

## Daily Treasury Outlook

30 September 2019

### Highlights

**Global:** Global risk sentiments may continue to waver amid the US-China trade tensions, especially with news reports suggesting that the Trump administration is considering delisting Chinese companies from US stock exchanges and other measures such as limiting government pension funds' exposure to the Chinese market and capping Chinese companies included in stock indices managed by US firms, albeit the US Treasury responded to say it is not contemplating the first measure "at this time". Wall Street closed lower on Friday with US-listed shares of China-based companies like Alibaba and Baidu taking a hit, while UST bonds rallied with yields lower by 2-3bps across the curve and the 10-year yield edging down to 1.68%.

**Market watch:** Asian markets may meander today, awaiting China's official and Caixin manufacturing and non-manufacturing PMI cues this morning. Today's economic data diary also comprises of US' Chicago PMI and Dallas Fed manufacturing activity, German CPI and unemployment change, Eurozone's unemployment rate, UK's final 2Q GDP growth, Thai trade data, and S'pore's bank loans data. Although Chinese markets will be closed for Golden Week holidays from tomorrow, there is a busy week ahead with China's 70<sup>th</sup> anniversary celebrations (watch Xi's speech) and RBA policy meeting tomorrow (likely to see another 25bp rate cut to 0.75%), BOT MPC minutes on Wednesday, RBI policy meeting on Friday (likely with another 25bps cut for the repo and reverse repo rates), together with the closely watched US' nonfarm payrolls (market consensus: 145k versus 130k previously), unemployment rate (forecast: unchanged at 3.7%) and average hourly earnings (tipped at 3.2% yoy and 0.3% mom).

**US:** The US' personal income rose 0.4% in line with expectations in August, but personal spending slowed from a revised 0.5% to 0.1% as the savings rate improved from 7.8% to 8.1% amid elevated economic uncertainty. Durable goods orders unexpectedly rebounded 0.2% in August, with orders excluding transportation also recovering from -0.5% to +0.5%, aided by defence orders, but the underlying core orders capital goods orders were soft for a second month at -0.2% (previously 0%). Core PCE deflator also remained muted at 0.1% mom (1.8% yoy).

**Singapore:** Bank loans growth may continue to fluctuate around the 2% yoy handle for now (July: 2.0% yoy) amid the ongoing economic uncertainties including the US-China trade war which has dented both business and consumer confidence in recent months.

**Oil:** Crude oil prices continue sliding, with Brent closing at \$61.91/bbl. Prices have now almost returned to the pre-drone attack price of \$60.22/bbl, with the market seemingly downplaying the risk of the event as Saudi Arabia says production levels are nearly restored.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	2961.8	-0.5%
DJIA	26820	-0.3%
Nikkei 225	21879	-0.8%
SH Comp	2932.2	0.1%
STI	3125.6	0.0%
Hang Seng	25955	-0.3%
KLCI	1584.1	-0.6%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	99.109	0.0%
USDJPY	107.92	0.1%
EURUSD	1.0940	0.2%
GBPUSD	1.2292	-0.3%
USDIDR	14172	0.0%
USDSGD	1.3817	0.0%
SGDMYR	3.0303	-0.3%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.78	-2.34
10Y UST	1.68	-1.20
1Y SGS	1.87	0.00
10Y SGS	1.74	0.18
3M LIBOR	2.10	0.48
3M SIBOR	1.88	0.00
3M SOR	1.68	-4.73
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	61.91	-1.3%
WTI	55.91	-0.9%
Gold	1497	-0.5%
Silver	17.54	-1.6%
Palladium	1684	0.9%
Copper	5767	0.8%
BCOM	78.34	-0.4%

Source: Bloomberg

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### Major Markets

**US:** US markets slid last Friday, with the S&P 500 index ending the session down 0.5%. The risk-off sentiment was attributed to news that the US government was considering ways to limit US investors' portfolio flows into China. In the week ahead, there will be a string of US data releases such as the ISM manufacturing due Tuesday, ADP employment on Wednesday and the US nonfarm payrolls report on Friday. In the near term, we expect the S&P 500 index to see support at the 2950 level.

