

Highlights

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|--------|---|
| Global | It was risk off yesterday on Wall Street as all three main indices fell and the 10 year Treasury yield fell further to 2.91%. This came amid concerns that progress made on the easing of the trade war may not have been as significant as initially thought of aside an increased risk of a potential “hard Brexit”. Despite Trump’s announcement of a 90 day truce and that China will be reducing auto tariffs, there has only been scant and not very assuring details released about the meeting from both sides. Statements so far from the Chinese side has only said that Beijing will be agreeing to buy more US goods and that the US has agreed to more market access, of which the White House has not made any mention of. Kudlow himself has also admitted that a deal to reduce or eliminate tariffs on US made cars “hasn’t been signed and sealed and delivered yet” although he thinks “it’s coming”. On the Brexit front, UK Prime Minister Theresa May has lost three key votes regarding the deal. Meanwhile, Saudi Energy Minister Khalid Al-Falih has cautioned that all the members of the OPEC+ group need to come together before a cut in production can occur. Asian markets are likely to open lower today following the decline on Wall Street. Key economic data releases for today include a slew of PMI data for China (Caixin), Japan, Australia and India, BoC and RBI benchmark rate decisions, Malaysian trade data and South Korea foreign reserves. |
| EU | Italian Premier Giuseppe Conte has said that he is not trying to cut the deficit to below 2% whilst Deputy Premier Matteo Salvini has said that he “believe in Europe” and that “it was a fantastic dream that’s on the verge of being destroyed and we will give a contribution to save Europe”. |
| UK | Two of the votes that PM May lost in Parliament would mean that she would have to publish secret government legal advice on the Brexit deal. The other third vote she lost, which is more significant gives parliament the power to amend the final Brexit deal. Meanwhile, Labour leader Jeremy Corbyn, with regard to the deal, has said, “Parliament cannot and I believe will not accept it”. Meanwhile, according to Bloomberg, former Foreign Secretary Boris Johnson has said that Britain should seize its moment of freedom, even if leaving without a deal would require “a great national effort”. He also warned the public will not forgive parliament for betraying the 2016 referendum. |
| CH | A statement on the Ministry of Commerce website called the Trump-Xi meeting at the G20 summit “very successful”, and expressed confidence in carrying out the points agreed at the meeting. |
| MY | Khazanah has raised RM364m after selling off 62.99m CIMB shares at RM5.78, the bottom of a marketed range and an around 2% discount from the prior close at RM5.90. Trade data will be due later. |
| ID | The government has set gross borrowing at Rp825.7trillion for 2019 whilst net borrowing is set at Rp388.96trillion. They look to raise about 14 – 17% of 2019 gross borrowing from overseas. The government has also already start fundraising early by selling US\$3bn in dollar bonds. They announced that 70% of gross borrowing will be in conventional notes whilst the rest will be in Islamic notes. Private placement is expected to make up 22 – 24% of gross bond sales. They will also be expected to hold 24 sovereign bond auctions and 24 Shariah bond auctions. |

Major Markets

- **US:** Federal Reserve Bank of New York President John Williams said that he expects the economy to continue to “to grow nicely above-trend” on “further job gains” and “further declines in the unemployment rate”, and added that “further gradual increases in interest rates will best foster a sustained economic expansion and sustained achievement” of the Fed’s dual mandate goals.
- Wall Street plunged on Tuesday as Director of the United States National Economic Council, Larry Kudlow’s comment that the agreement of China slashing tariffs on US automobiles announced by President Trump has not been “signed and sealed and delivered yet”, in an apparent contrast to Trump’s initial victory tweet, with the lack of clarification and confirmation on the truce curbing investors’ risk appetite.
- The S&P500 plunged 3.24%, while the Nasdaq composite and DJIA plummeted by 3.80% and 3.10%, respectively. All 3 major indexes posted their worst daily decline since October.
- Apple shares fell 4.40% after Cirrus Logic (-1.86%) became the newest supplier to slash its revenue outlook, with “recent weaknesses in the smartphone market” being the reason.
- The New York Stock Exchange (NYSE) and Nasdaq will be closed for trading today to observe the passing of former president George H.W. Bush.
- **Singapore:** The STI retreated 0.72% on Tuesday, with Wilmar International (+0.64%) and CapitaLand Mall Trust (+0.45%) posting gains, while Yangzijiang Shipbuilding Holdings (-4.62%) and Venture Corp. (-3.35%) registered losses.
- **Thailand:** According to Bloomberg, Pimchanok Vonkorporon, the nation’s Director General of Trade Policy and Strategy at the Commerce Ministry has said that the country’s inflation is expected to stay above 1% in 2018 and 2019, which he described as appropriate for the economic situation. The news portal also reported that he has said the Commerce Ministry is looking to review the inflation basket to be more modern and capture new patterns of consumer behavior such as e-commerce. He also mentioned that there are plans to change the base year from 2015 to 2019 starting from early 2021.
- **Philippines:** Headline inflation has edged lower to 6.0% yoy for November from 6.7% yoy in October. Core inflation however rose to 5.1% yoy from 4.9% yoy for the prior month.
- **Hong Kong:** Housing market continued to cool down with housing transaction volume dipping by 53.7% yoy to 2635 deals (the lowest since March 2016) in November. Overall housing price index dropped for the third consecutive month by 0.5% mom and was down by 2.1% from the historical high. Moving ahead, we continue to see several downside risks looming over the housing market. First, the prospects of higher interest rates. Second, lower wealth effect from the stock market. Third, softening demand from Mainland investors, probably due to trade war concerns, tight capital control and China’s economic slowdown. The transaction volume of private homes valued over HK\$10 million dropped for the third consecutive month by 59% yoy to the lowest since March 2016 at 477 deals in November. Fourth, the expectations of increasing public housing supply. This may shift housing demand from private to public sector and in turn deepen the correction of smaller private housing (prices down by 3.6% from the historical high in October). In a nutshell, we expect housing transaction to remain

