors will be watching for any updates from the trade talks today and will likely be reactive to any news, since the first set of new tariffs are expected to take effect this weekend on 1 September. Expect economic indicators to be overlooked in favour of Trump's tweets in tonight's session. The S&P 500 index is likely to remain range bound within 2800-2950 in the short term.

**South Korea:** The Bank of Korea has opted to keep its benchmark interest rate constant at 1.50%, as widely predicted by most of the economists polled on Bloomberg.

**Singapore:** The STI rose 0.8% higher yesterday and is actually only 0.9% away from recovering the week's losses. This is a remarkable turnaround for the benchmark equity index, given the heavy gap-down losses it suffered last Monday. Today, expect the STI to trend higher following positive trade headlines overnight in the US. Gains are likely to be capped, however, given this weekend will be the implementation of the new tit-for-tat tariffs between the US and China and it remains to be seen if these new tariffs may be averted in the next 48 hours.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 1-2bps higher, while the longer tenors (>5yr) traded 2-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2 bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 564bps. 10Y USTs rose 2bps to 1.5%, as sentiment on the US-China trade war turned positive after China's commerce ministry said Beijing and Washington are discussing the next round of face-to-face trade talks scheduled for September. Spread between the 2-year treasury notes and 10-year treasury notes remains inverted, with the spread at -3bps, while the spread between 3-month treasury bills and 10-year treasury notes has narrowed to -47bps.

**New Issues:** Suzhou City Construction Investment Group (Holding) Co., Ltd has priced a USD300mn 3-year bond at 4.6%, tightening from IPT of 4.8% area. Bocom Leasing Management Hong Kong Co., Ltd has priced a USD600mn deal in 2 tranches: a USD200mn 5-year bond at T+135bps (tightening from IPT of T+165bps area), and a USD400mn 5-year FRN at 3m-US LIBOR+117.5bps (tightening from IPT of 3m-US LIBOR+150bps area). United Overseas Bank Ltd has priced a USD500mn 3-year covered bond at MS+32bps, in line with guidance. Zhangzhou Jiulongjiang Group Co., Ltd has scheduled investor meetings commencing on 30 Aug for its potential USD bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	98.507	0.30%	<b>USD-SGD</b>	1.3877	-0.08%
<b>USD-JPY</b>	106.520	0.38%	<b>EUR-SGD</b>	1.5344	-0.25%
<b>EUR-USD</b>	1.1057	-0.19%	<b>JPY-SGD</b>	1.3029	-0.43%
<b>AUD-USD</b>	0.6728	-0.09%	<b>GBP-SGD</b>	1.6903	-0.33%
<b>GBP-USD</b>	1.2181	-0.25%	<b>AUD-SGD</b>	0.9337	-0.18%
<b>USD-MYR</b>	4.2172	0.09%	<b>NZD-SGD</b>	0.8758	-0.47%
<b>USD-CNY</b>	7.1445	-0.29%	<b>CHF-SGD</b>	1.4065	-0.57%
<b>USD-IDR</b>	14235	-0.19%	<b>SGD-MYR</b>	3.0389	0.21%
<b>USD-VND</b>	23200	-0.03%	<b>SGD-CNY</b>	5.1464	-0.31%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,362.25	326.15
<b>S&amp;P</b>	2,924.58	36.64
<b>Nasdaq</b>	7,973.39	116.51
<b>Nikkei 225</b>	20,460.93	-18.49
<b>STI</b>	3,081.83	25.36
<b>KLCI</b>	1,595.18	5.36
<b>JCI</b>	6,289.12	7.47
<b>Baltic Dry</b>	2,267.00	--
<b>VIX</b>	17.88	-1.47

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4170	-1.00%	<b>O/N</b>	2.0866	-0.91%
<b>2M</b>	-0.3360	-0.91%	<b>1M</b>	2.1120	-0.39%
<b>3M</b>	-0.4220	-0.39%	<b>2M</b>	2.1456	-0.67%
<b>6M</b>	-0.4270	-0.67%	<b>3M</b>	2.1241	0.68%
<b>9M</b>	-0.1940	0.68%	<b>6M</b>	2.0351	-0.24%
<b>12M</b>	-0.3790	-0.24%	<b>12M</b>	1.9494	--

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.66 (+0.03)	1.52 (+0.02)
<b>5Y</b>	1.65 (+0.02)	1.40 (+0.02)
<b>10Y</b>	1.69 (+0.01)	1.49 (+0.02)
<b>15Y</b>	1.80 (+0.02)	--
<b>20Y</b>	1.88 (+0.03)	--
<b>30Y</b>	1.96 (+0.03)	1.96 (-0.01)

### 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%	9.0%	91.0%
10/30/2019	0.0%	100.0%	5.3%	57.0%	37.8%
12/11/2019	0.0%	100.0%	37.0%	45.2%	14.6%
01/29/2020	0.0%	100.0%	42.5%	28.5%	6.6%
03/18/2020	0.0%	100.0%	37.2%	21.3%	4.4%
04/29/2020	0.0%	100.0%	33.4%	17.2%	3.4%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	7.50	0.90
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	2.12
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.71	1.7%	Corn (per bushel)	3.5975	-0.8%
Brent (per barrel)	61.08	1.0%	Soybean (per bushel)	8.563	0.4%
Heating Oil (per gallon)	1.8640	0.7%	Wheat (per bushel)	4.6975	-0.5%
Gasoline (per gallon)	1.6847	0.1%	Crude Palm Oil (MYR/MT)	2,155.0	-2.0%
Natural Gas (per MMBtu)	2.2960	2.0%	Rubber (JPY/KG)	155.3	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,727	0.6%	Gold (per oz)	1,530.5	-0.5%
Nickel (per mt)	16,450	2.3%	Silver (per oz)	18.167	-0.8%

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

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/30/2019 07:30	JN Jobless Rate	Jul 2.30%	2.20%	2.30%	--
08/30/2019 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Aug 0.80%	0.70%	0.90%	--
08/30/2019 07:30	JN Job-To-ApPLICANT Ratio	Jul 1.61	1.59	1.61	--
08/30/2019 07:50	JN Industrial Production MoM	Jul P 0.30%	1.30%	-3.30%	--
08/30/2019 09:00	SK BoK 7-Day Repo Rate	Aug-30 1.50%	--	1.50%	--
08/30/2019 14:00	UK Nationwide House PX MoM	Aug 0.10%	--	0.30%	--
08/30/2019 14:00	UK Nationwide House Px NSA YoY	Aug 0.70%	--	0.30%	--
08/30/2019 15:30	TH BoP Current Account Balance	Jul \$2000m	--	\$3923m	--
08/30/2019 15:30	TH Foreign Reserves	Aug-23 --	--	\$220.2b	--
08/30/2019 16:30	HK Retail Sales Value YoY	Jul -12.50%	--	-6.70%	--
08/30/2019 16:30	UK Mortgage Approvals	Jul 66.1k	--	66.4k	--
08/30/2019 20:30	US Personal Income	Jul 0.30%	--	0.40%	--
08/30/2019 20:30	US Personal Spending	Jul 0.50%	--	0.30%	--
08/30/2019 22:00	US U. of Mich. Sentiment	Aug F 92.3	--	92.1	--

Source: Bloomberg

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