

## Daily Treasury Outlook

1 December 2020

### Highlights

**Global:** Month-end rebalancing flows took the S&P 500 lower by 0.46%, albeit the tech-heavy Nasdaq fared better and VIX declined 1.3% to 20.57. This came after the Dow chalked up its best November performance in a presidential election year since 1928. UST bonds were little changed overnight with the 10-year yield holding around 0.84% despite month-end extensions. Eurodollar futures volumes surged after the news that the IBA is consulting on extending the retirement date for the 3-month LIBOR till mid-2023. Ahead of Fed chair Powell's testimony to Congress today and tomorrow, his pre-released remarks opined that "recent news on the vaccine front is very positive for the medium term", but "for now, significant challenges and uncertainties remain". Treasury Secretary Mnuchin also "strongly encourage Congress to use the \$455b in unused funds from the Cares Act to pass an additional bill with bipartisan support. Meanwhile, South Korea reported 3Q20 GDP growth fell less by 1.1% yoy (2.1% qoq sa) versus earlier estimates of -1.3% yoy (1.9% qoq sa). Separately, oil prices also slid with the postponement of the OPEC+ meeting that was scheduled today for "further consultations".

**Market watch:** Asian markets may start December on a soft tone this morning, following Wall Street's slide overnight. Today's economic data calendar comprises South Korea's November trade data, the host of manufacturing PMI data from US, Europe, UK and Asia, including China's Caixin PMI, CPI from Indonesia and Eurozone, and US' CPI, and US' manufacturing ISM and construction spending. ECB's Lagarde, Fed's Brainard, Daly and Evans are also speaking today.

**US:** Zoom Video Communications' \$811m revenue forecast topped analyst estimates of \$719m, but the 330% yoy sales guidance is actually a slight decline from the previous two quarters growth. Meanwhile, Moderna shares surged after news it has applied for an emergency use authorization for its Covid shot to the US FDA.

**EU:** Euro area finance ministers have agreed to beef up the European Stability Mechanism which can provide EUR500b in emergency loans to member economies, as well as the early introduction of the ESM as a backstop to the Single Resolution Fund in 2022 (two years earlier than planned).

**UK:** French European Affairs Minister Beaune hopes to see an UK-EU Brexit deal in the next few days, whereas German Chancellor Merkel told lawmakers that European governments were becoming "impatient".

**SG:** Bank loans fell a worse than expected 2.0% yoy in October, compared to the -1.0% yoy pace seen in the previous two months. This marked the 5th consecutive month of declines and also the worst on-year print since July 2016.

### Key Market Movements

Equity	Value	% chg
S&P 500	3621.6	-0.5%
DJIA	29639	-0.9%
Nikkei 225	26434	-0.8%
SH Comp	3391.8	-0.5%
STI	2806.0	-1.7%
Hang Seng	26341	-2.1%
KLCI	1562.7	-2.8%
	Value	% chg
DXY	91.869	0.1%
USDJPY	104.31	0.2%
EURUSD	1.1927	-0.3%
GBPUSD	1.3323	0.1%
USDIDR	14120	0.2%
USDSGD	1.3416	0.2%
SGDMYR	3.0465	0.2%
	Value	chg (bp)
3M UST	0.07	-0.25
10Y UST	0.84	0.16
1Y SGS	0.31	0.10
10Y SGS	0.88	-2.88
3M LIBOR	0.23	0.10
3M SIBOR	0.41	0.00
3M SOR	0.18	0.00
	Value	% chg
Brent	47.88	-0.8%
WTI	45.34	-0.4%
Gold	1777	-0.6%
Silver	22.64	0.3%
Palladium	2382	-1.9%
Copper	7580	1.1%
BCOM	74.36	-0.6%

Source: Bloomberg

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### Major Markets

**US:** US equities closed in the red, with the S&P 500 index falling 0.5% while the Nasdaq 100 Composite index declined 0.1%. We see yesterday's decline as a technical dip and expect the bull trend to remain intact.

**CN:** China's manufacturing PMI rose to 52.1 in November, highest since September 2017. For breakdown, both new orders and new export orders improved to 53.9 and 51.5 in November from 52.8 and 51 respectively. The strong November PMI reading is a clear answer that China's recovery has not peaked yet. Given Covid-19 vaccine is expected to be rolled out in the first half of 2021 to the developed markets such as US and UK while there is no clear timeline in Emerging markets, the recovery of demand from the advanced economies but lack of alternative production centres in EM markets may further underpin demand for Chinese products.