sluggish and overall housing price index to drop around 15% by end-2019 from the record high.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull flattened yesterday, with swap rates for the shorter tenors trading 3-5bps lower while the longer tenors traded 6-9bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 158bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 616bps. Overall, 10Y UST yields fell 6bps to close at 2.91%, the lowest since mid-September due to investor expectations of slowing US economic growth as the yield curve inversion sparked recession fears.
- **New Issues:** China Development Bank has priced a USD1.5bn deal across two tranches, with the USD1bn 3-year FRN priced at 3mL+63bps, tightening from its initial price guidance of 3mL+85bps area and the USD500mn 5-year FRN at 3mL+73bp, tightening from its initial price guidance of 3mL+95bps area. Baidu Inc has priced a USD250mn re-tap of its BIDU 4.375%'24s at CT5+162.5bps, tightening from its initial price guidance of CT5+160-165bps area. Zhuji City Yuedu Investment Co Ltd has priced a USD230mn 3-year bond at 7.0%. Kaisa Group Holdings Ltd has priced a USD500mn 3-year bond at 7.875%. Liangshan State-Owned Investment has scheduled for investor meetings on Dec. 5-6 for a potential USD bond.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DX | 96.965 | -0.08% | USD-SGD | 1.3653 | -0.15% |
| USD-JPY | 112.770 | -0.78% | EUR-SGD | 1.5484 | -0.24% |
| EUR-USD | 1.1343 | -0.10% | JPY-SGD | 1.2102 | 0.60% |
| AUD-USD | 0.7338 | -0.27% | GBP-SGD | 1.7365 | -0.18% |
| GBP-USD | 1.2719 | -0.05% | AUD-SGD | 1.0019 | -0.40% |
| USD-MYR | 4.1465 | -0.45% | NZD-SGD | 0.9458 | -0.13% |
| USD-CNY | 6.8360 | -0.68% | CHF-SGD | 1.3686 | -0.11% |
| USD-IDR | 14292 | 0.34% | SGD-MYR | 3.0425 | -0.23% |
| USD-VND | 23292 | -0.06% | SGD-CNY | 5.0109 | -0.46% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3680 | -- | O/N | 2.1819 | -- |
| 2M | -0.3360 | -- | 1M | 2.3789 | -- |
| 3M | -0.3160 | -- | 2M | 2.5366 | -- |
| 6M | -0.2480 | -- | 3M | 2.7513 | -- |
| 9M | -0.1940 | -- | 6M | 2.8953 | -- |
| 12M | -0.1430 | -- | 12M | 3.1382 | -- |