**China:** The initial optimism from Trump's comments about a possible deal was overshadowed by the surprising delisting news. Clearly, the recent US-China tension is no longer restricted to trade issue. We have already witnessed a technology war and a financial war is not unthinkable. Market will continue to digest this news this week though it has been denied by US Treasury officials. In its 3Q monetary policy meeting, China's central bank reckoned that the economy is facing rising downward pressure. The PBoC said it will step up its counter cyclical measures to support growth. China's Ministry of Finance announced to lower the standard loan provision coverage ratio for banks to 150% with the maximum loan provision coverage ratio being advised to be no more than 2 times the standard level. We think this new ruling shows China's commitment to proactive fiscal policy as the possible higher dividend payment from city commercial banks will help alleviate the pressure on local government funding.

**Singapore:** The STI closed nearly flat again (-0.01%) at 3125.63 on Friday and may continue to consolidate between 3106-3155 in the interim amid weak Friday cues from Wall Street and soft morning signals from Nikkei. With the bull-steepening in the UST bonds on Friday, SGS bonds may extend gains today as well.

**Macau:** Jobless rate remained unchanged at 1.8% for the three months through August. By industry, the employed population in gaming sector and that in hotel & similar activities continued to increase by 0.7% yoy and 2.3% yoy respectively. However, the employed population in the retail sector and that in the restaurant & similar activities dropped for the seventh and sixth consecutive three-month period respectively by 1.6% yoy and 2.4% yoy. This was mainly due to the tepid hiring sentiments of these sectors whose outlook has been clouded by the weak consumption sentiments of local households and visitors. Worse still, in the absence of much private or public projects under construction, the employed population in the construction sector decreased for the fourth three-month period by 9.7% yoy. Going forward, the hiring sentiments of retail, restaurant and construction sectors are expected to stay sluggish. More notably, both tourism and gaming sectors seemed to have been affected by a strong MOP, China's economic slowdown and the spill-over effect of HK's social unrest. As such, we expect the jobless rate will inevitably move towards 1.9% and then 2% in the coming year.

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**Malaysia:** Bank Negara Malaysia and Bank Indonesia signed a MYR8bn (IDR28tn/USD1.9bn) worth of local currency bilateral swap deal, to facilitate trans-boundary economic activity. The agreement is valid for 3 years and can be extended. The two central banks have also signed a pact on payment systems and digital finance innovation.

**Indonesia:** President Joko Widodo has reportedly promised an inquiry into the death of 2 student demonstrators in Sulawesi. One of the victims was apparently shot, although police insisted its officers were not equipped with live ammunition. Waves of protests have taken place across Indonesia in the last few weeks, against the criminal code revision and a perception that the anti-corruption agency is being weakened by the parliament.

**South Korea:** Industrial production fell -2.9% yoy in August, the worst yoy decline since February. This reversed the 0.7% expansion in July and suggests that the impact of the Japan-South Korea trade war is starting to hurt the manufacturing sector in the economy.

## Bond Market Updates

**Market Commentary:** The SGD swap curve was little changed last Friday. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 131bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 538bps. 10Y USTs yields fell 1bps to 1.68% after US-China trade tensions escalated again. President Donald Trump was reported as saying that his administration is considering delisting Chinese companies from US stock exchanges in order to limit US investments into China. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread widening to -10bps.

**New Issues:** Zhongliang Holdings Group Co. Ltd (Subsidiary Guarantors: Certain of the Issuer's Restricted Subsidiaries incorporated outside the PRC) priced a USD100mn re-tap of its existing ZHLGHD 11.5%'21s at 11.75%, tightening from IPT of 12% area. Hongkong Ideal Investment Ltd (Parent Guarantor: Beijing Hongkun Weiye Real Estate Development Co. Ltd) priced a USD100mn 3NP2 bond at 14.75%, in line with IPT. HPCL-Mittal Energy Ltd mandated banks for its potential USD bond issuance.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	99.109	-0.02%	<b>USD-SGD</b>	1.3817	-0.01%
<b>USD-JPY</b>	107.920	0.08%	<b>EUR-SGD</b>	1.5114	0.15%
<b>EUR-USD</b>	1.0940	0.17%	<b>JPY-SGD</b>	1.2797	-0.16%
<b>AUD-USD</b>	0.6764	0.22%	<b>GBP-SGD</b>	1.6981	-0.32%
<b>GBP-USD</b>	1.2292	-0.29%	<b>AUD-SGD</b>	0.9346	0.23%
<b>USD-MYR</b>	4.1858	-0.20%	<b>NZD-SGD</b>	0.8699	-0.01%
<b>USD-CNY</b>	7.1228	-0.14%	<b>CHF-SGD</b>	1.3943	0.24%
<b>USD-IDR</b>	14172	-0.05%	<b>SGD-MYR</b>	3.0303	-0.26%
<b>USD-VND</b>	23201	--	<b>SGD-CNY</b>	5.1430	0.05%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,820.25	-70.87
<b>S&amp;P</b>	2,961.79	-15.83
<b>Nasdaq</b>	7,939.63	-91.03
<b>Nikkei 225</b>	21,878.90	-169.34
<b>STI</b>	3,125.63	-0.18
<b>KLCI</b>	1,584.14	-8.86
<b>JCI</b>	6,196.89	-33.44
<b>Baltic Dry</b>	1,857.00	-106.00
<b>VIX</b>	17.22	1.15

