

Daily Treasury Outlook

8 January 2020

Highlights

Global: Iran said that it has attacked an Iraqi base housing US troops. S&P futures are down 1%, and gold surged by 1.5% to above USD1600/oz for the first time since April 2013 on the news. Market sentiment, which has been previously stabilizing, is softening on the news. Oil prices, which had pulled back somewhat before over the last two days, are likely to see upticks now, as market becomes increasingly concerned that the latest Iranian attack will set off another round of US counter-attack. Oil market had been relatively sanguine before that, as much as tensions between the two countries remain, oil supply from the region had not been affected yet, but this morning's news may change that assumption quickly, depending on the speed of the escalation. WTI crude futures have jumped more than 3% to above USD65/barrel level. With a quiet data day ahead in both Asia and US, market will have little else to focus on, apart from tracking the ongoing Middle East crisis.

Market watch: For today, market will watch out for consumer confidence in Eurozone, Factory orders in Germany and ADP job data in US.

EZ: Eurozone consumer inflation rebounded in December with the headline CPI rose to 1.3% yoy from 1% yoy in November due to higher energy prices. Core CPI held steady at 1.3%.

China: FX reserve rose by US\$12.3 billion to US\$3.1079 trillion in December on the back of positive valuation effect as a result of notable depreciation of broad dollar. Overall, capital flow has been fairly balanced in 2019. Meanwhile, the financial committee of China's State Council said it plans to work out more measures to solve the funding difficulties faced by SMEs such as replenishing capital for smaller commercial banks.

Malaysia: Foreign reserves print for end-Dec 2019 is due out today. It had previously printed USD103.3bn as of 13 December, a slight uptick from USD103.2bn of end-November. Elsewhere, PM Mahathir Mohamad has reportedly said that US killing of Iranian general, Qassem Soleimani, was an "immoral" act that is akin to the Khashoggi case, and added that an escalation in terrorism may happen as a result.

Indonesia: Finance Minister Sri Mulyani said that Indonesia's budget deficit for 2019 settled at 2.2% of GDP, wider than the initial forecast of 1.84% but a shade lower than the mid-December estimate that she had given. Government revenues rose 0.7% to IDR1957.2tn (USD140.8bn), against the target of IDR2165.1tn. Meanwhile, expenditure rose by 4.4% to IDR2310.2tn. The minister added that the debt-to-GDP ratio was at 29.8% by end-2019.

| Key Market Movements | | |
|----------------------|--------|----------|
| Equity | Value | % chg |
| S&P 500 | 3237.2 | -0.3% |
| DJIA | 28584 | -0.4% |
| Nikkei 225 | 23576 | 1.6% |
| SH Comp | 3104.8 | 0.7% |
| STI | 3247.9 | 0.9% |
| Hang Seng | 28322 | 0.3% |
| KLCI | 1611.0 | 0.8% |
| Currencies | Value | % chg |
| DX | 97.005 | 0.3% |
| USDJPY | 108.44 | 0.1% |
| EURUSD | 1.1153 | -0.4% |
| GBPUSD | 1.3126 | -0.3% |
| USDIDR | 13878 | -0.5% |
| USDSGD | 1.3497 | 0.0% |
| SGDMYR | 3.0361 | -0.1% |
| Rates | Value | chg (bp) |
| 3M UST | 1.51 | -0.73 |
| 10Y UST | 1.82 | 0.87 |
| 1Y SGS | 1.64 | -2.00 |
| 10Y SGS | 1.75 | 1.06 |
| 3M LIBOR | 1.87 | -0.16 |
| 3M SIBOR | 1.77 | -0.03 |
| 3M SOR | 1.51 | -1.97 |
| Commodities | Value | % chg |
| Brent | 68.27 | -0.9% |
| WTI | 62.7 | -0.9% |
| Gold | 1574 | 0.6% |
| Silver | 18.41 | 1.4% |
| Palladium | 2055 | 1.2% |
| Copper | 6149 | 0.2% |
| BCOM | 81.57 | -0.1% |

