

Daily Treasury Outlook

2 December 2020

Highlights

Global: Risk taking was the predominant theme once more, with US equities rallying together with the 10Y Treasury yields. Both the S&P 500 and the Nasdaq were up more than 1% each and 10Y yields rose 8bp to 0.92%. Fed Chair Jerome Powell and Treasury Secretary Steven Mnuchin agreed on the need for more fiscal aid in a Senate testimony, with the former suggesting the risk of too much stimulus is lesser than doing too little. Fiscal stimulus talks are very much alive and could gradually return to centre-stage, especially after Nancy Pelosi and Mitch McConnell each said they have drafted new stimulus proposals. Meanwhile, the OECD lowered its 2021 global economic growth forecast to 4.2% yoy from 5.0% yoy in September, but that did little to dampen risk appetite in the market yesterday.

Market watch: Asian markets will likely open with a risk-on tone this morning, taking cues from the overnight US rally. Today's economic data calendar comprises New Zealand's Q3 Terms of Trade index, South Korea's Nov CPI, Australia's Q3 GDP and Japan's Nov monetary base as well as consumer confidence. RBA's Lowe and RBNZ's Orr will be speaking today.

US: The ISM in October fell to 57.5 from 59.3 in September, which was also a shade below the median expectation of 58.0. Construction spending, however, rose 1.3% mom in October, beating the median estimate of 0.8% mom.

Malaysia: Malaysia saw a total approved investment of MYR109.8bn in the first 9 months of 2020, according to the International Trade and Industry Ministry. The figure covers investments in manufacturing, services and primary sectors. Manufacturing sector contributed the bulk of it, with 59.5% share of the new investments. Foreign direct investment made up 38.8% of the total, with China, Singapore and US being the top three sources during the period.

Oil: Brent fell by almost 1% to \$47.42/bbl yesterday, as uncertainty over OPEC+'s decision to delay the January output hike added selling pressure on the benchmark crude oil. The bloc is set to announce its decision on the supply postponement tomorrow. We expect a three-month delay to April 2021.

Gold: The precious metal rebounded 1.5% yesterday. We see gold as undervalued in the current climate but are wary that the vaccine optimism may continue to pressure the safe haven asset lower for now.

Key Market Movements

Equity	Value	% chg
S&P 500	3662.5	1.1%
DJIA	29824	0.6%
Nikkei 225	26788	1.3%
SH Comp	3451.9	1.8%
STI	2814.1	0.3%
Hang Seng	26568	0.9%
KLCI	1602.3	2.5%
	Value	% chg
DXY	91.313	-0.6%
USDJPY	104.33	0.0%
EURUSD	1.2071	1.2%
GBPUSD	1.3420	0.7%
USDIDR	14130	0.1%
USDSGD	1.338	-0.3%
SGDMYR	3.0436	-0.1%
	Value	chg (bp)
3M UST	0.08	0.49
10Y UST	0.93	8.71
1Y SGS	0.32	1.00
10Y SGS	0.86	-1.80
3M LIBOR	0.23	0.23
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	47.42	-1.0%
WTI	44.55	-1.7%
Gold	1815	2.2%
Silver	24.00	6.0%
Palladium	2418	1.5%
Copper	7580	0.0%
BCOM	74.55	0.3%

Source: Bloomberg

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Major Markets

US: US equities closed sharply higher on renewed optimism of another fiscal stimulus package. The S&P 500 index rose 1.1% and the Nasdaq 100 Composite index notched a 1.3% gain. Market sentiment was elevated by news of Mnuchin and Powell aligning on the need for more fiscal stimulus. The US equity market is likely to maintain its bullish tilt in the sessions ahead.

CN: China's Caixin manufacturing PMI rose to 54.9 in November, highest since December 2010. Meanwhile, Chinese President Xi Jinping has stressed strengthening the protection of intellectual property rights comprehensively, which relates to the modernization of China's governance system and capacity as well as the overall situation of China's opening up to the outside world.

SG: The STI rose 0.3% to 2814.12 yesterday and is expected to see buying interest today on the back of firm risk appetite on Wall Street overnight.

