

Daily Treasury Outlook

13 November 2019

Highlights

Global: **The Tariff Man Strikes Back?** In his speech to the Economic Club of New York overnight, US President Trump said “If we don’t make a deal, we’re going to substantially raise those tariffs”, even as he added that “a significant phase one deal could happen...soon”. On balance, in terms of helping the market decipher the probability of a trade deal with China, the speech was short on substance, even though Trump’s threat to raise the tariffs in the case of no-deal has added to the binary nature of impact of the ongoing negotiations. Any deal looks likely to be involving a rollback of existing tariffs. On the flip side, if he carries through with his latest threat, tariffs may be raised if the talks break down.

Market watch: Asian markets may be cautious today following Trump’s threat of a substantial increase in tariffs if a deal is not reached. The economic data calendar comprises the RBNZ cash rate decision, CPI for Germany, the UK and the US.

US: Outside of his tariff threat, Trump’s speech trumpeted the improvement in economic numbers and, again, lambasted the Federal Reserve for not cutting rates quickly enough. In short, nothing new. Market will therefore likely move on to other factors later today. These include a Congressional testimony by Fed Chair Jerome Powell, who is likely to reiterate his recent points that the economy is in a good place and there is no immediate need for more accommodation, and also October CPI print from the US whereby market is expecting a slight pick-up to 0.3% mom compared to flat zero the month before.

Singapore: Singapore retail sales contracted 2.2% yoy in September, with our estimate of -2.3% providing the closest match among the poll on Bloomberg. The median on the poll expected a worse number at -3.0%, although the range stretched from -0.5% to -3.6%. Electronics (computer and telecommunication equipment), in particular, saw a sharp pick-up in demand, rising 8.7% yoy, after having posted ten consecutive months of contractions. We maintain our forecasts that full-year 2019 retail sales is likely to post a contraction of 2.6%.

Oil: Brent prices posted a second day of declines but still managed to close above the \$62/bbl level, albeit marginally at \$62.06/bbl. Prices have been unable to meaningfully break above the \$62.50/bbl level, and the mixed messages from Trump last night would have added further challenges in fuelling oil’s recent bullish run. Separately, the IEA said in a report that it expects global oil demand to reach its peak in 2030, as increased fuel combustion efficiency and the rise of electric cars are likely to pose meaningful challenges to further demand expansion.

Key Market Movements

Equity	Value	% chg
S&P 500	3091.8	0.2%
DJIA	27691	0.0%
Nikkei 225	23520	0.8%
SH Comp	2914.8	0.2%
STI	3267.8	0.8%
Hang Seng	27065	0.5%
KLCI	1609.7	0.1%
Currencies	Value	% chg
DXY	98.309	0.1%
USDJPY	109.01	0.0%
EURUSD	1.1009	-0.2%
GBPUSD	1.2845	-0.1%
USDIDR	14054	-0.1%
USDSGD	1.3619	0.1%
SGDMYR	3.0428	0.0%
Rates	Value	chg (bp)
3M UST	1.56	2.04
10Y UST	1.93	-0.70
1Y SGS	1.67	0.00
10Y SGS	1.82	0.51
3M LIBOR	1.90	0.40
3M SIBOR	1.77	0.00
3M SOR	1.49	0.96
Commodities	Value	% chg
Brent	62.06	-0.2%
WTI	56.8	-0.1%
Gold	1456	0.0%
Silver	16.77	-0.5%
Palladium	1702	0.8%
Copper	5869	-0.2%
BCOM	79.03	0.0%

Source: Bloomberg

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Major Markets

US: US markets edged up higher last night after Trump said that a “significant” phase one trade deal with China could happen soon. The S&P 500 index ended the session up 0.2%. However, Trump also threatened more substantial tariffs, should a deal not be reached. 10Y UST yields fell to 1.93%. Looking ahead, market movers will likely be Powell’s speech tonight, Trump’s decision on auto tariffs, as well as US – China trade headlines.

Singapore: The STI rose 0.8% to 3267.80 yesterday. Since touching a low of 3087.97 on 3 October, the STI has risen 5.8% in the space of six weeks. The benchmark equity index is likely to follow overnight US markets higher today, although optimism may likely be capped after Trump raised the stakes of higher tariffs on China if a phase one deal is not signed soon. 3300 remains a key resistance level to the STI; pass that level, we see the next resistance at 3400.

Malaysia: Minister of water, land and natural resources, Xavier Jayakumar, said that Singapore should be open to a revision of the 1962 water supply agreement, or risk suffering supply shortages, according to Bloomberg. Speaking in response to parliamentary questions, the minister said that the water reserve margin in Johor may reach zero by Q3 2020 if nothing is done to mitigate the decline. He added that if there is a water crisis, Malaysia will put the needs of people in Johor over those in Singapore.

Macau: Average housing price decreased by 3.2% yoy (+1.2% mom) to MOP 103,436/square meter in September. Despite that, approved new residential mortgage loans dropped by the eighth consecutive month by 61.5% yoy to MOP3.72 billion in September while the housing transaction edged lower for the fourth consecutive month to 550 deals during the same period. The data showed that the housing market of Macau has continued to slow down. It might be attributed to rising concerns over bleak economic outlook and retrenchment, negative spill-over effects from HK’s social unrest and easing wealth effects amid volatile financial market. Meanwhile, the housing control measures continued to trim speculative demand. Supportive measures for first-home local buyers remained the major drive of the housing market. Moving forward, we expect the housing market of Macau will likely continue to decelerate in the coming months. The housing prices (+2.2% YTD as of September) may drop by 1.5% yoy by end of this year. In the longer term, the housing market correction might be limited, amid the persisting housing supply shortage.

