

Highlights

Global	A 90-day ceasefire truce between the US and China was a positive outcome from the Trump-Xi meeting on the side lines of G20 is likely to lend a positive spin to Asian market this morning. Essentially, the US will call a hiatus on the plan to raise the current 10% tariffs on US\$200b of Chinese imports from 1 January 2019 to 25%, as well as the earlier intention to levy tariffs on another US\$267b later on. This was predicated on China agreeing to substantially increase imports from the US, especially for agricultural products “immediately”, but by no means addresses all the structural impediments to the US-China composition for strategic leadership. With this 90-day framework for negotiation, the relief rally is likely to send equity markets higher, but any near-term back up in global yields are likely to be capped by the slowing global growth theme into 2019, as seen by the 10-year UST bond yield that closed below the key 3% handle at 2.99% on Friday amid a dovish FOMC. The Chinese official manufacturing and non-manufacturing PMI disappointed, slipping to 50.0 (-0.2 points) and 53.4 (-0.5 points) respectively. For today, on tap are the slew of manufacturing PMIs across Europe and Asia including China’s Caixin PMI and US’ manufacturing ISM, inflation readings for Thailand and Indonesia. Fed Vice Chair Clarida, Quarles, Williams and Brainard are also speaking. RBA is likely to be static at 1.5% tomorrow and Bank of Canada is also likely to hold at 1.75% on 5 December. The week ahead will see US markets closed on Wednesday for mourning former US president George H. W. Bush (which could mean that Fed chair Powell’s testimony to the Joint Economic Committee may be postponed), the Beige Book also on Wednesday, and US nonfarm payrolls and unemployment report on Friday. While Russia and Saudi Arabia have agreed to extend their oil deal, see if OPEC also agrees to cuts on 6 December.
US	The Chicago purchasing managers index rose from 58.4 to 66.4 in November, lifted by new orders, employment, production and order backlogs.
G20	The G20 communique was also watered down with references to “room for improvement” in the multilateral trading system and support for “the necessary reform of the WTO to improve its functioning”, but dropping the reference to fight protectionism”.
CH	Trade value up to mid-November this year has surpassed the 2017 total, according to the General Administration of Customs.
SG	Bank loans expanded by 3.4% yoy (+0.5% mom) in October 2018, down from 4.5% yoy (-0.3% mom) in September. This marked the slowest on-year pace of expansion since January 2017, albeit it actually rebounded 0.5% mom in October, reversing the 0.3% mom contraction seen in September.
TH	Trade data for the month of October showed that exports growth rebounded to 8.4% yoy (Sept 2018: -5.5% yoy) whilst imports growth slowed to 13.3% yoy (Sept 2018: 14.3% yoy). However, the trade balance declined to US\$1.3bn (Sept 2018: US\$2.0bn).
ID	The government has issued a new tax holiday scheme, which had earlier been part of one of the three policies outlined in its 16th Economic Package. The digital economy industry as well as manufacturing industry in agriculture, forestry or plantations are the two sectors eligible to apply for a tax holiday in Finance Ministerial Regulation No. 150/2018, which now include 18 business sectors, up from 17 sectors in the previous regulation.

