

Daily Treasury Outlook

21 January 2020

Highlights

Global: The IMF tips the global economy to rebound from 2.9% in 2019 to 3.3% this year, marking the first pickup in three years but is still a marginal downgrade from its October forecast. Notably, while there were modest changes to the US (-0.1% point to 2%) and Euro area forecasts, and India saw a relatively large downgrade (>1% point), but China's growth was upgraded by 0.2% points to 6% whilst Japan's forecast was also raised by 0.2% points to 0.7%. The IMF's 2020 global trade growth was also cut from 3.2% to 2.9%, albeit this is an improvement from 2019's 1%. Separately, crude oil prices pared gains after concerns about supply disruptions due to Libya and Iraq. These factors contributed to a temporary speed bump for EM equities and currencies yesterday. Meanwhile, the US and France announced a truce on the digital tax until at least the end of 2020 as talks continue. Hong Kong's sovereign rating was also downgraded by Moody's one notch to Aa3, but changed the outlook from negative to stable, citing the absence of tangible plans to address either the political or economic or social concerns.

Market watch: Asian markets may drift with a consolidative tone this morning, amid news that the coronavirus from Wuhan is spreading geographically and also to medical workers and as the US markets reopen after a holiday yesterday. BOJ widely anticipated to stand pat on its policy settings and policy guidance, but possibly hike its growth forecast today. Key economic releases to watch today include Taiwan's 4Q19 GDP growth, UK's jobless claims and unemployment data (which will precede the BOE decision later this month), German and Eurozone's ZEW survey expectations. US president Trump and BOE governor Carney are speaking today at the World Economic Forum.

Singapore: Screening will be stepped up at Changi airport for incoming passengers from China for signs of the coronavirus from 22 January.

China: The January LPR fixing was kept unchanged at 4.15% for 1-year and 4.8% for 5-year, disappointing the market. This also reinforces market view that the RRR cut in the beginning of the 2020 was not a sign of easing. Overall, China has sent a clear signal that it will remain flexible but will not ease its monetary policy any time soon. In addition, the rapid spread of coronavirus from Wuhan to the rest of China and the infections of health workers confirmed that the SARS like virus is being transmitted among humans. This may shadow the holiday mood as well as market sentiment.

Oil: Crude oil pared most of its gains by end of yesterday's session, with Brent closing at \$65.20/bbl after touching a high of \$66.00/bbl during intraday trading. The reaction from the market over the Libya export blockage appears more muted than the risk events with Iran or even Saudi Arabia. The oil market is probably of the opinion that the blockage is not expected to last for a long period and its risks are largely contained within the country with limited spillovers, hence the lacklustre rally yesterday.

Key Market Movements		
Equity	Value	% chg
S&P 500	3329.6	0.0%
DJIA	29348	0.0%
Nikkei 225	24084	0.2%
SH Comp	3095.8	0.7%
STI	3280.1	0.0%
Hang Seng	28796	-0.9%
KLCI	1588.9	-0.4%
Currencies	Value	% chg
DX	97.606	0.0%
USDJPY	110.18	0.0%
EURUSD	1.1095	0.0%
GBPUSD	1.3010	0.0%
USDIDR	13639	0.0%
USDSGD	1.3467	0.0%
SGDMYR	3.0124	0.0%
Rates	Value	chg (bp)
3M UST	1.55	0.00
10Y UST	1.82	0.00
1Y SGS	1.61	0.00
10Y SGS	1.72	-1.07
3M LIBOR	1.82	-0.75
3M SIBOR	1.74	-0.04
3M SOR	1.55	2.44
Commodities	Value	% chg
Brent	65.2	0.5%
WTI	58.54	0.0%
Gold	1561	0.2%
Silver	18.08	0.2%
Palladium	2545	1.9%
Copper	6259	-0.2%
BCOM	79.82	0.0%

Source: Bloomberg

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Major Markets

US: US markets were closed last night for Martin Luther King Jr Day. In the day ahead, we expect markets to be fairly cautious as investors await for more corporate earnings releases. Likely support and resistance levels for the S&P500 are at 3250 and 3280 respectively.

