

Daily Treasury Outlook

3 December 2020

Highlights

Global: An extension of US stimulus optimism as Democrats backed a bipartisan proposal framework of \$908b led to modest overnight gains in Wall Street. The S&P 500 rose 0.18% while VIX also edged up to 21.17. UST bonds declined with a steepening bias as the 10-year yield touched 0.96% before closing at 0.94%. Front-end T-bills also fell on the need for a government funding bill by end of next week. The 3-month LIBOR edged up to 0.2305%. Meanwhile, the Fed's Beige Book reiterated a modest to moderate expansion, but with signs of slowdown in areas with surging Covid cases.

Market watch: Asian markets may try to extend the overnight Wall Street rally. Today's economic data calendar kicks off with China's Caixin services and composite PMIs, and other services PMIs from Asia, Europe and UK, Thailand's consumer confidence, Eurozone's retail sales, US' initial jobless claims and services ISM, and S'pore's manufacturing and electronics PMIs.

US: ADP payrolls rose 307k in November, below market expectations for 440k. Meanwhile, the House has passed a bill that could threaten the listing of Chinese companies like Alibaba from US exchanges if they do not allow financial audits. Separately, Treasury Secretary Mnuchin said "we are cooperating with the transition" and "I had a very good working relationship with Janet Yellen when she was the Fed chair".

EU: ECB's Lane defended his approach to calling banks and investors after a policy decision.

UK: Brexit concerns continue to heighten after EU chief negotiator Barnier warned that the outcome is still too close to call. Meanwhile, UK is the first western country to approve a Covid-19 vaccine by Pfizer and BioNTech, but will not make vaccination mandatory.

SG: The World Economic Forum is having talks with Singapore officials about shifting its 2021 Davos annual meeting.

Oil: Oil rose yesterday on talks that OPEC+ is close to agreeing on a deal that would allow for a gradual tapering of the supply cuts in 2021. More details are expected before the weekend as the bloc wraps up its week-long discussion.

Gold: Gold rose 0.9% yesterday, gaining from news that Senate Minority Leader Chuck Schumer has thrown his weight behind the House's \$908bn fiscal stimulus deal.

Key Market Movements

Equity	Value	% chg
S&P 500	3669.0	0.2%
DJIA	29884	0.2%
Nikkei 225	26801	0.1%
SH Comp	3449.4	-0.1%
STI	2811.0	-0.1%
Hang Seng	26533	-0.1%
KLCI	1598.7	-0.2%
	Value	% chg
DX	91.118	-0.2%
USDJPY	104.42	0.1%
EURUSD	1.2115	0.4%
GBPUSD	1.3365	-0.4%
USIDR	14125	0.0%
USDSGD	1.3391	0.1%
SGDMYR	3.0428	0.0%
	Value	chg (bp)
3M UST	0.08	0.00
10Y UST	0.94	1.00
1Y SGS	0.32	0.00
10Y SGS	0.87	1.12
3M LIBOR	0.23	0.44
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	48.25	1.8%
WTI	45.28	1.6%
Gold	1831	0.9%
Silver	24.10	0.4%
Palladium	2412	-0.2%
Copper	7695	0.0%
BCOM	74.50	-0.1%

Source: Bloomberg

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Major Markets

US: US equities drifted higher on energy stock gains amid rising fiscal stimulus optimism. The S&P 500 index rose 0.2% and the Nasdaq 100 Composite index closed nearly flat. News of a bipartisan stimulus proposal, with both Nancy Pelosi and Chuck Schumer throwing their weight behind the deal, lifted market sentiments. We expect the bullish momentum to continue in the near term.

CN: China's State Council urged to expedite the implementation RCEP to support regional trade in its regular weekly meeting. In addition, the US House approved the bipartisan deal, which will allow the US regulator to examine audits of Chinese firms listed in the US to prevent fraud and wrongdoing. The bill is expected to be enacted by President Trump soon. Nevertheless, the impact of this much anticipated bill is likely to be limited as the legislation provides a multi-year phase-in period.

SG: The STI declined 0.11% yesterday and may range trade again today. SGS bonds may also see some consolidative pressures amid the ongoing steepening in the UST bond market on reflation concerns.

Malaysia: Malaysia's PM Muhyiddin Yassin held a video conference call with his Singapore counterpart, PM Lee Hsien Loong, yesterday to discuss the state of the KL-Singapore High Speed Rail project, with the Dec 31 deadline for the second and final extension of the HSR project suspension in mind. According to a joint statement released after, the leaders "took stock of the progress of discussions" but said little else on whether the project will be carried out and in what form. Earlier, there have been news reports suggesting that Malaysia is weighing the option of constructing a high-speed railway from KL to JB, without connecting to Singapore as originally planned.

Indonesia: Indonesia's Finance Ministry said that it sold IDR25.6tn of debt in Tuesday's auction, exceeding the IDR20tn indicative target. Excluding the bills, the auction drew incoming bids worth IDR91.5tn. While the bids were lower than during an auction held two weeks before, it was still 50% higher than the average of 2020, according to Bloomberg calculations, signalling continuing healthy market demand for Indonesian bonds.

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Bond Market Updates

Market Commentary: The SGD swap curve rose yesterday, with most of the tenors trading 1-2bps higher while the 30-year traded marginally higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 154bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 680bps. The HY-IG Index Spread tightened 4bps to 526bps. There were minimal flows in SGD corporates. 10Y UST Yields gained 1bps to 0.94% after the House and Senate backed a bipartisan plan as a base for spending package negotiations.

