

## Daily Treasury Outlook

14 January 2020

### Highlights

**Global:** The US' decision to lift the currency manipulator label from China ahead of the signing of a Phase 1 trade deal may be taken by market as risk-supportive. Meanwhile, the monitoring list comprised of Japan, Korea, Germany, Italy, Ireland, Singapore, Malaysia, and Vietnam, with the addition of China and Switzerland. The S&P500 rallied 0.7%, led by tech stocks on optimism about the Phase 1 trade deal signing and the upcoming earnings season, while UST bonds declined amid heavy issuance that took the 10-year bond yield up to 1.84%. There is also some market speculation that the Fed could hike the IOER at the 28 January FOMC meeting.

**Market watch:** Asian markets look set to track higher today on the news that China's currency manipulator label will be removed by the US ahead of the signing of the Phase 1 trade deal. Economic releases due today comprise Japan's Eco Watchers survey, US' NFIB small business optimism index and CPI, China's December trade data and money aggregates. Apart from the US-China trade deal, market would also likely focus on US bank earnings releases. Fed's Williams and George, as well as ECB's Mersch and Villeroy are also speaking.

**US:** Fed's Bostic argued the Fed can "sit back" as the economy is "doing fine" and there is a "high bar" for any rate hikes until inflation is convincingly at the 2% inflation target. Meanwhile, Rosengren (dissenter for the three cuts in 2019) opined that he would be monitoring risks of higher inflation and financial instability and "if these risks remain contained, my view is we will likely have another year of good economic outcomes".

**UK:** The UK economy shrank 0.3% yoy in November, with the 3-month average at +0.1%, which may add to market speculation that the BOE may cut rates later this year.

**China:** The removal of currency manipulator label by US Treasury is largely symbolic in our view as the label has limited impact on the market so far. Nevertheless, it is a good gesture ahead of the signing of phase one trade deal tomorrow. The US's acknowledgement on China's enforceable commitments to refrain from competitive devaluation may add more positive sentiment to already appreciating RMB. In addition, China announced to further ease its restriction for foreign investors to access to China's onshore bond market. Foreign investors are allowed to tap onshore foreign exchange derivative market to hedge their RMB assets.

**Singapore:** Shipping throughput hit a record high of 37.2 million TEUs (+1.6% yoy) in 2019, albeit total cargo throughput fell slightly to 626.2 million tonnes from 630.1 million tonnes a year ago.

**Oil:** Oil prices continue to decline yesterday as bulls continue to retreat amid easing US-Iran tensions. Brent closed at \$64.20/bbl yesterday from a high of \$68.91/bbl last Monday. The risks of supply disruptions, in our opinion, continue to remain elevated. We see price risks tilted to the upside for now.

Key Market Movements		
Equity	Value	% chg
S&P 500	3288.1	0.7%
DJIA	28907	0.3%
Nikkei 225	23851	0.0%
SH Comp	3115.6	0.8%
STI	3251.1	-0.1%
Hang Seng	28955	1.1%
KLCI	1584.7	-0.4%
Currencies	Value	% chg
DXY	97.345	0.0%
USDJPY	109.95	0.5%
EURUSD	1.1134	0.1%
GBPUSD	1.2989	-0.6%
USDIDR	13673	-0.7%
USDSGD	1.3466	-0.1%
SGDMYR	3.0170	-0.1%
Rates	Value	chg (bp)
3M UST	1.54	0.51
10Y UST	1.85	2.63
1Y SGS	1.62	-1.00
10Y SGS	1.75	0.35
3M LIBOR	1.84	-1.01
3M SIBOR	1.77	0.00
3M SOR	1.52	-2.09
Commodities	Value	% chg
Brent	64.2	-1.2%
WTI	58.08	-1.6%
Gold	1548	-0.9%
Silver	17.96	-0.9%
Palladium	2137	0.8%
Copper	6290	1.5%
BCOM	80.29	-0.5%

Source: Bloomberg

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### Major Markets

**US:** US markets rose last night to record highs on the back of news the US will remove China from a list of currency manipulators, signaling improving trade relations between the two countries. The S&P500 was up 0.7% to close at a record high of 3288.13. Looking ahead, investors will be looking out for the start of the corporate earnings season, with Citigroup and J.P. Morgan Chase among the companies set to report earnings.

