

## Daily Treasury Outlook

15 January 2020

### Highlights

**Global:** Global risk sentiment consolidated on Monday ahead of the signing of the phase one trade deal today. US markets were at first riding high due to positive Q4 earning results from major banks on the back of FICC trading performance. The party was disrupted halfway, however, as news that there will not be any further reduction in China tariffs until after US election in November hit the wire. In addition, the decision to reduce the existing tariff will hinge on China's compliance with the phase-one trade deal. The understanding gap between US and China on the rollback of existing tariffs is likely to be the source of volatility in future, as most Chinese officials believe that the existing tariff will be phased out gradually though there is no commitment from Trump Administration to reduce the tariff further.

On a positive note, the release of the breakdown of China's US\$200 billion agricultural purchase plan from the US over the next two years show that both sides are serious about reaching the trade truce. According to Reuters, China has pledged to purchase US\$80 billion of additional manufacturing goods and US\$50 billion more energy products. In addition, China will also increase its purchase of agriculture products by US\$32 billion over the next two years as well as boosting purchase of US services by US\$35 billion. This means China will need to purchase about US\$40 billion US agriculture products per annum for the next two years. This looks more feasible as compared to US\$50 billion purchase as mentioned by President Trump previously, which will reduce the implementation risk.

**Market watch:** For today, market will watch out for inflation reading in Europe as well as PPI in the US.

**US:** US economy continues to show little signs of inflation. CPI rose by 2.3% yoy, slightly shy of market expectation of 2.4% while core CPI grew by 2.3%, intact from the reading in November. The cooling costs of used cars, airline tickets and household furnishing offset the rising healthcare costs. The latest inflation reading dampened any concern that the Fed might have to be forced to hike rates anytime soon. The New York Fed said it will continue to inject liquidity on repo offerings until at least mid-Feb. However, in Feb, it will reduce the cap for two weeks repo to US\$30 billion from US\$35 billion.

**China:** China's December trade data beat market expectation. Exports rose by 7.6% yoy while imports jumped by 16.3% both beating market expectation. On exports, although China's exports to US remained weak falling by 14.6% yoy, the demand from ASEAN and EU offset the weak demand from the US. Exports to ASEAN and EU rose by 27.4% and 6.6% yoy respectively. China's imports of electronic integrated circuit jumped by 30.2% yoy due to base effect.

**Oil:** Bloomberg reported that OPEC+ may delay its March meeting to June, citing a report from Russian news agency Tass. The report from Tass, which quoted an unidentified OPEC source, said that the lack of production data in 2020 would make the meeting in March of little productivity. A delay in the meeting to June, if materialised, would mean the current production cuts would be extended from March to June.

| Key Market Movements |        |          |
|----------------------|--------|----------|
| Equity               | Value  | % chg    |
| S&P 500              | 3283.2 | -0.2%    |
| DJIA                 | 28940  | 0.1%     |
| Nikkei 225           | 24025  | 0.7%     |
| SH Comp              | 3106.8 | -0.3%    |
| STI                  | 3270.5 | 0.6%     |
| Hang Seng            | 28885  | -0.2%    |
| KLCI                 | 1580.6 | -0.3%    |
| Currencies           | Value  | % chg    |
| DXY                  | 97.372 | 0.0%     |
| USDJPY               | 109.99 | 0.0%     |
| EURUSD               | 1.1128 | -0.1%    |
| GBPUSD               | 1.3019 | 0.2%     |
| USIDR                | 13680  | 0.1%     |
| USDSGD               | 1.3468 | 0.0%     |
| SGDMYR               | 3.0210 | 0.1%     |
| Rates                | Value  | chg (bp) |
| 3M UST               | 1.55   | 1.58     |
| 10Y UST              | 1.81   | -3.50    |
| 1Y SGS               | 1.61   | -1.00    |
| 10Y SGS              | 1.75   | 0.52     |
| 3M LIBOR             | 1.83   | -0.65    |
| 3M SIBOR             | 1.77   | 0.00     |
| 3M SOR               | 1.50   | -2.17    |
| Commodities          | Value  | % chg    |
| Brent                | 64.49  | 0.5%     |
| WTI                  | 58.23  | 0.3%     |
| Gold                 | 1546   | -0.1%    |
| Silver               | 17.80  | -0.9%    |
| Palladium            | 2198   | 2.9%     |
| Copper               | 6302   | 0.2%     |
| BCOM                 | 80.35  | 0.1%     |

Source: Bloomberg

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### Major Markets

**US:** US markets fell last night following news that the US is unlikely to remove further tariffs on China goods until after the US' presidential election in November. The S&P500 was down 0.15%. The signing of the phase one trade deal between US and China will be closely watched by investors today as they look for further details of the deal, which could determine market movements today. Support for the S&P500 is likely at the 3250 handle.