Major Markets

- **US:** Wall Street rallied on Friday, with the S&P500 and Nasdaq composite surging by 0.82% and 0.79%, respectively, both posting their best weekly gain in 7 years. Meanwhile, the DJIA rose 0.79%, logging its strongest weekly gain in more than 2 years.
- Marriott International Inc. equity plunged 5.59% after the hotel chain announced an investigation into a data breach in its Starwood unit, where customer details were allegedly accessed without authorisation.
- **ASEAN PMI:** The overall ASEAN manufacturing PMI entered expansion territory in November at 50.4 (Oct 2018: 49.8) amid a slight improvement in the health of the sector. However, Malaysia and Thailand continued to remain in contractionary territory. Malaysia's PMI fell to 48.2 (Oct 2018: 49.2) as its manufacturing economy experienced a deeper decline in business conditions with output and new orders falling at a faster rate, leading to firms scaling back on stocks of inputs and finished goods. Export sales did pick up from the previous month, hinting that weaker order book volumes could be stemming from domestic clients. Thailand saw its PMI increase to 49.8 (Oct 2018: 48.9) as output rose whilst new orders fell further even though export sales did rebound. Meanwhile, Indonesia's PMI remained in expansionary territory although it slightly dipped to 50.4 (Oct 2018: 50.5), the lowest in five months. The manufacturing sector in the country was affected by bad weather, dollar strength and supply shortages whilst there were signs of subdued client demand although total new orders remained broadly stable. The Philippines meanwhile stayed in expansionary territory as production rose the fastest it has been since December 2016 although exports continued to see a decline in line with the slowdown in global exports. Overall though, Filipino manufacturers were still boosted by an increase in new orders
- **Singapore:** The loan growth deceleration was contributed by both business loans growth (3.9% yoy versus 5.3% previously) and consumer loans (2.7% yoy versus 3.3% previously). The main drag in business loans came from the general commerce segment (-5.1% yoy) – in addition to slowing global demand for electronics exports, this data could also be reflecting collateral damage from the US-China trade war as businesses turn more cautious about regional trade activity and also possibly that the frontloading of imports ahead of the implementation of the earlier tranches of US-China tariffs may be fading. Loans to general commerce had fallen for the second straight month by 2.2% mom, while loans to financial institutions have contracted for the sixth consecutive month by 1.1% mom. On the consumer loans perspective, the moderation in consumer loans momentum was less stark for the housing & bridging loans which eased from 3.5% yoy (0.1% mom) in September to 3.0% yoy (+0.01% mom) in October.
- Bank loans growth looks set to decelerate further into the year-end (Jan-Oct: 5.1 yoy) amid heightened uncertainty about global growth prospects into 2019 and the ongoing US-China trade war. We tip 2018 bank loans growth at 4.6% yoy.
- The STI gained 0.26% to close at 3117.61 on Friday and may trade with a positive tone given positive morning leads from Kospi on the back of the 90-day truce between US and China on fresh tariffs. The STI may trade a 3115-3140 range today. With the rally in UST bonds on Friday, SGS bonds may also gain today.

