

## Daily Treasury Outlook

4 December 2019

### Highlights

**Global:** Risk aversion appears likely to extend for another session after US president Trump suggested that he had no deadline and may wait until after the 2020 election to close a trade deal with China and Commerce Secretary Ross hinted at moving ahead with the 15 December tariffs on China. Meanwhile, the US House has passed legislation in a 406-1 vote to sanction Chinese government officials responsible for the repression of Turkic Muslims. The S&P retreated another 0.6% overnight, while the UST bonds rallied to push the 10-year bond yield down to 1.71% (its largest one-day drop since 1 August) before closing at 1.72% and prompting the futures market to reconsider the prospect of another Fed rate cut in 2020.

**Market watch:** Asian markets are likely to jolt lower today amid the protracted trade war concerns. Bank of Canada's policy meeting due later today is unlikely to yield any changes to its 1.75% rate. Today's economic data calendar comprises the slew of services PMIs from China Caixin, US, Europe and India, as well as US' non-manufacturing ISM and ADP employment, and S'pore's COE premiums.

**Asia:** China's Caixin PMI edged higher from 51.7 to 51.8 while most of its Asian counterparts also generally improved with the exception of Thailand (49.3 versus 50 previously) and Philippines (51.4 versus 52.1).

**AU:** RBA kept its cash rate steady at 0.75% yesterday as widely expected and signalled it was reasonable to expect an extended period of low interest rates ahead, but also suggested it continues to monitor developments, including in the labor market.

**Singapore:** The manufacturing and electronics PMIs both improved by 0.2 and 0.4 points to 49.8 and 49.7 respectively in November, but remained shy of the key 50 threshold that separates the contraction and expansion territory. This may be the lingering concerns about the potential for further escalation of global trade tensions into 2020 and the still cautious macroeconomic outlook for 2020. The improvement is in line with the broad improvements seen earlier in the Asian manufacturing PMIs (with the exception of Thailand and Philippines), but as the US-China trade negotiations have been one step forward and one step back, the trajectory is not smooth sailing yet. It is possible that after the seasonal Christmas orders, we may see a bit of a slowdown again in 1Q20. The domestic manufacturing sector may see modest positive growth in 2020, but we do not expect a sharp V-sharp recovery at this juncture.

**Thailand:** The Bank of Thailand has called policies to curb the baht strength so far as "baby steps" and there are tools still in their arsenal to further curb the baht's appreciation. The central bank continues to reiterate that the baht strength is not commensurate with economic fundamentals.

Key Market Movements		
<b>Equity</b>	<b>Value</b>	<b>% chg</b>
S&P 500	3093.2	-0.7%
DJIA	27503	-1.0%
Nikkei 225	23380	-0.6%
SH Comp	2884.7	0.3%
STI	3173.1	-0.5%
Hang Seng	26391	-0.2%
KLCI	1562.3	-0.5%
<b>Currencies</b>	<b>Value</b>	<b>% chg</b>
DXY	97.737	-0.1%
USDJPY	108.63	-0.3%
EURUSD	1.1082	0.0%
GBPUSD	1.2995	0.4%
USDIDR	14115	-0.1%
USDSGD	1.3644	-0.1%
SGDMYR	3.0599	0.2%
<b>Rates</b>	<b>Value</b>	<b>chg (bp)</b>
3M UST	1.56	0.97
10Y UST	1.72	-10.32
1Y SGS	1.69	1.00
10Y SGS	1.77	0.08
3M LIBOR	1.90	-0.54
3M SIBOR	1.77	0.06
3M SOR	1.54	0.08
<b>Commodities</b>	<b>Value</b>	<b>% chg</b>
Brent	60.82	-0.2%
WTI	56.1	0.3%
Gold	1478	1.0%
Silver	17.17	1.5%
Palladium	1858	0.3%
Copper	5815	-1.2%
BCOM	77.34	0.3%

Source: Bloomberg

## Daily Treasury Outlook

4 December 2019

### Major Markets

**US:** Markets fell for a 3<sup>rd</sup> day last night following a resurfacing of trade tensions after Trump pushed back the trade deal timeline expectations and Commerce Secretary Ross said the Dec 15 tariffs will go ahead if there are no breakthrough trade talks in the next 2 weeks. The S&P500 closed down 0.7%. Markets are likely to trade heavy in the coming session if no reconciliation is forthcoming between the US and China. While the S&P 500 index remains supported around the 3100 handle, a clear breakout on the downside may see it targeting the 3020 handle next.