**Hong Kong:** Carrie Lam, the Chief Executive of Hong Kong, has announced the new round of relief measures amounting to about HK\$ 10 billion, mainly focusing on the elderly and the low income group. Specifically, the plan of the HK\$2 transport fare concession to those age above 65 will be extended to the age above 60. The number of mandatory leave for workers is proposed to increase from 12 days to 17 days. Government will provide cash subsidization for those family waiting for public housing for more than 3 years and unemployed residents (with time limit).

The relief measures might only lend short-term supports to local economy. Whether the local economy can bottom out and rebound in the near term might highly hinge on the development of the trade war and local political development.

**Malaysia:** Khazanah's MD Shahril Ridzuan said that Malaysian government should shift away from using golden shares to control state-linked companies. He said that the government can manage companies via legislation and regulators, instead of using its golden share holding to approve CEO appointments, for instance.

**Indonesia:** The government said that it has nominated the Crown Prince of UAE to chair a panel overseeing the construction of Indonesia's new capital. Former British PM Tony Blair and Softbank's Masayoshi Son are also slated to be in the panel that is tasked with advisory role and to provide confidence to prospective investors in the project.

**Thailand:** The Bank of Thailand said yesterday that it continues to remain concerned about the baht strength and that it would introduce further measures to curb the currency's appreciation if needed. Deputy Governor Mathee Supapongse said that the central bank must manage the currency in a sustainable manner, as constant intervention might trigger trade protectionism. Last week, Finance Minister Uttama Savanayana said that any measures to soften the baht is unlikely to drastically interrupt the market.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 0-1bps higher while the belly and longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 117bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 442bps. The HY-IG Index tightened 1bps to 324bps. 10Y UST Yields fell by 3bps to close at 1.81%, following a report which stated that existing China tariffs are likely to remain until after the U.S. presidential election this year.

**New Issues:** HBIS Group Hong Kong Co., Limited priced a USD200mn re-tap of its existing TSSTEE 3.75%'22s at 3.78%, tightening from IPT of 4.0% area. Theta Capital Pte. Ltd (wholly-owned by PT Lippo Karawaci Tbk) priced a USD325mn 5NC3 bond at 8.125%, tightening from IPT of 8.5% area. SMC Global Power Holdings Corp priced a USD600mn PERP NC6 bond at 5.7%, tightening from IPT of 6.125% area. Future Retail Limited priced a USD500mn 5NC3 bond at 5.6%, tightening from IPT of 6.0% area. Australia and New Zealand Banking Group Ltd priced a USD1.25bn 10.5NC5.5 Tier 2 bond at T+133bps, tightening from IPT of T+160bps area. Macquarie Bank Ltd priced a USD1.25bn 5-year bond at T+70bps, tightening from IPT of T+85bps area. China Development Bank Corporation of Hong Kong priced a USD100mn 2-year bond at 3m-US LIBOR+40bps and a USD180mn 2-year bond at 3m-US LIBOR+40bps. City Developments Limited priced a SGD200mn 5-year bond at 2.7%, tightening from IPT of 2.8% area. Mercatus Co-operative Limited priced a SGD100mn 10-year bond at 3.08%.

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### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX      | 97.372    | 0.03%    | USD-SGD | 1.3468    | 0.01%    |
| USD-JPY | 109.990   | 0.04%    | EUR-SGD | 1.4988    | -0.04%   |
| EUR-USD | 1.1128    | -0.05%   | JPY-SGD | 1.2245    | -0.02%   |
| AUD-USD | 0.6902    | -0.03%   | GBP-SGD | 1.7533    | 0.25%    |
| GBP-USD | 1.3019    | 0.23%    | AUD-SGD | 0.9296    | --       |
| USD-MYR | 4.0725    | 0.25%    | NZD-SGD | 0.8908    | -0.22%   |
| USD-CNY | 6.8842    | -0.13%   | CHF-SGD | 1.3921    | 0.36%    |
| USD-IDR | 13680     | 0.05%    | SGD-MYR | 3.0210    | 0.13%    |
| USD-VND | 23175     | --       | SGD-CNY | 5.1092    | -0.16%   |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD Libor | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.4600 | 0.70%  | O/N   | 1.5351    | 0.20%  |
| 2M    | -0.3360 | 0.20%  | 1M    | 1.6763    | -0.04% |
| 3M    | -0.3890 | -0.04% | 2M    | 1.7951    | -1.14% |
| 6M    | -0.3240 | -1.14% | 3M    | 1.8313    | -0.65% |
| 9M    | -0.1940 | -0.65% | 6M    | 1.8725    | 0.04%  |
| 12M   | -0.2460 | 0.04%  | 12M   | 1.9620    | -0.46% |

