

## Daily Treasury Outlook

16 January 2020

### Highlights

**Global:** Finally, US and China signed the Phase 1 Deal. In return for US halving its 15% tariffs on USD120bn of Chinese imports to 7.5%, China agreed to purchase 200bn more American goods over two years, and to step up intellectual property protection. While market would obviously take to the deal positively, it would likely be one of relief rather than elation. The worst case scenario of continued escalation of retaliatory tariffs is now avoided, but the positive reaction is likely muted by earlier announcement that US will not cut remaining tariffs, including the 25% US tariffs on 250bn of imports from China, until after the Nov election at the earliest. Market is also going to be paying closer attention to the breakdown of the goods purchases slated in the deal. The bulk of it is reportedly going to be via a USD75bn increase in manufactured goods purchase, followed by USD50bn in energy and USD35-40bn in services. The long-touted agricultural goods category is to see a doubling of purchase from roughly USD20bn level of 2016 to 40bn. Outside of immediate asset market reaction, we are on the lookout to see whether the agreement is sufficient to give a jolt up to the investment cycle in the US and broader global economies, with capital goods orders as a key indicator to watch in the coming months. In terms of data flow, the day ahead remains relatively quiet, outside of US retail sales figure for December out tonight.

**Market watch:** For today, markets will be looking out for the US retail sales and Japan PPI.

**China:** China and US officially signed the phase one trade deal. As expected, China will increase its purchase of US goods and service by additional US\$200 billion over the next two years covering manufactured goods, agricultural goods, energy products and services. On the positive note, the target was not equally split over the next two years. China only need to fulfill about 38% its purchase target in 2020. This will reduce the implementation risk this year. In addition, China will also further open its domestic financial market to US institutions. China will eliminate foreign equity limits no later than 1 Apr 2020. On currency, the agreement was similar to expectation, which focuses on transparency and enhanced communication.

China injected CNY300 billion liquidity via 1-year MLF on 15 January ahead of Chinese New Year holiday. However, the interest rate for 1-year MLF was kept unchanged at 3.25%. The injection was not a surprise in our view as the liquidity injection via RRR cut in the beginning of January, which injected about CNY800 billion, is not enough to fill in about CNY3 trillion liquidity gap due to earlier Chinese New Year holiday, heavy issuance calendar for local government bond and usual tax payment.

Key Market Movements		
Equity	Value	% chg
S&P 500	3289.3	0.2%
DJIA	29030	0.3%
Nikkei 225	23917	-0.5%
SH Comp	3090.0	-0.5%
STI	3257.0	-0.4%
Hang Seng	28774	-0.4%
KLCI	1585.1	0.3%
Currencies	Value	% chg
DXY	97.229	-0.1%
USDJPY	109.9	-0.1%
EURUSD	1.1150	0.2%
GBPUSD	1.3038	0.1%
USDIRR	13695	0.1%
USDSGD	1.3461	-0.1%
SGDMYR	3.0233	0.1%
Rates	Value	chg (bp)
3M UST	1.56	0.50
10Y UST	1.78	-2.79
1Y SGS	1.61	-0.10
10Y SGS	1.74	-1.34
3M LIBOR	1.84	1.14
3M SIBOR	1.77	0.00
3M SOR	1.52	1.97
Commodities	Value	% chg
Brent	64	-0.8%
WTI	57.81	-0.7%
Gold	1556	0.6%
Silver	18.00	1.1%
Palladium	2266	3.1%
Copper	6287	-0.2%
BCOM	80.03	-0.4%

Source: Bloomberg

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### Major Markets

**US:** US markets rose last night on the back of the signing of the phase one trade deal between the US and China, although they gave up much of their gains heading into the close. The S&P500 was up 0.5% before retreating to end the session at 0.2%. With the signing of the phase one trade deal finally completed, investors' attention will be shifted to the upcoming corporate earnings releases as well as negotiations of the phase two trade deal.

**Malaysia:** The cabinet has reportedly decided against selling down their stakes in toll road operator PLUS. The Edge reports that Khazanah and Employees Provident Fund will maintain their 51% and 49% stakes respectively. The government has been seeking to restructure highway concession agreements held by PLUS in a bid to reduce toll fares.

**Indonesia:** A senior BI official said that it will maintain an accommodative stance as growth remains a concern. Future rate cuts will depend on whether there is a heightened risk of foreign fund inflow, he added. To us, if Rupiah remains strong and external environment remains supportive into next week, it will cut rate on Jan 23.

### Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 0-1bps lower while the belly and longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 118bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 444bps. The HY-IG Index widened 2bps to 326bps. 10Y UST Yields fell by 3bps to close at 1.78%, following a muted market reaction to Phase One of the US-China Trade Deal and weaker-than-forecasted December Producer Price Index (PPI).

