

China refutes phone calls to US on trade, US treasury 10-year-2-year inverts

China refutes phone calls to US on trade

Against the dollar, Thai baht on the previous trading day, still on a strengthening trend, closed around 30.59.

US-China tensions were not eased as expected since China refused President Trump's claim that China phoned the US to resume trade talks, bolstering risk-off sentiments again.

Former New York Fed President Dudley discouraged rate cuts that could help Trump's 2020 election, which would jeopardize Fed's independence from politics. The Fed then declined the advice and said that Fed's decisions are solely on economic expansion, price stabilization, and employment maximization.

Moody's revised down the outlook of overall global investment banks (GIB), comprising Goldman Sachs, JPMorgan, HSBC, etc., from 'positive' to 'stable' as they have been increasingly exposed to mounting risks, such as slowing global economy and low or negative interest rates.

As the yuan has been weakening on the dollar for days on intensifying trade tensions, China's PBoC set USDCNY reference rate quite below anticipation, 7.0835 referenced vs 7.1126 expected. This could help steady the yuan, which moved around 7.1575 this morning, down from 7.1623 yesterday.

Japanese Economy Ministry said that Japan and the US have agreed in principle to key components of their trade deal and soothed car companies' concerns.

Germany's finalized Q2 GDP growth was -0.1% qoq and 0.4% yoy that is lowest since 2013, mainly on collapse of exports, heightening market recession fears.

Asian countries, including Hong Kong, Indonesia, Thailand, and South Korea, are arranging fiscal stimulus packages in order to buffer against their economic sluggishness and damages from US-China retaliatory tariffs. Hong Kong: USD 2.4 billion stimulus (15 Aug), Indonesia: USD 178 billion 2020 budget (16 Aug), Thailand: USD 10.3 billion stimulus (20 Aug), and South Korea: USD 421 billion budget (23 Aug).

Moving around 30.63-30.68 this morning, USDTHB could be between 30.61-30.71 today.

US treasury 10-year-2-year inverts, deepest since 2007

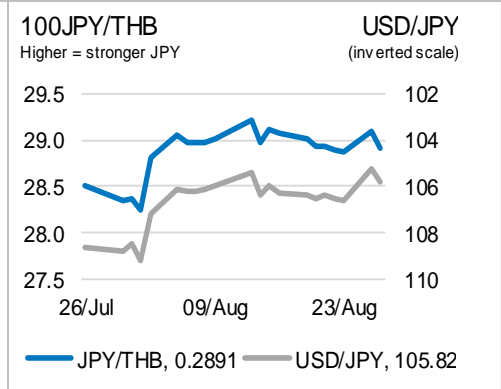
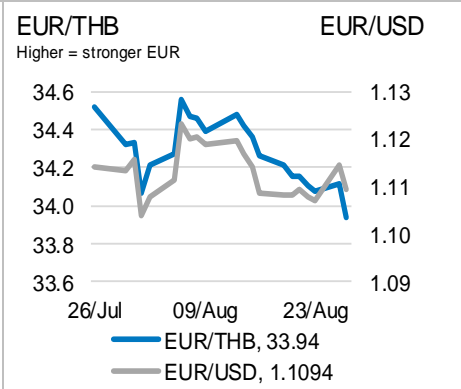
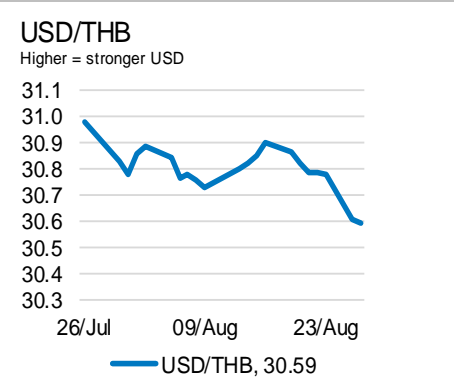
Thai benchmark government bond yield (LB28DA, 9.3 years) on the previous trading day was 1.46, -0.2 bps. Meantime, the latest closed Thai and US 10-year bond yields were 1.46%, -0.1 bps, and 1.49%, -5 bps, respectively.