Fed Rate Hike Probability

| Meeting | Prob Hike | 2.25-2.5 | 2.5-2.75 | 2.75-3 | 3-3.25 |
|------------|-----------|----------|----------|--------|--------|
| 12/19/2018 | 74.0% | 74.0% | 0.0% | 0.0% | 0.0% |
| 01/30/2019 | 75.3% | 71.5% | 3.8% | 0.0% | 0.0% |
| 03/20/2019 | 87.4% | 48.7% | 36.8% | 1.9% | 0.0% |
| 05/01/2019 | 88.5% | 45.3% | 37.9% | 5.1% | 0.2% |
| 06/19/2019 | 91.6% | 36.2% | 39.9% | 14.0% | 1.5% |
| 07/31/2019 | 92.1% | 34.6% | 39.7% | 15.4% | 2.2% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 53.25 | 0.57% | Coffee (per lb) | 1.019 | -1.55% |
| Brent (per barrel) | 62.08 | 0.63% | Cotton (per lb) | 0.7877 | -0.18% |
| Heating Oil (per gallon) | 1.9009 | 0.71% | Sugar (per lb) | 0.1275 | -1.24% |
| Gasoline (per gallon) | 1.4434 | 0.84% | Orange Juice (per lb) | 1.4420 | 0.63% |
| Natural Gas (per MMBtu) | 4.4570 | 2.72% | Cocoa (per mt) | 2,105 | -1.82% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 6,059.4 | -1.82% | Wheat (per bushel) | 5.1925 | 0.68% |
| Nickel (per mt) | 11,193.5 | -- | Soybean (per bushel) | 9.118 | 0.66% |
| Aluminium (per mt) | 1,981.8 | -- | Corn (per bushel) | 3.7425 | 0.81% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,241.1 | 0.58% | Crude Palm Oil (MYR/MT) | 1,800.0 | -0.72% |
| Silver (per oz) | 14.521 | 0.97% | Rubber (JPY/KG) | 140.9 | -0.07% |