- **Indonesia:** With the expansion of the tax holiday scheme, as many as 169 business units listed in the Indonesian Standard of Industrial Classification (KBLI) were eligible to apply for the tax holiday, up from 153 business units previously. The government has also lowered the minimum investment required to get a tax holiday (“mini tax holiday”) to Rp 100bn. Under the mini tax holiday scheme, the investor gets a 50 percent corporate income tax cut for five years.
- **Thailand:** The current account balance saw a decline to US\$1.9bn (Sept 2018: US\$2.4bn) whilst the overall balance of payment slipped into a deficit of US\$0.9bn (Sept 2018: US\$1.0bn). Foreign reserves declined for the week ending 23rd November 2018 to US\$202.0bn (Week ending 16th November 2018: US\$202.6bn). Meanwhile, the Senior Director of the Economic and Policy Department at the BoT Don Nakornthap has said that the 2018 growth risks coming in below the 4.4% forecast in a range of 4.0 - 4.4% amid weaker exports and tourism growth.
- **Philippines:** BSP Deputy Governor Diwa C. Guinigundo believes that with or without the suspension of the excise tax on fuel, inflation for 2019 could be lower than 3.5% yoy “if this positive out turn in both global oil and rice prices continue”.
- **Hong Kong:** Total loans and advances dropped for the fourth consecutive month by 0.2% mom and the year-on-year growth decelerated to the lowest since August 2016 by 2.0% yoy in October. Internally, loans for use in HK (excluding trade finance) increased at the slowest pace since January 2010 by 0.3% yoy to HK\$6.29 trillion. Despite that HIBOR retraced lower, the continuous slowdown of loans growth reflects weaker loan demand amid housing market correction and stock market rout. The escalation of US-China trade war from late September also continued to dent corporate sentiments and in turn hit local loan demand. Externally, loans for use outside of HK increased by 6.5% yoy to HK\$2.9 trillion in October, the lowest since February 2018. As Chinese authorities stepped up efforts to support the financing needs of the private sector, Mainland companies might have shown lower interests in overseas financing. The rising interest rates and exchange rates of HKD and USD might have also deterred Mainland companies from offshore funding. All in all, we hold onto our view that the growth of total loans and advances will moderate from 3.9% YTD in October to 3% YTD in December.
- The growth in HK retail sales value rebounded from the lowest since June 2017 of 2.4% yoy to 5.9% yoy. The sales of consumer durable goods increased notably by 14.3% yoy (the fastest since April 2018) while those of clothing, footwear and related products rebounded by 3.3% yoy. This is partially due to the golden week holiday and the opening of HK high-speed rail as Mainland visitors increased sharply by 15.4% yoy in October. Nevertheless, tourist spending appeared to have been muted as sales of jewellery, watches and clocks merely grew by 3.3% yoy. A stronger HKD, China’s slowdown as well as Asia’s sluggish economic outlook may continue to weigh down tourist spending. On the other hand, the sales of food, alcoholic drinks and tobacco and those of goods in supermarkets both declined for the first time since January 2018 and were down by 2% yoy and 0.9% yoy respectively. This reflects muted local consumer sentiments probably due to the lower wealth effect on property market and stock market corrections. With local economic outlook clouded by monetary tightening and trade war, weakening prospects of salary growth may also dent local consumption.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed last Friday, with swap rates trading 1bps higher across most tenors (with the exception of the 12-year swap rates trading 2bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 619bps. Overall, 10Y UST yields fell 4bps to close at 2.99% ahead of the meeting between the US President Donald Trump and his Chinese counterpart Xi Jinping at the G20 summit in Argentina.
- **New Issues:** KWG Group Holdings Ltd has priced a USD150mn re-tap of its KWGPRO 9.85%'20s (sub guarantors: certain non-PRC subsidiaries of the issuer) at 101.5 + accrued interest. Huaibei City Construction Investment Holding Group Company Ltd has priced a USD300mn 3-year bond at 5.2%, tightening from its initial price guidance of 5.5%. Shinhan Life insurance has priced a USD350mn 10NC5 bond at 5.1%. Kookmin Bank has priced a USD100mn 2-year bond at 3.409%. Industrial & Commercial Bank of China Limited/Dubai DIFC has priced a USD100mn 2-year bond at 3mL+60bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.272	0.51%	USD-SGD	1.3724	0.15%
USD-JPY	113.570	0.08%	EUR-SGD	1.5534	-0.51%
EUR-USD	1.1317	-0.67%	JPY-SGD	1.2090	0.12%
AUD-USD	0.7306	-0.18%	GBP-SGD	1.7498	-0.16%
GBP-USD	1.2749	-0.33%	AUD-SGD	1.0032	0.02%
USD-MYR	4.1842	0.00%	NZD-SGD	0.9429	0.31%
USD-CNY	6.9605	0.26%	CHF-SGD	1.3752	-0.07%
USD-IDR	14302	-0.56%	SGD-MYR	3.0562	0.04%
USD-VND	23320	-0.04%	SGD-CNY	5.0724	0.14%

Equity and Commodity

Index	Value	Net change
DJIA	25,538.46	199.62
S&P	2,760.17	22.41
Nasdaq	7,330.54	57.45
Nikkei 225	22,351.06	88.46
STI	3,117.61	8.17
KLCI	1,679.86	-16.48
JCI	6,056.12	-51.04
Baltic Dry	1,231.00	-50.00
VIX	18.07	-0.72

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.1775	-0.0052
2M	-0.3360	--	1M	2.3469	-0.0023
3M	-0.3160	--	2M	2.5101	-0.0012
6M	-0.2510	0.0020	3M	2.7361	-0.0020
9M	-0.1940	0.0010	6M	2.8946	0.0094
12M	-0.1460	--	12M	3.1203	0.0016

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.01 (-0.01)	2.79 (-0.02)
5Y	2.12 (--)	2.81 (-0.03)
10Y	2.35 (--)	2.99 (-0.04)
15Y	2.62 (--)	--
20Y	2.67 (--)	--
30Y	2.79 (--)	3.29 (-0.03)

