DAILY TREASURY OUTLOOK

OCBC Bank

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Highlights

Global	Market sentiment stabilized relatively quickly, as market digested the news of the Italian referendum. It helped that PM Matteo Renzi had been asked to stay on temporarily, until next year's budget is approved by the parliament. Attention remains zoomed in on the fate of Monte dei Paschi, a troubled bank that is trying to raise EUR5bn to bolster its capital. Elsewhere, the drumbeat for US rate hike next week continues to grow louder, as a number of Fed officials, including NY Fed chief, William Dudley, expressed a keenness for tighter monetary condition.
US	Equities rallied as concerns over the Italian referendum were shrugged off. Finance, energy and technology stocks led gains as the Dow ended with a new record, up 0.24% at 19216.24. The S&P 500 and Nasdaq also rose 0.58% and 1.01% respectively. VIX retreated sharply, down 14.0% to 12.14. US Treasuries declined on strong services PMI data, and Bullard signalling that a December rate hike will be "reasonable". Declines in the Eurozone government bonds post-Italian referendum also contributed to the weakness. Overall, yields rose 1-3 bps, with the 2- and 10-year yields standing at 1.12% and 2.39% respectively.
SG	STI gained to 2,943.05 (+0.81%) at closing yesterday, lifted by Global Logistic Properties (+5.56%) and Golden Agri-Resources (+3.53%), although losses seen in Yangzijiang Shipbuilding Holdings (-1.74%) and Thai Beverage (-1.17%) limited the gains.
ID	Government expects that Indonesia can exceed its oil production target this year, albeit not by much. Compared to the so-called oil lifting target of 820k barrels per day, production is expected to hit nearly 822k barrels per day this year. For next year, the oil lifting target is set at 815k barrels per day.
Commodities	Brent touched $55/bbl in intraday trading yesterday, days after OPEC surprised the market with a cut to a 32.5mbpd quota. Saudi Arabia itself, agreed to bear the brunt of the cut by almost 500kbpd to 10.06mbpd, while OPEC is to meet non-OPEC producers (namely Russia) on 10 Dec to arrange for another 600kbpd of cut in non-OPEC supply. While we stick to our 2017 outlook of $65/bbl, we remain cautiously-optimistic as more clarity is required from non-OPEC producers, especially Russia and US, where any unexpected increases in oil production by them may thwart OPEC's efforts for higher oil prices.

Major Market

- **Hong Kong:** Overall residential property price registered the first positive yearly growth of 0.5% during the past 10 months in October. This signalled that the property price has continued to gain some ground in the near term. Prices of smaller residential units (below 100 sq.m.) grew 0.36% yoy while those belonging to the larger units (above 100 sq.m.) rose 2.73% yoy. Residential property transaction volume recorded 6,739 units in November, remaining on an upward trend. On a yearly basis, residential property transactions more than doubled, printing 138% yoy. By segment, sales of housing units priced between HKD 3 million and HKD 5 million were rather strong, which registered 2,360 units and took up 35% of total transaction. Housing units priced over HKD 10 million also recorded 1,240 units, taking up 18%. However, the cooling measure by HKMA to raise the Ad Valorem Stamp Duty Rate to 15% regardless of the value of the residential property will hit the investment demand. On the other hand, the pace of Fed's rate hike may accelerate amid post-Trump world given Trump's fiscal stimulus including cutting tax rate and increasing investment on infrastructure. This will also translate into higher borrowing cost in HK, which as a result will further curb the demand in property market. Therefore, total transaction volume could slump by around 50% from the current level in the coming quarter.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday as swap rates mostly traded 2-5bps lower across all tenors with the exception of the 10y swap rate that traded ~10bps lower. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 200bps while the yield on JACI HY corporates was steady at 6.92%. 10y UST yield increased 2bps to 2.40%.

- **New Issues:** Zhenjiang Transportation Industry Group Co. launched a USD160mn 3-year bond at 5.5%, tightening from its initial guidance at 5.75%. The expected issue ratings are "BB/NR/NR". China Minsheng Banking has scheduled investor road shows on 6 December for a potential USD AT1 bond issue. Changde Urban Construction & Investment Group Co. Ltd. has scheduled investor road shows from 6 December for a potential USD bond issue with expected issuer ratings of "NR/NR/BBB-". Danyang Investment has scheduled investor road shows from 6 December for a potential USD bond issue. L.R. Capital has scheduled investor meetings from 5 December onwards for a potential USD bond issue.