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

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 25,027.07 | -799.36 |
| S&P | 2,700.06 | -90.31 |
| Nasdaq | 7,158.43 | -283.09 |
| Nikkei 225 | 22,036.05 | -538.71 |
| STI | 3,167.79 | -22.83 |
| KLCI | 1,694.99 | -4.73 |
| JCI | 6,152.86 | 34.54 |
| Baltic Dry | 1,203.00 | -- |
| VIX | 20.74 | 4.30 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 2.04 (-0.01) | 2.79 (-0.03) |
| 5Y | 2.11 (-0.05) | 2.79 (-0.03) |
| 10Y | 2.32 (-0.07) | 2.91 (-0.06) |
| 15Y | 2.60 (-0.07) | -- |
| 20Y | 2.64 (-0.07) | -- |
| 30Y | 2.75 (-0.07) | 3.17 (-0.08) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 37.24 | 3.60 |
| EURIBOR-OIS | 4.23 | 0.83 |
| TED | 41.92 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised |
|-------------------------|--|---------------|------------------|------------------|------------------|
| 12/04/2018 01:00 | IT New Car Registrations YoY | Nov -- | -6.31% | -7.42% | -7.23% |
| 12/04/2018 02:11 | IT Budget Balance | Nov -- | -3.9b | -3.9b | -- |
| 12/04/2018 05:42 | US Wards Total Vehicle Sales | Nov 17.20m | 17.40m | 17.50m | -- |
| 12/04/2018 07:00 | SK GDP SA QoQ | 3Q F | 0.60% | 0.60% | 0.60% |
| 12/04/2018 07:00 | SK GDP YoY | 3Q F | 2.00% | 2.00% | 2.00% |
| 12/04/2018 07:00 | SK CPI MoM | Nov | -0.60% | -0.70% | -0.20% |
| 12/04/2018 07:00 | SK CPI YoY | Nov | 2.00% | 2.00% | 2.00% |
| 12/04/2018 07:50 | JN Monetary Base YoY | Nov | -- | 6.10% | 5.90% |
| 12/04/2018 08:30 | AU BoP Current Account Balance | 3Q | -A\$10.2b | -A\$10.7b | -A\$13.5b |
| 12/04/2018 11:30 | AU RBA Cash Rate Target | Dec-04 | 1.50% | 1.50% | 1.50% |
| 12/04/2018 15:45 | FR Budget Balance YTD | Oct -- | -87.0b | -87.1b | -- |
| 12/04/2018 17:30 | UK Markit/CIPS UK Construction PMI | Nov 52.5 | 53.4 | 53.2 | -- |
| 12/04/2018 18:00 | EC PPI MoM | Oct 0.50% | 0.80% | 0.50% | 0.60% |
| 12/04/2018 18:00 | EC PPI YoY | Oct 4.50% | 4.90% | 4.50% | 4.60% |
| 12/04/2018 21:30 | CA Labor Productivity QoQ | 3Q 0.20% | 0.30% | 0.70% | -- |
| 12/05/2018 00:00 | NZ QV House Prices YoY | Nov -- | 3.50% | 5.40% | 3.80% |
| 12/05/2018 05:00 | SK Foreign Reserves | Nov -- | \$402.99b | \$402.75b | -- |
| 12/05/2018 05:30 | AU AiG Perf of Services Index | Nov -- | 55.1 | 51.1 | -- |
| 12/05/2018 08:00 | NZ ANZ Commodity Price | Nov -- | -- | -2.40% | -- |
| 12/05/2018 08:30 | JN Nikkei Japan PMI Services | Nov -- | -- | 52.4 | -- |
| 12/05/2018 08:30 | JN Nikkei Japan PMI Composite | Nov -- | -- | 52.5 | -- |
| 12/05/2018 08:30 | HK Nikkei Hong Kong PMI | Nov -- | -- | 48.6 | -- |
| 12/05/2018 08:30 | AU GDP SA QoQ | 3Q | 0.60% | -- | 0.90% |
| 12/05/2018 08:30 | AU GDP YoY | 3Q | 3.30% | -- | 3.40% |
| 12/05/2018 09:00 | PH Unemployment Rate | Oct -- | -- | 5.40% | -- |
| 12/05/2018 09:00 | PH CPI YoY 2012=100 | Nov | 6.30% | -- | 6.70% |
| 12/05/2018 09:45 | CH Caixin China PMI Composite | Nov -- | -- | 50.5 | -- |
| 12/05/2018 09:45 | CH Caixin China PMI Services | Nov 50.7 | -- | 50.8 | -- |
| 12/05/2018 12:00 | MA Exports YoY | Oct 5.80% | -- | 6.70% | -- |
| 12/05/2018 12:00 | MA Imports YoY | Oct 3.30% | -- | -2.70% | -- |
| 12/05/2018 12:00 | MA Trade Balance MYR | Oct 11.60b | -- | 15.27b | -- |
| 12/05/2018 13:00 | IN Nikkei India PMI Services | Nov -- | -- | 52.2 | -- |
| 12/05/2018 13:00 | IN Nikkei India PMI Composite | Nov -- | -- | 53 | -- |
| 12/05/2018 16:00 | SI Automobile COE Open Bid Cat A | Dec-05 -- | -- | 25000 | -- |
| 12/05/2018 16:00 | SI Automobile COE Open Bid Cat B | Dec-05 -- | -- | 31101 | -- |
| 12/05/2018 16:00 | SI Automobile COE Open Bid Cat E | Dec-05 -- | -- | 30959 | -- |
| 12/05/2018 16:00 | TA CPI YoY | Nov | 0.90% | -- | 1.17% |
| 12/05/2018 16:00 | TA WPI YoY | Nov -- | -- | 5.95% | -- |
| 12/05/2018 16:20 | TA Foreign Reserves | Nov -- | -- | \$460.18b | -- |
| 12/05/2018 16:45 | IT Markit/ADACI Italy Services PMI | Nov 49.3 | -- | 49.2 | -- |
| 12/05/2018 16:45 | IT Markit/ADACI Italy Composite PMI | Nov 49.1 | -- | 49.3 | -- |
| 12/05/2018 16:50 | FR Markit France Services PMI | Nov F | 55 | -- | 55 |
| 12/05/2018 16:50 | FR Markit France Composite PMI | Nov F 54 | -- | 54 | -- |
| 12/05/2018 16:55 | GE Markit Germany Services PMI | Nov F 53.3 | -- | 53.3 | -- |
| 12/05/2018 16:55 | GE Markit/BME Germany Composite PMI | Nov F 52.2 | -- | 52.2 | -- |
| 12/05/2018 17:00 | UK New Car Registrations YoY | Nov -- | -- | -2.90% | -- |
| 12/05/2018 17:00 | IN RBI Repurchase Rate | Dec-05 | 6.50% | -- | 6.50% |
| 12/05/2018 17:00 | IN RBI Reverse Repo Rate | Dec-05 6.25% | -- | 6.25% | -- |
| 12/05/2018 17:00 | IN RBI Cash Reserve Ratio | Dec-05 4.00% | -- | 4.00% | -- |
| 12/05/2018 17:00 | EC Markit Eurozone Services PMI | Nov F 53.1 | -- | 53.1 | -- |
| 12/05/2018 17:00 | EC Markit Eurozone Composite PMI | Nov F 52.4 | -- | 52.4 | -- |
| 12/05/2018 17:30 | UK Official Reserves Changes | Oct -- | -- | -\$127m | -- |
| 12/05/2018 17:30 | UK Markit/CIPS UK Services PMI | Nov 52.5 | -- | 52.2 | -- |
| 12/05/2018 17:30 | UK Markit/CIPS UK Composite PMI | Nov 52.1 | -- | 52.1 | -- |
| 12/05/2018 18:00 | EC Retail Sales MoM | Oct 0.20% | -- | 0.00% | -- |
| 12/05/2018 18:00 | EC Retail Sales YoY | Oct 2.00% | -- | 0.80% | -- |
| 12/05/2018 20:00 | US MBA Mortgage Applications | Nov-30 | -- | -- | 5.50% |
| 12/05/2018 23:00 | CA Bank of Canada Rate Decision | Dec-05 | 1.75% | -- | 1.75% |
| 12/05/2018 12/31 | IN BoP Current Account Balance | 3Q -\$19.85b | -- | -\$15.80b | -- |

Source: Bloomberg

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