

Daily Treasury Outlook

9 January 2020

Highlights

Global: Risk appetite appeared to improve after it was confirmed that there were no casualties from the Iranian attack on Iraq's Baghdad Green Zone, US president Trump's comments that Iran "appears to be standing down" and Iranian foreign minister suggested non-escalation. Moreover, the World Bank opined that global growth may only pick up marginal speed from 2.4% in 2019 to 2.5% in 2020 amid stabilization for some large emerging economies, but trimmed forecasts for the Euro region and China and warned of the downside risks from a re-escalation of global trade tensions, sharp downturns in major economies, and financial disruptions in EM and DM. The S&P500 rose 0.49% while the UST bonds yields also crept higher by 3-5bps with the 10-year bond yield at 1.88%.

Market watch: Asian markets may claw back some ground today as Middle East tensions stabilize and market players may start to turn their attention back to the Fed speak from Clarida, Williams, Kashkari, Bullard, Barkin and Evans, as well as economic data including the US labor market report due tomorrow. Today's economic data calendar comprises of China's CPI/PPI, US' initial jobless claims, German trade data and Eurozone's unemployment rate. ECB's Weidmann and BOC's Poloz are also speaking.

US: Consumer borrowing rose less than expected in November by \$12.5b from October, as outstanding balances for credit card balances and other revolving debt fell by the most in eight months.

China: In the regular State Council meeting, Premier Li Keqiang said China will ensure price stability during the Chinese New Year holiday season as well as ensuring the workers will be paid on time. Market will watch out for China's December CPI data due at 9:30 am later. CPI is expected to rise further to 4.7% in December and break 5% in January as a result of earlier Chinese New Year. Although CPI is expected to trend down gradually from February, we expect China to remain cautious in its monetary policy without seeing concrete evidence of declining CPI.

Singapore: COE premiums rose for categories A, B and E in the latest tender round.

Malaysia: Malaysian Finmin Lim Guan Eng said that 2019 direct tax revenue rose to record-high by 6% to MYR145bn, albeit slightly softer than the 147bn targeted. Meanwhile, forex reserves rose to USD103.6bn (end-Dec) compared to 103.3bn (mid-Dec), which should help to support MYR sentiment along overall EMs.

Indonesia: Indonesia reported a pick-up in foreign reserves, which came in at USD129.2bn in December compared to 126.6bn of the prior month. This should help to support sentiment towards Rupiah and overall assets, alongside an improvement in global risk sentiment.

Key Market Movements		
Equity	Value	% chg
S&P 500	3253.1	0.5%
DJIA	28745	0.6%
Nikkei 225	23205	-1.6%
SH Comp	3066.9	-1.2%
STI	3245.9	-0.1%
Hang Seng	28088	-0.8%
KLCI	1589.1	-1.4%
Currencies	Value	% chg
DX	97.299	0.3%
USDJPY	109.12	0.6%
EURUSD	1.1105	-0.4%
GBPUSD	1.3097	-0.2%
USDIDR	13900	0.2%
USDSGD	1.3511	0.1%
SGDMYR	3.0384	0.1%
Rates	Value	chg (bp)
3M UST	1.53	1.53
10Y UST	1.87	5.61
1Y SGS	1.64	-0.10
10Y SGS	1.74	-0.91
3M LIBOR	1.88	0.58
3M SIBOR	1.77	0.00
3M SOR	1.54	3.19
Commodities	Value	% chg
Brent	65.44	-4.1%
WTI	59.61	-4.9%
Gold	1556	-1.1%
Silver	18.10	-1.6%
Palladium	2108	2.6%
Copper	6178	0.5%
BCOM	80.58	-1.2%

Source: Bloomberg

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Major Markets

US: Markets rose last night after Trump's address about Iran eased investors' worries of further escalation of the conflict between US and Iran. The S&P500 index was up 0.49%. With Trump backing off from further confrontation with Iran and reports saying that Iran did not intend to cause any US casualties and do not seek any escalation, downside risks to the markets are curbed for now. For the week ahead, risk appetite may return in the midst of a de-escalated US-Iran conflict.

Singapore: The STI declined by 0.06% to close at 3245.89 yesterday, but may see retuning risk appetite buoying investor interest today amid the positive overnight cues from Wall Street and morning gains in Kospi. STI support and resistance are tipped at 3218 and 3252 respectively. With the rapidly fading flight to quality, SGS bond yields may also retrace higher too ahead of the size announcement for 10-year re-opening due on 29 January.

Bond Market Updates

Market Commentary: The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-2bps lower while the belly and longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 118bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 444bps. The HY-IG Index spread tightened 2bps to 326bps. 10Y UST Yields rose by 6bps to close at 1.88%, as President Trump's comments eased investor concerns about the escalation of conflict between the U.S. and Iran.