**Singapore:** The STI retreated by 0.47% to close at 3173.08 yesterday and may consolidate lower again today amid weak overnight cues from Wall Street and morning slippage by Nikkei and Kospi. STI support and resistance are tipped at 3160 and 3280 respectively. With the flight to quality contributing to the 6-10bps decline in UST bond yields, led by the belly of the curve, the SGS market which traded in a narrow range yesterday may see a better bid tone today.

**Indonesia:** Up to 50% increase in salaries? At this day and age that might sound too good to be true, but not so impossible according to Michael Page. Going by a survey by the recruitment firm, Indonesians who work in the digital and technology sectors, particularly in the fintech space, who switch jobs might enjoy a 15%-50% increase in salaries in 2020. According to the report, there have been more job opportunities and salary increases in the future due to the growth of the digital wallet industry in particular.

**Malaysia:** Former PM Najib Razak testified in a court hearing on 1MDB yesterday, reading out a sworn statement which says that he acted in the best interests of the country and consulted widely with the cabinet and advisers as well as 1MDB executives in the transactions. Meanwhile, his lawyer said that Najib was not aware in fund transfers, and was misled by other people involved, including Jho Low.

**South Korea:** A report from Yonhap news agency says that the number of 5G users in the country has surpassed 4 million subscribers and is set to breach the 5 million mark before the end of 2019.

**Hong Kong:** Property price index dropped for the fourth straight month by 0.7% yoy in October. Housing transaction volume reversed the downtrend and rebounded by 118% yoy to 5756 deals sharply in November. The strong rebound in housing transaction might be supported by government's relaxation of mortgage rules for first-time buyers. The easing rules have helped unleashed some pent-up demand especially from the middle-class households who have decent income but insufficient down payment. Moving forward, the long-term outlook of housing market would depend on the outlook of economy, labor market and housing/land supply. Overall speaking, we expect that the downside of housing market is likely to be capped. On the one hand, affected by uncertain economic outlook and rising concerns over retrenchment, investors might be more conservative to make purchase decision. On the other hand, should imbalance between long-term supply and demand persist, we still believe that any housing market correction will be well contained.

## Daily Treasury Outlook

4 December 2019

### Bond Market Updates

**Market Commentary:** The SGD swap curve traded lower across the curve yesterday, with all tenors around 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 128bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 24bps to 532bps. The HY-IG Index spread widened 22bps to 405bps. 10Y UST Yields fell 10bps to close at 1.72%, after US President Donald Trump said he has no deadline to sign a trade deal with China, suggesting to wait until after the US Presidential elections to make the deal. President Trump also announced plans to impose tariffs on French imports.

**New Issues:** Bocom Leasing Management Hong Kong Company Limited (Keepwell and Asset Purchase Deed Provider: Bank of Communications Financial Leasing Co., Ltd) priced a USD600mn 5-year FRN at 3m-US LIBOR+107.5bps, tightening from IPT of 3m-US LIBOR+140bps area. China Huaneng Group (Hong Kong) Treasury Management Holding Limited (Guarantor: China Huaneng Group Co., Ltd) priced a USD400mn 3-year bond at T+88bps (tightening from IPT of T+120bps area); a USD500mn 5-year bond at T+103bps (tightening from IPT of T+130bps area); and a USD600mn 10-year bond at T+125bps (tightening from IPT of T+155bps area). China Resources Land Limited priced a USD1.05bp NC5-Perpetual bond at 3.75%, tightening from IPT of 4.125% area. Ronshine China Holdings Limited priced a USD324mn 3.5NC2 bond at 8.1%, tightening from IPT of 8.55% area.

## Daily Treasury Outlook

4 December 2019

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.737	-0.12%	<b>USD-SGD</b>	1.3644	-0.12%
<b>USD-JPY</b>	108.630	-0.32%	<b>EUR-SGD</b>	1.5120	-0.12%
<b>EUR-USD</b>	1.1082	0.03%	<b>JPY-SGD</b>	1.2560	0.17%
<b>AUD-USD</b>	0.6847	0.41%	<b>GBP-SGD</b>	1.7728	0.29%
<b>GBP-USD</b>	1.2995	0.43%	<b>AUD-SGD</b>	0.9346	0.32%
<b>USD-MYR</b>	4.1750	-0.10%	<b>NZD-SGD</b>	0.8896	0.14%
<b>USD-CNY</b>	7.0613	0.31%	<b>CHF-SGD</b>	1.3821	0.25%
<b>USD-IDR</b>	14115	-0.07%	<b>SGD-MYR</b>	3.0599	0.17%
<b>USD-VND</b>	23177	0.02%	<b>SGD-CNY</b>	5.1730	0.40%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	27,502.81	-280.23
<b>S&amp;P</b>	3,093.20	-20.67
<b>Nasdaq</b>	8,520.64	-47.34
<b>Nikkei 225</b>	23,379.81	-149.69
<b>STI</b>	3,173.08	-14.89
<b>KLCI</b>	1,562.27	-8.28
<b>JCI</b>	6,133.90	3.84
<b>Baltic Dry</b>	1,568.00	--
<b>VIX</b>	15.96	1.05