**New Issues:** Bank of Communications Co., Ltd. Hong Kong Branch priced a USD1.3bn 3-year FRN at 3m-US LIBOR+58bps, tightening from IPT of 3m-US LIBOR+85bps area. PT Bank Tabungan Negara (Persero) Tbk priced a USD300mn Tier 2 5-year bond at 4.2%, tightening from IPT of 4.7% area. Kaisa Group Holdings Ltd priced a USD300mn 5.5NC3 bond at 9.95%, tightening from IPT of 10.25% area. Landsea Green Properties Co Ltd priced a USD200mn 2.75-year bond at 11.95%, tightening from IPT of 12.125% area. Power Finance Corporation Ltd priced a USD750mn 10.25-year bond at T+227.5bps, tightening from T+255bps area. New Metro Global Limited priced a USD350mn 3.5NC2 bond at 7.15%, tightening from IPT of 7.8% area. Singapore Press Holdings Limited priced a SGD500mn 10-year bond at 3.2%, tightening from IPT of 3.4% area.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.229	-0.15%	<b>USD-SGD</b>	1.3461	-0.05%
<b>USD-JPY</b>	109.900	-0.08%	<b>EUR-SGD</b>	1.5009	0.14%
<b>EUR-USD</b>	1.1150	0.20%	<b>JPY-SGD</b>	1.2248	0.02%
<b>AUD-USD</b>	0.6902	--	<b>GBP-SGD</b>	1.7551	0.10%
<b>GBP-USD</b>	1.3038	0.15%	<b>AUD-SGD</b>	0.9296	--
<b>USD-MYR</b>	4.0745	0.05%	<b>NZD-SGD</b>	0.8908	--
<b>USD-CNY</b>	6.8909	0.10%	<b>CHF-SGD</b>	1.3962	0.29%
<b>USD-IDR</b>	13695	0.11%	<b>SGD-MYR</b>	3.0233	0.08%
<b>USD-VND</b>	23175	--	<b>SGD-CNY</b>	5.1176	0.16%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	29,030.22	90.55
<b>S&amp;P</b>	3,289.29	6.14
<b>Nasdaq</b>	9,258.70	7.37
<b>Nikkei 225</b>	23,916.58	-108.59
<b>STI</b>	3,256.98	-13.56
<b>KLCI</b>	1,585.14	4.54
<b>JCI</b>	6,283.37	-42.04
<b>Baltic Dry</b>	763.00	--
<b>VIX</b>	12.42	--

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4600	0.30%	<b>O/N</b>	1.5313	-0.39%
<b>2M</b>	-0.3360	-0.39%	<b>1M</b>	1.6696	-0.66%
<b>3M</b>	-0.3910	-0.66%	<b>2M</b>	1.7860	-0.91%
<b>6M</b>	-0.3290	-0.91%	<b>3M</b>	1.8426	1.14%
<b>9M</b>	-0.1940	1.14%	<b>6M</b>	1.8645	-0.80%
<b>12M</b>	-0.2430	-0.80%	<b>12M</b>	1.9631	0.11%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.45 (-)	1.55 (-0.02)
<b>5Y</b>	1.53 (-0.01)	1.60 (-0.02)
<b>10Y</b>	1.74 (-0.01)	1.78 (-0.03)
<b>15Y</b>	1.84 (-0.01)	--
<b>20Y</b>	1.93 (-0.01)	--
<b>30Y</b>	2.09 (-)	2.24 (-0.03)

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	14.40%	0.00%	0.00%	0.00%	0.00%
18/03/2020	14.30%	0.70%	0.00%	0.00%	0.70%
29/04/2020	12.70%	10.20%	0.00%	0.10%	10.10%
10/06/2020	10.90%	21.40%	0.00%	1.50%	19.90%
29/07/2020	9.10%	32.60%	0.30%	4.60%	27.70%
16/09/2020	7.20%	44.30%	1.10%	9.20%	33.90%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	6.00	0.08
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.55
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.81	-0.7%	Corn (per bushel)	3.8750	-0.4%
Brent (per barrel)	64.00	-0.8%	Soybean (per bushel)	9.288	0.0%
Heating Oil (per gallon)	1.8779	-1.7%	Wheat (per bushel)	5.7325	0.8%
Gasoline (per gallon)	1.6368	-1.1%	Crude Palm Oil (MYR/MT)	3,030.0	--
Natural Gas (per MMBtu)	2.1200	-3.1%	Rubber (JPY/KG)	173.5	-2.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,287	-0.2%	Gold (per oz)	1,556.3	0.6%
Nickel (per mt)	14,320	3.2%	Silver (per oz)	18.004	1.1%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/16/2020	CH	Money Supply M2 YoY	Dec	8.30%	--	8.20%	--
01/16/2020	CH	New Yuan Loans CNY	Dec	1200.0b	--	1390.0b	1388.1b
01/16/2020	CH	Money Supply M1 YoY	Dec	3.70%	--	3.50%	--
01/16/2020 07:50	JN	Core Machine Orders MoM	Nov	2.90%	18.00%	-6.00%	--
01/16/2020 07:50	JN	PPI YoY	Dec	0.90%	0.90%	0.10%	--
01/16/2020 07:50	JN	Core Machine Orders YoY	Nov	-5.30%	5.30%	-6.10%	--
01/16/2020 07:50	JN	PPI MoM	Dec	0.10%	0.10%	0.20%	--
01/16/2020 08:01	UK	RICS House Price Balance	Dec	-8%	-2%	-12%	-11%
01/16/2020 21:30	US	Retail Sales Advance MoM	Dec	0.30%	--	0.20%	--
01/16/2020 21:30	US	Philadelphia Fed Business Outlook	Jan	3.7	--	0.3	2.4
01/16/2020 21:30	US	Import Price Index MoM	Dec	0.30%	--	0.20%	--
01/16/2020 21:30	US	Initial Jobless Claims	Jan-11	218k	--	214k	--
01/16/2020 21:30	US	Continuing Claims	Jan-04	1750k	--	1803k	--
01/16/2020 21:30	US	Retail Sales Ex Auto MoM	Dec	0.50%	--	0.10%	--
01/16/2020 21:30	US	Retail Sales Ex Auto and Gas	Dec	0.40%	--	0.00%	--

Source: Bloomberg

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## Treasury Research & Strategy

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