Singapore: The STI treaded water to decline 0.03% and close at 3280.09 yesterday and may see further consolidative pressure today amid concerns about the IMF growth forecast downgrade and the spread of the Wuhan coronavirus. With Wall Street closed yesterday, and Kospi seeing a soft start to trading this morning, STI may see support and resistance are tipped at 3270 and 3300 respectively. SGS bond yield curve bear steepened yesterday, but watch the size announcement for 10-year re-opening due on 29 January where a \$2-3b size is expected.

Hong Kong: Moody's downgraded Hong Kong's sovereign rating by one notch from "Aa2" to "Aa3" while it adjusted HK's outlook from negative to stable citing the "absence of tangible plans to address either the political or economic and social concerns of the Hong Kong population". However, the impact of the downgrade on the financial market may be limited based on previous experiences.

Hong Kong's unemployment rate rose to 3.3% during 4Q 2019, the highest level since late 2016. The increase in overall unemployment rate was mainly driven by the deteriorating employment situation of construction sector, with unemployment rate edging up to a more than 5-year high of 5.6%. Amid the prolonged social unrest denting domestic consumption sentiments and sluggish visitor spending, the unemployment rate of retail, accommodation and food services sector kept static at 5.2%. Moving forward, despite easing US-China trade war risks, the investment and trade sentiments might need some time to restore. Therefore, the trade performance of Hong Kong might be still under pressure in the near term. Amid lingering social unrest, the internal and external consumption sentiments are expected to remain sluggish. In addition to raising concerns over darkening economic outlook, the overall labour demand of Hong Kong might remain sour. Therefore, we cannot rule out the possibility that the overall unemployment rate increase further in the coming months.

Malaysia: PM Mahathir Mohamad said that the ruling PH coalition would not lose the general election, despite having lost several by-elections recently, according to the Straits Times. Earlier, Reuters reported that the PM cautioned the coalition would lose power if the leaders fail to stop their infighting.

Indonesia: Thousands of workers have reportedly rallied outside Indonesia's parliament yesterday to protest against proposed labour reforms that are part of the omnibus bill. While details are still scant on the bill, unions have already expressed their opposition to the changes. At stake is the country's attractiveness to FDI investors.

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Bond Market Updates

Market Commentary: The SGD swap curve fell slightly yesterday, with the shorter tenors trading 0-1bps lower while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 116bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS also remained unchanged at 437bps. The HY-IG spread remained unchanged at 321bps. 10Y UST also remained unchanged at 1.82% as the market was closed yesterday to observe Martin Luther King Jr. Day.

New Issues: Dafa Properties Group Limited priced a USD200mn 364-day bond at 12.75%, tightening from IPT of 13.125%. RongXingDa Development (BVI) Limited (Parent Guarantor: RiseSun Real Estate Development Co., Ltd) priced a USD300mn 364-day bond at 8.875%, tightening from IPT of 9.375%. Socam Development Ltd priced a USD180mn 2-year notes at 6.25%, tightening from IPT of 6.5% area. Sunshine 100 China Holdings Ltd priced a USD150mn re-tap of its SUNCHN 11.5%'21s at 12.5%. Dexin China priced a USD200mn 2.25-year bond at 13%, tightening from IPT of 13.5% area. Global Prime Capital Pte. Ltd (Guarantor: PT Bumi Serpong Damai Tbk. and some of its subsidiaries) priced a USD300mn 5NC3 bond at 5.95%, tightening from IPT of 6.25% area. Wanda Properties Overseas Ltd. (Subsidiary Guarantors: Wanda Commercial Properties (Hong Kong) Co. Ltd., Wanda Real Estate Investments Limited, Wanda Commercial Properties Overseas Ltd.) priced a USD400mn 3.5-year bond at 6.875%, tightening from IPT of 7.25% area. Thomson Medical Group Limited priced a SGD175mn 5-year bond at 4.05%, tightening from IPT of 4.35% area.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.606	--	USD-SGD	1.3467	-0.04%
USD-JPY	110.180	0.04%	EUR-SGD	1.4941	-0.01%
EUR-USD	1.1095	0.03%	JPY-SGD	1.2222	-0.06%
AUD-USD	0.6873	-0.09%	GBP-SGD	1.7519	-0.10%
GBP-USD	1.3010	-0.05%	AUD-SGD	0.9256	-0.06%
USD-MYR	4.0595	0.12%	NZD-SGD	0.8899	-0.11%
USD-CNY	6.8668	0.10%	CHF-SGD	1.3907	-0.10%
USD-IDR	13639	-0.04%	SGD-MYR	3.0124	0.01%
USD-VND	23171	--	SGD-CNY	5.0948	0.06%