New Issues: Republic of the Philippines priced a USD1.25bn 10.5-year bond at T+70bps, tightening from IPT of T+100bps area and another USD1.5bn 25-year bond at 2.65%, tightening from IPT of 3% area. China Huaneng Group Hong Kong Treasury Management Holding Ltd (Guarantor: China Huaneng Group Co Ltd) priced a USD500mn PerpNC3 at 2.85%, tightening from IPT of 3.3% area and another USD500mn PerpNC5 at 3.08%, tightening from IPT of 3.55% area. NWD Finance BVI Ltd (Guarantor: New World Development Company Limited) priced a USD700mn PerpNC3 at 4.8%, tightening from IPT of 5.25% area. Hejun Shunze Investment Co., Limited (Guarantor: Sichuan Languang Development Co Ltd) priced a USD300mn 2.25-year bond at 10.4%.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	91.118	-0.21%	USD-SGD	1.3391	0.08%
USD-JPY	104.420	0.09%	EUR-SGD	1.6218	0.41%
EUR-USD	1.212	0.36%	JPY-SGD	1.2811	-0.07%
AUD-USD	0.742	0.61%	GBP-SGD	1.7896	-0.35%
GBP-USD	1.337	-0.41%	AUD-SGD	0.9922	0.64%
USD-MYR	4.078	-0.02%	NZD-SGD	0.9461	0.12%
USD-CNY	6.563	-0.14%	CHF-SGD	1.4949	0.60%
USD-IDR	14125	-0.04%	SGD-MYR	3.0428	-0.03%
USD-VND	23120	-0.01%	SGD-CNY	4.8995	-0.11%

Equity and Commodity

Index	Value	Net change
DJIA	29,883.79	59.87
S&P	3,669.01	6.56
Nasdaq	12,349.37	-5.74
Nikkei 225	26,800.98	13.44
STI	2,810.95	-3.17
KLCI	1,598.72	-3.54
JCI	5,813.99	89.24
Baltic Dry	1,211.00	-16.00
VIX	21.17	0.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5480	-0.55%	O/N	0.0805	0.09%
2M	-0.3360	-0.34%	1M	0.1476	0.15%
3M	-0.5260	-0.53%	2M	0.1826	0.18%
6M	-0.5080	-0.51%	3M	0.2320	0.23%
9M	-0.1940	-0.20%	6M	0.2588	0.26%
12M	-0.4870	-0.49%	12M	0.3331	0.33%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.28 (-)	0.16(-)
5Y	0.5 (+0.01)	0.41(-)
10Y	0.87 (+0.01)	0.94 (+0.01)
15Y	1.11 (-)	--
20Y	1.17 (-)	--
30Y	1.14 (+0.01)	1.69 (+0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% Hike/Cut	Implied Rate Change	Implied Rate
12/16/2020	-0.023	-2.3	0.083	0.083
01/27/2021	-0.046	-2.3	0.077	0.077
03/17/2021	-0.046	0.1	0.078	0.078
04/28/2021	-0.066	-2.1	0.072	0.072
06/16/2021	-0.066	0	0.072	0.072
07/28/2021	-0.066	0	0.072	0.072
09/22/2021	-0.038	2.9	0.08	0.08
11/03/2021	-0.046	-0.9	0.077	0.077
12/15/2021	-0.019	2.7	0.084	0.084

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-4.01	(-)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.08
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	45.28	1.64%	Corn (per bushel)	4.190	1.0%
Brent (per barrel)	48.25	1.75%	Soybean (per bushel)	11.530	-0.8%
Heating Oil (per gallon)	136.62	1.40%	Wheat (per bushel)	5.780	2.2%
Gasoline (per gallon)	123.99	1.60%	Crude Palm Oil (MYR/MT)	34.790	-0.8%
Natural Gas (per MMBtu)	2.78	-3.47%	Rubber (JPY/KG)	2.565	1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7694.50	1.51%	Gold (per oz)	1831.3	0.9%
Nickel (per mt)	16278.00	1.53%	Silver (per oz)	24.1	0.4%

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/03/2020 05:45	NZ Building Permits MoM	Oct	--	8.8%	3.6%
12/03/2020 08:30	AU Trade Balance	Oct	A\$5800m	--	A\$5630m
12/03/2020 08:30	HK Markit Hong Kong PMI	Nov	--	49.8	--
12/03/2020 09:45	CH Caixin China PMI Services	Nov	56.4	--	56.8
12/03/2020 13:00	IN Markit India PMI Composite	Nov	--	58	--
12/03/2020 13:00	IN Markit India PMI Services	Nov	--	54.1	--
12/03/2020 16:50	FR Markit France Services PMI	Nov F	38	--	38
12/03/2020 16:50	FR Markit France Composite PMI	Nov F	39.9	--	39.9
12/03/2020 16:55	GE Markit Germany Services PMI	Nov F	46.2	--	46.2
12/03/2020 17:00	EC Markit Eurozone Composite PMI	Nov F	45.1	--	45.1
12/03/2020 17:00	EC Markit Eurozone Services PMI	Nov F	41.3	--	41.3
12/03/2020 17:30	UK Markit/CIPS UK Services PMI	Nov F	45.8	--	45.8
12/03/2020 17:30	UK Markit/CIPS UK Composite PMI	Nov F	47.4	--	47.4
12/03/2020 21:00	SI Purchasing Managers Index	Nov	--	50.5	--
12/03/2020 21:30	US Initial Jobless Claims	Nov-28	775k	--	778k
12/03/2020 23:00	US ISM Services Index	Nov	55.8	--	56.6

Source: Bloomberg

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