Since US-China situations were not relieved as previously perceived, US treasury yields, especially medium- to long-dated, dropped. US 10-year fell beyond 2-year yield by -4 bps, deepest since 2007. Such attention-grabbing yield curve inversion, which is viewed as a predictive downturn signal, amplified investors' recession anxiety.

Spread between long- and short-dated yields: negativity implies a possible upcoming recession. US 10y3m: -49 bps, US 10y2y: -4 bps, Japan 10y2y: +3.4 bps, German 10y2y: +19.3 bps, UK 10y2y: +11.8, Thai 10y2y: +4.4 bps.

Thai benchmark government bond yield (LB28DA, 9.3 years) could be between 1.41-1.46% today on downward pressures.

SET Index	1,615.5	S&P500	2,869.2	10Y UST	1.49%	Brent	59.5	Gold	1,531.9
27-Aug	▼ -0.45%	27-Aug	▼ -0.32%	27-Aug	▼ -5.0 bps	27-Aug	▲ 1.06%	27-Aug	▲ 2.40%
USD/THB 30.59	Daily ▼ -0.06%	EUR/THB 33.94	Daily ▼ -0.52%	JPY/THB 0.2891	Daily ▼ -0.62%			Daily ▼ -0.62%	
	Weekly ▼ -0.63%		Weekly ▼ -0.64%		Weekly ▼ -0.07%			Weekly ▼ -0.07%	
	Monthly ▼ -1.26%		Monthly ▼ -1.69%		Monthly ▲ 1.39%			Monthly ▲ 1.39%	
Falling Trend		Falling Trend		Sideways Trend				Monthly ▲ 1.39%	



Sources: TMB Analytics, TMB Treasury, CEIC, ThaiBMA, Bloomberg, CNBC, BBC, Reuters, Bangkokbiznews, FX data: BoT's daily closing rates

Currency Market

Currency	1M History	Last	% Chg (1D)	% Chg (1W)	% Chg (1M)	1M Range		
						Min	Max	
Dollar Index		98.05	0.4%		-0.3%	0.3%	97.34	98.87
EUR/USD		1.1094	-0.5%		0.1%	-0.4%	1.1041	1.1231
USD/JPY		105.82	0.6%		-0.7%	-2.2%	105.22	109.20
USD/CHF		0.9793	0.5%		-0.2%	-0.5%	0.9712	0.9966
GBP/USD		1.2218	-0.5%		0.7%	-2.1%	1.2053	1.2485
USD/CAD		1.3256	-0.3%		-0.5%	0.9%	1.3133	1.3331
AUD/USD		0.6757	0.3%		-0.1%	-3.1%	0.6724	0.7014
NZD/USD		0.6371	-0.2%		-0.6%	-4.9%	0.6371	0.6730
ASEAN Dollar		106.52	0.0%		0.0%	1.3%	105.20	106.74
USD/THB		30.59	-0.1%		-0.8%	-1.0%	30.59	30.98
USD/SGD		1.3889	0.1%		0.2%	1.8%	1.3634	1.3889
USD/MYR		4.2056	0.1%		0.6%	2.2%	4.1156	4.2056
USD/IDR		14,142	-0.1%		0.1%	1.7%	13,906	14,228
USD/PHP		52.32	-0.1%		0.0%	2.5%	50.78	52.47
USD/CNY		7.1652	0.4%		1.5%	4.2%	6.8744	7.1652
USD/HKD		7.8451	0.2%		0.0%	0.4%	7.8093	7.8471

FX Swap Market and BoT's Reserves

USTH FX Sp	1M History	Last	%Chg(1D)
1-month		-2.50	-0.15
3-month		-6.75	-0.40
6-month		-12.25	-0.50