HK: The air travel bubble between Hong Kong and Singapore is further delayed to next year. Elsewhere, retail sales tumbled for the 21st consecutive month by 8.8% yoy in October. The decline narrowed from the previous month mainly owing to the low base effect and the receded local pandemic. In particular, the sales of goods in department stores increased for the second consecutive month by 11.7% yoy. Also, the sales growth of goods in supermarkets slowed down to 2.6% yoy, the softest since December 2019. This indicates that households may have increasingly gone out for dining owing to the relaxation of social distancing measures. However, the sales of clothing, footwear and allied products (-10.8% yoy), consumer durable goods (-14.4% yoy) and medicines and cosmetics (-39.5% yoy) continued to drop. This was mainly attributed to the near standstill tourism and the weak labor market. In the near term, the retail sector may take a hit amid the fourth wave of Covid-19. First, the tightening of containment measures will once again disrupt the consumption-related activities. Second, the labor market may weaken further amid virus resurgence and the expiry of Employment Support Scheme. Third, the inbound tourism may continue to stall given the lingering pandemic uncertainty.

Macau: Gaming revenue dropped more than expected by 70.5% yoy to MOP6.75 billion in November. On monthly basis, the gaming revenue also retreated by 7.2%, probably due to the abating of National Day Holiday effect. Due to the slow recovery of the inbound tourism amid ongoing travel restrictions, the gaming sector may also remain sluggish in the near term. China's crackdown on cross-border gambling may continue to weigh as well. We hold onto our view that the gaming revenue (-80.5% yoy during the first 11 months of 2020) will plunge by about 80% yoy this year.

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Indonesia: Indonesia posted an uptick in manufacturing sentiment in November, as signalled by the PMI data release yesterday, which printed 50.6 compared to 47.8 of the month before. It also marks the first time sentiment has gone above the 50 breakeven threshold since August. Meanwhile, inflation data for November was released too, with headline coming in broadly in line with expectation at 1.59% yoy, compared to 1.44% of October.

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Bond Market Updates

Market Commentary: The SGD swap curve fell yesterday, with most of the tenors trading 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 155bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 15bps to 685bps. The HY-IG Index Spread tightened 14bps to 530bps. There were minimal flows in SGD corporates. 10Y UST Yields gained 9bps to 0.93%, propelled by fiscal stimulus hopes after a group of bipartisan US Senators proposed a USD908bn relief package. The inflation breakeven for 10-year Treasury Inflation Protected Securities ("TIPS") also reached a high of 1.824%.

New Issues: Airport Authority priced a USD750mn PerpNC5.5 at 2.1%, tightening from IPT of 2.75% area and another USD750m PerpNC7.5 at 2.4%, tightening from IPT of 3.1% area. Fortune Star BVI Ltd (Guarantor: Fosun International Limited) priced a USD300mn re-tap of its FOSUNI 5.95%'25s at 5.4%, tightening from IPT of 5.9% area. Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd) priced a USD75mn re-tap of its YANGOG 11.875%'23s at 11.875%. Kaisa Group Holdings Ltd priced a USD250mn 364-day WNG sustainable bond at 7%, tightening from IPT of 7.5% area. Prosus N.V. priced a USD1.5bn 30-year bond at T+215bps. Fantasia Holdings Group Company Ltd. priced a USD120mn WNG re-tap of its FTHDGR 9.875%'23s at 9.95%, tightening from IPT of 10.45% area. China Huaneng Group (Hong Kong) Treasury Management Holding Limited (Guarantor: China Huaneng Group Co., Ltd.) has arranged investor calls commencing 1 December 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.313	-0.61%	USD-SGD	1.3380	-0.27%
USD-JPY	104.330	0.02%	EUR-SGD	1.6151	0.93%
EUR-USD	1.207	1.21%	JPY-SGD	1.2820	-0.33%
AUD-USD	0.737	0.37%	GBP-SGD	1.7959	0.48%
GBP-USD	1.342	0.73%	AUD-SGD	0.9859	0.06%
USD-MYR	4.079	0.12%	NZD-SGD	0.9450	0.43%
USD-CNY	6.572	-0.10%	CHF-SGD	1.4860	0.64%
USD-IDR	14130	0.07%	SGD-MYR	3.0436	-0.10%
USD-VND	23122	-0.05%	SGD-CNY	4.9050	-0.28%

