

## Daily Treasury Outlook

24 January 2020

### Highlights

**Global:** The World Health Organization called the coronavirus as a local Chinese emergency for now, even as China quarantined another two Chinese cities and Singapore confirmed its first case. On the central bank front, both the ECB and BI kept its policy settings unchanged at their first meeting for 2020. The S&P500 edged up 0.11% as the coronavirus fears failed to crimp the tech stock rally, whilst UST bonds rallied overnight, with the 10-year yield declined 4bps to 1.73%. The MSCI EM stock index and EMFX gauge both also slipped 1% and 0.3% respectively.

**Market watch:** With many Asian markets closing for the Chinese New Year festive holidays, the risk-off tone may persist amid light market volumes today. Key economic releases on tap today include the slew of January PMIs from US and Europe, Singapore's December industrial production and Thai foreign reserves. ECB's Villeroy and Knot, and BOE's Haskel are also speaking, apart from the central bankers at Davos's WEF.

**US:** US Commerce Secretary Wilbur Ross said the US will still consider imposing auto import tariffs on Europe and other countries if they do "protectionist and discriminatory things". Meanwhile, the initial jobless claims rose 6k to 211k, but the Bloomberg Consumer Comfort index was robust at 66.0 (highest since 2000) with the number of respondents pessimistic about the US economy falling to 22% (smallest since March 2002).

**EU:** The ECB launched a year-long exercise to study a whole host of issues including the inflation goal, but also encompass "how we deliver, how we measure, what tools we have and how we communicate". ECB president Lagarde opined that the risks to the growth outlook are less pronounced and there are some signs of a moderate increase in the underlying inflation.

**UK:** London new home sales rebounded to 5,684 units in 4Q19, up from 4,909 a year ago, and was led by purchases by institutional managers for rental.

**China:** Member of China's monetary policy committee Ma Jun said it will take some time for banks to readjust their LPR setting for reserve requirement ratio cut. In addition, China injected CNY240.5 billion liquidity via renewing the targeted medium-term lending facility. The interest rate was kept at 3.15% unchanged. China continued to step up its efforts to contain the spread of coronavirus cancelling some Chinese New Year celebration as well as locking down two more cities near Wuhan.

**Japan:** Core inflation beat expectations to rise 0.7% yoy.

**Singapore:** December industrial production likely fell 0.6% yoy (+4.4% mom sa), compared to -9.3% yoy (-9.4% mom sa) in November, with biomedical output outpacing that of electronics. Headline and core CPI rose more than expected by 0.8% yoy (0.3% mom nsa) and 0.7% respectively in December, up from November's 0.6% yoy (0.3% mom nsa) and 0.6% yoy.

### Key Market Movements

Equity	Value	% chg
S&P 500	3325.5	0.1%
DJIA	29160	-0.1%
Nikkei 225	23795	-1.0%
SH Comp	2976.5	-2.8%
STI	3234.6	-0.6%
Hang Seng	27909	-1.5%
KLCI	1574.4	-0.2%
Currencies	Value	% chg
DXY	97.693	0.2%
USDJPY	109.49	-0.3%
EURUSD	1.1055	-0.3%
GBPUSD	1.3123	-0.1%
USDIDR	13639	-0.1%
USDSGD	1.3512	0.2%
SGDMYR	3.0161	0.1%
Rates	Value	chg (bp)
3M UST	1.55	0.51
10Y UST	1.73	-3.66
1Y SGS	1.58	-1.00
10Y SGS	1.66	-4.39
3M LIBOR	1.80	-0.54
3M SIBOR	1.74	-0.06
3M SOR	1.55	-0.17
Commodities	Value	% chg
Brent	62.04	-1.9%
WTI	55.59	-2.0%
Gold	1563	0.3%
Silver	17.80	-0.2%
Palladium	2464	-0.5%
Copper	5987	-1.9%
BCOM	78.23	-0.6%

Source: Bloomberg

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### Major Markets

**US:** US stocks recovered from their intraday lows to close the session slightly higher. The S&P500 index was up 0.1%. For today, we expect markets to continue trading cautiously as investors weigh the impact of the Wuhan coronavirus on the global economy. On the data release front, a positive US PMI release may help to boost risk appetite. Support and resistance levels for the S&P500 index are likely at the 3250 and 3280 handles respectively for today.