**SG:** The STI declined 1.75% yesterday amid profit-taking and may trade sideways today amid soft overnight cues from Wall Street and flattish KOSPI this morning. SGS bonds rallied into the month-end yesterday, but may range trade today. MAS is also selling \$6.8b of 84-day bills today.

**HK:** The government further tightened the social distancing measures, effective from 2 Dec to 15 Dec. Maximum number of people in public gathering and restaurant dinners per table will be reduced to 2 from 4. Recreational and entertainment venues including gaming centers and theme parks are forced to close. The fourth wave of COVID-19 will not only disrupt the economic activities but make border reopening less possible in the near term. Adding on the expiry of the Employment Support Scheme, bankruptcies and unemployment may worsen. Elsewhere, HKD deposits grew by 9.8% mom while HKD loans expanded by 4.7% mom in October, mainly attributed to the Ant Group's mega IPO. Moving into November, due to high base, both loans and deposits may have retreated on monthly basis. In the aftermath, we expect the yearly growth of deposits (+14.4% yoy) to see high single digit growth given the investment opportunities associated with the prospect of effective vaccine and global economic recovery. On the flip side, the year on year growth of total loans (+11.6% yoy) may moderate to low single digit growth particularly in the near term amid virus resurgence and the tightened containment measures.

**Malaysia:** According to Bank Negara's data release, Malaysia's manufactured goods exports rose 16.3% yoy in September, in line with the recovery in the sector that was suggested by customs data. Electronic product exports rose a hefty 33% yoy and 21.7% mom, with semiconductors leading the charge, seeing growth of 41.8% yoy and 28.4% mom – pointing towards how Malaysia remains a key beneficiary of the recent uptick in tech cycle.

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**Indonesia:** The Indonesian authorities have extended movement restrictions in several cities bordering Jakarta. These include Bogor, Depok, and Bekasi which would see their restrictions extended until Dec 23. The head of the West Java Covid task force said that the spread of infections remains high in the last few weeks. The policy came as Indonesia's medical association urged the government to cancel or cut short the extended year-end holiday to help prevent further spikes in coronavirus cases.

**Oil:** The drama with OPEC+ continues, as the group appears undecided on whether to delay the additional output hike on 1 Jan 2021. Talks on Monday yielded no outcome and members have been given another 48 hours till Thursday to decide whether to delay the supply increase. We still think the group will eventually agree on a delay but think it may come with more conditions than previously expected.

**Gold:** Gold took yet another beating yesterday, tumbling 0.6% to close at \$1776.95/oz. In the short term we expect gold to find support at \$1750/oz.

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### Bond Market Updates

**Market Commentary:** The SGD swap curve bull flattened yesterday, with the shorter tenors trading marginally lower while the belly and longer tenors traded 1-2bps lower. There were minimal flows in SGD corporates. 10Y UST Yields remain mostly unchanged at 0.84%, ended flat m/m as the upward pressure on yields bolstered by vaccines news was largely offset by the resurgence of Covid-19 cases globally.

**New Issues:** Airport Authority has arranged investor calls commencing 30 November 2020 for its proposed USD bond offering.

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## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	/A Requesting Dat	#VALUE!	USD-SGD	A Requesting Da	#VALUE!
USD-JPY	/A Requesting Dat	#VALUE!	EUR-SGD	A Requesting Da	#VALUE!
EUR-USD	/A Requesting Dat	#VALUE!	JPY-SGD	A Requesting Da	#VALUE!
AUD-USD	/A Requesting Dat	#VALUE!	GBP-SGD	A Requesting Da	#VALUE!
GBP-USD	/A Requesting Dat	#VALUE!	AUD-SGD	A Requesting Da	#VALUE!
USD-MYR	/A Requesting Dat	#VALUE!	NZD-SGD	A Requesting Da	#VALUE!
USD-CNY	/A Requesting Dat	#VALUE!	CHF-SGD	A Requesting Da	#VALUE!
USD-IDR	/A Requesting Dat	#VALUE!	SGD-MYR	A Requesting Da	#VALUE!
USD-VND	/A Requesting Dat	#VALUE!	SGD-CNY	A Requesting Da	#VALUE!

## Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5460	-0.54%	O/N	0.0803	0.08%
2M	-0.3360	-0.34%	1M	0.1548	0.15%
3M	-0.5280	-0.53%	2M	0.1828	0.18%
6M	-0.5070	-0.51%	3M	0.2254	0.22%
9M	-0.1940	-0.20%	6M	0.2574	0.26%
12M	-0.4870	-0.48%	12M	0.3304	0.33%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
12/16/2020	-0.029	-2.9	0.077	0.077
01/27/2021	-0.029	0	0.077	0.077
03/17/2021	-0.039	-1	0.075	0.075
04/28/2021	-0.049	-1	0.072	0.072
06/16/2021	-0.049	0	0.072	0.072
07/28/2021	-0.049	0	0.072	0.072
09/22/2021	-0.049	0	0.072	0.072
11/03/2021	-0.049	0	0.072	0.072
12/15/2021	-0.05	-0.1	0.072	0.072

## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	#N/A Requesting C	#VALUE!	Corn (per bushel)	#VALUE!	#VALUE!
Brent (per barrel)	#N/A Requesting C	#VALUE!	Soybean (per bushel)	#VALUE!	#VALUE!
Heating Oil (per gallon)	#N/A Requesting C	#VALUE!	Wheat (per bushel)	#VALUE!	#VALUE!
Gasoline (per gallon)	#N/A Requesting C	#VALUE!	Crude Palm Oil (MYR/MT)	#VALUE!	#VALUE!
Natural Gas (per MMBtu)	#N/A Requesting C	#VALUE!	Rubber (JPY/KG)	#VALUE!	#VALUE!

## Base Metals

	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	#N/A Requesting C	#VALUE!	Gold (per oz)	#N/A Requesting	#VALUE!
Nickel (per mt)	#N/A Requesting C	#VALUE!	Silver (per oz)	#N/A Requesting	#VALUE!

## Equity and Commodity

Index	Value	Net change
DJIA	uesting Data...	#VALUE!
S&P	uesting Data...	#VALUE!
Nasdaq	uesting Data...	#VALUE!
Nikkei 225	uesting Data...	#VALUE!
STI	uesting Data...	#VALUE!
KLCI	uesting Data...	#VALUE!
JCI	uesting Data...	#VALUE!
Baltic Dry	1,230.00	11.00
VIX	uesting Data...	#VALUE!

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	#VALUE!	#VALUE!
5Y	#VALUE!	#VALUE!
10Y	#VALUE!	#VALUE!
15Y	#VALUE!	--
20Y	#VALUE!	--
30Y	#VALUE!	#VALUE!

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.41	(--)
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	0.08
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## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/01/2020 07:00	SK GDP YoY	3Q F	-1.3%	-1.1%	-1.3%
12/01/2020 07:30	JN Jobless Rate	Oct	3.1%	3.1%	3.0%
12/01/2020 08:00	SK Exports YoY	Nov	7.5%	--	-3.6%
12/01/2020 08:30	AU Building Approvals MoM	Oct	-3.0%	--	15.4%
12/01/2020 08:30	VN Markit Vietnam PMI Mfg	Nov	--	--	51.8
12/01/2020 08:30	ID Markit Indonesia PMI Mfg	Nov	--	--	47.8
12/01/2020 08:30	SK Markit South Korea PMI Mfg	Nov	--	--	51.2
12/01/2020 08:30	TA Markit Taiwan PMI Mfg	Nov	--	--	55.1
12/01/2020 09:45	CH Caixin China PMI Mfg	Nov	53.5	--	53.6
12/01/2020 11:30	AU RBA Cash Rate Target	Dec-01	0.1%	--	0.1%
12/01/2020 13:00	IN Markit India PMI Mfg	Nov	--	--	58.9
12/01/2020 16:30	HK Retail Sales Value YoY	Oct	-10.3%	--	-12.9%
12/01/2020 16:50	FR Markit France Manufacturing PMI	Nov F	49.1	--	49.1
12/01/2020 17:30	UK Markit UK PMI Manufacturing SA	Nov F	55.2	--	55.2
12/01/2020 21:30	CA Quarterly GDP Annualized	3Q	47.9%	--	-38.7%
12/01/2020 23:00	US ISM Manufacturing	Nov	58	--	59.3

Source: Bloomberg

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