

Interest Rate Forecasts (Dec)

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Highlights

- **Can Santa deliver the present on time?** Note the actual signing of the US-China trade remains up in the air, especially since US president Trump had signed the Hong Kong Human Rights bill and indicated that he has no deadline to reach a trade deal with China and may wait until after the 2020 elections, whilst the Global Times also reported that China wants a rollback of existing tariffs for the Phase 1 of the trade deal with the US. Essentially the clock is still ticking and the original dateline of mid-November which was shifted out to year-end may also again be shifted further out into 2020? Nevertheless, global risk appetite has been supportive in November that the upcoming 12 December UK elections will yield incumbent PM Boris Johnson a clear majority, albeit market speculation that the 15 December tariff tranche may be postponed appears to be ebbing.
- **Economic green shoots are a budding theme to end 2019 and may kickstart 2020 on a positive tone.** The unexpected rebound of China's manufacturing PMI back to expansion territory for the first time since April to 50.2 gave a glimmer of hope, while those for Japan, Indonesia, Malaysia and South Korea also pointed to a smaller pace of contraction. For the case of Singapore, even the November non-oil domestic exports and industrial production data also suggests that the trade and manufacturing sectors, especially electronics, may have bottomed and are gradually recovering into 4Q19.
- **However, geopolitical uncertainties still cast a shadow going out to 2020, but market players have adopted a glass half-full mentality.** The impeachment drama is likely to continue against US president Trump for "high crimes and misdemeanours", but is still viewed as a low probability risk at this juncture for his actual removal from office.
- **Central banks are likely to adopt an "I'll believe it when I see it mindset" for now.** Many central banks have hit the pause button of late, but the bias is still leaning from cautious to dovish, pending confirmation that economic green shoots have indeed taken root and will bear fruit into 1H2020. A clear example is PBOC governor Yi Gang cautioning that policy should be prepared for a "mid- and long-distance race" as "the world's economic downturn will likely stay for a long time".

Rates Outlook

4 December 2019

USD Interest Rates	4Q19	1Q20	2Q20	3Q20	4Q20	2021	2022
Fed Funds Target Rate	1.5-1.75%	1.25-1.5%	1.25-1.5%	1.25-1.5%	1.25-1.5%	1.25-1.5%	1.25-1.5%
1-month LIBOR	1.70%	1.60%	1.57%	1.53%	1.50%	1.55%	1.75%
2-month LIBOR	1.82%	1.65%	1.61%	1.57%	1.53%	1.58%	1.83%
3-month LIBOR	1.88%	1.70%	1.65%	1.60%	1.55%	1.60%	1.85%
6-month LIBOR	1.90%	1.75%	1.70%	1.65%	1.60%	1.65%	1.90%
12-month LIBOR	1.92%	1.80%	1.75%	1.69%	1.64%	1.70%	1.95%
1-year swap rate	1.69%	1.68%	1.67%	1.66%	1.65%	1.72%	1.97%
2-year swap rate	1.54%	1.44%	1.51%	1.59%	1.66%	1.75%	2.00%
3-year swap rate	1.52%	1.42%	1.50%	1.59%	1.67%	1.77%	2.02%
5-year swap rate	1.54%	1.47%	1.54%	1.61%	1.68%	1.80%	2.05%
10-year swap rate	1.63%	1.55%	1.60%	1.65%	1.70%	1.83%	2.08%
15-year swap rate	1.71%	1.65%	1.68%	1.70%	1.73%	1.86%	2.11%
20-year swap rate	1.77%	1.71%	1.72%	1.74%	1.75%	1.88%	2.13%
30-year swap rate	1.78%	1.73%	1.74%	1.76%	1.77%	1.90%	2.15%
SGD Interest Rates	4Q19	1Q20	2Q20	3Q20	4Q 20	2021	2022
1-month SIBOR	1.72%	1.68%	1.63%	1.58%	1.53%	1.48%	1.78%
1-month SOR	1.44%	1.40%	1.37%	1.33%	1.30%	1.50%	1.80%
3-month SIBOR	1.76%	1.72%	1.68%	1.64%	1.60%	1.52%	1.82%
3-month SOR	1.52%	1.50%	1.46%	1.42%	1.38%	1.53%	1.83%
6-month SIBOR	1.82%	1.76%	1.72%	1.68%	1.64%	1.55%	1.85%
6-month SOR	1.48%	1.46%	1.44%	1.42%	1.40%	1.56%	1.86%
12-month SIBOR	1.95%	1.90%	1.85%	1.80%	1.75%	1.58%	1.88%
1-year swap rate	1.38%	1.37%	1.35%	1.34%	1.32%	1.60%	1.80%
2-year swap rate	1.39%	1.38%	1.37%	1.36%	1.35%	1.62%	1.82%
3-year swap rate	1.40%	1.40%	1.39%	1.38%	1.37%	1.65%	1.85%
5-year swap rate	1.46%	1.45%	1.43%	1.41%	1.39%	1.75%	1.95%
10-year swap rate	1.65%	1.62%	1.58%	1.54%	1.50%	1.78%	1.98%
15-year swap rate	1.75%	1.74%	1.71%	1.68%	1.65%	1.80%	2.00%
20-year swap rate	1.81%	1.80%	1.77%	1.73%	1.70%	1.85%	2.05%
30-year swap rate	1.82%	1.82%	1.79%	1.75%	1.72%	1.88%	2.08%

