

Highlights

Global	Global investor sentiments remained into the month-end fuelled by hopes of a US tax bill with McCain's backing which sent the Dow past 24,000 amid healthy US economic indicators. China's official manufacturing and non-manufacturing PMIs also showed improvements, while India's 3Q17 GDP growth accelerated from 5.7% in 2Q to 6.3%. BOK also hiked rates for the first time in more than six years to 1.5%, while OPEC and Russia also agreed to extend the oil production cuts to end-2018. Asian bourses may start December on a fresh slate today with a more positive tone as well. Today's economic data releases include US' manufacturing ISM and construction spending, manufacturing PMIs from Europe and Asia. Speakers include Fed's Bullard, Kaplan and Harker.
US	Core PCE deflator rose 1.4% yoy (0.2% mom) in Oct as expected, while personal spending moderated from a revised 0.9% in Sep to 0.3% in Oct as personal income grew steadily at 0.4%. Initial jobless claims also fell 2k to 238k. Market speculation is that the White House may replace Secretary of State Rex Tillerson.
EZ	Eurozone's unemployment rate improved to 8.8% in Oct (lowest in nearly nine years) and while inflation ticked higher to 1.5% yoy in Nov, it missed expectations of 1.6%.
CN	China's official PMI rebounded to 51.8 in November from 51.6 in October. Both supply and demand improved. Output increased to 54.3 from 53.4 while new order and new export order improved to 53.6 and 50.8 respectively from 52.9 and 50.1. Purchasing price index slipped further to 59.8 from 63.4, implying China's PPI may have peaked in October.
SG	Total bank loans growth accelerated from 6.2% yoy (1.0% mom) in Sep to 6.8% yoy (1.4% mom) in Oct, matching the May pace. The rise was driven by business loans growth which also strengthened from 8.0% yoy (1.4% mom) to 9.0% yoy (1.9% mom) respectively during the same period, aided by loans to financial institutions (25.5% yoy), business services (17.7% yoy), general commerce (13.6% yoy), and transport/storage/comms (11.8% yoy).
HK	Retail sales growth fell to 3.9% yoy in October 2017 after reaching its strongest level since Feb 2015 in the preceding month. Total loans and advances rose at its strongest pace since Feb 2014 by 21.4% yoy in October.
KR	The strengthening domestic economy and improving external environment led Korea policy-makers to hike rates by 25bps to 1.50%. This is the first rate hike since 2011 by the Bank of Korea, making it the first Asian central bank to hike its benchmark rate since 2014. Note that recent economic data was generally positive, including the stronger-than-expected 3Q17 growth at 3.6% y/y and uptick in consumer confidence of late notwithstanding this morning's weaker-than-expected October industrial production print at -5.9% y/y. BOK opines that growth "will be slightly above the rate projected (3.0%) in October".
CMD	Oil prices rose as the OPEC cartel unanimously agreed to extend its production curbs to the end of 2018. Oil price movements were however muted despite the announcement, as the decision was largely priced in. Still, the suggestion that Libya and Nigeria have decided to join the cuts could probably add more upside risk to oil prices, given that they were previously excluded from the cuts.