Reserves (\$mn)	3M History	Last	\$mn Chg(1W)
Total		220,160	-1106
Gold		7,489	84
SDR		1,354	-2
IMF Reserves		834	-3
Foreign Ccy		210,483	-1185
Net Fwd Position		31,226	-695

Last update: 16/8/2019

Foreign Fund Flows (THB.mn)

Date	Equity	Bond	Total
27/8/2019	-1,727	-613	-2,340
26/8/2019	-1,393	1,838	446
23/8/2019	1,527	-3,170	-1,643
22/8/2019	-3,227	-5,355	-8,582
21/8/2019	753	-7,473	-6,720
Last 5 days	-4,066	-14,773	-18,839
Period-to-date	Equity	Bond	Total
Month	↓ -51,659	↓ -27,748	↓ -79,407
Quarter	↓ -31,606	↓ -52,854	↓ -84,460
Year	↑ 9,044	↑ 5,497	↑ 14,540

Money Market

THB BIBOR	1M Hist	Last	1M Range		THB Implied	1M Hist	Last	1M Range		USD LIBOR	1M Hist	Last	1M Range	
			Min	Max				Min	Max				Min	Max
ON		1.50	1.50	1.75	ON		1.16	1.16	1.88	ON		2.10	2.09	2.36
1W		1.52	1.52	1.77	1W		1.25	1.18	1.50	1W		2.13	2.12	2.38
1M		1.55	1.55	1.80	1M		1.25	1.20	2.22	1M		2.17	2.17	2.27
2M		1.58	1.58	1.83	2M		1.28	1.20	1.44	2M		2.17	2.15	2.29
3M		1.63	1.62	1.87	3M		1.29	1.19	1.43	3M		2.15	2.12	2.29
6M		1.72	1.72	1.96	6M		1.29	1.10	1.36	6M		2.02	2.01	2.23
12M		1.95	1.95	2.20	12M		1.35	1.15	1.48	12M		1.95	1.93	2.24

Last Updated: 26/8/2019

Last Updated: 20/8/2019

Note: D=d=day; M=mth=month; Y=year; %chg = percentage change; chg = change; USTH FX Sp = USD/THB FX Swap point; \$mn=million US dollar; THB.mn= Thai baht million; Hist=history; THB implied = Thai baht rate that are calculated by FX forward rate; ASEAN Index = value average ASEAN FX Jan2008=100

Fixed Income Market

Fixed Income	1M History	YTM (%) spread (bps)	Bps Chg (1D)	Bps Chg (1W)	Bps Chg (1M)	1M Range	
						Min	Max
UST 3m		1.98	-3.0	4.0	-14.0	1.87	2.12
UST 2y		1.53	-1.0	3.0	-32.0	1.48	1.89
UST 5y		1.40	-3.0	-2.0	-44.0	1.40	1.85
UST 10y		1.49	-5.0	-6.0	-57.0	1.49	2.08
TGB 3m		1.50	-0.5	-1.0	-22.3	1.47	1.73
TGB 6m		1.49	-0.7	-1.7	-25.9	1.46	1.75
TGB 1y		1.47	-0.7	-1.9	-28.5	1.44	1.76
TGB 2y		1.42	-0.7	-2.2	-30.3	1.41	1.73
TGB 5y		1.42	-0.2	-2.8	-34.5	1.40	1.79
TGB 10y		1.46	-0.1	-7.9	-46.8	1.46	1.99
Bund 10y		-0.66	-4.0	-1.0	-29.0	-0.71	-0.37
JGB 10y		-0.28	-4.1	-4.5	-12.3	-0.28	-0.13
Gilt 10y		0.56	6.4	-48.1	-17.4	0.49	1.04
AAA Spread		49.37	1.9	-1.0	-1.3	47.51	51.33
AA Spread		86.92	-1.2	-1.3	2.5	84.47	89.30
A Spread		93.92	0.1	1.2	3.8	89.89	93.92
BBB Spread		232.13	1.3	5.7	5.6	223.67	232.13

Note: UST = US Treasury; Gilt = UK Government Bond; JGB = Japanese Government Bond; Bund = German Government Bond; TGB = Thai government Bond; tenors of the bonds are put after their name; bps=basis point; Corporate spreads are Thai and reported in basis points over government bond for the tenors 3-5 years.

