

Daily Treasury Outlook

6 December 2019

Highlights

Global: OPEC+ is reportedly coming close to a deal on cutting oil output, with a quota adjustment of 500k barrels per day agreed in principle, according to Bloomberg. Oil prices did not move much, however, with market seeing the magnitude of the cuts as largely symbolic, given that the amount reflects the supply reduction that the group has already been making throughout the year, rather than any net new marginal cut. Meanwhile, US reported trade numbers which showed that its imports from China declined by 14.4% this year, with an bilateral deficit in goods with China down to a seven-month low of USD27.8bn in seasonally adjusted terms – indicating the impact that rounds of tariffs have done to the flow of goods between the two countries, with no concrete progress on negotiations. A report from WSJ suggests that the two sides are still wrangling over the size of Chinese agricultural goods purchases, with Trump touting USD40-50bn, but without a similar pronouncement from China.

Market watch: For the day ahead, market will be on the lookout for November's nonfarm payrolls figure from US tonight, with expectation of 183k, an uptick from 128k the month before. There are expectations that the resolution of the GM strike should help to boost the payroll numbers, by 46k. Elsewhere, average hourly earnings is deemed to pick up slightly to 0.3% mom, compared to 0.2% before. If that pans out, market will see it as a welcomed sign of strength in the US economy, particularly when it comes to the all-important consumption.

Indonesia: SOE Minister Erick Thohir has decided to fire Ashkara Danadiputra, CEO of Garuda, the state-owned airline. This comes after news that customs officials found undeclared packages in a brand-new Airbus plane that was delivered from Toulouse for Garuda. Among the packages are more than a dozen boxes of Harley Davidson motor parts and 3 boxes of Brompton folding bicycles.

Malaysia: A truce appears to have settled within the PKR, an important constituent party of the ruling Pakatan Harapan coalition, between two rival camps. There were some prior concerns that a parallel and separate conference would be held by supporters of Economics Minister Azmin Ali, who is the deputy party president, will be held when the camp supporting party president Anwar Ibrahim is scheduled to take place in Melaka. The two sides are now expected to come together in a single conference, signaling an internal truce.

Key Market Movements		
Equity	Value	% chg
S&P 500	3117.4	0.2%
DJIA	27678	0.1%
Nikkei 225	23300	0.7%
SH Comp	2899.5	0.7%
STI	3174.2	0.5%
Hang Seng	26217	0.6%
KLCI	1563.6	0.2%
Currencies	Value	% chg
DXY	97.410	-0.2%
USDJPY	108.76	-0.1%
EURUSD	1.1104	0.2%
GBPUSD	1.3157	0.4%
USDIDR	14070	-0.2%
USDSGD	1.3607	-0.2%
SGDMYR	3.0634	0.1%
Rates	Value	chg (bp)
3M UST	1.53	-1.03
10Y UST	1.81	3.63
1Y SGS	1.69	-0.10
10Y SGS	1.76	1.81
3M LIBOR	1.89	-0.44
3M SIBOR	1.77	0.00
3M SOR	1.52	0.00
Commodities	Value	% chg
Brent	63.39	0.6%
WTI	58.43	0.0%
Gold	1476	0.1%
Silver	16.97	0.7%
Palladium	1875	0.3%
Copper	5888	0.1%
BCOM	78.11	0.3%

Source: Bloomberg

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6 December 2019

Major Markets

US: Markets were little changed last night as mixed signals about the trade deal emerged. Although Trump said that trade negotiations were “moving along well”, the WSJ reported that the US and China are in disagreement over the amount of agricultural purchase. The S&P500 index was up 0.2%. Tonight’s US nonfarm payrolls will be one of the key focus of the markets, where a weak print is likely to spur increased bets of more rate cuts by the Fed in 2020. Aside from the NFP release, we expect investors to remain on the sidelines until there are concrete news of a trade deal happening before 15 Dec, which will likely set up a jittery week ahead.

Oil: OPEC+ is reportedly mulling a 500k bpd reduction in production, although that would appear to be a formalization of existing production levels. OPEC is already under-producing by 700k bpd, with Saudi Arabia contributing most to the extra below-quota production cuts. A 500k bpd reduction in the supply baseline would, in effect, be an endorsement of current supply levels, with the potential of production inching higher further from here. The proposal is, at time of writing, currently discussed by the broader OPEC+ group, with allocation of quota and extra cuts proving to be tricky. Separately, it is understood that the cuts would only last the first quarter of 2020, which is probably too short a time span for the market to feel any shortfall in the market. Also, it must be noted that members took approximately 1-4 months to comply with their 2019 cuts, so a three-month supply curb is unlikely to motivate participating members to make that adjustment lasting only a quarter. Overall, we feel that the OPEC+ decision is unlikely to move markets higher fundamentally and any rally might prove temporary.

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6 December 2019

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors around 0-1bps higher, and the belly and longer tenors around 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 126bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 531bps. The HY-IG Index spread widened 3bps to 405bps. 10Y UST Yields rose 4bps to close at 1.81%, after US President Donald Trump said that they're "having very good discussions with China", and stronger than expected US economic data helped boost risk sentiment.