Major Market

- **US:** Equities continued their relentless march higher on Thursday, with the Dow leading the charge, rising 1.39% to close above the 24000 handle. The S&P 500 and Nasdaq Composite closed higher by 0.82% and 0.73% respectively. Equities were buoyed by news that key Republican senator John McCain will be backing the tax plan, increasing the odds that it will move on in the legislative process, and eventually pass ahead of the self-imposed year-end deadline. A full Senate vote has not taken place, but this may come later in the day (Singapore time) as the Senate is still undergoing its marathon debate session. VIX rose to 11.28, from 10.70 previously.
- Meanwhile, US Treasuries slumped on tax plan optimism. The steep selloff saw the 10y benchmark yield spike to a high of 2.43%, but paring to close at 2.41%. 2y benchmark yield also firmed to 1.78%. Note also that the debt ceiling extension will end on Dec. 8, with initial discussions to extend it further by 2 weeks to Dec 22 underway.
- **China:** We expect PPI to fall to around 5.7% in November from 6.9% in October due to fading low base effect. The PPI is expected to fall below 5% in December. Although the rebound of PMI in November reinforced our belief that China together with other Asian economies has benefited from the improving global demand and is expected to benefit further from upward business cycle in 2018, it did not change our view about slowdown in China due to tighter credit quota in the last quarter and negative impact of China's financial deleverage.
- **Singapore:** This strong bank loan growth is a likely testament to the improving business sentiments amid a benign macroeconomic backdrop. Consumer loans growth remained resilient and expanded by 3.8% yoy (0.6% mom) in Oct, faster than the 3.6% yoy (0.4% mom) seen in Sep, even though housing/bridging loans eased marginally from 4.2% yoy (0.3% mom) to 4.1% yoy (0.4% mom). This was compensated by an improvement in car loans (4.5% yoy) and share financing (13.8% yoy). Although the Oct bank loans growth was better than expected at 6.8% yoy and brought the first ten months performance to a robust 6.0% yoy, we still think there could be a modest pullback for the remaining two months of the year. Taking into account the Oct data, we have tweaked our full-year 2017 bank loans growth forecast to 5.7% yoy.
- Domestic labour market conditions showed improvements in 1H17, according to MOM data. Median income (including employer CPF contributions) of full-time employed residents accelerated from 2.7% in June 2016 to 4.3% in June 2017 in nominal terms, and 3.7% (versus 3.3% in 2017) in real terms. This is reflective of the brightening growth prospects seen in 1H17. In addition, the unemployment rate and long-term unemployment rates for PMETS also improved to 3.0% and 0.9% respectively, suggesting that the "Adapt and Grow" program enhancements may have helped amid the economic restructuring efforts. However, the converse was true for the non-PMETS unemployment rate which rose to 4.5% in 2017 amid falling job vacancies. In particular, accommodation & food services, infocomms, and administrative & support services industries saw higher unemployment, partly due to higher labour turnover. This phenomenon may persist into 2018.
- The STI declined 0.16% yesterday to close at 3433.54, but may trade with a firmer tone this morning amid positive cues from Wall Street overnight and morning gains in Nikkei and Kospi. STI's support and resistance are tipped at 3420 and 3450. The SGS bond yield curve is likely to continue to track the steepening bias in the UST bond market.
- **Hong Kong:** Sales of jewellery, watches and other luxurious goods increased for the fourth consecutive month by 8.4% yoy. Meanwhile, sales of clothing, footwear and allied products grew at its strongest pace since Feb 2015 by 6.3% yoy. The growth of sales in

these two sections may be attributed to rebound in tourism activities. China's resilient growth and the effect of golden week holiday might have together help to bolster China's outbound tourism in October. On the other hand, sales of food, alcoholic drinks and tobacco and sales of goods in supermarkets continued to grow. Moderate real wage growth and wealth effect from stock market continued to underpin local consumer sentiment. All in all, we expect total retail sales to edge higher by 1.5%-2% in 2017. However, we do not see much upside on the retail sector due to the change in spending behaviour from offline to online, especially overseas online shopping. Even with favourable base effect, retail sales are expected to only mark single-digit growth for 2018.