Commodity Market

Commodity	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
Brent Crude		59.46	1.1%	-0.7%	-6.6%	56.88	65.18
London Gold		1531.9	2.4%	2.2%	8.0%	1,406.4	1,531.9

Note: Unit of Brent crude oil price is \$/barrel; unit of gold price is \$/ounce

Equity Market

Equity Index	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
S&P500 (US)		2,869.2	-0.3%	-1.1%	-5.0%	2,840.6	3,025.9
STOXX (EU)		364.7	0.7%	0.8%	-4.5%	354.8	382.7
FTSE All-Share(UK)		3,899.2	0.0%	-0.9%	-5.5%	3,865.5	4,186.2
DAX (DE)		11,730.0	0.6%	0.7%	-5.5%	11,412.7	12,419.9
CAC All-Tradable(FR)		4,170.7	0.7%	0.8%	-3.9%	4,050.4	4,346.7
TOPIX (JP)		1,489.7	0.8%	-1.1%	-5.2%	1,478.0	1,577.9
Shanghai (CH)		3,040.4	1.4%	0.8%	-1.3%	2,900.3	3,092.4
Hang Seng (HK)		25,664.1	-0.1%	-2.2%	-8.7%	25,281.3	28,594.3
ASX 200 (AU)		6,471.2	0.5%	-1.1%	-5.2%	6,405.5	6,845.1
SET (TH)		1,615.5	-0.4%	-0.6%	-6.7%	1,604.0	1,730.9
SET50 (TH)		1,065.3	-0.6%	-0.5%	-6.7%	1,056.3	1,141.5
Straits Times (SG)		3,067.5	0.1%	-2.2%	-9.3%	3,065.3	3,381.3
FTSE Malay (MY)		1,590.8	-0.6%	-0.7%	-4.0%	1,590.8	1,656.6
JSX Index (ID)		6,278.2	1.0%	-0.3%	-0.3%	6,119.5	6,401.4
PSE Index (PH)		7,747.4	-1.8%	-0.6%	-5.1%	7,747.4	8,272.2
Vn Index (VN)		976.8	-0.6%	-0.8%	-2.1%	964.6	997.9

26 August 2019	27 August 2019	21 January 1900	29 August 2019	30 August 2019
(DE) Ifo Business Climate AUG A94.3 P95.7 C95.1; (US) Durable Goods Orders MoM JUL A2.1% P2% C1.1%	(DE) GDP Growth Rate QoQ Final Q2 A-0.1% P0.4% C-0.1%, YoY Final Q2 A0.4% P0.7% C0.4%	(DE) GfK Consumer Confidence SEP P9.7 C9.6	(JP) Consumer Confidence AUG P37.8; (DE) Inflation YoY Prel AUG P1.7% C1.5%; (FR) GDP QoQ Final Q2 P0.3% C0.2%; (EA) Business Confidence AUG P-0.12 C0.08; (US) GDP QoQ 2nd Est Q2 P3.1% C2%	(GB) GfK Consumer Confidence AUG P-11 C-12; (EA) Core Inflation Rate YoY Flash AUG P0.9% C1%, Inflation Rate YoY Flash AUG P1% C1%, Unemployment Rate JUL P7.5% C7.5%; (US) Personal Spending MoM JUL P0.3% C0.5%

Sources: TMB Analytics, CEIC

Note: A = actual, P = previous; C = consensus

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