Source: Bloomberg

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Major Markets

US: Markets fell last night as investors continued to weigh the possibility of a US-Iran armed conflict. The S&P500 index was down 0.28%. Currently, S&P500 futures are down 1% after Iran said that it has fired rockets at a joint US-Iraqi airbase. Iran added that further responses are underway. Looking ahead, we expect markets to be on a risk-off sentiment as they watch out for further developments on the escalated US-Iran conflict and the US response to the attack. Any further escalation of the conflict will drive markets down lower.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the 1-year tenor trading 1bps higher while the other tenors traded 2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 119bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 447bps. The HY-IG Index spread widened 2bps to 328bps. 10Y UST Yields rose by 1bps to close at 1.82%, due to positive U.S. trade deficit and ISM non-manufacturing index data. The market though opened this morning on heavy risk-off mode on the back of retaliation by Iran against the US.

New Issues: Indonesia priced a USD2bn debt offering in two parts, (1) a USD1.2bn 10-year tranche at 2.88% and (2) a USD800mn 30-year tranche at 3.55%, tightening from IPT of 3.125% area and 3.75% area respectively. Country Garden Holdings Company Limited priced a USD550mn 7NC4 bond at 5.125% and a USD450mn 10NC5 bond at 5.625%, tightening from IPT of 5.625% area and 6.125% area respectively. Central Plaza Development Ltd priced a USD450mn 5.5-year bond at 3.85%, tightening from IPT of 4.25% area. JD.com, Inc. priced a USD1bn debt offering in two parts, (1) a USD700mn 10-year bond at T+160bps, tightening from IPT of T+195bps area, and (2) a USD300mn 30-year bond at 4.185%. Logan Property Holdings Company Ltd priced a USD300mn 5NC3 bond at 5.75%, tightening from IPT of 6.25% area. Sunac China Holdings Limited priced a USD540mn 5NC3 bond at 6.50%, tightening from IPT of 7.00% area. CIFI Holdings (Group) Co. Ltd priced a USD400mn 5.5NC3 bond at 6.0%, tightening from IPT of 6.50% area. Zhenro Properties Group Limited priced a USD290mn 4.25NC3 bond at 7.875%, tightening from IPT at 8.40% area. China SCE Group Holdings Limited priced a USD150mn re-tap of its existing CHINSC 7.375%'24s at 7.375%, widening from IPG of 6.875% area. Export-Import Bank of India priced a USD1bn 10-year bond at T+150bps, tightening from IPT of T+175bps area.

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Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX | 97.005 | 0.35% | USD-SGD | 1.3497 | 0.03% |
| USD-JPY | 108.440 | 0.06% | EUR-SGD | 1.5054 | -0.36% |
| EUR-USD | 1.1153 | -0.39% | JPY-SGD | 1.2448 | -0.02% |
| AUD-USD | 0.6870 | -1.01% | GBP-SGD | 1.7715 | -0.32% |
| GBP-USD | 1.3126 | -0.34% | AUD-SGD | 0.9272 | -0.98% |
| USD-MYR | 4.0920 | -0.28% | NZD-SGD | 0.8966 | -0.44% |
| USD-CNY | 6.9453 | -0.44% | CHF-SGD | 1.3913 | -0.19% |
| USD-IDR | 13878 | -0.47% | SGD-MYR | 3.0361 | -0.13% |
| USD-VND | 23179 | 0.01% | SGD-CNY | 5.1418 | -0.53% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | -0.4500 | -1.00% | O/N | 1.5370 | 0.02% |
| 2M | -0.3360 | 0.02% | 1M | 1.6921 | -2.21% |
| 3M | -0.3850 | -2.21% | 2M | 1.8039 | -0.66% |
| 6M | -0.3250 | -0.66% | 3M | 1.8723 | -0.16% |
| 9M | -0.1940 | -0.16% | 6M | 1.8943 | 0.14% |
| 12M | -0.2480 | 0.14% | 12M | 1.9549 | -0.92% |