- Loan for use in HK (non-trade) increased robustly by 23.9% amid improved corporate sentiment on global recovery and strong asset markets. Meanwhile, growth in loans for use outside of HK accelerated to 19.2% after sliding in the previous two months. This is attributed to tight onshore liquidity and loosened policy on overseas financing. Strong increase in these two sections well offset the slowdown in trade finance growth and further decline in approved new mortgage loans. As liquidity is likely to remain tight in onshore market in the rest of 2017, we expect loans for use outside of HK to remain elevated. Moreover, strong growth at home and abroad may also continue to support loans for use in HK (non-trade). However, moving forward to 2018, uptrend in HIBOR may hit some corporate loan demand and mortgage loan demand. This may add to an unfavorable base effect in moderating total loan growth in 2018.
- Elsewhere, CNH deposits in HK rose for the second consecutive month by 0.9% mom to RMB540.3 billion in October 2017. Eased concerns about sharp depreciation in RMB and higher CNH deposit rates are expected to support moderate rebound in RMB deposits in the coming months.
- **Indonesia:** Watch for CPI data on Monday, with expectations that it will ease further compared to October's 3.58%. This would likely put pressure for the Bank Indonesia (BI) to act to stimulate the economy. However, with the BI still appearing firm in telegraphing no rate cuts in the near term, focus may shift to macro-prudential changes hinted by Governor Agus Martowardojo in a recent speech.
- **Korea:** The decision to hike its 7-day repurchase rate is still surprising in our view. We remain concerned over the intensification of geopolitical tensions, while Korea's business confidence continued to print below its critical 100.0 mark into December. Industrial production also disappointed at -5.9% in October, suggesting that the slack in Korea's business/manufacturing space remains to be seen till today. The consolation is the improvement in consumer spending with department store sales rising a strong 5.3% y/y, while exports were supported by overseas demand for semi-conductors, steel and petrochemical products. We note however, that the rise in consumer spending is also seen with record high household indebtedness to KRW1,419 trillion (or US\$1.3 trillion) in 3Q17, suggesting that today's rate hike could potentially worsen Korean household's debt serviceability into 2018.
- There is a time and tide for everything, and BOK feels that it is time to hike rates despite the above-mentioned risks. This suggests the policy-makers' relatively optimistic outlook into 2018. We concur that growth fundamentals have indeed improved; the positive growth in external demand has also gradually transmitted into benefitting Korea's domestic economy. While we still keep to our 2017 growth outlook at 3.5% (we previously upgraded growth from 3.0% on 26th Oct), today's decision to hike rates further reinforces our view for growth to moderate into 2018. Korea would have to contend with a (1) relatively higher growth base, (2) a relatively tighter monetary environment, (3) potentially sustained geopolitical uncertainty and (4) high household

debts into the next year. Accounting for these factors, we pencil Korea's 2018 growth to print 3.0%, while inflationary pressures are estimated to stay tame at ~2.0% into next year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 1-4bps higher across most tenors. The shorter 1-year and 2-year tenors traded little changed. In the broader dollar space, the spread on JACI IG Corp rose 2bps to 182bps, while the yield on JACI HY Corp fell 3bps to 6.94%. 10Y UST yields rose 2bps to 2.41%, as prospects for the tax reform being passed rose after Republican Senator John McCain stated that he would support the tax bill.
- **New Issues:** Adani Abbot Point Terminal Pty Ltd has priced a USD500mn 5-year bond (guaranteed by Mundra Port Holdings Pty Ltd in its capacity as trustee of Mundra Port Holding Trust) at CT5+245bps, in line with initial guidance of CT5+245bps area. The expected issue ratings are 'BBB-/NR/BBB-'. Gansu Provincial Highway Aviation Tourism Investment Group Co Ltd has priced a EUR410mn 3-year bond at MS+200bps, tightening from initial guidance of MS+210bps area. The expected issue ratings are 'BBB-/NR/BBB-'. KWG Property Holding Ltd has stated that it plans to issue a USD150mn re-tap of its KWGPRO 6%'22s. The issue ratings are 'B+/B2/BB-'.
- **Rating Changes:** S&P has downgraded Mitsubishi UFJ Morgan Stanley Securities Co. Ltd, MUFG Securities EMEA plc, MUFG Securities Americas Inc, and Master Trust Bank of Japan Ltd's issuer credit rating to 'A' from 'A+', while downgrading the issuer credit rating on Mitsubishi UFJ Securities Holdings Co Ltd and Mitsubishi UFJ Lease & Finance Co Ltd to 'A-' from 'A'. The outlook on the ratings are stable. The rating action follows the downgrade on Mitsubishi UFJ Financial Group, which is the parent of these six entities. S&P has affirmed China Life Insurance Co Ltd's (China Life) 'A+' insurer financial strength and issuer credit ratings, as well as the 'A-' long-term issue rating on China Life's outstanding unsecured Core Tier 2 notes. S&P has removed the ratings from CreditWatch, where they were placed with negative implications. The outlook is negative. The rating action reflects S&P's expectation that China Life's capital adequacy will remain at current levels, albeit with thinning capital buffers, given China Life's asset-growth plans and reserving provisions over the period. The negative outlook reflects S&P's view that China Life's capitalization will remain highly sensitive to volatility in the investment market and interest rates as China Life's allocation to high-risk assets has been rising. Moody's has upgraded ITOCHU Corporation's issuer rating to 'A3' from 'Baa1'. The outlook has been revised to stable from positive. The rating action reflects ITOCHU's stable earnings and cash flow that are supported by assets that are not prone to commodity-price fluctuations, as well as ITOCHU's strong relationships with its main banks. Moody's has affirmed Sojitz Corporation's (Sojitz) 'Ba1' issuer rating. The outlook is stable. The rating reflects Sojitz's diverse but limited scale of operations and modest credit metrics relative to its peers.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.047	-0.13%	USD-SGD	1.3477	0.05%
USD-JPY	112.540	0.54%	EUR-SGD	1.6048	0.56%
EUR-USD	1.1904	0.48%	JPY-SGD	1.1979	-0.47%
AUD-USD	0.7566	-0.05%	GBP-SGD	1.8231	0.92%
GBP-USD	1.3525	0.87%	AUD-SGD	1.0199	0.01%
USD-MYR	4.0910	0.23%	NZD-SGD	0.9211	-0.63%
USD-CNY	6.6091	-0.11%	CHF-SGD	1.3705	0.18%
USD-IDR	13526	0.19%	SGD-MYR	3.0293	-0.23%
USD-VND	22718	0.01%	SGD-CNY	4.9075	-0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1863	--
2M	-0.3410	--	1M	1.3607	--
3M	-0.3290	--	2M	1.4270	--
6M	-0.2740	--	3M	1.4806	--
9M	-0.2210	--	6M	1.6605	--
12M	-0.1870	--	12M	1.9448	--

