DAILY TREASURY OUTLOOK

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Highlights

Global	It was a quiet session last Friday due to the holiday mood, with US stocks recording small gains with the exception of a few newly listed Chinese stocks, which were sold off dramatically as a result of domestic scandals and concerns about regulation. The dollar slipped again despite higher US yields. 10-year US Treasury yield rose by 2bps to 2.34%, as Euro gained due to reduced political uncertainty after the news that Merkel may re-form the grand coalition with SPD. The latest poll shows that 52% Germans favour the grand coalition with SPD.
US	The non-partisan Congressional Budget Office (CBO) said it has not had time to fully analyse the likely impact on variables such as economic growth or employment. The Senate is expected to vote this week probably on Friday, in which investors would monitor closely. In addition, the Senate hearing of Powell on Tuesday will also be the focus as markets will try to gauge the policy tone from the new Chairman.
SG	Industrial production grew 14.6% y/y (+0.7% momsa) in October, accelerating marginally from its Sept's 14.4% print. Across the industries, electronic production growth at 45.1% took center-stage, although the gains were isolated in the production of semiconductors (+64.6%), while other electronic-related production including data storage, computer peripherals, and other electronic modules contracted. Elsewhere, the production in the volatile biomedical industry surprisingly fell 24.2% (contracted the most since March 2015) as production of pharmaceutical products plunged 36.1% y/y. Other industries including chemicals (on the back of a low base and wider refining margins) and precision engineering saw growth accelerating into October.
MA	Inflation surprised lower at 3.7% y/y in October (vs mkt est: 4.1%) and slower than Sept's 4.3%. Core inflation slowed as well to 2.3%, down from Sept's 2.4%. Transport costs led gains at 12.1%, followed by food at 4.5%. The slower inflation is unlikely to dissuade BNM from normalising interest rate as early as January next year, given the strong consumption trend seen of late.
KR	Latest S. Korea's consumer confidence in Nov surged to its highest since Dec 2010, underscoring the improving labour conditions and income levels. Participants indicated a positive expectation for the domestic economy to recover (108, first positive print in three months), while expectations on employment conditions also rose beyond the critical 100.0 print. Importantly, household spending plans ticked higher as wage expectations rose, suggesting that private consumption spending would remain to be a key pillar of growth into 2018.
CMD	Crude oil prices rose higher over the weekend on the back of an OPEC-led meeting later this week. Latest poll by Bloomberg is indicating a nine months extension of OPEC's production cut, although we disagree. We pencil in an extension cut of between 3 – 6 months of extension is more feasible, given OPEC's need to re-evaluate market condition especially if increased shale oil production threatens to push supplies higher then. Elsewhere, a relatively cautious 3 – 6 months of extension (rather than a 9 – 12 months extension) would likely be more palatable to most OPEC members; a longer period of cuts may raise the hurdle to achieve consensus especially when crude oil conditions still appear hazy at this juncture.

Major Market

- **US:** Equities closed higher in a shortened trading session on Friday. The holiday mood was still on show, with the S&P 500 closing above the 2600 handle, gaining 0.21% to 2602.42 and a new record high. The Dow and the Nasdaq Composite added 0.14% and 0.32% respectively, with the Nasdaq also closing at records. An upswing in crude prices supported the energy sector, while the traditional start of the shopping season buoyed retailers. VIX again lower at 9.67, compared to 9.88 previously. US Treasury yields firmed, with the 2y and 10y benchmark yields adding 2-3 bps to 1.744% and 2.342% respectively.
- This week, the Fed calendar is heavy, with the main events being Powell's confirmation hearing on Tuesday, and Yellen's testimony on Wednesday. Apart from that, Dudley, Kashkari, Harker, Williams, Quarles, Bullard and Kaplan are all scheduled to speak. Focus on any hints of forward guidance for 2018, especially in Powell's confirmation hearing. On the data front, we expect to see US GDP, manufacturing PMI and PCE inflation numbers, among others. This would be the last set of inflation data ahead of the Dec FOMC, and is unlikely to shake out the expected Dec hike. However, it may play a part in shaping the views of the FOMC members for the rate hike path in 2018.