- **Rating Changes:** S&P revised its outlook on Sumitomo Life Insurance Co.'s "A" financial strength rating to stable from positive. The stable outlook reflects S&P's view that Sumitomo Life's capital and earnings will continue to improve but stay in the upper adequate range for FY2016 – 2018. Additionally, the stable outlook also reflects S&P's view that Sumitomo Life will maintain a very strong competitive position in the Japanese life insurance market. Moody's affirmed Shanghai International Port (Group) Co. Ltd.'s (SIPG) "A1" issuer rating with a negative outlook. The rating affirmation balanced the increase in financial leverage arising from the debt-funded investment in Postal Savings Bank of China Co. Ltd., and Moody's expectations that SIPG will receive support from the Shanghai government and the central government if needed. Moody's placed Chiyu Banking Corp.'s (Chiyu) deposit ratings on review for downgrade. The rating decision follows Bank of China Hong Kong Ltd.'s announcement on 26 October of its disposal of Chiyu which, if the sale is completed, is likely to reduce the affiliate and indirect government support available for the bank. Moody's affirmed its "A2" long-term issuer ratings on Bank Julius Baer & Co. Ltd. (BJB) and revised the outlook to stable from negative. In addition, Moody's affirmed Julius Baer Group Ltd.'s (JBG) "A3" long-term issuer rating and changed the outlook to stable from negative with JBG's "A3" subordinated debt ratings and "Baa3" high-trigger additional Tier 1 (AT1) securities ratings also affirmed. The outlook revision reflects less susceptibility to event risks for both BJB and JBG from (1) a better earnings profile following the successful integration of Merrill Lynch's International Wealth Management (IWM) business outside the United States; (2) settlement of a tax agreement with the US Department of Justice; and (3) stronger capital levels following recent issuance. Fitch assigned Fujian Zhanglong Group Co. Ltd. (Zhanglong) issuer default ratings of “BB+” with a stable outlook. Additionally, Fitch also assigned Zhanglong’s proposed USD senior unsecured notes with an expected issue rating of “BB+”. The rating assignments mainly reflect Zhangzhou municipality support and the economy’s creditworthiness.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.090	-0.67%	**USD-SGD**	1.4190	-0.04%
USD-JPY	113.850	0.30%	**EUR-SGD**	1.5273	0.89%
EUR-USD	1.0764	0.94%	**JPY-SGD**	1.2464	-0.30%
AUD-USD	0.7472	0.20%	**GBP-SGD**	1.8067	--
GBP-USD	1.2732	0.02%	**AUD-SGD**	1.0605	0.28%
USD-MYR	4.4485	-0.11%	**NZD-SGD**	1.0136	0.02%
USD-CNY	6.8815	0.02%	**CHF-SGD**	1.4101	0.37%
USD-IDR	13440	-0.53%	**SGD-MYR**	3.1231	-0.28%
USD-VND	22715	0.15%	**SGD-CNY**	4.8337	-0.29%

Equity and Commodity

Index	Value	Net change
DJIA	19,216.24	45.82
S&P	2,204.71	12.76
Nasdaq	5,308.89	53.24
Nikkei 225	18,274.99	-151.09
STI	2,943.05	23.68
KLCI	1,624.97	-3.99
JCI	5,268.31	22.35
Baltic Dry	1,196.00	-2.00
VIX	12.14	-1.98

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	**O/N**	0.4348	--
2M	-0.3360	--	**1M**	0.6467	--
3M	-0.3130	--	**2M**	0.7486	--
6M	-0.2180	--	**3M**	0.9464	--
9M	-0.1350	--	**6M**	1.2916	--
12M	-0.0760	--	**12M**	1.6446	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.20 (-0.01)	1.12 (+0.02)
5Y	1.84 (-0.01)	1.85 (+0.02)
10Y	2.40 (-0.04)	2.39 (+0.01)
15Y	2.77 (-0.04)	--
20Y	2.83 (-0.04)	--
30Y	2.79 (-0.02)	3.06 (--)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
Portugal	0.32	-2.90	3.70	0.60	3.37
Italy	0.06	0.30	1.98	8.20	1.65
Ireland	-0.47	4.10	0.86	2.70	0.52
Greece	7.65	--	6.54	4.30	6.20
Spain	-0.14	-0.40	1.55	0.90	1.22
Russia	2.64	8.60	4.53	3.10	4.20

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.89	0.72
EURIBOR-OIS	3.95	0.15
TED	48.46	--

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	51.79	0.21%	Coffee (per lb)	1.402	-0.71%
Brent (per barrel)	54.94	0.88%	Cotton (per lb)	0.7231	0.46%
Heating Oil (per gallon)	1.6571	-0.06%	Sugar (per lb)	0.1894	-0.94%
Gasoline (per gallon)	1.5575	-0.10%	Orange Juice (per lb)	2.2010	-0.25%
Natural Gas (per MMBtu)	3.6540	6.34%	Cocoa (per mt)	2,356	-1.34%

Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	5,950.0	3.30%	Wheat (per bushel)	3.8925	0.45%
Nickel (per mt)	11,598.5	1.61%	Soybean (per bushel)	10.435	1.56%
Aluminium (per mt)	1,737.3	1.21%	Corn (per bushel)	3.4950	3.56%

Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,174.0	-0.09%	Crude Palm Oil (MYR/MT)	3,225.0	3.37%
Silver (per oz)	16.824	0.42%	Rubber (JPY/KG)	229.8	4.03%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
12/05/2016 08:00	**AU**	**Melbourne Insti. Inflation MoM**	**Nov**	**--**	**0.10%**	**0.20%**	**--**
12/05/2016 08:00	NZ	ANZ Commodity Price	Nov	--	2.70%	0.70%	--
12/05/2016 08:30	AU	ANZ Job Advertisements MoM	Nov	--	1.70%	1.00%	--
12/05/2016 08:30	HK	Nikkei Hong Kong PMI	Nov	--	49.5	48.2	--
12/05/2016 08:30	JN	Nikkei Japan PMI Services	Nov	--	51.8	50.5	--
12/05/2016 08:30	JN	Nikkei Japan PMI Composite	Nov	--	52	51.3	--
12/05/2016 09:45	CH	Caixin China PMI Services	Nov	--	53.1	52.4	--
12/05/2016 09:45	CH	Caixin China PMI Composite	Nov	--	52.9	52.9	--
12/05/2016 13:00	IN	Nikkei India PMI Services	Nov	--	46.7	54.5	--
12/05/2016 13:00	IN	Nikkei India PMI Composite	Nov	--	49.1	55.4	--
12/05/2016 16:45	IT	Markit/ADACI Italy Services PMI	Nov	51.6	53.3	51	--
12/05/2016 16:45	IT	Markit/ADACI Italy Comp PMI	Nov	51.6	53.4	51.1	--
12/05/2016 16:50	FR	Markit France Services PMI	Nov F	52.6	51.6	52.6	--
12/05/2016 16:50	FR	Markit France Composite PMI	Nov F	52.3	51.4	52.3	--
12/05/2016 16:55	GE	Markit Germany Services PMI	Nov F	55	55.1	55	--
12/05/2016 16:55	GE	Markit/BME Germany Comp PMI	Nov F	54.9	55	54.9	--
12/05/2016 17:00	EC	Markit Eurozone Services PMI	Nov F	54.1	53.8	54.1	--
12/05/2016 17:00	EC	Markit Eurozone Composite PMI	Nov F	54.1	53.9	54.1	--
12/05/2016 17:30	UK	Markit/CIPS UK Services PMI	Nov	54	55.2	54.5	--
12/05/2016 17:30	UK	Markit/CIPS UK Composite PMI	Nov	54.6	55.2	54.8	54.7
12/05/2016 18:00	EC	Retail Sales MoM	Oct	0.80%	1.10%	-0.20%	-0.40%
12/05/2016 22:45	US	Markit US Services PMI	Nov F	54.9	54.6	54.7	--
12/05/2016 22:45	US	Markit US Composite PMI	Nov F	--	54.9	54.9	--
12/05/2016 23:00	**US**	**ISM Non-Manf. Composite**	**Nov**	**55.5**	**57.2**	**54.8**	**--**
12/06/2016 08:00	JN	Labor Cash Earnings YoY	Oct	0.20%	--	0.20%	0.00%
12/06/2016 08:30	**TA**	**CPI YoY**	**Nov**	**1.50%**	**--**	**1.70%**	**--**
12/06/2016 08:30	**AU**	**BoP Current Account Balance**	**3Q**	**-A$13.5b**	**--**	**-A$15.5b**	**--**
12/06/2016 09:00	PH	CPI YoY	Nov	2.20%	--	2.30%	--
12/06/2016 11:30	AU	RBA Cash Rate Target	Dec-06	1.50%	--	1.50%	--
12/06/2016 15:00	**GE**	**Factory Orders MoM**	**Oct**	**0.60%**	**--**	**-0.60%**	**--**
12/06/2016 15:00	GE	Factory Orders WDA YoY	Oct	1.60%	--	2.60%	--
12/06/2016 16:30	GE	Markit Germany Construction PMI	Nov	--	--	52.9	--
12/06/2016 17:10	GE	Markit Germany Retail PMI	Nov	--	--	51	--
12/06/2016 17:10	EC	Markit Eurozone Retail PMI	Nov	--	--	48.6	--
12/06/2016 17:10	FR	Markit France Retail PMI	Nov	--	--	47.5	--
12/06/2016 17:10	IT	Markit Italy Retail PMI	Nov	--	--	46.5	--
12/06/2016 18:00	EC	GDP SA QoQ	3Q F	0.30%	--	0.30%	--
12/06/2016 18:00	**EC**	**GDP SA YoY**	**3Q F**	**1.60%**	**--**	**1.60%**	**--**
12/06/2016 21:30	US	Trade Balance	Oct	-$42.0b	--	-$36.4b	--
12/06/2016 21:30	CA	Int'l Merchandise Trade	Oct	-1.70b	--	-4.08b	--
12/06/2016 23:00	US	Factory Orders	Oct	2.60%	--	0.30%	--
12/06/2016 23:00	**US**	**Durable Goods Orders**	**Oct F**	**3.40%**	**--**	**4.80%**	**--**
12/06/2016 23:00	US	Durables Ex Transportation	Oct F	0.50%	--	1.00%	--
12/06/2016 23:00	US	Cap Goods Orders Nondef Ex Air	Oct F	--	--	0.40%	--
12/06/2016 23:00	US	Cap Goods Ship Nondef Ex Air	Oct F	--	--	0.20%	--
12/06/2016 12/13	VN	Domestic Vehicle Sales YoY	Nov	--	--	27.30%	--

Source: Bloomberg

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