**Singapore:** The STI slipped 0.15% at 3251.07 yesterday, but looks set to unwind those losses today amid the more buoyant risk-on mood and positive cues from Wall Street overnight and morning gains for Kospi. STI support and resistance are tipped at 3247 and 3285 respectively. With the bear steepening bias in the UST bond market overnight, SGS bonds may see some selling pressure returning today, especially ahead of the size announcement for 10-year re-opening due on 29 January.

**Malaysia:** Ringgit was already strengthening sizably yesterday on the back of improving global sentiment, and may yet follow the momentum of the Asian crowd today on the news that US has dropped CNY's currency manipulation label - taken as a sign of further improvement in the US-China relationship.

**Indonesia:** It looks to be a fruitful visit for President Jokowi to the UAE. The country is planning to invest USD22.8bn into a sovereign wealth fund that Indonesia is setting up, to finance infrastructure and energy projects as well as the building of the new capital city. Japan's Softbank and US IDFC were reportedly interested as well.

**Thailand:** The Board of Investment said yesterday that it will issue measures for importing capital goods to take advantage of the strong baht. These measures will be sent for approval in early February. Separately, Finance Minister Uttama Savanayana said that any measures to rebalance the baht will not drastically interrupt the market. Both factors put together suggest that Thailand's approach to its economy this year is likely to be focused around fiscal policies.

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**Bond Market Updates**

**Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 0-1bps lower while the belly and longer tenors traded 1bps higher (with the 12Y tenor trading 2bps higher). The Markit iTraxx Asia ex-Japan Investment Grade index tightened 1bps to 53bps while the Markit iBoxx USD Asia ex-Japan China High Yield TRI Index increased 0.4 to 276.9. 10Y UST Yields rose by 3bps to close at 1.85%, as investors shifted their attention to the expected signing of the US-China trade deal.

**New Issues:** PT Pertamina (Persero) priced a USD500mn 10-year bond at 3.10% and a USD1bn 30-year bond at 4.175%, tightening from IPT of 3.4% area and 4.5% area respectively. Sun Hung Kai Properties (Capital Market) Limited priced a USD500mn 10-year bond at T+110bps, tightening from IPT of T+140bps area. Changsha Pilot Investment Holdings Group Co., Ltd priced a USD150mn re-tap of its existing CSPLIN 3.8%'22s at 100.316, tightening from IPT of 4.0% area. China Merchants Securities Co., Ltd priced a USD300mn 3-year bond at T+105bps, tightening from IPT of T+140bps area. Posco priced a USD500mn 3-year tranche at T+82.5bps and a USD440mn 5-year tranche at T+97.5bps, tightening from IPT of T+110bps area and T+125bps area respectively. BOC Aviation Limited priced a USD400mn 5-year bond at T+100bps, tightening from IPG of T+125bps area. PT Tower Bersama Infrastructure Tbk priced a USD350mn 5NC3 bond at 4.25%, tightening from IPT of 4.75% area. China South City Holdings Limited priced a USD200mn re-tap of its existing CSCHCN 11.5%'22s at 12.125%, tightening from IPT of 12.625% area. Redsun Properties Group Limited priced a USD300mn 3.5NC2 bond at 10.25%, tightening from IPT of 10.875% area. Cathay Pacific MTN Financing (HK) Limited priced a SGD175mn 3-year bond (guaranteed by Cathay Pacific Airways Limited) at 3.375%, tightening from IPT of 3.5% area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.345	-0.01%	USD-SGD	1.3466	-0.13%
USD-JPY	109.950	0.46%	EUR-SGD	1.4994	-0.03%
EUR-USD	1.1134	0.12%	JPY-SGD	1.2248	-0.59%
AUD-USD	0.6904	0.04%	GBP-SGD	1.7490	-0.72%
GBP-USD	1.2989	-0.57%	AUD-SGD	0.9296	-0.12%
USD-MYR	4.0625	-0.33%	NZD-SGD	0.8928	-0.25%
USD-CNY	6.8932	-0.38%	CHF-SGD	1.3871	0.04%
USD-IDR	13673	-0.72%	SGD-MYR	3.0170	-0.15%
USD-VND	23175	--	SGD-CNY	5.1172	-0.28%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4630	0.70%	O/N	1.5331	0.61%
2M	-0.3360	0.61%	1M	1.6766	-0.70%
3M	-0.3950	-0.70%	2M	1.8065	-3.46%
6M	-0.3340	-3.46%	3M	1.8378	-1.01%
9M	-0.1940	-1.01%	6M	1.8721	-0.75%
12M	-0.2530	-0.75%	12M	1.9666	-0.21%