- **Singapore:** Bulls continued to pull the index further north, as the Straits Times Index finished the week (+0.51%) at 3,442.2, its highest since May-15. Notable gainers on Friday include Thai Beverage PCL (+3.19%) and Keppel Corp Ltd (+2.11%). For today, the STI may still see additional upside as Wall Street indices all climbed higher before the weekend, with Asian bourses following suit.

- **Indonesia:** Bank Indonesia looks set to focus on economic stability, rather than further rate cuts. The consistency of BI's messaging thus far appears to signal their conviction to halt the easing cycle for the time being. Meanwhile, commercial banks are also under pressure to cut lending rates to stimulate loans growth.

- **Hong Kong:** USD/HKD dropped below 7.81 amid broad weakness of the greenback and the rebound of HIBOR on month-end effect. We expect 1-month HIBOR to stay above 0.6% amid year-end effect and high odds of Fed's Dec rate hike. As such, USD/HKD may hover in the range of 7.800-7.813 before year-end.

- **Macau:** The number of visitor arrivals jumped by 7.9% yoy while that of same-day visitors surged by 8.4% yoy after sliding for five consecutive months in October 2017. Specifically, the number of visitors from Mainland China (the share in total visitors rose to a record high of 71.3%), South Korea and Japan edged higher by 12.8% yoy, 54.5% yoy and 13.3% yoy respectively. The robust growth was due to the effect of golden week holiday and the pent-up demand amid bad weather in late August. However, despite the favorable factors, tourists from Hong Kong (-9.4% yoy) and Taiwan (-2.1% yoy) decreased for the 6th and 5th consecutive month respectively. The persistent decrease may be due to high accommodation costs and transportation costs as well as the delayed opening of one mega project until 1Q 2018. Still, we are optimistic about tourism sector's outlook. On the one hand, upcoming completion of Hong Kong-Zhuhai-Macau may help to lower the transportation costs. On the other hand, a slew of mega projects scheduled to complete in the coming year may help to lure visitors.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded marginally higher last Friday, with swap rates trading 1-2bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp rose 2bps to 180bps, while the yield on JACI HY Corp traded little changed at 6.93%. 10Y UST yields rose 2bps to 2.34% in a short trading session that lacked directional catalysts.

- **New Issues:** Nanjing Yangzi State-owned Assets Investment Group Co Ltd has priced a two tranche deal, with the USD300mn 5-year bond priced at CT5+185bps, tightening from initial guidance of CT5+215bps area; and the USD200mn 10-year bond priced at CT10+235bps, tightening from initial guidance of CT10+265bps area. Tewoo Group No 4 Ltd has priced a USD500mn 3-year bond (supported with a keepwell deed by Tewoo Group Co and a standby letter of credit by ICBC Tianjin Branch) at CT3+130bps, tightening from initial guidance of CT3+155bps. The expected issue ratings are 'NR/A1/NR'. China Reform Holdings Corp Ltd has scheduled investor meetings for potential bond issuance from 27 Nov.

- **Rating Changes:** S&P has downgraded Korea Resources Corp's (KORES) corporate credit rating and ratings on the company's senior unsecured bonds to 'A' from 'A+'. The outlook is stable. The rating action reflects S&P's view that KORES's financial metrics will remain weak due to ongoing losses from its overseas mineral resources exploration and production projects, as well as its ongoing investment outlays.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.782	-0.47%	**USD-SGD**	1.3456	0.01%
USD-JPY	111.530	0.28%	**EUR-SGD**	1.6056	0.71%
EUR-USD	1.1933	0.69%	**JPY-SGD**	1.2065	-0.26%
AUD-USD	0.7617	-0.10%	**GBP-SGD**	1.7949	0.23%
GBP-USD	1.3337	0.21%	**AUD-SGD**	1.0246	-0.12%
USD-MYR	4.1163	0.21%	**NZD-SGD**	0.9256	-0.15%
USD-CNY	6.6018	0.28%	**CHF-SGD**	1.3733	0.22%
USD-IDR	13504	-0.05%	**SGD-MYR**	3.0558	0.03%
USD-VND	22724	-0.01%	**SGD-CNY**	4.9071	0.36%