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
12/19/2018	78.0%	78.0%	0.0%	0.0%	0.0%
01/30/2019	79.2%	75.1%	4.0%	0.0%	0.0%
03/20/2019	89.7%	47.6%	40.1%	2.0%	0.0%
05/01/2019	90.6%	44.5%	40.7%	5.2%	0.2%
06/19/2019	93.3%	34.6%	41.8%	15.3%	1.6%
07/31/2019	93.4%	33.9%	41.6%	15.9%	1.9%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.64	--
EURIBOR-OIS	4.21	0.03
TED	32.77	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.93	-1.01%	Coffee (per lb)	1.033	-4.84%
Brent (per barrel)	58.71	-1.34%	Cotton (per lb)	0.7716	0.68%
Heating Oil (per gallon)	1.8455	0.10%	Sugar (per lb)	0.1284	-0.23%
Gasoline (per gallon)	1.4413	-0.92%	Orange Juice (per lb)	1.4395	-0.42%
Natural Gas (per MMBtu)	4.6120	-0.73%	Cocoa (per mt)	2,144	1.80%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,123.3	-0.02%	Wheat (per bushel)	5.1575	3.88%
Nickel (per mt)	11,148.5	1.36%	Soybean (per bushel)	8.948	0.85%
Aluminium (per mt)	1,966.8	1.03%	Corn (per bushel)	3.6650	1.73%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,220.2	-0.32%	Crude Palm Oil (MYR/MT)	1,872.0	0.27%
Silver (per oz)	14.094	-1.25%	Rubber (JPY/KG)	139.2	0.72%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 27 Nov 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Live Cattle	92,826	83,548	9,278	Corn	27,991	48,308	-20,317
Natural Gas	30,134	25,925	4,209	Sugar	11,510	25,316	-13,806
Lean Hogs	43,364	41,596	1,768	Nymex Crude	398,776	411,794	-13,018
Platinum	23,713	22,973	740	Heating Oil	-705	8,844	-9,549
Soybean	-47,926	-48,525	599	Wheat	-33,286	-24,158	-9,128
Palladium	14,490	14,268	222	Gold	-2,520	4,618	-7,138
Coffee	-26,438	-25,889	-549	Cotton	43,237	46,280	-3,043
RBOB Gasoline	76,409	77,496	-1,087	Cocoa	-5,676	-3,950	-1,726
Copper	10,334	11,940	-1,606	Silver	-13,013	-11,291	-1,722