Equity and Commodity

Index	Value	Net change
DJIA	29,823.92	185.28
S&P	3,662.45	40.82
Nasdaq	12,355.11	156.37
Nikkei 225	26,787.54	353.92
STI	2,814.12	8.17
KLCI	1,602.26	39.55
JCI	5,724.74	112.33
Baltic Dry	1,227.00	-3.00
VIX	20.77	0.20

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5510	-0.55%	O/N	0.0850	0.08%
2M	-0.3360	-0.34%	1M	0.1534	0.15%
3M	-0.5260	-0.53%	2M	0.1806	0.18%
6M	-0.5080	-0.51%	3M	0.2276	0.23%
9M	-0.1940	-0.20%	6M	0.2550	0.26%
12M	-0.4870	-0.49%	12M	0.3303	0.33%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.28 (+0.01)	0.17(-)
5Y	0.49 (-0.01)	0.42 (+0.06)
10Y	0.86 (-0.02)	0.93 (+0.09)
15Y	1.11 (-0.01)	--
20Y	1.17 (-0.01)	--
30Y	1.13 (-0.01)	1.67 (+0.1)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
12/16/2020	-0.048	-4.8	0.077	0.077
01/27/2021	-0.048	0	0.077	0.077
03/17/2021	-0.058	-1	0.075	0.075
04/28/2021	-0.068	-1	0.072	0.072
06/16/2021	-0.068	0	0.072	0.072
07/28/2021	-0.068	0	0.072	0.072
09/22/2021	-0.045	2.4	0.078	0.078
11/03/2021	-0.047	-0.3	0.078	0.078
12/15/2021	-0.051	-0.4	0.077	0.077

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.16	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.09
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.55	-1.74%	Corn (per bushel)	4.148	-1.2%
Brent (per barrel)	47.42	-0.36%	Soybean (per bushel)	11.620	-0.6%
Heating Oil (per gallon)	134.73	-0.63%	Wheat (per bushel)	5.655	-2.5%
Gasoline (per gallon)	122.04	-2.28%	Crude Palm Oil (MYR/MT)	35.060	1.7%
Natural Gas (per MMBtu)	2.88	-0.07%	Rubber (JPY/KG)	2.522	0.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7694.50	1.51%	Gold (per oz)	1815.2	2.2%
Nickel (per mt)	16278.00	1.53%	Silver (per oz)	24.0	6.0%

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
12/02/2020 05:45	NZ	Terms of Trade Index QoQ	3Q	-3.8%	-4.7%	2.5%	2.4%
12/02/2020 07:00	SK	CPI YoY	Nov	0.7%	0.6%	0.1%	--
12/02/2020 07:00	SK	CPI MoM	Nov	-0.1%	-0.1%	-0.6%	--
12/02/2020 07:50	JN	Monetary Base YoY	Nov	--	--	16.3%	--
12/02/2020 08:30	AU	GDP SA QoQ	3Q	2.5%	--	-7.0%	--
12/02/2020 08:30	AU	GDP YoY	3Q	-4.4%	--	-6.3%	--
12/02/2020 15:00	GE	Retail Sales MoM	Oct	1.2%	--	-2.2%	-1.9%
12/02/2020 15:00	GE	Retail Sales NSA YoY	Oct	5.8%	--	6.5%	7.0%
12/02/2020 15:30	SZ	CPI YoY	Nov	-0.5%	--	-0.6%	--
12/02/2020 15:30	SZ	CPI MoM	Nov	-0.1%	--	0.0%	--
12/02/2020 17:00	IT	Unemployment Rate	Oct P	9.9%	--	9.6%	--
12/02/2020 18:00	EC	Unemployment Rate	Oct	8.4%	--	8.3%	--
12/02/2020 19:00	PO	Industrial Production MoM	Oct	--	--	-3.8%	--
12/02/2020 20:00	US	MBA Mortgage Applications	Nov-27	--	--	3.9%	--
12/02/2020 21:15	US	ADP Employment Change	Nov	430k	--	365k	--
12/02/2020 21:30	CA	Labor Productivity QoQ	3Q	-7.0%	--	9.8%	--

Source: Bloomberg

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