

Daily Treasury Outlook

11 December 2019

Highlights

Global: Reports from WSJ and Bloomberg suggest that US and China are gearing up for a delay in the 15% tariffs on around USD160bn worth of Chinese imports that are scheduled to come into place on Dec 15th. The WSJ article notes that both sides are haggling over China's commitment on purchases of US agricultural goods, while the Bloomberg piece suggests that the focus of the talks is on reduction of the rate of existing tariffs, rather than the removal of these tariffs altogether. A firm commitment to a delay in the upcoming tariffs is seen as buying more time for the negotiations to continue, and would also remove one of the key risk events facing the market into year-end.

Meanwhile, US House Democrats are gearing up for an impeachment vote against Trump. Two separate articles of impeachment have been prepared. One on his alleged abuse of power, while another is on obstruction of justice. There is no firm timeline on the vote yet, but it is likely to be done before the House goes on year-end recess on December 20th. Given that the House is under the Democrats' control, it is likely to gather enough votes for an impeachment. However, the Republican-controlled Senate is very unlikely to vote to convict Trump and kick him out from the White House. The Senate is expected to start the impeachment trials towards the middle of January next year.

Market watch: For the day ahead, data is staying light, hence market will continue to watch out for trade talks headlines and upcoming UK election. News that Boris Johnson's lead against his rivals is narrowing would remind market that a Tory majority is not guaranteed.

China: China reported a rebound in credit growth in November, with aggregate financing of CNY1.75tn in November, compared to CNY619bn in October. A rise in corporate bond issuance and increase in bank lending have driven the pick-up. Meanwhile, November's headline CPI inflation came in at 4.5% yoy, higher than the 4.3% market expected and 3.8% of the prior month. The uptick was mainly driven by food prices, which surged 19.1%yoy compared to 10-15% of the prior three months.

Indonesia: Bank Indonesia's Deputy Governor Dody Budi Waluyo expects 2019 current account deficit to be around 2.7% of GDP, staying contained enough to help Rupiah's stability. For the coming year, BI expects the current account gap to widen but to stay less than 3% of GDP. He reiterated that BI's policy rate cut will be done carefully and based on incoming data, noting that BI is weighing additional macroprudential policy loosening to support SMEs in particular.

Malaysia: PM Mahathir Mohamad reportedly said that he would not hand over power before APEC summit in 2020, saying that a change immediately before that would be too disruptive. Malaysia is scheduled to play host to APEC countries in November next year. When asked if that means the handover could come in December 2020, he told the Star that, "We'll look at that when the time comes".

Key Market Movements

Equity	Value	% chg
S&P 500	3132.5	-0.1%
DJIA	27882	-0.1%
Nikkei 225	23410	-0.1%
SH Comp	2917.3	0.1%
STI	3162.9	-0.5%
Hang Seng	26437	-0.2%
KLCI	1561.8	-0.1%
Currencies	Value	% chg
DXY	97.413	-0.2%
USDJPY	108.72	0.1%
EURUSD	1.1092	0.3%
GBPUSD	1.3156	0.1%
USIDR	14020	0.0%
USDSGD	1.3584	-0.1%
SGDMYR	3.0605	0.1%
Rates	Value	chg (bp)
3M UST	1.54	0.81
10Y UST	1.84	2.26
1Y SGS	1.72	3.00
10Y SGS	1.75	-1.33
3M LIBOR	1.89	-0.21
3M SIBOR	1.77	0.00
3M SOR	1.51	1.52
Commodities	Value	% chg
Brent	64.34	0.1%
WTI	59.24	0.4%
Gold	1464	0.2%
Silver	16.67	0.4%
Palladium	1899	0.9%
Copper	6075	0.0%
BCOM	78.52	0.5%

Source: Bloomberg

Daily Treasury Outlook

11 December 2019

Major Markets

US: Markets fell slightly last night as investors continue to remain on the sidelines while uncertainty surrounding the trade deal persists. The S&P500 index slipped 0.1%. Conflicting news on the trade deal emerged last night as Kudlow said no decision has been reached on the Dec 15 deadline although Bloomberg reported that Chinese officials believe the tariffs will be delayed. Looking ahead, we maintain our view that the markets will trade sideways as the tariffs' deadline approaches and any news on the trade deal will lead to volatility in the markets. Support for the S&P500 remains at the 3100 handle.

Singapore: The STI fell a further 0.5% yesterday to mark a second day of declines in the benchmark equity index. Uncertainty on the US-China trade front is likely to continue weighing on the STI today and we expect support at the 3100 level in the near term.

Thailand: The Bank of Thailand is looking to help credit card debtors with good credit history refinance their loans. The programme seeks to lower the debtors' interest rates from 18-28% to 7-12%. Discussions are still ongoing, with guidelines yet to be fully defined and yet to reviewed by the relevant committee within the central bank.

Philippines: October exports rose 0.1% yoy while imports sank -10.8%, alleviating the country's current account deficit. The trade deficit in October fell to \$3.25bn, smaller than expectations of \$3.6bn.

Oil: Brent prices were little changed, rising 0.1% to close at \$64.34/bbl. The market is likely waiting for the development on the trade front, where it is still uncertain if the 15 December tariffs on China's goods will be enacted. Additional considerations are the UK elections due tomorrow and the Fed and ECB meetings on Thursday, which suggest that the oil market would likely practise caution through this week.

Bond Market Updates

Market Commentary: The SGD swap curve flattened yesterday, with the shorter tenors traded 0-2bps higher, while the belly and longer tenors traded 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 125bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 542bps. The HY-IG Index spread widened 2bps to 417bps. 10Y UST Yields rose 2bps to close at 1.84% amid optimism that the impending US tariffs on Chinese goods could be delayed, though partially offset by White House economic advisor Larry Kudlow's comments that no decision has been reached yet.

