

Daily Treasury Outlook

7 January 2020

Highlights

Global: Risk aversion subsided overnight as investors shrugged off Iranian tensions. **S&P500** staged a modest overnight recovery, led by tech stocks, while the UST bonds yield curve flattened with the 10-year bond yield at 1.81%, and gold prices was little changed. News about the repositioning of US forces in Iraq was dismissed as a draft that should never have been circulated. Meanwhile, demand for the 6-month T-bill auction rebounded from the previous week. On the economic data front, China's Caixin PMI slowed from 53.5 to 52.5 in December, with the one-year expectations outlook and new overseas orders gauges both deteriorating.

Market watch: Asian markets may also stabilise today after a worrying session yesterday amid the elevated Middle East tensions. Today's economic data calendar comprises of Taiwan's trade and CPI, US' non-manufacturing ISM, factory orders, durable goods orders and trade, Eurozone's retail sales and CPI, and foreign reserves data from China, Hong Kong and Philippines.

Singapore: The Markit Singapore whole economy PMI improved from 50 for the second straight month from 50.4 in November to 51.0 in December, matching the highest since July. This print points to further signs of a pickup, with output rising in line with improved domestic demand conditions, albeit external conditions remained weak with exports continuing to fall sharply and employment faltering for the fourth consecutive month, with the latter suggesting that the labour market may soften further in the quarters ahead.

Malaysia: In an interview with the Straits Times, Malaysian financier Jho Low reportedly said that he was not the mastermind behind 1MDB scandal and had never had a decision-making role at the investment company, given he was merely an "intermediary". He said that he would not return to Malaysia, alleging that he would not receive a fair trial. Meanwhile, Malaysian prosecutor in the 1MDB case is reportedly seeking to impeach former PM Najib Razak from being a witness in the trial due to differences in his testimony compared with his statement to the anti-corruption agency.

Indonesia: Bank Indonesia said that it is intervening in the markets. Alongside other emerging markets, Indonesian currency and sovereign bonds have experienced risk-off sentiment due to US-Iran tensions. Given its status as a net oil importer, there are some concerns that Indonesia's current account deficit may widen, even as its sizable exports of other commodities including coal would help to counter-balance the effect.

Key Market Movements		
Equity	Value	% chg
S&P 500	3246.3	0.4%
DJIA	28703	0.2%
Nikkei 225	23205	-1.9%
SH Comp	3083.4	0.0%
STI	3218.9	-0.6%
Hang Seng	28226	-0.8%
KLCI	1597.8	-0.8%
Currencies	Value	% chg
DXY	96.671	-0.2%
USDJPY	108.37	0.3%
EURUSD	1.1197	0.3%
GBPUSD	1.3171	0.7%
USDIDR	13944	0.1%
USDSGD	1.3493	0.0%
SGDMYR	3.0402	0.0%
Rates	Value	chg (bp)
3M UST	1.52	1.02
10Y UST	1.81	2.09
1Y SGS	1.66	-3.20
10Y SGS	1.74	-2.04
3M LIBOR	1.87	-2.64
3M SIBOR	1.77	-0.17
3M SOR	1.53	-4.29
Commodities	Value	% chg
Brent	68.91	0.5%
WTI	63.27	0.3%
Gold	1566	0.9%
Silver	18.15	0.5%
Palladium	2032	2.1%
Copper	6139	0.1%
BCOM	81.64	0.3%

Source: Bloomberg

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Major Markets

US: US markets were up last night as investors shook off rising geopolitical tensions. At one point, the S&P500 index was down 0.63% before recovering to end the session 0.35% higher. With the US sending more troops to the Middle-Eastern region, the Iranian conflict is set to develop further and investors will be keeping a close eye on the developments in the next few days. Although markets recovered strongly to end in the green last night, we expect investors to remain cautious in the following days.

Singapore: The STI declined by 0.62% to close at 3218.86 yesterday, but may see some recovery today amid the stabilization in global risk appetite. STI support remains at 3200, with limited upside. With the UST bond yields edging 1-2bps higher overnight as risk aversion subsided, the SGS market may also follow suit as investors await the size announcement for the 10-year re-opening due on 29 January.

Hong Kong: HK's PMI rebounded to a five-month high at 42.1 in December. Nevertheless, the PMI dropped to 40.0 on average in 4Q 2019, the lowest level in more than 21 years. Amid the prolonged social unrest in December, the business activities of Hong Kong continued to take a hit.

Moving forward, as local social unrest shows no sign of resolution at this juncture, the business environment of Hong Kong might remain sluggish in 4Q. Despite that government has rolled out four rounds of relief measures since August, it could hardly reverse the economic uptrend. In spite of US-China first stage trade deal achieved in December 2019, the trading sentiment and Asia's electronics supply chain might need some time to restore. Therefore, the trading activities of Hong Kong might be still under pressure in the near term. In nutshell, HK's 4Q GDP might decelerate further.

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Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter and belly tenors trading 2-3bps lower while the longer tenors traded 3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 120bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 445bps. The HY-IG Index spread tightened 8bps to 325bps. 10Y UST Yields rose by 2bps to close at 1.81%, likely due to elevated oil prices which resulted from increased tensions between the U.S. and Iran.