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	12.30%	0.00%	0.00%	0.00%	0.00%
18/03/2020	12.20%	0.70%	0.00%	0.00%	0.70%
29/04/2020	11.00%	9.60%	0.00%	0.10%	9.50%
10/06/2020	9.30%	21.40%	0.00%	1.50%	19.90%
29/07/2020	8.00%	31.20%	0.20%	4.10%	26.90%
09/16/2020	6.40%	43.40%	1.00%	8.70%	33.70%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.08	-1.6%	Corn (per bushel)	3.8950	1.0%
Brent (per barrel)	64.20	-1.2%	Soybean (per bushel)	9.293	-0.6%
Heating Oil (per gallon)	1.8980	-1.6%	Wheat (per bushel)	5.6225	-0.4%
Gasoline (per gallon)	1.6573	-0.1%	Crude Palm Oil (MYR/MT)	3,092.0	-1.2%
Natural Gas (per MMBtu)	2.1820	-0.9%	Rubber (JPY/KG)	176.0	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,290	1.5%	Gold (per oz)	1,547.9	-0.9%
Nickel (per mt)	14,095	-0.7%	Silver (per oz)	17.960	-0.9%

### Equity and Commodity

Index	Value	Net change
DJIA	28,907.05	83.28
S&P	3,288.13	22.78
Nasdaq	9,273.93	95.07
Nikkei 225	23,850.57	--
STI	3,251.07	-4.88
KLCI	1,584.73	-6.73
JCI	6,296.57	21.63
Baltic Dry	774.00	--
VIX	12.32	-0.24

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.46 (-0.02)	1.58 (+0.01)
5Y	1.54 (-)	1.65 (+0.02)
10Y	1.75 (-)	1.85 (+0.03)
15Y	1.85 (-)	--
20Y	1.93 (-)	--
30Y	2.09 (-)	2.30 (+0.02)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.60	0.08
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.55
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Source: Bloomberg, Reuters  
(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/14/2020	CH	Trade Balance	Dec	\$45.70b	--	\$38.73b	--
01/14/2020	CH	Exports YoY	Dec	2.90%	--	-1.30%	--
01/14/2020	CH	Imports YoY	Dec	9.60%	--	0.30%	--
01/14/2020 03:00	US	Monthly Budget Statement	Dec	-\$15.0b	-\$13.3b	-\$13.5b	--
01/14/2020 07:50	JN	BoP Current Account Balance	Nov	¥1423.3b	¥1436.8b	¥1816.8b	--
01/14/2020 07:50	JN	Trade Balance BoP Basis	Nov	¥101.5b	-¥2.5b	¥254.0b	--
01/14/2020 07:50	JN	BoP Current Account Adjusted	Nov	¥1776.8b	¥1794.9b	¥1732.2b	--
01/14/2020 12:30	JN	Bankruptcies YoY	Dec	--	--	1.39%	--
01/14/2020 19:00	US	NFIB Small Business Optimism	Dec	104.6	--	104.7	--
01/14/2020 21:30	US	CPI MoM	Dec	0.30%	--	0.30%	--
01/14/2020 21:30	US	CPI Ex Food and Energy MoM	Dec	0.20%	--	0.20%	--
01/14/2020 21:30	US	CPI YoY	Dec	2.40%	--	2.10%	--
01/14/2020 21:30	US	CPI Ex Food and Energy YoY	Dec	2.30%	--	2.30%	--
01/14/2020 21:30	US	CPI Core Index SA	Dec	266.111	--	265.62	--
01/14/2020 21:30	US	CPI Index NSA	Dec	257.17	--	257.208	--

Source: Bloomberg

## Treasury Research & Strategy

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