New Issues: Wynn Macau Ltd priced a USD1.0bn 10NC5 bond at 5.125%, tightening from IPT of 5.375% area. Shangrao Investment Holdings International Co., Ltd (Guarantor: Shangrao Investment Holding Group Co., Ltd) priced a USD200mn 3-year bond at 3.98%, tightening from IPT of 4.25% area. Kunming Industrial Development & Investment Co., Ltd scheduled investor meetings commencing 11 Dec for its proposed USD bond issuance.

Daily Treasury Outlook

11 December 2019

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.413	-0.24%	USD-SGD	1.3584	-0.07%
USD-JPY	108.720	0.15%	EUR-SGD	1.5068	0.18%
EUR-USD	1.1092	0.25%	JPY-SGD	1.2494	-0.23%
AUD-USD	0.6809	-0.21%	GBP-SGD	1.7871	--
GBP-USD	1.3156	0.07%	AUD-SGD	0.9250	-0.26%
USD-MYR	4.1642	0.10%	NZD-SGD	0.8891	-0.10%
USD-CNY	7.0342	-0.07%	CHF-SGD	1.3800	0.27%
USD-IDR	14020	0.04%	SGD-MYR	3.0605	0.06%
USD-VND	23170	--	SGD-CNY	5.1750	-0.05%

Equity and Commodity

Index	Value	Net change
DJIA	27,881.72	-27.88
S&P	3,132.52	-3.44
Nasdaq	8,616.18	-5.64
Nikkei 225	23,410.19	-20.51
STI	3,162.89	-16.93
KLCI	1,561.79	-0.92
JCI	6,183.51	-10.29
Baltic Dry	1,551.00	--
VIX	15.68	-0.18

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4510	-0.80%	O/N	1.5366	0.75%
2M	-0.3360	0.75%	1M	1.7176	0.25%
3M	-0.3920	0.25%	2M	1.8205	-0.12%
6M	-0.3320	-0.12%	3M	1.8884	-0.21%
9M	-0.1940	-0.21%	6M	1.8801	-0.66%
12M	-0.2770	-0.66%	12M	1.9353	1.21%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.55 (--)	1.65 (+0.04)
5Y	1.61 (-0.01)	1.69 (+0.03)
10Y	1.75 (-0.01)	1.84 (+0.02)
15Y	1.83 (-0.02)	--
20Y	1.92 (-0.03)	--
30Y	2.07 (-0.02)	2.26 (+0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
12/11/2019	0.10%	0.00%	0.00%	0.00%	0.00%
01/29/2020	0.10%	8.50%	0.00%	0.00%	8.50%
03/18/2020	0.10%	19.10%	0.00%	1.00%	18.10%
04/29/2020	0.10%	30.00%	0.10%	3.30%	26.50%
06/10/2020	0.10%	40.40%	0.60%	6.80%	33.00%
07/29/2020	0.10%	47.00%	1.30%	9.70%	35.90%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.82	-0.08
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.56
-------------	------

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.24	0.4%	Corn (per bushel)	3.6325	-0.7%
Brent (per barrel)	64.34	0.1%	Soybean (per bushel)	9.013	0.4%
Heating Oil (per gallon)	1.9655	1.1%	Wheat (per bushel)	5.3475	0.5%
Gasoline (per gallon)	1.6525	-0.1%	Crude Palm Oil (MYR/MT)	2,820.0	0.6%
Natural Gas (per MMBtu)	2.2640	1.4%	Rubber (JPY/KG)	176.7	0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,100	0.4%	Gold (per oz)	1,464.4	0.2%
Nickel (per mt)	13,405	0.5%	Silver (per oz)	16.665	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/11/2019 07:00	SK	Unemployment rate SA	Nov	3.50%	3.60%	3.50%	--
12/11/2019 07:30	AU	Westpac Consumer Conf SA MoM	Dec	--	-1.90%	4.50%	--
12/11/2019 07:30	AU	Westpac Consumer Conf Index	Dec	--	95.1	97	--
12/11/2019 07:50	JN	PPI YoY	Nov	0.00%	0.10%	-0.40%	--
12/11/2019 07:50	JN	PPI MoM	Nov	0.10%	0.20%	1.10%	--
12/11/2019 07:50	JN	BSI Large All Industry QoQ	4Q	--	-6.2	1.1	--
12/11/2019 07:50	JN	BSI Large Manufacturing QoQ	4Q	--	-7.8	-0.2	--
12/11/2019 11:00	SK	Money Supply M2 SA MoM	Oct	--	--	0.70%	--
12/11/2019 20:00	US	MBA Mortgage Applications	Dec-06	--	--	-9.20%	--
12/11/2019 21:30	US	CPI MoM	Nov	0.20%	--	0.40%	--
12/11/2019 21:30	US	CPI Ex Food and Energy MoM	Nov	0.20%	--	0.20%	--
12/11/2019 21:30	US	CPI YoY	Nov	2.00%	--	1.80%	--
12/11/2019 21:30	US	CPI Ex Food and Energy YoY	Nov	2.30%	--	2.30%	--
12/11/2019 21:30	US	CPI Core Index SA	Nov	265.476	--	265.011	--
12/11/2019 21:30	US	CPI Index NSA	Nov	257.213	--	257.346	--

Source: Bloomberg

Treasury Research & Strategy

Macro Research

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

Credit Research

Andrew Wong*Credit Research Analyst*WongVKAM@ocbc.com**Ezien Hoo***Credit Research Analyst*EzienHoo@ocbc.com**Wong Hong Wei***Credit Research Analyst*WongHongWei@ocbc.com**Seow Zhi Qi***Credit Research Analyst*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).