Equity and Commodity

Index	Value	Net change
DJIA	29,348.10	--
S&P	3,329.62	--
Nasdaq	9,388.94	--
Nikkei 225	24,083.51	42.25
STI	3,280.09	-0.94
KLCI	1,588.88	-6.93
JCI	6,245.04	-46.61
Baltic Dry	754.00	--
VIX	12.10	--

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4620	0.90%	O/N	1.5311	-0.45%
2M	-0.3360	-0.45%	1M	1.6544	-0.34%
3M	-0.3910	-0.34%	2M	1.7925	-0.64%
6M	-0.3320	-0.64%	3M	1.8191	-0.75%
9M	-0.1940	-0.75%	6M	1.8449	-0.39%
12M	-0.2420	-0.39%	12M	1.9230	-0.71%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.44 (-0.02)	1.56 (-)
5Y	1.51 (-0.01)	1.62 (-)
10Y	1.72 (-0.01)	1.82 (-)
15Y	1.84 (-)	--
20Y	1.93 (+0.01)	--
30Y	2.09 (-)	2.28 (-)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	13.40%	0.00%	0.00%	0.00%	0.00%
18/03/2020	13.50%	0.00%	0.00%	0.00%	0.00%
29/04/2020	12.60%	5.30%	0.00%	0.00%	5.30%
10/06/2020	10.60%	18.50%	0.00%	0.80%	17.60%
29/07/2020	9.10%	28.40%	0.10%	3.20%	25.00%
16/09/2020	7.10%	42.20%	0.80%	8.00%	33.40%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.00	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.55
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.54	--	Corn (per bushel)	3.8925	--
Brent (per barrel)	65.20	0.5%	Soybean (per bushel)	9.298	--
Heating Oil (per gallon)	1.8592	--	Wheat (per bushel)	5.7050	--
Gasoline (per gallon)	1.6406	--	Crude Palm Oil (MYR/MT)	2,973.0	1.7%
Natural Gas (per MMBtu)	2.0030	--	Rubber (JPY/KG)	169.1	-3.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,259	-0.2%	Gold (per oz)	1,560.8	0.2%
Nickel (per mt)	14,020	0.8%	Silver (per oz)	18.078	0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/21/2020	JN	BOJ Policy Balance Rate	Jan-21	-0.10%	--	-0.10%	--
01/21/2020	JN	BOJ 10-Yr Yield Target	Jan-21	0.00%	--	0.00%	--
01/20/2020 01/21	CH	Foreign Direct Investment YoY CNY	Dec	--	--	1.50%	--
01/21/2020 17:30	UK	Jobless Claims Change	Dec	--	--	28.8k	--
01/21/2020 05:00	SK	PPI YoY	Dec	--	0.70%	-0.10%	--
01/21/2020 07:51	SK	Exports 20 Days YoY	Jan	--	-0.20%	-2.00%	--
01/21/2020 16:00	TA	GDP YoY	4Q P	2.78%	--	2.99%	--
01/21/2020 16:00	TA	GDP Annual YoY	2019	2.60%	--	2.60%	--
01/21/2020 16:30	HK	CPI Composite YoY	Dec	3.00%	--	3.00%	--
01/21/2020 17:30	UK	ILO Unemployment Rate 3Mths	Nov	3.80%	--	3.80%	--
01/21/2020 17:30	UK	Claimant Count Rate	Dec	--	--	3.50%	--
01/21/2020 17:30	UK	Average Weekly Earnings 3M/YoY	Nov	3.10%	--	3.20%	--
01/21/2020 17:30	UK	Weekly Earnings ex Bonus 3M/YoY	Nov	3.40%	--	3.50%	--
01/21/2020 17:30	UK	Employment Change 3M/3M	Nov	110k	--	24k	--
01/21/2020 18:00	EC	ZEW Survey Expectations	Jan	--	--	11.2	--

Source: Bloomberg

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