

## Interest Rate Forecasts (Aug)

### Highlights

- At the 31 July FOMC, Fed chair Powell called the Fed's first 25bp rate cut in a decade a "mid-term policy correction" intended to "insure against downside risks from weak global growth and trade uncertainties". We retain our call for another 25bps rate cut in September. While the market interpretation is we're back to data dependency, the fact that US-China trade talks have ended inconclusively with only the commitment to keep talking (with the next meeting in early September), US president Trump's sustained pressure on Powell to keep up with monetary policy easing ("Powell let us down") ahead of the 2020 elections and continued signs of global economic momentum deceleration, we keep our call for another 25bps rate cut in September and possibly still another 25bps cut in December. Note US president Trump has just announced a 10% tariff on US\$300b of Chinese imports from 1 September, following inconclusive trade talks in Shanghai earlier this week and threatened that they could be raised beyond 25% if talks continue to stall. Barring a recession in 2020, the FOMC is unlikely to continue in a sustained easing pattern into 2020.

- **For Singapore, economic indicators continue to point to a softer 2H19 outlook.** The latest business expectations survey revealed that manufacturers have turned pessimistic and services firms are also more cautious amid the ongoing trade tensions and growth slowdown. Monetary policy easing may be forthcoming at the October monetary policy meeting, possibly in the form of a flattening of the S\$NEER slope (~0.5% pa). In addition, official rhetoric has hinted that fiscal policy stimulus may also be in the pipeline if there is a sharp global downturn. Interestingly, the 3-month SOR has bounced off recent lows on market speculation of an upcoming MAS monetary policy easing, whereas the 3-month SIBOR has finally succumbed and eased from the 2% handle where it has been hugging since mid-May and is now at 1.88% (back to January 2019 levels) post-FOMC's latest rate cut. SGD interest rates may remain suppressed in the interim amid the current economic caution.

- For Malaysia, we see little impetus for BNM to trim rates from here unless growth dynamics deteriorate significantly.

## Rates Outlook

5 August 2019

USD Interest Rates	4Q19	1Q20	2Q20	3Q20	4Q20	2021
Fed Funds Target Rate	1.5-1.75%	1.5-1.75%	1.5-1.75%	1.5-1.75%	1.5-1.75%	1.5-1.75%
1-month LIBOR	1.90%	1.84%	1.78%	1.71%	1.65%	1.75%
2-month LIBOR	1.95%	1.89%	1.83%	1.76%	1.70%	1.80%
3-month LIBOR	2.00%	1.94%	1.88%	1.81%	1.75%	1.85%
6-month LIBOR	2.10%	2.04%	1.98%	1.91%	1.85%	1.95%
12-month LIBOR	2.20%	2.15%	2.10%	2.05%	2.00%	2.10%
1-year swap rate	1.95%	1.98%	2.00%	2.03%	2.05%	2.13%
2-year swap rate	1.73%	1.82%	1.92%	2.01%	2.10%	2.15%
3-year swap rate	1.66%	1.78%	1.91%	2.03%	2.15%	2.25%
5-year swap rate	1.67%	1.80%	1.94%	2.07%	2.20%	2.30%
10-year swap rate	1.75%	1.88%	2.00%	2.13%	2.25%	2.45%
15-year swap rate	1.90%	2.03%	2.15%	2.28%	2.40%	2.55%
20-year swap rate	2.00%	2.12%	2.24%	2.36%	2.48%	2.60%
30-year swap rate	2.03%	2.16%	2.29%	2.42%	2.55%	2.70%
SGD Interest Rates	4Q19	1Q20	2Q20	3Q20	2020	2021
1-month SIBOR	1.83%	1.85%	1.87%	1.88%	1.90%	1.95%
1-month SOR	1.70%	1.78%	1.85%	1.93%	2.00%	2.05%
3-month SIBOR	1.86%	1.91%	1.96%	2.00%	2.05%	2.10%
3-month SOR	1.75%	1.85%	1.94%	2.04%	2.13%	2.15%
6-month SIBOR	1.95%	2.00%	2.05%	2.10%	2.15%	2.20%
6-month SOR	1.65%	1.78%	1.92%	2.05%	2.18%	2.25%
12-month SIBOR	2.15%	2.17%	2.19%	2.20%	2.22%	2.28%
1-year swap rate	1.73%	1.77%	1.82%	1.86%	1.90%	2.14%
2-year swap rate	1.75%	1.76%	1.78%	1.79%	1.80%	1.90%
3-year swap rate	1.77%	1.78%	1.80%	1.81%	1.82%	1.91%
5-year swap rate	1.80%	1.81%	1.83%	1.84%	1.85%	1.93%
10-year swap rate	1.95%	1.98%	2.01%	2.03%	2.06%	2.15%
15-year swap rate	2.10%	2.14%	2.18%	2.21%	2.25%	2.29%
20-year swap rate	2.20%	2.23%	2.26%	2.28%	2.31%	2.33%
30-year swap rate	2.25%	2.27%	2.29%	2.31%	2.33%	2.38%

## Rates Outlook

5 August 2019

MYR forecast	4Q19	1Q20	2Q20	3Q20	2020	2021
OPR	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
1-month KLIBOR	3.20%	3.21%	3.22%	3.23%	3.25%	3.20%
3-month KLIBOR	3.47%	3.48%	3.49%	3.50%	3.52%	3.47%
6-month KLIBOR	3.57%	3.58%	3.59%	3.60%	3.62%	3.57%
12-month KLIBOR	3.67%	3.68%	3.69%	3.70%	3.72%	3.67%
1-year swap rate	3.35%	3.35%	3.35%	3.35%	3.39%	3.35%
2-year swap rate	3.34%	3.35%	3.35%	3.36%	3.40%	3.34%
3-year swap rate	3.36%	3.37%	3.37%	3.38%	3.42%	3.36%
5-year swap rate	3.39%	3.39%	3.40%	3.40%	3.45%	3.39%
10-year swap rate	3.53%	3.55%	3.58%	3.60%	3.70%	3.53%
15-year swap rate	3.74%	3.76%	3.78%	3.80%	3.90%	3.74%
20-year swap rate	3.89%	3.91%	3.93%	3.95%	4.05%	3.89%
UST bond yields	4Q19	1Q20	2Q20	3Q20	4Q20	2021
2-year UST bond yield	1.70%	1.76%	1.81%	1.87%	1.92%	2.10%
5-year UST bond yield	1.65%	1.74%	1.83%	1.91%	2.00%	2.16%
10-year UST bond yield	1.85%	1.91%	1.97%	2.02%	2.08%	2.30%
30-year UST bond yield	2.40%	2.42%	2.44%	2.46%	2.48%	2.60%
SGS bond yields	4Q19	1Q20	2Q20	3Q20	4Q20	2021
2-year SGS yield	1.60%	1.62%	1.64%	1.65%	1.67%	1.83%
5-year SGS yield	1.65%	1.68%	1.70%	1.73%	1.75%	2.00%
10-year SGS yield	1.80%	1.84%	1.88%	1.91%	1.95%	2.08%
15-year SGS yield	2.00%	2.04%	2.08%	2.11%	2.15%	2.18%
20-year SGS yield	2.10%	2.13%	2.15%	2.18%	2.20%	2.32%
30-year SGS yield	2.25%	2.30%	2.35%	2.40%	2.45%	2.56%
MGS forecast	4Q19	1Q20	2Q20	3Q20	2020	2021
5-year MGS yield	3.35%	3.36%	3.38%	3.39%	3.40%	3.45%
10-year MGS yield	3.55%	3.56%	3.57%	3.58%	3.59%	3.65%

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