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4620	0.10%	<b>O/N</b>	1.8271	-1.09%
<b>2M</b>	-0.3360	-1.09%	<b>1M</b>	2.0315	-1.01%
<b>3M</b>	-0.4120	-1.01%	<b>2M</b>	2.0709	-0.30%
<b>6M</b>	-0.3770	-0.30%	<b>3M</b>	2.0986	0.48%
<b>9M</b>	-0.1940	0.48%	<b>6M</b>	2.0630	2.02%
<b>12M</b>	-0.3250	2.02%	<b>12M</b>	2.0433	3.51%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.67 (-0.01)	1.63 (-0.02)
<b>5Y</b>	1.67 (--)	1.56 (-0.02)
<b>10Y</b>	1.74 (--)	1.68 (-0.01)
<b>15Y</b>	1.86 (--)	--
<b>20Y</b>	1.93 (--)	--
<b>30Y</b>	2.07 (-0.02)	2.13 (-0.01)

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.00-1.25%	1.25-1.50%	1.5-1.75%
09/18/2019	0.0%	44.4%	0.0%	0.0%	44.4%
10/30/2019	0.0%	74.0%	0.0%	23.6%	50.3%
12/11/2019	0.0%	85.1%	10.1%	35.1%	39.4%
01/29/2020	0.0%	88.9%	16.5%	36.3%	33.5%
03/18/2020	0.0%	90.7%	19.8%	35.9%	29.8%
04/29/2020	0.0%	92.4%	22.7%	34.8%	26.1%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.90	0.30
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.85
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.91	-0.9%	Corn (per bushel)	3.7150	-0.3%
Brent (per barrel)	61.91	-1.3%	Soybean (per bushel)	8.830	-0.6%
Heating Oil (per gallon)	1.9416	-0.7%	Wheat (per bushel)	4.8725	0.6%
Gasoline (per gallon)	1.6514	-0.6%	Crude Palm Oil (MYR/MT)	2,090.0	-0.8%
Natural Gas (per MMBtu)	2.4040	-1.0%	Rubber (JPY/KG)	157.6	-3.8%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,767	0.8%	Gold (per oz)	1,497.0	-0.5%
Nickel (per mt)	17,205	0.0%	Silver (per oz)	17.541	-1.6%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/30/2019 05:45	NZ	Building Permits MoM	Aug	--	0.80%	-1.30%	--
09/30/2019 07:50	JN	Industrial Production MoM	Aug P	-0.50%	-1.20%	1.30%	--
09/30/2019 07:00	SK	Industrial Production YoY	Aug	-0.20%	-2.90%	0.60%	--
09/30/2019 08:00	NZ	ANZ Business Confidence	Sep	--	-53.5	-52.3	--
09/30/2019 09:00	CH	Manufacturing PMI	Sep	49.6	--	49.5	--
09/30/2019 09:00	AU	Melbourne Institute Inflation MoM	Sep	--	--	0.00%	--
09/30/2019 09:45	CH	Caixin China PMI Mfg	Sep	50.2	--	50.4	--
09/30/2019 15:30	TH	BoP Current Account Balance	Aug	\$3000m	--	\$1768m	--
09/30/2019 15:55	GE	Unemployment Change (000's)	Sep	5.0k	--	4.0k	--
09/30/2019 16:30	UK	GDP QoQ	2Q F	-0.20%	--	-0.20%	--
09/30/2019 16:30	UK	GDP YoY	2Q F	1.20%	--	1.20%	--
09/30/2019 16:30	UK	Mortgage Approvals	Aug	66.5k	--	67.3k	--
09/30/2019 20:00	GE	CPI YoY	Sep P	1.30%	--	1.40%	--
09/30/2019 21:45	US	MNI Chicago PMI	Sep	50	--	50.4	--

Source: Bloomberg

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