New Issues: KWG Group Holdings Limited priced a USD300mn 7NC4 bond at 7.4%, tightening from IPT of 7.8% area. National Australia Bank priced a USD1.75bn debt offering in two parts, (1) USD750m 3-year tranche at T+43bps and (2) a USD1bn 3-year 3mL+41bps. Export-Import Bank of India priced a USD1bn 10-year bond at T+150bps, tightening from IPG of T+175bps area. Sumitomo Mitsui Financial Group priced a USD1.25bn 5-year tranche at 2.348% and another USD1.25bn 10-year tranche at 2.75%. Longfor Group Holdings Limited priced its USD250mn 7.25-year bond at T+168bps and USD400m 12-year bond at T+208bps, tightening from IPT at T+200bps area and T+245bps area respectively. Manappuram Finance Limited priced a USD300mn 3-year bond at 5.9%, tightening from IPT of 6.5% area. Yuzhou Properties Company Limited priced a USD645mn 6NC4 bond at 7.375%, tightening from IPT of 8.0% area. Fantasia Holdings Group Co., Limited priced a USD450mn 3NC2 bond at 11.2%, tightening from IPT of 11.625% area. Golden Wheel Tiandi Holdings Company Limited priced a USD200mn 2-year bond at 13%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.671	-0.17%	USD-SGD	1.3493	--
USD-JPY	108.370	0.26%	EUR-SGD	1.5109	0.30%
EUR-USD	1.1197	0.32%	JPY-SGD	1.2451	-0.34%
AUD-USD	0.6940	-0.14%	GBP-SGD	1.7772	0.57%
GBP-USD	1.3171	0.67%	AUD-SGD	0.9364	-0.20%
USD-MYR	4.1035	0.03%	NZD-SGD	0.9006	0.12%
USD-CNY	6.9760	0.14%	CHF-SGD	1.3939	0.44%
USD-IDR	13944	0.10%	SGD-MYR	3.0402	0.03%
USD-VND	23177	0.02%	SGD-CNY	5.1690	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4430	1.00%	O/N	1.5368	-0.37%
2M	-0.3360	-0.37%	1M	1.7143	-2.01%
3M	-0.3840	-2.01%	2M	1.8105	-1.06%
6M	-0.3230	-1.06%	3M	1.8739	-2.64%
9M	-0.1940	-2.64%	6M	1.8929	-1.66%
12M	-0.2380	-1.66%	12M	1.9641	-3.08%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	9.10%	0.00%	0.00%	0.00%	0.00%
18/03/2020	8.20%	8.70%	0.00%	0.00%	8.70%
29/04/2020	7.40%	17.40%	0.00%	0.90%	16.50%
10/06/2020	6.10%	30.20%	0.20%	3.60%	26.50%
29/07/2020	5.20%	39.70%	0.70%	7.00%	32.10%
09/16/2020	4.10%	51.10%	2.00%	12.20%	36.80%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	63.27	0.3%	Corn (per bushel)	3.8475	-0.5%
Brent (per barrel)	68.91	0.5%	Soybean (per bushel)	9.328	0.2%
Heating Oil (per gallon)	2.0339	-1.3%	Wheat (per bushel)	5.5000	-0.8%
Gasoline (per gallon)	1.7544	0.3%	Crude Palm Oil (MYR/MT)	3,036.0	-2.4%
Natural Gas (per MMBtu)	2.1350	0.2%	Rubber (JPY/KG)	176.2	-0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,139	0.1%	Gold (per oz)	1,565.7	0.9%
Nickel (per mt)	13,820	0.5%	Silver (per oz)	18.152	0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	28,703.38	68.50
S&P	3,246.28	11.43
Nasdaq	9,071.47	50.69
Nikkei 225	23,204.86	-451.76
STI	3,218.86	-19.96
KLCI	1,597.76	-13.62
JCI	6,257.40	-66.06
Baltic Dry	907.00	--
VIX	13.85	-0.17

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.47 (-0.02)	1.54 (+0.02)
5Y	1.55 (-0.02)	1.61 (+0.02)
10Y	1.74 (-0.02)	1.81 (+0.02)
15Y	1.84 (-0.03)	--
20Y	1.91 (-0.01)	--
30Y	2.08 (-0.02)	2.29 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.90	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.55
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/07/2020 07:00	SK	BoP Current Account Balance	Nov	--	\$5974.8m	\$7827.2m	--
01/07/2020 07:50	JN	Monetary Base YoY	Dec	--	3.20%	3.30%	--
01/07/2020 08:30	JN	Jibun Bank Japan PMI Composite	Dec F	--	--	49.8	--
01/07/2020 08:30	JN	Jibun Bank Japan PMI Services	Dec F	--	--	50.6	--
01/07/2020 09:00	PH	CPI YoY 2012=100	Dec	2.00%	--	1.30%	--
01/07/2020 16:00	TA	CPI YoY	Dec	1.00%	--	0.59%	--
01/07/2020 16:00	TA	Exports YoY	Dec	3.10%	--	3.30%	--
01/07/2020 18:00	EC	CPI MoM	Dec P	0.30%	--	-0.30%	--
01/07/2020 18:00	EC	CPI Estimate YoY	Dec	1.30%	--	1.00%	--
01/07/2020 18:00	EC	CPI Core YoY	Dec P	1.30%	--	1.30%	--
01/07/2020 21:30	US	Trade Balance	Nov	-\$43.7b	--	-\$47.2b	--
01/07/2020 23:00	US	Durable Goods Orders	Nov F	-2.00%	--	-2.00%	--
01/07/2020 23:00	US	Factory Orders	Nov	-0.80%	--	0.30%	--
01/07/2020 23:00	US	ISM Non-Manufacturing Index	Dec	54.5	--	53.9	--
01/07/2020 23:00	US	Durables Ex Transportation	Nov F	--	--	0.00%	--

Source: Bloomberg

Treasury Research & Strategy

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