Equity and Commodity

Index	Value	Net change
DJIA	23,557.99	31.81
S&P	2,602.42	5.34
Nasdaq	6,889.16	21.80
Nikkei 225	22,550.85	27.70
STI	3,442.15	18.98
KLCI	1,717.23	-4.04
JCI	6,067.14	3.90
Baltic Dry	1,458.00	13.00
VIX	9.67	-0.21

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	**O/N**	1.1838	0.0010
2M	-0.3420	-0.0010	**1M**	1.3376	0.0089
3M	-0.3290	--	**2M**	1.4121	0.0045
6M	-0.2720	-0.0010	**3M**	1.4676	0.0056
9M	-0.2180	--	**6M**	1.6539	0.0018
12M	-0.1860	--	**12M**	1.9361	0.0059

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.44 (+0.01)	1.74 (+0.02)
5Y	1.69 (+0.03)	2.06 (+0.02)
10Y	2.09 (+0.03)	2.34 (+0.02)
15Y	2.42 (+0.03)	--
20Y	2.40 (+0.03)	--
30Y	2.52 (+0.03)	2.76 (+0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	1.25 - 1.5	1.5 - 1.75	1.75 - 2.0	2.0 - 2.25
12/13/2017	92.3%	92.3%	0.0%	0.0%	0.0%
01/31/2018	92.4%	91.6%	0.8%	0.0%	0.0%
03/21/2018	96.7%	43.6%	52.7%	0.4%	0.0%
05/02/2018	96.9%	41.6%	52.2%	3.0%	0.0%
06/13/2018	98.3%	23.9%	47.4%	25.6%	1.4%
08/01/2018	98.4%	22.8%	46.2%	26.7%	2.6%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.41	-0.32
EURIBOR-OIS	2.80	0.05
TED	20.66	1.33

Commodities Futures

Energy	Futures	% chg
WTI (per barrel)	58.95	1.60%
Brent (per barrel)	63.86	0.49%
Heating Oil (per gallon)	1.9529	1.05%
Gasoline (per gallon)	1.7880	1.14%
Natural Gas (per MMBtu)	2.8130	-5.22%

Base Metals	Futures	% chg
Copper (per mt)	7,036.0	1.03%
Nickel (per mt)	11,988.0	0.88%
Aluminium (per mt)	2,120.8	0.92%

Asian Commodities	Futures	% chg
Crude Palm Oil (MYR/MT)	2,630.0	0.80%
Rubber (JPY/KG)	195.7	2.30%

Precious Metals	Futures	% chg
Gold (per oz)	1,291.8	-0.39%
Silver (per oz)	17.093	-0.71%

