

## Daily Treasury Outlook

28 November 2019

### Highlights

**Global:** Trump signed it. The HK Human Rights bill that has been passed by both the House and Senate landed on the US president's lap last week, and there was some anticipation about whether Trump will sign it into law or not, given the opposition from China and impact on the protracted "Phase 1" trade negotiations between the two countries. In the end, Trump did not seem to have much choice. If he had vetoed it, his decision would likely to be overridden by the Congress anyway, given that just 2/3 of votes are needed and the bill already garnered near-unanimous support before. In terms of substance, the law requires annual review of HK's special autonomous status for preferential trade treatments by the US. It would also allow for sanctions against individuals deemed responsible for undermining that autonomy and for human rights abuses. However, the symbolism of it may matter more, given what is likely to be perceived as an overt interference in China's internal affairs by the US. Therefore, all eyes will be on just what kind of responses China would muster, and whether it would derail the trade negotiations.

**Market watch:** Asian markets may trade softer today, following Trump's signing of the HK bill. The days ahead will be light on US data, given the Thanksgiving holiday, but market will have ISM Manufacturing in mind when they come back on Monday.

**US:** Q3 GDP data was revised up from 1.9% saar to 2.1%, on the back of higher inventories build-up. While that is a net positive news, it is slightly overshadowed by the fact that corporate profits weakened in the same period to 0.2% versus 3.8% in Q2. Still, the overall supportive tone from the data can also be seen from the October durable goods orders print, which picked up by 0.6% against expectation of a contraction of 0.8%. Stripped of defense and aircraft, which is a better proxy for business investment, the data also shows a fairly strong increase of 1.2% compared to 0.2% the month before.

**China:** China's industrial profit missed the expectation falling by 9.9% yoy in October. The decline of industrial profit was mainly the result of weak performance in commodity sectors, led by ferrous metal, crude oil, coal refinery and chemical manufacturing, which dragged down the profit growth by about 7%. Profit from car manufacturers fell by 14.7% year to date but improving from the contraction of 16.6% in the first three quarters. We expect China's car sector to bottom out, which may provide support to consumption. On the positive note, the profit for high-tech industries remained resilient. Profit growth for computer, communication and electronic equipment industry improved to 6% while profit growth for machinery equipment improved to 15%. We don't think the weak industrial profit argues for more imminent policy support as the underlying structure has improved. For today, market will watch out for China's reaction to the US Hong Kong bill. China's Commerce Ministry's press conference in the afternoon may offer the first clue.

### Key Market Movements

Equity	Value	% chg
S&P 500	3153.6	0.4%
DJIA	28164	0.2%
Nikkei 225	23438	0.3%
SH Comp	2903.2	-0.1%
STI	3215.5	0.2%
Hang Seng	26954	0.1%
KLCI	1587.2	0.2%
Currencies	Value	% chg
DXY	98.370	0.1%
USDJPY	109.54	0.4%
EURUSD	1.0999	-0.2%
GBPUSD	1.2921	0.4%
USIDR	14095	0.0%
USDSGD	1.3652	0.1%
SGDMYR	3.0546	-0.3%
Rates	Value	chg (bp)
3M UST	1.59	0.75
10Y UST	1.77	2.40
1Y SGS	1.68	-0.10
10Y SGS	1.75	0.61
3M LIBOR	1.91	-1.00
3M SIBOR	1.77	-0.08
3M SOR	1.54	-0.17
Commodities	Value	% chg
Brent	64.06	-0.3%
WTI	58.11	-0.5%
Gold	1454	-0.5%
Silver	16.96	-0.7%
Palladium	1835	1.4%
Copper	5945	0.4%
BCOM	78.34	-0.4%

Source: Bloomberg

## Daily Treasury Outlook

28 November 2019

### Major Markets

**US:** US markets continued its rally last night after economic data continued to show US resilience. The S&P 500 index closed the session up 0.4%. Looking ahead, we expect see some retracement from the risk assets after Trump signed the HK bill, and investors are likely to be cautious as they wait to see China's reaction. We put the initial support for the S&P 500 index at the 3100 handle.