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	98.3%	98.3%	0.0%	0.0%	0.0%
01/31/2018	98.3%	97.5%	0.8%	0.0%	0.0%
03/21/2018	99.4%	36.8%	62.1%	0.5%	0.0%
05/02/2018	99.4%	34.2%	60.3%	4.9%	0.0%
06/13/2018	99.7%	18.8%	48.3%	30.3%	2.3%
08/01/2018	99.7%	17.7%	46.6%	31.4%	3.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	57.40	0.17%	Copper (per mt)	6,755.0	-0.15%
Brent (per barrel)	63.57	0.73%	Nickel (per mt)	11,057.0	-3.58%
Heating Oil (per gallon)	1.8927	-1.53%	Aluminium (per mt)	2,033.0	-1.05%
Gasoline (per gallon)	1.7284	-0.14%			
Natural Gas (per MMBtu)	3.0250	-4.84%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,603.0	1.56%
			Rubber (JPY/KG)	198.3	-0.60%
Precious Metals	Futures	% chg			
Gold (per oz)	1,276.7	-0.74%			
Silver (per oz)	16.474	-0.53%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,272.35	331.67
S&P	2,647.58	21.51
Nasdaq	6,873.97	49.58
Nikkei 225	22,724.96	127.76
STI	3,433.54	-5.45
KLCI	1,717.86	-2.52
JCI	5,952.14	-109.23
Baltic Dry	1,536.00	--
VIX	11.28	0.58

