

Daily Treasury Outlook

2 December 2019

Highlights

Global: With the start of December, the economic green shoots appear to be taking shape further with China's manufacturing PMI which unexpectedly bounced from 49.3 to 50.2 in November (the first expansion since April), albeit the new export orders remained in contraction territory at a seven-month high of 48.8. That said, geopolitical uncertainties remain as the Global Times reported that the Chinese government wants tariffs to be rolled back as part of the Phase 1 deal with the US, suggesting that an agreement may not be imminent. Meanwhile, Iraq has suggested that OPEC and allies consider deeper production cuts, and protests in Hong Kong continued over the weekend. The S&P retreated on Friday, while the UST bond curve steepened as longer-tenors led the weakness with the 10-year bond yield at 1.78%.

Market watch: Asian markets may see a mixed start to the last trading month of 2019. Today's economic data calendar will kick off with a slew of manufacturing PMIs across Asia (including China's Caixin) and Europe, Thai CPI, HK retail sales, and US' manufacturing ISM and construction spending. ECB's Lagarde is testifying at the European Parliament, while Rehn and Holzmann are also speaking. For the week ahead, watch RBA's rate decision tomorrow (likely static at 0.75%), Bank of Canada's rate decision on Wednesday (also likely to be unchanged at 1.75%), RBI's rate decision (likely to have 25bps cut to the repo and reverse repo rates to 4.9% and 4.65% respectively as 3Q GDP growth softened from 5.0% yoy in 2Q to 4.5% yoy which was the weakest since 2013 but matched market expectations) on Thursday with Saudi Aramco's IPO pricing, and Friday's US labour market data dump with nonfarm payrolls and unemployment rate.

Singapore: October bank loans accelerated from 2.2% yoy growth in the last previous months to 2.6% yoy (0.7% mom), the fastest since February 2019. In on-month terms, business loans expanded by 1.1% mom but consumer loans only edged up 0.1%. Meanwhile, bank deposits from residents outside Singapore also rose for the seventh straight month to \$49.76b, the highest since February 2016.

Oil: Brent prices declined on Friday over heightened worries that a US-China phase one trade deal may not materialise after all. Prices on the February contract for Brent fell -4.4% to \$60.49/bbl on Friday, bucking a gradual uptrend that had seen Brent closed at \$63.27/bbl on Thursday. Heading into this week, the energy market's focus will heavily be on the OPEC+ meeting on Thursday. Despite most members signaling a reluctance to cut production, Iraq's oil minister said on Sunday that the bloc has planned to reduce output by a further 400k bpd. This is likely to heighten price volatility leading up to Thursday and the comment from Iraq is expected to drive prices up from last Friday's decline.

Key Market Movements

Equity	Value	% chg
S&P 500	3141.0	-0.4%
DJIA	28051	-0.4%
Nikkei 225	23294	-0.5%
SH Comp	2872.0	-0.6%
STI	3193.9	-0.2%
Hang Seng	26346	-2.0%
KLCI	1561.7	-1.4%
Currencies	Value	% chg
DXY	98.273	-0.1%
USDJPY	109.49	0.0%
EURUSD	1.1018	0.1%
GBPUSD	1.2925	0.1%
USIDR	14108	0.1%
USDSGD	1.3677	0.1%
SGDMYR	3.0560	0.0%
Rates	Value	chg (bp)
3M UST	1.57	-1.81
10Y UST	1.78	1.04
1Y SGS	1.68	-0.10
10Y SGS	1.74	-1.00
3M LIBOR	1.91	-0.69
3M SIBOR	1.77	-0.20
3M SOR	1.59	1.28
Commodities	Value	% chg
Brent	60.49	-4.4%
WTI	55.17	-5.1%
Gold	1464	0.5%
Silver	17.03	0.7%
Palladium	1842	0.2%
Copper	5864	-0.5%
BCOM	77.11	-1.6%

Source: Bloomberg

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Major Markets

US: US markets slid last Friday after traders came back from their Thanksgivings holidays on Thursday to price in downside risk of Chinese retaliation following Trump's signing of the HK bill late Wednesday last week. the S&P 500 index ended the session down 0.4%. Looking ahead, investors are likely to remain cautious following the Global Times' report that China is insisting on tariff rollbacks for the phase one deal. We could possibly see the S&P 500 index trading with a bearish bias today, with support seen at the 3100 handle.

Singapore: The STI slipped by 0.21% to close at 3193.92 on Friday and may trade a consolidative session bouncing around the 3200 handle amid mixed cues from Wall Street which was lower on Friday and Kospi which started on a firmer tone this morning. With the sell-off in longer-dated UST bonds at the month-end, the curve steepening bias may weigh on SGS bonds today.

Indonesia: Headline CPI inflation for the month of November is due out today. We expect it to print 3.1% yoy, in line with October's reading of 3.13% yoy. Core inflation is likely to be at 3.1%, a slight downtick from 3.2% of the previous month.

Malaysia: PM Mahathir Mohamad reportedly said that the country will seek ways to resolve Ringgit's depreciation. He was quoted by Bernama as saying that "everything that we buy has become more expensive" due to currency depreciation. The article does not mention further details on what measures he has in mind but relayed that the PM's comments were in response to findings of Emir Research, which noted that high cost of living is a major source of concern for Malaysians.

