

Daily Treasury Outlook

30 October 2019

Highlights

Global: Financial markets treaded water overnight while awaiting the FOMC rate decision where a 25bp rate cut has been priced in, but uncertainty remains if it would be a hawkish rate cut with Powell signalling a wait and see mode from here. Meanwhile, hopes that the Phase 1 of the US-China trade deal will be signed on 17 November in Chile slipped after an US administration official cautioned the text may not be ready in time. Over in the UK, PM Johnson is likely to get his wish fulfilled to have snap elections on 12 December after he got the backing of opposition Labour Party leader Jeremy Corbyn. The S&P500 edged lower overnight, albeit US bank stocks got boosted by Treasury Secretary Mnuchin's comments about loosening bank rules, while UST bonds saw modest gains with the 10-year yield at 1.84%.

Market watch: Asian markets may tread water today as well in pre-FOMC lethargy. The Bank of Canada meets but is unlikely to adjust its policy settings from the current 1.75% amid capital inflows. Today's economic data calendar comprises the US' 3Q19 GDP growth (likely to have decelerated to 1.6% qoq from 2.0% in 2Q19) and ADP employment, German CPI, and Eurozone consumer confidence. Apart from Fed chair Powell's press conference which will be closely parsed, ECB's Lautenschlaeger is also speaking today.

US: The US' pending home sales accelerated to 1.5% mom (6.3% yoy) in September, aided by lower mortgage rates, Conference Board consumer confidence slipped for a third consecutive month from 126.3 to 125.9 in October. Meanwhile, the S&P CoreLogic house prices accelerated for the first time since March 2018 to 3.2% yoy in August.

China: China confirmed that the second import expo will be held in Shanghai from 5-10 November. President Xi Jinping will attend the expo. The expo ahead of the APEC meeting may send the positive signal that China will continue to commit to globalization. However, the sentiment was overshadowed by a Reuters news that a phase one deal may not be completed in time for signing in Chile next month, quoting officials from the White House.

Australia: RBA governor Lowe warned that the central bank is prepared to ease monetary policy again if needed but negative rates are "extraordinarily unlikely".

Japan: S&P has warned that Japanese regional banks may see core operating profits fall 21% if negative rates deepen. Meanwhile, retail sales rose more than expected by 7.1% mom in September, likely to be frontloading ahead of the October sales tax hike.

Singapore: The auction for the \$1.4b (of which MAS took \$100m) 7-year SGS bond re-opening fetched a bid-cover ratio of 1.86% with a cut-off yield of 1.73% and a tail of 4bps.

Key Market Movements		
Equity	Value	% chg
S&P 500	3036.9	-0.1%
DJIA	27071	-0.1%
Nikkei 225	22974	0.5%
SH Comp	2954.2	-0.9%
STI	3197.0	0.4%
Hang Seng	26787	-0.4%
KLCI	1577.8	0.5%
Currencies	Value	% chg
DXY	97.690	-0.1%
USDJPY	108.89	-0.1%
EURUSD	1.1112	0.1%
GBPUSD	1.2862	0.0%
USDIDR	14031	0.0%
USDSGD	1.3623	0.0%
SGDMYR	3.0717	0.0%
Rates	Value	chg (bp)
3M UST	1.60	-2.70
10Y UST	1.84	-0.35
1Y SGS	1.69	1.10
10Y SGS	1.77	6.18
3M LIBOR	1.94	0.74
3M SIBOR	1.83	0.00
3M SOR	1.53	0.00
Commodities	Value	% chg
Brent	61.59	0.0%
WTI	55.54	-0.5%
Gold	1488	-0.3%
Silver	17.81	-0.2%
Palladium	1781	-1.2%
Copper	5908	0.0%
BCOM	79.60	0.1%

Source: Bloomberg

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Major Markets

US: US markets traded sideways last night, as investors stayed cautious ahead of tonight's FOMC meeting. The S&P 500 index eventually closed slightly lower at -0.1%. Markets have just about fully priced in a 25bps rate cut and are likely to focus more on the Fed's forward guidance. A hawkish tone could possibly result in Treasury yields inching higher. We still expect the S&P 500 index to remain supported in the short term at the 3020 handle.