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.49 (+0.01)	1.78 (+0.02)
5Y	1.72 (+0.01)	2.14 (+0.03)
10Y	2.13 (+0.01)	2.41 (+0.02)
15Y	2.47 (+0.01)	--
20Y	2.46 (+0.02)	--
30Y	2.57 (+0.02)	2.83 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.22	-0.59
EURIBOR-OIS	1.10	-1.80
TED	20.92	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/30/2017 05:45	NZ Building Permits MoM	Oct	--	-9.60%	-2.50%
11/30/2017 07:50	JN Industrial Production MoM	Oct P	1.80%	0.50%	-1.00%
11/30/2017 08:30	AU Building Approvals MoM	Oct	-1.00%	0.90%	1.50%
11/30/2017 08:54	SK BoK 7-Day Repo Rate	Nov-30	1.50%	1.50%	1.25%
11/30/2017 09:00	CH Manufacturing PMI	Nov	51.4	51.8	51.6
11/30/2017 15:00	UK Nationwide House PX MoM	Nov	0.10%	0.10%	0.20%
11/30/2017 15:00	UK Nationwide House Px NSA YoY	Nov	2.70%	2.50%	2.50%
11/30/2017 15:30	TH BoP Current Account Balance	Oct	\$3000m	\$3535m	\$6287m
11/30/2017 15:45	FR CPI YoY	Nov P	1.20%	1.20%	1.10%
11/30/2017 16:30	HK Retail Sales Value YoY	Oct	4.90%	3.90%	5.60%
11/30/2017 16:55	GE Unemployment Change (000's)	Nov	-10k	-18k	-11k
11/30/2017 18:00	IT CPI EU Harmonized MoM	Nov P	0.00%	-0.20%	0.00%
11/30/2017 18:00	IT CPI EU Harmonized YoY	Nov P	1.20%	1.10%	1.10%
11/30/2017 21:30	US Initial Jobless Claims	Nov-25	240k	238k	239k
11/30/2017 21:30	US Personal Income	Oct	0.30%	0.40%	0.40%
11/30/2017 21:30	US Personal Spending	Oct	0.30%	0.30%	1.00%
11/30/2017 22:45	US Chicago Purchasing Manager	Nov	63	63.9	66.2
12/01/2017 07:00	SK GDP SA QoQ	3Q F	1.40%	1.50%	1.40%
12/01/2017 07:00	SK GDP YoY	3Q F	3.60%	3.80%	3.60%
12/01/2017 07:00	SK CPI YoY	Nov	1.80%	1.30%	1.80%
12/01/2017 07:30	JN Jobless Rate	Oct	2.80%	2.80%	2.80%
12/01/2017 07:30	JN Job-To-Applclicant Ratio	Oct	1.52	1.55	1.52
12/01/2017 07:30	JN Natl CPI YoY	Oct	0.20%	0.20%	0.70%
12/01/2017 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Nov	0.60%	0.60%	0.60%
12/01/2017 07:50	JN Capital Spending YoY	3Q	3.20%	--	1.50%
12/01/2017 08:00	SK Exports YoY	Nov	10.30%	--	7.10%
12/01/2017 08:30	ID Nikkei Indonesia PMI Mfg	Nov	--	--	50.1
12/01/2017 08:30	VN Nikkei Vietnam PMI Mfg	Nov	--	--	51.6
12/01/2017 08:30	JN Nikkei Japan PMI Mfg	Nov F	--	--	53.8
12/01/2017 08:30	SK Nikkei South Korea PMI Mfg	Nov	--	--	50.2
12/01/2017 08:30	TA Nikkei Taiwan PMI Mfg	Nov	--	--	53.6
12/01/2017 09:45	CH Caixin China PMI Mfg	Nov	50.9	--	51
12/01/2017 11:00	TH CPI YoY	Nov	1.00%	--	0.86%
12/01/2017 13:00	IN Nikkei India PMI Mfg	Nov	--	--	50.3
12/01/2017 13:30	AU Commodity Index SDR YoY	Nov	--	--	9.10%
12/01/2017 15:30	TH Foreign Reserves	Nov-24	--	--	\$200.6b
12/01/2017 16:45	IT Markit/ADACI Italy Manufacturing PMI	Nov	58.3	--	57.8
12/01/2017 16:50	FR Markit France Manufacturing PMI	Nov F	57.5	--	57.5
12/01/2017 16:55	GE Germany Manufacturing PMI	Nov F	62.5	--	62.5
12/01/2017 17:00	IT GDP WDA QoQ	3Q F	0.50%	--	0.50%
12/01/2017 17:00	IT GDP WDA YoY	3Q F	1.80%	--	1.80%
12/01/2017 17:00	EC Markit Eurozone Manufacturing PMI	Nov F	60	--	60
12/01/2017 17:30	UK Markit UK PMI Manufacturing SA	Nov	56.5	--	56.3
12/01/2017 21:30	CA GDP MoM	Sep	0.10%	--	-0.10%
12/01/2017 21:30	CA Quarterly GDP Annualized	3Q	1.60%	--	4.50%
12/01/2017 21:30	CA Net Change in Employment	Nov	10.0k	--	35.3k
12/01/2017 21:30	CA Unemployment Rate	Nov	6.20%	--	6.30%
12/01/2017 22:30	CA Markit Canada Manufacturing PMI	Nov	--	--	54.3
12/01/2017 22:45	US Markit US Manufacturing PMI	Nov F	54	--	53.8
12/01/2017 23:00	US ISM Manufacturing	Nov	58.3	--	58.7
12/01/2017 23:00	US Construction Spending MoM	Oct	0.50%	--	0.30%

Source: Bloomberg

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