**UK:** A YouGov poll which closely predicted the 2017 election which saw Theresa May lose her majority, is now showing that Boris Johnson's Tories are on track to win a substantial majority in the upcoming elections. If this prediction comes to pass, Johnson will then be able to deliver on his promise of leaving the EU by 31 Jan 2020.

**Indonesia:** The government is planning to stop gas supply to Singapore in 2023, to reroute the supply to meet domestic demand and in view of declining supply. According to Kompas, the stock of Indonesian gas reserves is due to be exhausted in 40 years.

**Malaysia:** The automotive association said that total vehicle sales rose 14% to 53,870 units in October from 47,273 units, helped by the start of year-end promotional campaigns. Meanwhile, according to data from iPrice as relayed by the Star, Singles Day's sales in Malaysia picked up this year, with an average spending of MYR277, more than double that of last year.

**Macau:** Unemployment rate kept static at 1.8% during the three-month period from August to October, while the employed population rebounded slightly from 387,100 to 387,300. Delving into details, the employed population of construction sector dropped for the sixth consecutive three-month period by 4.2% yoy, amid lack of new mega entertainment and infrastructure projects under construction, in turns weakening labor demand. Meanwhile, the employed population of retail sector and hotels and restaurants sector continued to drop by 1.2% yoy and 2.1% yoy respectively. It might be attributed to stronger MoP denting visitor spending and more cautious domestic consumption sentiments driven by uncertain economic outlook and rising concerns over retrenchment. On a positive note, supported by the strong performance of mass-market segment due to persistent tourism growth, the employed population of gaming sector grew for the eighth consecutive three-month period by 3.6% yoy. Moving forward, as domestic economic outlook has been clouded by external uncertainties as well as a strong MOP, the labor market of Macau might soften. Therefore, we hold onto our view that overall unemployment rate will climb gradually towards 1.9% and even 2% in the coming year.

## Daily Treasury Outlook

28 November 2019

### Bond Market Updates

**Market Commentary:** The SGD swap curve traded higher, with tenors around 0-2bps higher across the curve. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 127bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 505bps. The HY-IG Index spread tightened 7bps to 378bps. 10Y UST Yields rose 2bps to 1.76% ahead of the Thanksgiving holiday in the US on better than expected economic data.

**New Issues:** Bank of China Group Investment Ltd (Guarantor: Bank of China Ltd., Macau Branch) priced a USD600mn 5-year bond at 2.50%. Wanda Properties Overseas Limited (Subsidiary Guarantors: Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited, Wanda Commercial Properties Overseas Limited; Keepwell & EIPU Provider: Dalian Wanda Commercial Management Group Co., Ltd) priced a USD400mn 3-year bond at 6.950%, tightening from IPT of 7.625%. Geely Automobile Holdings Limited priced a USD500mn Perp NC5 at 4.00% (reoffer at 99.641, yielding 4.08%), tightening from IPT of 4.5% area. Oil and Natural Gas Corp priced a USD300mn 10-year bond at t+170bps, tightening from IPT of 195bps. Manappuram Finance Limited has scheduled fixed income investor meetings on November 28 for a potential USD bond issue.