Rates Outlook

4 December 2019

MYR forecast	4Q19	1Q20	2Q20	3Q20	4Q20	2021	2022
OPR	3.00%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
1-month KLIBOR	3.17%	3.10%	3.04%	2.97%	2.90%	2.95%	3.05%
3-month KLIBOR	3.34%	3.26%	3.17%	3.09%	3.00%	3.05%	3.15%
6-month KLIBOR	3.50%	3.39%	3.28%	3.16%	3.05%	3.10%	3.20%
12-month KLIBOR	3.63%	3.50%	3.37%	3.23%	3.10%	3.15%	3.25%
1-year swap rate	3.27%	3.24%	3.21%	3.18%	3.15%	3.20%	3.35%
2-year swap rate	3.25%	3.24%	3.23%	3.21%	3.20%	3.25%	3.40%
3-year swap rate	3.26%	3.26%	3.26%	3.26%	3.26%	3.30%	3.50%
5-year swap rate	3.33%	3.32%	3.32%	3.31%	3.30%	3.35%	3.45%
10-year swap rate	3.43%	3.42%	3.41%	3.39%	3.38%	3.45%	3.55%
15-year swap rate	3.63%	3.62%	3.62%	3.61%	3.60%	3.65%	3.75%
20-year swap rate	3.73%	3.73%	3.73%	3.72%	3.72%	3.75%	3.85%
UST bond yields	4Q19	1Q20	2Q20	3Q20	4Q20	2021	2022
2-year UST bond yield	1.51%	1.47%	1.48%	1.49%	1.50%	1.55%	1.75%
5-year UST bond yield	1.52%	1.50%	1.52%	1.53%	1.55%	1.60%	1.80%
10-year UST bond yield	1.69%	1.65%	1.67%	1.68%	1.70%	1.75%	1.95%
30-year UST bond yield	2.15%	2.11%	2.12%	2.14%	2.15%	2.20%	2.33%
SGS bond yields	4Q19	1Q20	2Q20	3Q20	4Q20	2021	2022
2-year SGS yield	1.52%	1.52%	1.53%	1.54%	1.55%	1.65%	1.85%
5-year SGS yield	1.60%	1.60%	1.60%	1.60%	1.60%	1.71%	1.91%
10-year SGS yield	1.75%	1.75%	1.74%	1.74%	1.75%	1.80%	2.00%
15-year SGS yield	1.84%	1.85%	1.85%	1.86%	1.87%	1.85%	2.05%
20-year SGS yield	1.94%	1.95%	1.95%	1.95%	1.95%	2.00%	2.20%
30-year SGS yield	2.06%	2.05%	2.05%	2.05%	2.05%	2.10%	2.30%
MGS forecast	4Q19	1Q20	2Q20	3Q20	4Q20	2021	2022
3-year MGS yield	3.05%	3.03%	3.00%	2.98%	2.95%	3.05%	3.10%
5-year MGS yield	3.19%	3.17%	3.15%	3.12%	3.10%	3.15%	3.25%
10-year MGS yield	3.43%	3.41%	3.39%	3.37%	3.35%	3.40%	3.50%

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