New Issues: CFLD (Cayman) Investment Ltd priced a USD500mn 3-year bond at 6.9% and a USD700mn 5-year bond at 8.05%, tightening from IPT of 7.25% and 8.50% area respectively. Kaisa Group Holdings Ltd priced a USD500mn 5NC3 bond at 10.50%, tightening from IPT of 10.875% area. Shengzhou Investment Holdings Co., Ltd priced a USD100mn 3-year bond at 6.0%, tightening from IPT at mid-6.0% area. Sino-Ocean Land Treasure IV Ltd priced a USD400mn 10-year bond at T+315bps, tightening from IPT of T+340bps area. Yango Justice International Ltd priced a USD300mn 3.25NC2 bond at 9.875%, tightening from IPT of 10.375% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.299	0.30%	USD-SGD	1.3511	0.10%
USD-JPY	109.120	0.63%	EUR-SGD	1.5003	-0.34%
EUR-USD	1.1105	-0.43%	JPY-SGD	1.2381	-0.54%
AUD-USD	0.6866	-0.06%	GBP-SGD	1.7695	-0.11%
GBP-USD	1.3097	-0.22%	AUD-SGD	0.9276	0.04%
USD-MYR	4.1010	0.22%	NZD-SGD	0.8981	0.17%
USD-CNY	6.9462	0.01%	CHF-SGD	1.3874	-0.28%
USD-IDR	13900	0.16%	SGD-MYR	3.0384	0.08%
USD-VND	23176	-0.01%	SGD-CNY	5.1416	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4520	--	O/N	1.5279	-0.91%
2M	-0.3360	-0.91%	1M	1.6990	0.69%
3M	-0.3870	0.69%	2M	1.8123	0.84%
6M	-0.3230	0.84%	3M	1.8780	0.58%
9M	-0.1940	0.58%	6M	1.8805	-1.37%
12M	-0.2480	-1.37%	12M	1.9545	-0.04%

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	8.80%	2.60%	0.00%	0.00%	2.60%
29/04/2020	7.80%	12.50%	0.00%	0.30%	12.20%
10/06/2020	6.70%	24.10%	0.00%	2.00%	22.00%
29/07/2020	5.70%	34.10%	0.30%	4.90%	28.80%
09/16/2020	4.70%	45.20%	1.20%	9.30%	34.70%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.61	-4.9%	Corn (per bushel)	3.8425	-0.1%
Brent (per barrel)	65.44	-4.1%	Soybean (per bushel)	9.383	0.3%
Heating Oil (per gallon)	1.9582	-3.7%	Wheat (per bushel)	5.5275	0.5%
Gasoline (per gallon)	1.6488	-4.3%	Crude Palm Oil (MYR/MT)	3,038.0	--
Natural Gas (per MMBtu)	2.1410	-1.0%	Rubber (JPY/KG)	177.3	0.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,178	0.5%	Gold (per oz)	1,556.4	-1.1%
Nickel (per mt)	14,050	0.8%	Silver (per oz)	18.103	-1.6%

Equity and Commodity

Index	Value	Net change
DJIA	28,745.09	161.41
S&P	3,253.05	15.87
Nasdaq	9,129.24	60.66
Nikkei 225	23,204.76	-370.96
STI	3,245.89	-1.97
KLCI	1,589.10	-21.94
JCI	6,225.69	-53.66
Baltic Dry	791.00	--
VIX	13.45	-0.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.46 (-0.02)	1.58 (+0.04)
5Y	1.54 (-0.01)	1.66 (+0.05)
10Y	1.74 (-0.01)	1.87 (+0.06)
15Y	1.84 (-0.01)	--
20Y	1.92 (-)	--
30Y	2.08 (-0.01)	2.36 (+0.06)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.70	0.05
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
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Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/09/2020 07:50	JN Japan Buying Foreign Bonds	Jan-03	--	-¥192.7b	-¥927.6b
01/09/2020 07:50	JN Foreign Buying Japan Stocks	Jan-03	--	-¥80.8b	¥148.4b
01/09/2020 07:50	JN Foreign Buying Japan Bonds	Jan-03	--	¥265.5b	-¥1339.8b
01/09/2020 08:30	AU Trade Balance	Nov	A\$4100m	--	A\$4502m
01/09/2020 09:30	CH CPI YoY	Dec	4.70%	--	4.50%
01/09/2020 09:30	CH PPI YoY	Dec	-0.40%	--	-1.40%
01/09/2020 15:00	GE Industrial Production SA MoM	Nov	0.80%	--	-1.70%
01/09/2020 15:00	GE Industrial Production WDA YoY	Nov	-3.70%	--	-5.30%
01/09/2020 15:00	GE Trade Balance	Nov	21.3b	--	21.5b
01/09/2020 15:00	GE Current Account Balance	Nov	23.8b	--	22.7b
01/09/2020 15:00	GE Exports SA MoM	Nov	-0.90%	--	1.20%
01/09/2020 18:00	GR Industrial Production YoY	Nov	--	--	-0.30%
01/09/2020 18:00	EC Unemployment Rate	Nov	7.50%	--	7.50%
01/09/2020 21:30	US Initial Jobless Claims	Jan-04	220k	--	222k
01/09/2020 21:30	US Continuing Claims	Dec-28	1720k	--	1728k

Source: Bloomberg

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