## Daily Treasury Outlook

28 November 2019

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.370	0.12%	USD-SGD	1.3652	0.08%
USD-JPY	109.540	0.45%	EUR-SGD	1.5016	-0.12%
EUR-USD	1.0999	-0.20%	JPY-SGD	1.2467	-0.33%
AUD-USD	0.6776	-0.18%	GBP-SGD	1.7642	0.52%
GBP-USD	1.2921	0.43%	AUD-SGD	0.9251	-0.09%
USD-MYR	4.1713	-0.28%	NZD-SGD	0.8764	-0.03%
USD-CNY	7.0290	-0.07%	CHF-SGD	1.3662	-0.12%
USD-IDR	14095	0.05%	SGD-MYR	3.0546	-0.29%
USD-VND	23199	0.03%	SGD-CNY	5.1473	-0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4510	0.10%	O/N	1.5380	0.19%
2M	-0.3360	0.19%	1M	1.7016	0.21%
3M	-0.3990	0.21%	2M	1.8436	0.16%
6M	-0.3380	0.16%	3M	1.9086	-1.00%
9M	-0.1940	-1.00%	6M	1.9143	-0.49%
12M	-0.2790	-0.49%	12M	1.9416	-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	3.70%	0.00%	0.00%	0.00%	0.00%
01/29/2020	3.40%	9.90%	0.00%	0.00%	9.90%
03/18/2020	2.90%	20.80%	0.00%	1.20%	19.50%
04/29/2020	2.50%	32.50%	0.20%	4.10%	28.30%
06/10/2020	2.00%	44.10%	0.90%	8.40%	34.80%
07/29/2020	1.70%	51.80%	1.90%	12.10%	37.50%

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.11	-0.5%	Corn (per bushel)	3.6275	-1.3%
Brent (per barrel)	64.06	-0.3%	Soybean (per bushel)	8.820	-0.3%
Heating Oil (per gallon)	1.9465	-0.7%	Wheat (per bushel)	5.2850	-0.3%
Gasoline (per gallon)	1.6792	-1.5%	Crude Palm Oil (MYR/MT)	2,600.0	0.8%
Natural Gas (per MMBtu)	2.5010	1.3%	Rubber (JPY/KG)	172.0	2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,945	0.4%	Gold (per oz)	1,454.4	-0.5%
Nickel (per mt)	14,380	-1.5%	Silver (per oz)	16.964	-0.7%

### Equity and Commodity

Index	Value	Net change
DJIA	28,164.00	42.32
S&P	3,153.63	13.11
Nasdaq	8,705.18	57.24
Nikkei 225	23,437.77	64.45
STI	3,215.53	7.68
KLCI	1,587.18	3.31
JCI	6,023.04	-3.15
Baltic Dry	1,426.00	--
VIX	11.75	0.21

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.54 (+0.01)	1.63 (+0.04)
5Y	1.63 (+0.01)	1.63 (+0.03)
10Y	1.75 (+0.01)	1.77 (+0.02)
15Y	1.86 (--)	--
20Y	1.97 (--)	--
30Y	2.10 (+0.01)	2.19 (+0.01)

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.20	-0.22
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	1.54
------	------

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
11/28/2019 05:00	SK	Business Survey Manufacturing	Dec	--	71	72	--
11/28/2019 07:50	JN	Retail Sales YoY	Oct	-3.80%	-7.10%	9.10%	--
11/28/2019 07:50	JN	Retail Sales MoM	Oct	-10.40%	-14.40%	7.10%	--
11/28/2019 07:50	JN	Japan Buying Foreign Bonds	Nov-22	--	¥155.2b	¥119.4b	¥123.4b
11/28/2019 07:50	JN	Foreign Buying Japan Stocks	Nov-22	--	¥131.7b	¥110.3b	¥111.0b
11/28/2019 07:50	JN	Foreign Buying Japan Bonds	Nov-22	--	¥458.9b	¥432.9b	¥432.4b
11/28/2019 08:00	NZ	ANZ Business Confidence	Nov	--	-26.4	-42.4	--
11/28/2019 08:30	AU	Private Capital Expenditure	3Q	0.00%	--	-0.50%	--
11/28/2019 11:30	EC	ECB's Villeroy speaks in Tokyo					
11/28/2019 15:00	UK	Nationwide House PX MoM	Nov	0.10%	--	0.20%	--
11/28/2019 15:00	UK	Nationwide House Px NSA YoY	Nov	0.20%	--	0.40%	--
11/28/2019 16:00	SP	CPI YoY	Nov P	0.40%	--	0.10%	--
11/28/2019 17:00	EC	M3 Money Supply YoY	Oct	5.50%	--	5.50%	--
11/28/2019 18:00	EC	Consumer Confidence	Nov F	--	--	-7.2	--
11/28/2019 21:00	GE	CPI YoY	Nov P	1.20%	--	1.10%	--

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).