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

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/24/2017 05:00	SK	Consumer Confidence	Nov	--	112.3	109.2	--
11/24/2017 05:45	**NZ**	**Trade Balance NZD**	**Oct**	**-760m**	**-871m**	**-1143m**	**-1156m**
11/24/2017 05:45	NZ	Exports NZD	Oct	4.20b	4.56b	3.78b	3.77b
11/24/2017 05:45	NZ	Imports NZD	Oct	4.95b	5.43b	4.92b	4.93b
11/24/2017 07:50	JN	Japan Buying Foreign Bonds	Nov-17	--	¥231.3b	-¥105.0b	-¥96.3b
11/24/2017 07:50	JN	Japan Buying Foreign Stocks	Nov-17	--	¥330.9b	¥308.2b	--
11/24/2017 07:50	JN	Foreign Buying Japan Bonds	Nov-17	--	-¥285.1b	-¥99.2b	-¥104.0b
11/24/2017 07:50	JN	Foreign Buying Japan Stocks	Nov-17	--	-¥324.5b	¥182.4b	¥183.2b
11/24/2017 08:30	**JN**	**Nikkei Japan PMI Mfg**	**Nov P**	**--**	**53.8**	**52.8**	**--**
11/24/2017 12:00	**MA**	**CPI YoY**	**Oct**	**4.10%**	**3.70%**	**4.30%**	**--**
11/24/2017 13:00	**SI**	**Industrial Production YoY**	**Oct**	**16.00%**	**14.60%**	**14.60%**	**14.40%**
11/24/2017 13:00	SI	Industrial Production SA MoM	Oct	1.60%	0.70%	-0.50%	-1.00%
11/24/2017 13:00	JN	Leading Index CI	Sep F	--	106.4	106.6	--
11/24/2017 15:30	**TH**	**Foreign Reserves**	**Nov-17**	**--**	**$200.6b**	**$199.1b**	**--**
11/24/2017 16:00	**TA**	**GDP YoY**	**3Q F**	**3.10%**	**3.10%**	**3.11%**	**--**
11/24/2017 17:00	**GE**	**IFO Business Climate**	**Nov**	**116.7**	**117.5**	**116.7**	**116.8**
11/24/2017 17:00	**GE**	**IFO Expectations**	**Nov**	**108.8**	**111**	**109.1**	**109.2**
11/24/2017 17:00	**GE**	**IFO Current Assessment**	**Nov**	**125**	**124.4**	**124.8**	**--**
11/24/2017 17:00	IT	Industrial Orders MoM	Sep	--	-3.90%	8.70%	5.30%
11/24/2017 17:00	IT	Industrial Orders NSA YoY	Sep	--	4.50%	12.20%	9.60%
11/24/2017 17:00	IT	Industrial Sales MoM	Sep	--	-1.20%	2.00%	--
11/24/2017 17:00	IT	Industrial Sales WDA YoY	Sep	--	5.20%	3.40%	3.10%
11/24/2017 17:30	UK	UK Finance Loans for Housing	Oct	40650	40488	41584	41576
11/24/2017 22:45	**US**	**Markit US Manufacturing PMI**	**Nov P**	**55**	**53.8**	**54.6**	**--**
11/24/2017 22:45	US	Markit US Services PMI	Nov P	55.3	54.7	55.3	--
11/24/2017 22:45	US	Markit US Composite PMI	Nov P	--	54.6	55.2	--
11/27/2017 07:50	JN	PPI Services YoY	Oct	0.90%	--	0.90%	--
11/27/2017 16:30	**HK**	**Exports YoY**	**Oct**	**9.10%**	**--**	**9.40%**	**--**
11/27/2017 16:30	HK	Imports YoY	Oct	9.50%	--	9.70%	--
11/27/2017 16:30	HK	Trade Balance HKD	Oct	-41.9b	--	-44.7b	--
11/27/2017 17:00	IT	Economic Sentiment	Nov	--	--	109.1	--
11/27/2017 17:00	**IT**	**Manufacturing Confidence**	**Nov**	**111.8**	**--**	**111**	**--**
11/27/2017 17:00	**IT**	**Consumer Confidence Index**	**Nov**	**116.5**	**--**	**116.1**	**--**
11/27/2017 23:00	**US**	**New Home Sales**	**Oct**	**625k**	**--**	**667k**	**--**
11/27/2017 23:00	US	New Home Sales MoM	Oct	-6.30%	--	18.90%	--
11/27/2017 23:30	US	Dallas Fed Manf. Activity	Nov	24	--	27.6	--
11/27/2017	**MU**	**Unemployment Rate**	**Oct**	**--**	**--**	**2.00%**	**--**
11/27/2017 11/30	**VN**	**CPI YoY**	**Nov**	**--**	**--**	**2.98%**	**--**
11/27/2017 11/30	VN	Retail Sales YTD YoY	Nov	--	--	10.70%	--
11/27/2017 11/30	VN	Imports YTD YoY	Nov	--	--	22.00%	--
11/27/2017 11/30	VN	Exports YTD YoY	Nov	--	--	20.70%	--
11/27/2017 12/03	GE	Retail Sales MoM	Oct	0.30%	--	0.50%	--
11/27/2017 12/03	GE	Retail Sales YoY	Oct	2.80%	--	4.10%	--
11/27/2017 11/28	GE	Import Price Index MoM	Oct	0.40%	--	0.90%	--
11/27/2017 11/28	GE	Import Price Index YoY	Oct	2.50%	--	3.00%	--

Source: Bloomberg

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