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Bond Market Updates

Market Commentary: The SGD swap curve traded higher yesterday, with most tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 497bps. The HY-IG Index spread widened 2bps to 371bps. 10Y UST Yields fell by 1bps to 1.93%, after US President Donald Trump threatened to raise tariffs on Chinese imports if a deal is not reached, though offset by Trump's comments that the two countries are close to signing a trade deal.

New Issues: Doosan Infracore Co., Ltd (Guarantor: The Korea Development Bank) priced a USD300mn 3-year bond at T+60bps, tightening from IPT of T+85bps area. Hongkong Ideal Investment Limited (Parent Guarantor: Beijing Hongkun Weiye Real Estate Development) priced a USD40mn re-tap of its existing BJHKWY 14.75%'22s at 14.75%, in line with IPT.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.309	0.11%	USD-SGD	1.3619	0.08%
USD-JPY	109.010	-0.04%	EUR-SGD	1.4993	-0.15%
EUR-USD	1.1009	-0.22%	JPY-SGD	1.2497	0.17%
AUD-USD	0.6841	-0.15%	GBP-SGD	1.7494	0.01%
GBP-USD	1.2845	-0.08%	AUD-SGD	0.9318	-0.04%
USD-MYR	4.1425	-0.04%	NZD-SGD	0.8625	-0.35%
USD-CNY	7.0079	-0.03%	CHF-SGD	1.3715	0.13%
USD-IDR	14054	-0.10%	SGD-MYR	3.0428	-0.03%
USD-VND	23200	0.00%	SGD-CNY	5.1459	-0.11%

Equity and Commodity

Index	Value	Net change
DJIA	27,691.49	--
S&P	3,091.84	4.83
Nasdaq	8,486.09	21.82
Nikkei 225	23,520.01	188.17
STI	3,267.80	27.15
KLCI	1,609.73	1.58
JCI	6,180.99	32.25
Baltic Dry	1,345.00	--
VIX	12.68	--

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4530	-0.10%	O/N	1.5386	--
2M	-0.3360	--	1M	1.7633	0.43%
3M	-0.3940	0.43%	2M	1.8385	-1.15%
6M	-0.3310	-1.15%	3M	1.9046	0.40%
9M	-0.1940	0.40%	6M	1.9230	--
12M	-0.2630	--	12M	1.9941	-0.56%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.52 (-0.01)	1.66 (-0.01)
5Y	1.65 (+0.01)	1.74 (-0.01)
10Y	1.82 (+0.01)	1.93 (-0.01)
15Y	1.92 (--)	--
20Y	2.04 (+0.01)	--
30Y	2.16 (--)	2.42 (-0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	0.00%	6.80%	0.00%	0.00%	6.80%
01/29/2020	0.00%	21.40%	0.00%	1.10%	20.40%
03/18/2020	0.00%	34.60%	0.20%	4.30%	30.10%
04/29/2020	0.00%	39.30%	0.50%	6.20%	32.70%
06/10/2020	0.00%	45.10%	1.00%	8.70%	35.40%
07/29/2020	0.00%	49.20%	1.60%	10.70%	36.80%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.90	0.12
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.80	-0.1%	Corn (per bushel)	3.7775	1.2%
Brent (per barrel)	62.06	-0.2%	Soybean (per bushel)	9.058	0.1%
Heating Oil (per gallon)	1.8976	-0.9%	Wheat (per bushel)	5.1700	2.2%
Gasoline (per gallon)	1.6144	0.3%	Crude Palm Oil (MYR/MT)	2,555.0	-1.0%
Natural Gas (per MMBtu)	2.6210	-0.6%	Rubber (JPY/KG)	162.5	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,869	-0.2%	Gold (per oz)	1,456.3	0.0%
Nickel (per mt)	15,660	0.6%	Silver (per oz)	16.770	-0.5%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/13/2019 09:00	NZ	RBNZ Official Cash Rate	Nov-13	0.75%	--	1.00%	--
11/13/2019 07:00	SK	Unemployment rate SA	Oct	3.50%	3.50%	3.40%	--
11/13/2019 07:30	AU	Westpac Consumer Conf SA MoM	Nov	--	4.50%	-5.50%	--
11/13/2019 07:50	JN	PPI YoY	Oct	-0.30%	-0.40%	-1.10%	--
11/13/2019 11:15	NZ	REINZ House Sales YoY	Oct	--	--	3.30%	--
11/13/2019 15:00	GE	CPI YoY	Oct F	1.10%	--	1.10%	--
11/13/2019 15:00	GE	CPI EU Harmonized YoY	Oct F	0.90%	--	0.90%	--
11/13/2019 15:00	GE	CPI EU Harmonized MoM	Oct F	0.10%	--	0.10%	--
11/13/2019 17:30	UK	CPI YoY	Oct	1.60%	--	1.70%	--
11/13/2019 17:30	UK	CPI Core YoY	Oct	1.70%	--	1.70%	--
11/13/2019 17:30	UK	PPI Output NSA MoM	Oct	0.00%	--	-0.10%	--
11/13/2019 17:30	UK	PPI Output NSA YoY	Oct	0.90%	--	1.20%	--
11/13/2019 20:00	US	MBA Mortgage Applications	Nov-08	--	--	-0.10%	--
11/13/2019 21:30	US	CPI MoM	Oct	0.30%	--	0.00%	--
11/13/2019 21:30	US	CPI Ex Food and Energy MoM	Oct	0.20%	--	0.10%	--

Source: Bloomberg

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