**Singapore:** The STI slipped 0.60% to close at 3234.56 yesterday, but may stay soft today with support at 3214 followed by 3200. With the UST bond market flattening overnight and gains led by the long-end, SGS bonds may also sustain its rally today.

**Hong Kong:** The investment return of Hong Kong's exchange fund gained HKD 247.22 billion in whole 2019, the second highest level on record.

Specifically, local stock investments registered a profit of HKD 22.1 billion while the return of overseas stock investments reversed the downtrend and gained by HKD 100.3 billion. Despite prolonged trade war risks and concerns over global economic slowdown, accommodative monetary policies implemented by major central banks have lent supports to equity market. Meanwhile, the gain of bond investments increased to HKD 114.4 billion in 2019, compared to HKD 57.4 billion in 2018. This was mainly due to the strong performance of global bond markets on rising expectations of global monetary easing, global economic slowdown and heightened uncertainties.

Moving to 2020, we expect that the investment return of exchange fund might remained resilient. Firstly, with easing US-China trade war risks and signs of global economic stabilization, stock market will likely perform well. Secondly, the upside of USD is expected to be limited and it might help to contain the foreign exchange loss.

**Malaysia:** European chipmaker STMicroelectronics said that, if there is a ban of sales of Huawei equipment in Europe, it is planning to shift its manufacturing base from China to countries like Malaysia and Morocco. Malaysia has been positioning itself to attract tech FDI investors especially in Penang cluster.

**Indonesia:** Bank Indonesia decided to keep its policy rate unchanged at 5.0% yesterday, in line with broad market consensus. We had expected a cut due to Rupiah strength. BI telegraphed confidence in global and domestic growth drivers, but retained dovishness, highlighting that there is room to ease further if needed.

**Thailand:** Thailand is considering amending the law to prevent a government shutdown, after the budget approval looks to continue its delay beyond February after an irregularity was found in the parliamentary vote. The government has an approximate 500bn baht gap that is expected to last until March, in which the government might go into shutdown if the law is not amended to prevent so. Separately, Thailand reports its first Thai national to be infected with the Wuhan coronavirus.

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**Oil:** Brent prices fell to their lowest in almost two months, closing at \$62.04/bbl on fears of Wuhan coronavirus contagion risks. This is the lowest since 3 Dec 2019, when Brent ended the session at \$60.82/bbl. Separately, Brazil has opted against joining OPEC, choosing to maximise its output and increasing its presence in the market without being constrained by OPEC's production requirements.

## Bond Market Updates

**Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter and belly tenors trading 2-3bps lower while the longer tenors traded 4bps lower. The Markit iTraxx Asia ex-Japan Investment Grade index widened 1bps to 53bps while the Markit iBoxx USD Asia ex-Japan China High Yield TRI Index decreased 0.1% or 0.31bps to 317.56bps. 10Y UST Yields fell 4bps to 1.73%, due to concerns on the outbreak of Wuhan coronavirus which has killed 18 people.

**New Issues:** Westpac Banking Corp priced a USD1.5bn 10NC5 Tier 2 bond at T+135bps, tightening from IPT of T+150bps.

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### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.693	0.17%	<b>USD-SGD</b>	1.3512	0.18%
<b>USD-JPY</b>	109.490	-0.32%	<b>EUR-SGD</b>	1.4938	-0.15%
<b>EUR-USD</b>	1.1055	-0.34%	<b>JPY-SGD</b>	1.2344	0.53%
<b>AUD-USD</b>	0.6847	0.04%	<b>GBP-SGD</b>	1.7734	0.05%
<b>GBP-USD</b>	1.3123	-0.14%	<b>AUD-SGD</b>	0.9256	0.27%
<b>USD-MYR</b>	4.0695	0.10%	<b>NZD-SGD</b>	0.8943	0.54%
<b>USD-CNY</b>	6.9426	0.52%	<b>CHF-SGD</b>	1.3947	0.08%
<b>USD-IDR</b>	13639	-0.05%	<b>SGD-MYR</b>	3.0161	0.13%
<b>USD-VND</b>	23171	--	<b>SGD-CNY</b>	5.1364	0.36%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	29,160.09	-26.18
<b>S&amp;P</b>	3,325.54	3.79
<b>Nasdaq</b>	9,402.48	18.71
<b>Nikkei 225</b>	23,795.44	-235.91
<b>STI</b>	3,234.56	-19.37
<b>KLCI</b>	1,574.44	-3.54
<b>JCI</b>	6,249.21	15.76
<b>Baltic Dry</b>	623.00	--
<b>VIX</b>	12.98	0.07