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
11/30/2018 03:00	US FOMC Meeting Minutes	Nov-08	--	--	--
11/30/2018 05:45	NZ Building Permits MoM	Oct	--	1.50%	-1.50%
11/30/2018 07:00	SK Industrial Production SA MoM	Oct	1.10%	1.00%	-2.50%
11/30/2018 07:00	SK Industrial Production YoY	Oct	6.90%	10.70%	-8.40%
11/30/2018 07:30	JN Job-To-Applicant Ratio	Oct	1.65	1.62	1.64
11/30/2018 07:30	JN Jobless Rate	Oct	2.30%	2.40%	2.30%
11/30/2018 07:30	JN Tokyo CPI YoY	Nov	1.10%	0.80%	1.50%
11/30/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Nov	1.00%	1.00%	1.00%
11/30/2018 07:50	JN Industrial Production MoM	Oct P	1.20%	2.90%	-0.40%
11/30/2018 08:57	SK BoK 7-Day Repo Rate	Nov-30	1.75%	1.75%	1.50%
11/30/2018 09:00	CH Non-manufacturing PMI	Nov	53.8	53.4	53.9
11/30/2018 09:00	CH Manufacturing PMI	Nov	50.2	50	50.2
11/30/2018 15:00	UK Nationwide House PX MoM	Nov	0.10%	0.30%	0.00%
11/30/2018 15:00	UK Nationwide House Px NSA YoY	Nov	1.70%	1.90%	1.60%
11/30/2018 15:30	TH Foreign Reserves	Nov-23	--	\$202.0b	\$202.6b
11/30/2018 15:30	TH Exports YoY	Oct	--	8.40%	-5.50%
11/30/2018 15:30	TH Imports YoY	Oct	--	13.30%	14.30%
11/30/2018 15:30	TH Trade Balance	Oct	--	\$1255m	\$1963m
11/30/2018 15:30	TH BoP Current Account Balance	Oct	\$2000m	\$1888m	\$2369m
11/30/2018 15:45	FR CPI YoY	Nov P	2.00%	1.90%	2.20%
11/30/2018 16:10	TA GDP YoY	3Q F	2.30%	2.27%	2.28%
11/30/2018 16:30	HK Retail Sales Value YoY	Oct	3.60%	5.90%	2.40%
11/30/2018 18:00	EC CPI Core YoY	Nov A	1.10%	1.00%	1.10%
11/30/2018 18:00	EC CPI Estimate YoY	Nov	2.00%	2.00%	2.20%
11/30/2018 18:00	IT CPI EU Harmonized MoM	Nov P	-0.20%	-0.20%	0.20%
11/30/2018 18:00	IT CPI EU Harmonized YoY	Nov P	1.60%	1.70%	1.70%
11/30/2018 19:00	IT GDP WDA QoQ	3Q F	0.00%	-0.10%	0.00%
11/30/2018 19:00	IT GDP WDA YoY	3Q F	0.80%	0.70%	0.80%
11/30/2018 21:30	CA Quarterly GDP Annualized	3Q	2.00%	2.00%	2.90%
11/30/2018 21:30	CA GDP MoM	Sep	0.10%	-0.10%	0.10%
11/30/2018 22:45	US Chicago Purchasing Manager	Nov	58.5	66.4	58.4
12/01/2018 08:00	SK Exports YoY	Nov	6.60%	4.50%	22.70%
12/03/2018 07:50	JN Capital Spending YoY	3Q	8.50%	--	12.80%
12/03/2018 08:00	AU Melbourne Institute Inflation MoM	Nov	--	--	0.10%
12/03/2018 08:30	JN Nikkei Japan PMI Mfg	Nov F	--	--	51.8
12/03/2018 08:30	SK Nikkei South Korea PMI Mfg	Nov	--	--	51
12/03/2018 08:30	TA Nikkei Taiwan PMI Mfg	Nov	--	--	48.7
12/03/2018 08:30	VN Nikkei Vietnam PMI Mfg	Nov	--	--	53.9
12/03/2018 08:30	ID Nikkei Indonesia PMI Mfg	Nov	--	--	50.5
12/03/2018 08:30	AU Building Approvals MoM	Oct	-1.50%	--	3.30%
12/03/2018 09:45	CH Caixin China PMI Mfg	Nov	50.1	--	50.1
12/03/2018 11:00	TH CPI YoY	Nov	1.03%	--	1.23%
12/03/2018 12:00	ID CPI YoY	Nov	3.19%	--	3.16%
12/03/2018 13:00	IN Nikkei India PMI Mfg	Nov	--	--	53.1
12/03/2018 13:30	AU Commodity Index SDR YoY	Nov	--	--	13.10%
12/03/2018 16:45	IT Markit/ADACI Italy Manufacturing PMI	Nov	48.9	--	49.2
12/03/2018 16:50	FR Markit France Manufacturing PMI	Nov F	50.7	--	50.7
12/03/2018 16:55	GE Markit Germany Manufacturing PMI	Nov F	51.6	--	51.6
12/03/2018 17:00	EC Markit Eurozone Manufacturing PMI	Nov F	51.5	--	51.5
12/03/2018 17:30	UK Markit UK PMI Manufacturing SA	Nov	51.7	--	51.1
12/03/2018 21:00	SI Purchasing Managers Index	Nov	51.5	--	51.9
12/03/2018 22:30	CA Markit Canada Manufacturing PMI	Nov	--	--	53.9
12/03/2018 22:45	US Markit US Manufacturing PMI	Nov F	55.4	--	55.4
12/03/2018 23:00	US Construction Spending MoM	Oct	0.40%	--	0.00%
12/03/2018 23:00	US ISM Manufacturing	Nov	57.5	--	57.7

Source: Bloomberg

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