Bond Market Updates

Market Commentary: The SGD swap curve bull-steepened last Friday, with the shorter tenors around 0-2bps lower, and the belly and longer tenors around 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 512bps. The HY-IG Index spread widened 9bps to 387bps. 10Y UST Yields rose by 1bps to 1.78% on light trading amidst US President Trump signing the Hong Kong Human Rights and Democracy Act, potentially complicating the chance of a bilateral trade deal.

New Issues: Weifang Binhai Investment Development Co., Ltd priced a USD170mn 363-day bond at 5.8%, tightening from IPT of 6.0% area. REC Ltd scheduled investor meetings commencing 2 Dec for its potential USD bond issuance, with maturity of up to five years. Kunming Rail Transit Group Co., Ltd scheduled investor meetings commencing 2 Dec for its proposed USD bond issuance.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.273	-0.10%	USD-SGD	1.3677	0.13%
USD-JPY	109.490	-0.02%	EUR-SGD	1.5070	0.23%
EUR-USD	1.1018	0.08%	JPY-SGD	1.2490	0.14%
AUD-USD	0.6763	-0.10%	GBP-SGD	1.7687	0.29%
GBP-USD	1.2925	0.10%	AUD-SGD	0.9249	0.02%
USD-MYR	4.1778	0.11%	NZD-SGD	0.8784	0.21%
USD-CNY	7.0324	-0.04%	CHF-SGD	1.3675	-0.02%
USD-IDR	14108	0.11%	SGD-MYR	3.0560	0.05%
USD-VND	23197	-0.03%	SGD-CNY	5.1433	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4370	-0.50%	O/N	1.5425	--
2M	-0.3360	--	1M	1.6971	1.74%
3M	-0.4010	1.74%	2M	1.8399	0.11%
6M	-0.3430	0.11%	3M	1.9055	-0.69%
9M	-0.1940	-0.69%	6M	1.8969	-1.18%
12M	-0.2730	-1.18%	12M	1.9521	1.05%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	0.00%	5.50%	0.00%	0.00%	0.00%
01/29/2020	0.00%	13.60%	0.00%	0.00%	0.50%
03/18/2020	0.00%	24.40%	0.00%	0.10%	2.10%
04/29/2020	0.00%	36.10%	0.00%	0.40%	5.20%
06/10/2020	0.00%	46.10%	0.10%	1.10%	9.20%
07/29/2020	0.00%	53.80%	0.20%	2.30%	13.00%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.17	-5.1%	Corn (per bushel)	3.7125	2.3%
Brent (per barrel)	62.43	-2.3%	Soybean (per bushel)	8.768	-0.6%
Heating Oil (per gallon)	1.8789	-3.5%	Wheat (per bushel)	5.4750	3.6%
Gasoline (per gallon)	1.5970	-4.9%	Crude Palm Oil (MYR/MT)	2,620.0	-0.6%
Natural Gas (per MMBtu)	2.2810	-8.8%	Rubber (JPY/KG)	168.0	-1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,864	-0.5%	Gold (per oz)	1,464.0	0.5%
Nickel (per mt)	13,670	-2.4%	Silver (per oz)	17.030	0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	28,051.41	-112.59
S&P	3,140.98	-12.65
Nasdaq	8,665.47	-39.70
Nikkei 225	23,293.91	-115.23
STI	3,193.92	-6.69
KLCI	1,561.74	-22.03
JCI	6,011.83	58.77
Baltic Dry	1,528.00	61.00
VIX	12.62	0.87

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.52 (-0.01)	1.61 (-0.01)
5Y	1.62 (-)	1.63 (-)
10Y	1.74 (-0.01)	1.78 (+0.01)
15Y	1.85 (-0.01)	--
20Y	1.95 (-0.01)	--
30Y	2.09 (-)	2.21 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.84	-0.46
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.55
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/02/2019	ID CPI YoY	Nov 3.06%	--	3.13%	--
12/02/2019 07:00	SK CPI YoY	Nov 0.70%	0.20%	0.00%	--
12/02/2019 08:30	TA Markit Taiwan PMI Mfg	Nov --	--	49.8	--
12/02/2019 08:30	SK Markit South Korea PMI Mfg	Nov --	--	48.4	--
12/02/2019 08:30	ID Markit Indonesia PMI Mfg	Nov --	--	47.7	--
12/02/2019 08:30	VN Markit Vietnam PMI Mfg	Nov --	--	50	--
12/02/2019 08:30	JN Jibun Bank Japan PMI Mfg	Nov F --	--	48.6	--
12/02/2019 09:45	CH Caixin China PMI Mfg	Nov 51.5	--	51.7	--
12/02/2019 11:30	TH CPI YoY	Nov 0.30%	--	0.11%	--
12/02/2019 16:30	HK Retail Sales Value YoY	Oct -21.80%	--	-18.30%	--
12/02/2019 16:55	GE Markit/BME Germany Manufacturing PMI	Nov F 43.8	--	43.8	--
12/02/2019 17:00	EC Markit Eurozone Manufacturing PMI	Nov F 46.6	--	46.6	--
12/02/2019 17:30	UK Markit UK PMI Manufacturing SA	Nov F 48.3	--	48.3	--
12/02/2019 22:45	US Markit US Manufacturing PMI	Nov F 52.2	--	52.2	--
12/02/2019 23:00	US ISM Manufacturing	Nov 49.2	--	48.3	--

Source: Bloomberg

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