### Fed Rate Hike Probability

| Meeting    | Prob Hike | Prob Cut | 1.00-1.25% | 1.25-1.50% | 1.50-1.75% |
|------------|-----------|----------|------------|------------|------------|
| 29/01/2020 | 12.30%    | 0.00%    | 0.00%      | 0.00%      | 87.70%     |
| 18/03/2020 | 13.60%    | 0.00%    | 0.00%      | 0.00%      | 86.40%     |
| 29/04/2020 | 12.10%    | 10.00%   | 0.00%      | 10.00%     | 78.00%     |
| 10/06/2020 | 10.00%    | 23.20%   | 1.70%      | 21.60%     | 66.70%     |
| 29/07/2020 | 8.50%     | 33.90%   | 4.90%      | 28.80%     | 57.60%     |
| 09/16/2020 | 6.80%     | 45.50%   | 9.70%      | 34.60%     | 47.70%     |

### Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 58.23   | 0.3%  | Corn (per bushel)       | 3.8900  | -0.1% |
| Brent (per barrel)       | 64.49   | 0.5%  | Soybean (per bushel)    | 9.285   | -0.1% |
| Heating Oil (per gallon) | 1.9103  | 0.6%  | Wheat (per bushel)      | 5.6850  | 1.1%  |
| Gasoline (per gallon)    | 1.6544  | -0.2% | Crude Palm Oil (MYR/MT) | 3,030.0 | -2.0% |
| Natural Gas (per MMBtu)  | 2.1870  | 0.2%  | Rubber (JPY/KG)         | 177.2   | 0.7%  |
| Base Metals              | Futures | % chg | Precious Metals         | Futures | % chg |
| Copper (per mt)          | 6,302   | 0.2%  | Gold (per oz)           | 1,546.4 | -0.1% |
| Nickel (per mt)          | 13,870  | -1.6% | Silver (per oz)         | 17.803  | -0.9% |

### Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 28,939.67 | 32.62      |
| S&P        | 3,283.15  | -4.98      |
| Nasdaq     | 9,251.33  | -22.60     |
| Nikkei 225 | 24,025.17 | 174.60     |
| STI        | 3,270.54  | 19.47      |
| KLCI       | 1,580.60  | -4.13      |
| JCI        | 6,325.41  | 28.84      |
| Baltic Dry | 765.00    | --         |
| VIX        | 12.39     | 0.07       |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg)    |
|-------|--------------|--------------|
| 2Y    | 1.45 (-0.01) | 1.57 (-0.01) |
| 5Y    | 1.54 (-)     | 1.62 (-0.03) |
| 10Y   | 1.75 (+0.01) | 1.81 (-0.03) |
| 15Y   | 1.85 (-)     | --           |
| 20Y   | 1.93 (-)     | --           |
| 30Y   | 2.09 (-)     | 2.27 (-0.03) |

### Financial Spread (bps)

|             | Value | Change |
|-------------|-------|--------|
| EURIBOR-OIS | 6.12  | -0.08  |
| TED         | 35.36 | --     |

### Secured Overnight Fin. Rate

|      |      |
|------|------|
| SOFR | 1.54 |
|------|------|

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

| Date Time        | Event                        | Survey      | Actual | Prior    | Revised |
|------------------|------------------------------|-------------|--------|----------|---------|
| 01/15/2020       | PH Overseas Remittances YoY  | Nov 4.60%   | --     | 8.00%    | --      |
| 01/15/2020 01:17 | CH New Yuan Loans CNY        | Dec 1200.0b | --     | 1390.0b  | 1388.1b |
| 01/15/2020 07:00 | SK Unemployment rate SA      | Dec 3.60%   | 3.80%  | 3.60%    | --      |
| 01/15/2020 07:50 | JN Money Stock M2 YoY        | Dec 2.80%   | 2.70%  | 2.80%    | 2.70%   |
| 01/15/2020 07:50 | JN Money Stock M3 YoY        | Dec 2.30%   | 2.30%  | 2.30%    | 2.20%   |
| 01/15/2020 12:00 | ID Trade Balance             | Dec -\$422m | --     | -\$1330m | --      |
| 01/15/2020 14:00 | JN Machine Tool Orders YoY   | Dec P --    | --     | -37.90%  | --      |
| 01/15/2020 17:30 | UK CPI YoY                   | Dec 1.50%   | --     | 1.50%    | --      |
| 01/15/2020 17:30 | UK CPI MoM                   | Dec 0.20%   | --     | 0.20%    | --      |
| 01/15/2020 17:30 | UK CPI Core YoY              | Dec 1.70%   | --     | 1.70%    | --      |
| 01/15/2020 17:30 | UK PPI Output NSA MoM        | Dec 0.10%   | --     | -0.20%   | --      |
| 01/15/2020 17:30 | UK PPI Output NSA YoY        | Dec 1.00%   | --     | 0.50%    | --      |
| 01/15/2020 20:00 | US MBA Mortgage Applications | Jan-10 --   | --     | 13.50%   | --      |
| 01/15/2020 21:30 | US PPI Final Demand MoM      | Dec 0.20%   | --     | 0.00%    | --      |
| 01/15/2020 21:30 | US Empire Manufacturing      | Jan 3.6     | --     | 3.5      | --      |

Source: Bloomberg

## Treasury Research & Strategy

### Macro Research

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