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4660	0.10%	<b>O/N</b>	1.5326	-0.66%
<b>2M</b>	-0.3360	-0.66%	<b>1M</b>	1.6594	-0.01%
<b>3M</b>	-0.3900	-0.01%	<b>2M</b>	1.7699	-1.26%
<b>6M</b>	-0.3290	-1.26%	<b>3M</b>	1.8009	-0.54%
<b>9M</b>	-0.1940	-0.54%	<b>6M</b>	1.8246	-0.97%
<b>12M</b>	-0.2420	-0.97%	<b>12M</b>	1.9190	0.06%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.42 (-0.02)	1.51 (-0.01)
<b>5Y</b>	1.47 (-0.03)	1.55 (-0.03)
<b>10Y</b>	1.66 (-0.04)	1.73 (-0.04)
<b>15Y</b>	1.79 (-0.04)	--
<b>20Y</b>	1.89 (-0.03)	--
<b>30Y</b>	2.05 (-0.04)	2.18 (-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	12.30%	0.00%	0.00%	0.00%	0.00%
18/03/2020	12.20%	0.80%	0.00%	0.00%	0.80%
29/04/2020	11.10%	8.70%	0.00%	0.10%	8.60%
10/06/2020	8.90%	24.30%	0.00%	1.70%	22.50%
29/07/2020	7.20%	37.40%	0.40%	5.80%	31.20%
16/09/2020	5.30%	51.70%	1.80%	12.40%	37.50%

### Financial Spread (bps)

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

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.54
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.59	-2.0%	Corn (per bushel)	3.9375	1.3%
Brent (per barrel)	62.04	-1.9%	Soybean (per bushel)	9.095	-0.5%
Heating Oil (per gallon)	1.7916	-0.5%	Wheat (per bushel)	5.8050	0.5%
Gasoline (per gallon)	1.5602	-1.2%	Crude Palm Oil (MYR/MT)	2,985.0	-1.7%
Natural Gas (per MMBtu)	1.9260	1.1%	Rubber (JPY/KG)	168.3	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,987	-1.9%	Gold (per oz)	1,562.9	0.3%
Nickel (per mt)	13,350	-2.1%	Silver (per oz)	17.800	-0.2%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/24/2020 07:30	JN	Natl CPI YoY	Dec	0.70%	0.80%	0.50%	--
01/24/2020 07:30	JN	Natl CPI Ex Fresh Food YoY	Dec	0.70%	0.70%	0.50%	--
01/24/2020 08:30	JN	Jibun Bank Japan PMI Mfg	Jan P	--	--	48.4	--
01/24/2020 08:30	JN	Jibun Bank Japan PMI Composite	Jan P	--	--	48.6	--
01/24/2020 08:30	JN	Jibun Bank Japan PMI Services	Jan P	--	--	49.4	--
01/24/2020 13:00	SI	Industrial Production YoY	Dec	-0.60%	--	-9.30%	--
01/24/2020 15:30	TH	Foreign Reserves	Jan-17	--	--	\$228.5b	--
01/24/2020 17:00	EC	Markit Eurozone Manufacturing PMI	Jan P	46.8	--	46.3	--
01/24/2020 17:00	EC	Markit Eurozone Composite PMI	Jan P	51.2	--	50.9	--
01/24/2020 17:00	EC	Markit Eurozone Services PMI	Jan P	52.8	--	52.8	--
01/24/2020 17:30	UK	Markit UK PMI Manufacturing SA	Jan P	48.8	--	47.5	--
01/24/2020 17:30	UK	Markit/CIPS UK Services PMI	Jan P	51.1	--	50	--
01/24/2020 17:30	UK	Markit/CIPS UK Composite PMI	Jan P	50.7	--	49.3	--
01/24/2020 22:45	US	Markit US Manufacturing PMI	Jan P	52.4	--	52.4	--
01/24/2020 22:45	US	Markit US Services PMI	Jan P	53	--	52.8	--

Source: Bloomberg

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## Treasury Research & Strategy

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