Singapore: The STI gained 0.36% to close at 3197.04 yesterday but may see momentum stall ahead of the 3200 resistance handle amid weak leads from Wall Street overnight and morning slippage by Kospi. With the UST bond market confined to narrow trading ranges overnight, SGS bonds are likely to also meander today awaiting the FOMC policy decision.

Indonesia: Bank Indonesia's governor, Perry Warjiyo, said that he sees global low-rate environment lasting a long time because of trade war uncertainties. On global growth, he added that the central bank is seeing a more pessimistic view, and that central banks must utilize instruments other than interest rates to support stability and economic growth. For Indonesia, GDP growth is expected to come in at 5.05% yoy, hugging the bottom end of its earlier 5.0-5.4% forecast range.

Malaysia: Bank Negara has reportedly raided RSI International Bhd last week for using the word "bank" without its written approval. The firm is alleged to have committed an offence under section 139(1)(a) of the FSA Act.

Thailand: The Foreign Ministry, Labour Ministry and Commerce Ministry are set to convene a task force in negotiating the restoration of US trade preferences. One of the topics that will be discussed is the unionization of migrant workers. The Commerce Ministry has said yesterday that it sees limited impact to growth and exports from the revoking of US trade preferences.

Gold: Prices remain under downward pressure as the wave of risk-on behaviour continues to sweep global markets. US 10Y yields have risen from a low of 1.53% at the start of October to close at 1.84% yesterday. A return of 10Y yields above 2% may pressure gold prices below \$1,400/oz, especially if the US and China are able to reach a broad deal on trade and ICT differences.

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Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 2-4bps higher, while the belly and longer tenors traded around 6bps 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 2bps to 495bps. The HY-IG Index spread tightened 2bps to 367bps. 10Y USTs was little changed at 1.84%, as investors await the outcome of the Federal Reserve policy meeting for October, with markets expecting a third interest-rate cut this year.

New Issues: PT Perusahaan Listrik Negara priced a USD1.0bn offering in two parts; a USD500mn 10.25-year bond at 99.775 to yield 3.4% (tightening from IPT of 3.7% area), and a USD500mn 30.25-year at 99.567 to yield 4.4% (tightening from IPT of 4.75% area). Kaisa Group Holdings Ltd (Subsidiary Guarantors: Certain restricted subsidiaries incorporated outside the PRC) priced a USD200mn re-tap of its existing 11.95%'22 bonds at 11.625%, tightening from IPT of 12.0% area. CIFI Holdings (Group) Co. Ltd (Subsidiary Guarantors: Certain of the issuer's existing subsidiaries incorporated outside PRC) priced a USD400mn 5NC3 bond at 6.45%, tightening from IPT of 6.75% area. SMC Global Power Holdings Corp priced a USD500mn NC5.5-Perpetual bond at 5.95%, tightening from IPT of 6.25% area. Sunac China Holdings Limited (Subsidiary Guarantors: Certain of the Company's Restricted Subsidiaries outside the PRC) priced a USD650mn 4.25NC2.25 bond at 7.75%, tightening from IPT of 8.25% area. Lanzhou Construction Investment (Holding) Group Co., Ltd scheduled investor meetings commencing 30 Oct for its proposed USD bond issuance. Doosan Infracore scheduled investor meetings commencing 4 Nov for its potential 3-year USD bond issuance, with an unconditional and irrevocable guarantee by The Korea Development Bank.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.690	-0.08%	USD-SGD	1.3623	0.01%
USD-JPY	108.890	-0.06%	EUR-SGD	1.5137	0.12%
EUR-USD	1.1112	0.11%	JPY-SGD	1.2511	0.08%
AUD-USD	0.6865	0.39%	GBP-SGD	1.7527	0.05%
GBP-USD	1.2862	-0.01%	AUD-SGD	0.9351	0.39%
USD-MYR	4.1842	-0.01%	NZD-SGD	0.8658	0.10%
USD-CNY	7.0658	-0.04%	CHF-SGD	1.3705	0.07%
USD-IDR	14031	0.01%	SGD-MYR	3.0717	0.01%
USD-VND	23203	0.00%	SGD-CNY	5.1866	-0.04%