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.4390	0.30%	<b>O/N</b>	1.5406	-0.19%
<b>2M</b>	-0.3360	-0.19%	<b>1M</b>	1.6938	-0.34%
<b>3M</b>	-0.4000	-0.34%	<b>2M</b>	1.8339	-0.60%
<b>6M</b>	-0.3450	-0.60%	<b>3M</b>	1.9001	-0.54%
<b>9M</b>	-0.1940	-0.54%	<b>6M</b>	1.9061	0.93%
<b>12M</b>	-0.2700	0.93%	<b>12M</b>	1.9625	1.04%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.54 (+0.01)	1.54 (-0.06)
<b>5Y</b>	1.64 (--)	1.54 (-0.1)
<b>10Y</b>	1.77 (--)	1.72 (-0.1)
<b>15Y</b>	1.86 (--)	--
<b>20Y</b>	1.96 (-0.01)	--
<b>30Y</b>	2.10 (--)	2.16 (-0.1)

### 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%	2.30%	0.00%	0.00%	2.30%
01/29/2020	0.00%	12.70%	0.00%	0.20%	12.50%
03/18/2020	0.00%	27.90%	0.00%	2.40%	25.50%
04/29/2020	0.00%	42.00%	0.50%	6.90%	34.60%
06/10/2020	0.00%	55.70%	2.00%	13.40%	40.10%
07/29/2020	0.00%	63.40%	4.00%	18.10%	40.90%

### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.92	0.05
<b>TED</b>	35.36	--

### Secured Overnight Fin. Rate

<b>SOFR</b>	1.63
-------------	------

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.10	0.3%	Corn (per bushel)	3.7200	-0.4%
Brent (per barrel)	60.82	-0.2%	Soybean (per bushel)	8.710	0.1%
Heating Oil (per gallon)	1.8799	-0.3%	Wheat (per bushel)	5.3050	-2.3%
Gasoline (per gallon)	1.5629	-0.7%	Crude Palm Oil (MYR/MT)	2,646.0	0.6%
Natural Gas (per MMBtu)	2.4410	4.8%	Rubber (JPY/KG)	169.0	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,815	-1.2%	Gold (per oz)	1,477.6	1.0%
Nickel (per mt)	13,375	-2.5%	Silver (per oz)	17.173	1.5%

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

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/04/2019 05:00	SK	Foreign Reserves	Nov	--	\$407.46b	\$406.32b	--
12/04/2019 08:00	NZ	ANZ Commodity Price	Nov	--	--	1.20%	--
12/04/2019 08:30	AU	GDP SA QoQ	3Q	0.50%	--	0.50%	--
12/04/2019 08:30	AU	GDP YoY	3Q	1.70%	--	1.40%	--
12/04/2019 08:30	HK	Markit Hong Kong PMI	Nov	--	--	39.3	--
12/04/2019 08:30	JN	Jibun Bank Japan PMI Services	Nov F	--	--	50.4	--
12/04/2019 09:45	CH	Caixin China PMI Services	Nov	51.2	--	51.1	--
12/04/2019 16:55	GE	Markit Germany Services PMI	Nov F	51.3	--	51.3	--
12/04/2019 17:00	EC	Markit Eurozone Services PMI	Nov F	51.5	--	51.5	--
12/04/2019 17:30	UK	Markit/CIPS UK Services PMI	Nov F	48.6	--	48.6	--
12/04/2019 20:00	US	MBA Mortgage Applications	Nov-29	--	--	1.50%	--
12/04/2019 21:15	US	ADP Employment Change	Nov	135k	--	125k	--
12/04/2019 22:45	US	Markit US Services PMI	Nov F	51.6	--	51.6	--
12/04/2019 23:00	CA	Bank of Canada Rate Decision	Dec-04	1.75%	--	1.75%	--
12/04/2019 23:00	US	ISM Non-Manufacturing Index	Nov	54.5	--	54.7	--

Source: Bloomberg

---

## Treasury Research & Strategy

---

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)**Howie Lee***Thailand, Korea & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)**Dick Yu***Hong Kong & Macau*[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Seow Zhi Qi***Credit Research Analyst*[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).