New Issues: SD International Sukuk II Ltd (Guarantor: Serba Dinamik Holdings Berhad) priced a USD200mn 5.25NC3 sukuk bond at 7.0%, in line with IPT. New Metro Global Limited (Parent Guarantor: Seazen Holdings Co., Ltd) priced a USD350mn 2-year bond at 7.9%, tightening from IPT of 8.25% area. REC Limited priced a USD500mn 5-year bond at T+192.5bps, tightening from IPT of T+220bps area. Kunming Rail Transit Group Co., Ltd priced a USD300mn 3-year bond at 3.5% (tightening from IPT of 4.1% area), and a USD200mn 5-year bond at 3.9% (tightening from IPT of 4.35% area). China South City Holdings Limited (Guarantors: Certain Restricted Subsidiaries incorporated outside of the PRC) priced a USD150mn 2-year and 2-month bond at 97.396 to yield 11.8%, tightening from IPT of 13.0% area. Guofa Overseas Investment Company Limited (Guarantor: Jiangsu Jintan Guofa International Investment Development Co., Ltd) priced a USD100mn 3-year bond at 7.0%, in line with IPG. HBIS Group Co., Ltd scheduled investor meetings commencing 6 Dec for its proposed USD bond issuance. Lalitpur Power Generation Co., mandated banks for its proposed USD bond issuance.

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6 December 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.410	-0.24%	USD-SGD	1.3607	-0.19%
USD-JPY	108.760	-0.09%	EUR-SGD	1.5107	0.03%
EUR-USD	1.1104	0.23%	JPY-SGD	1.2508	-0.12%
AUD-USD	0.6834	-0.22%	GBP-SGD	1.7903	0.21%
GBP-USD	1.3157	0.40%	AUD-SGD	0.9296	-0.49%
USD-MYR	4.1685	-0.17%	NZD-SGD	0.8905	0.06%
USD-CNY	7.0448	-0.07%	CHF-SGD	1.3781	-0.06%
USD-IDR	14070	-0.25%	SGD-MYR	3.0634	0.05%
USD-VND	23170	--	SGD-CNY	5.1737	-0.02%

Equity and Commodity

Index	Value	Net change
DJIA	27,677.79	28.01
S&P	3,117.43	4.67
Nasdaq	8,570.70	4.03
Nikkei 225	23,300.09	164.86
STI	3,174.19	14.40
KLCI	1,563.58	2.65
JCI	6,152.12	39.24
Baltic Dry	1,599.00	--
VIX	14.52	-0.28

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4500	-0.40%	O/N	1.5295	-0.90%
2M	-0.3360	-0.90%	1M	1.7131	0.95%
3M	-0.3930	0.95%	2M	1.8250	-1.06%
6M	-0.3350	-1.06%	3M	1.8871	-0.44%
9M	-0.1940	-0.44%	6M	1.8875	-0.79%
12M	-0.2670	-0.79%	12M	1.9170	-1.96%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.54 (+0.01)	1.59 (+0.02)
5Y	1.62 (+0.01)	1.63 (+0.03)
10Y	1.76 (+0.02)	1.81 (+0.04)
15Y	1.85 (+0.02)	--
20Y	1.95 (+0.01)	--
30Y	2.10 (+0.03)	2.26 (+0.03)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	3.70%	0.00%	0.00%	0.00%	0.00%
01/29/2020	3.30%	12.30%	0.00%	0.00%	12.30%
03/18/2020	2.60%	28.70%	0.00%	2.40%	26.30%
04/29/2020	2.30%	36.70%	0.30%	5.20%	31.20%
06/10/2020	1.90%	47.60%	1.20%	9.80%	36.50%
07/29/2020	1.60%	54.70%	2.40%	13.60%	38.50%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.80	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.54
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.43	--	Corn (per bushel)	3.6550	-0.9%
Brent (per barrel)	63.39	0.6%	Soybean (per bushel)	8.843	0.7%
Heating Oil (per gallon)	1.9330	0.5%	Wheat (per bushel)	5.3200	-0.6%
Gasoline (per gallon)	1.6211	1.1%	Crude Palm Oil (MYR/MT)	2,715.0	1.6%
Natural Gas (per MMBtu)	2.4270	1.2%	Rubber (JPY/KG)	173.6	3.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,888	0.1%	Gold (per oz)	1,476.0	0.1%
Nickel (per mt)	13,275	1.2%	Silver (per oz)	16.967	0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/06/2019 07:30	PH	Foreign Reserves	Nov	--	--	\$85.7b	--
12/06/2019 09:00	HK	Foreign Reserves	Nov	--	--	\$440.6b	--
12/06/2019 11:00	JN	Labor Cash Earnings YoY	Oct	0.20%	0.50%	0.80%	--
12/06/2019 11:00	ID	Foreign Reserves	Nov	--	--	\$126.70b	--
12/06/2019 13:30	VN	Domestic Vehicle Sales YoY	Nov	--	--	-2.70%	--
12/06/2019 15:00	AU	Foreign Reserves	Nov	--	--	A\$67.9b	--
12/06/2019 15:00	GE	Industrial Production SA MoM	Oct	0.10%	--	-0.60%	--
12/06/2019 15:30	MA	Foreign Reserves	Nov-29	--	--	\$103.2b	--
12/06/2019 16:00	TH	Foreign Reserves	Nov-29	--	--	\$222.2b	--
12/06/2019 21:30	US	Change in Nonfarm Payrolls	Nov	183k	--	128k	--
12/06/2019 21:30	US	Unemployment Rate	Nov	3.60%	--	3.60%	--
12/06/2019 21:30	US	Change in Manufact. Payrolls	Nov	40k	--	-36k	--
12/06/2019 21:30	SZ	Foreign Currency Reserves	Nov	--	--	779.1b	--
12/06/2019 23:00	US	U. of Mich. Sentiment	Dec P	97	--	96.8	--
12/06/2019 23:00	US	Wholesale Inventories MoM	Oct F	0.20%	--	0.20%	--

Source: Bloomberg

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