Equity and Commodity

Index	Value	Net change
DJIA	27,071.42	-19.30
S&P	3,036.89	-2.53
Nasdaq	8,276.85	-49.13
Nikkei 225	22,974.13	106.86
STI	3,197.04	11.51
KLCI	1,577.79	7.79
JCI	6,281.14	15.75
Baltic Dry	1,802.00	-1.00
VIX	13.20	0.09

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4410	1.20%	O/N	1.8016	-0.44%
2M	-0.3360	-0.44%	1M	1.7996	-0.52%
3M	-0.4090	-0.52%	2M	1.8826	0.16%
6M	-0.3460	0.16%	3M	1.9355	0.74%
9M	-0.1940	0.74%	6M	1.9399	0.66%
12M	-0.2810	0.66%	12M	1.9953	3.95%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.60 (+0.03)	1.64 (-)
5Y	1.63 (+0.04)	1.66 (-)
10Y	1.77 (+0.06)	1.84 (-)
15Y	1.86 (+0.06)	--
20Y	1.95 (+0.05)	--
30Y	2.09 (+0.05)	2.33 (-)

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%	94.0%	0.0%	0.0%	94.0%
12/11/2019	0.0%	95.8%	0.0%	27.7%	68.1%
01/29/2020	0.0%	96.8%	6.4%	37.0%	53.4%
03/18/2020	0.0%	97.2%	10.4%	39.2%	46.8%
04/29/2020	0.0%	97.5%	13.5%	40.0%	42.0%
06/10/2020	0.0%	97.7%	15.7%	40.2%	38.7%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	3.52	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.82
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.54	-0.5%	Corn (per bushel)	3.8625	0.6%
Brent (per barrel)	61.59	0.0%	Soybean (per bushel)	9.183	-0.3%
Heating Oil (per gallon)	1.9563	-0.3%	Wheat (per bushel)	5.1150	0.0%
Gasoline (per gallon)	1.6857	0.8%	Crude Palm Oil (MYR/MT)	2,340.0	1.3%
Natural Gas (per MMBtu)	2.5970	6.2%	Rubber (JPY/KG)	150.9	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,908	--	Gold (per oz)	1,487.7	-0.3%
Nickel (per mt)	16,640	--	Silver (per oz)	17.812	-0.2%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/30/2019 07:50	JN	Retail Sales YoY	Sep	6.00%	9.10%	2.00%	--
10/30/2019 08:30	AU	CPI YoY	3Q	1.70%	--	1.60%	--
10/30/2019 14:30	FR	GDP QoQ	3Q P	0.20%	--	0.30%	--
10/30/2019 16:55	GE	Unemployment Change (000's)	Oct	3.0k	--	-10.0k	--
10/30/2019 18:00	EC	Consumer Confidence	Oct F	-7.6	--	-7.6	--
10/30/2019 19:00	US	MBA Mortgage Applications	Oct-25	--	--	-11.90%	--
10/30/2019 20:15	US	ADP Employment Change	Oct	110k	--	135k	--
10/30/2019 20:30	US	GDP Annualized QoQ	3Q A	1.60%	--	2.00%	--
10/30/2019 20:30	US	GDP Price Index	3Q A	1.90%	--	2.40%	--
10/30/2019 20:30	US	Personal Consumption	3Q A	2.60%	--	4.60%	--
10/30/2019 20:30	US	Core PCE QoQ	3Q A	2.20%	--	1.90%	--
10/30/2019 21:00	GE	CPI YoY	Oct P	1.00%	--	1.20%	--
10/30/2019 21:00	GE	CPI EU Harmonized YoY	Oct P	0.80%	--	0.90%	--
10/30/2019 22:00	CA	Bank of Canada Rate Decision	Oct-30	1.75%	--	1.75%	--

Source: Bloomberg

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