Fed Rate Hike Probability

| Meeting | Prob Hike | Prob Cut | 0.75-1.00% | 1.00-1.25% | 1.25-1.50% |
|------------|-----------|----------|------------|------------|------------|
| 29/01/2020 | 6.90% | 0.00% | 0.00% | 0.00% | 0.00% |
| 18/03/2020 | 5.80% | 15.70% | 0.00% | 0.00% | 15.70% |
| 29/04/2020 | 4.80% | 29.10% | 0.00% | 2.70% | 26.50% |
| 10/06/2020 | 3.70% | 43.50% | 0.60% | 7.80% | 35.10% |
| 29/07/2020 | 3.00% | 53.70% | 2.00% | 13.10% | 38.50% |
| 09/16/2020 | 2.40% | 63.00% | 4.40% | 18.60% | 39.50% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel) | 62.70 | -0.9% | Corn (per bushel) | 3.8450 | -0.1% |
| Brent (per barrel) | 68.27 | -0.9% | Soybean (per bushel) | 9.350 | 0.2% |
| Heating Oil (per gallon) | 2.0324 | -0.1% | Wheat (per bushel) | 5.5025 | 0.0% |
| Gasoline (per gallon) | 1.7222 | -1.8% | Crude Palm Oil (MYR/MT) | 3,038.0 | 0.1% |
| Natural Gas (per MMBtu) | 2.1620 | 1.3% | Rubber (JPY/KG) | 176.0 | -0.1% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 6,149 | 0.2% | Gold (per oz) | 1,574.4 | 0.6% |
| Nickel (per mt) | 13,935 | 0.8% | Silver (per oz) | 18.406 | 1.4% |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 28,583.68 | -119.70 |
| S&P | 3,237.18 | -9.10 |
| Nasdaq | 9,068.58 | -2.88 |
| Nikkei 225 | 23,575.72 | 370.86 |
| STI | 3,247.86 | 29.00 |
| KLCI | 1,611.04 | 13.28 |
| JCI | 6,279.35 | 21.94 |
| Baltic Dry | 844.00 | -- |
| VIX | 13.79 | -0.06 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 1.47 (-) | 1.54 (-) |
| 5Y | 1.56 (+0.01) | 1.61 (+0.01) |
| 10Y | 1.75 (+0.01) | 1.82 (+0.01) |
| 15Y | 1.86 (+0.02) | -- |
| 20Y | 1.92 (+0.02) | -- |
| 30Y | 2.10 (+0.02) | 2.31 (+0.02) |

Financial Spread (bps)

| | Value | Change |
|-------------|-------|--------|
| EURIBOR-OIS | 6.85 | 0.05 |
| TED | 35.36 | -- |

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 1.55 |
|------|------|

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|-----------------------------|--------|---------|--------|-----------|---------|
| 01/08/2020 | ID | Foreign Reserves | Dec | -- | -- | \$126.63b | -- |
| 01/08/2020 | PH | Bank Lending YoY | Nov | -- | -- | 9.10% | -- |
| 01/08/2020 | PH | Bank Lending Net of RRP YoY | Nov | -- | -- | 9.30% | -- |
| 01/08/2020 07:30 | JN | Labor Cash Earnings YoY | Nov | -0.10% | -0.20% | 0.50% | 0.00% |
| 01/08/2020 08:30 | AU | Building Approvals MoM | Nov | 2.00% | -- | -8.10% | -- |
| 01/08/2020 08:30 | AU | Building Approvals YoY | Nov | -11.70% | -- | -23.60% | -- |
| 01/08/2020 15:00 | GE | Factory Orders MoM | Nov | 0.20% | -- | -0.40% | -- |
| 01/08/2020 15:00 | MA | Foreign Reserves | Dec-31 | -- | -- | \$103.3b | -- |
| 01/08/2020 15:00 | GE | Factory Orders WDA YoY | Nov | -4.70% | -- | -5.50% | -- |
| 01/08/2020 18:00 | EC | Consumer Confidence | Dec F | -- | -- | -8.1 | -- |
| 01/08/2020 18:00 | EC | Economic Confidence | Dec | 101.4 | -- | 101.3 | -- |
| 01/08/2020 18:00 | EC | Industrial Confidence | Dec | -9 | -- | -9.2 | -- |
| 01/08/2020 18:00 | EC | Business Climate Indicator | Dec | -0.18 | -- | -0.23 | -- |
| 01/08/2020 20:00 | US | MBA Mortgage Applications | Jan-03 | -- | -- | -- | -- |
| 01/08/2020 21:15 | US | ADP Employment Change | Dec | 160k | -- | 67k | -- |

Source: Bloomberg

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