

Daily Treasury Outlook

4 December 2020

Highlights

Global: Markets wobbled yesterday after the WSJ reported that Pfizer is planning to halve its 2020 dosage to 50 million. This may have been old news - the company had announced this in mid-November - but WSJ's report on the matter yesterday shook market confidence. The S&P 500 index closed marginally in the red, falling 0.1% on the day, while 10Y Treasury yields fell about 3bp. Note that Pfizer still expects to ship more than a billion doses in 2021, but ultimately the risk-on rally may have needed a breather yesterday and the somewhat negative vaccine news provided the catalyst for profit-taking. Meanwhile, OPEC+ has agreed on a compromise to gradually hike output in 2021, pushing Brent prices to its highest since March. All eyes will be on the US labour market report today, where a 475k increase in nonfarm payrolls is eyed.

Market watch: Asian markets may open with a softer tone this morning, taking cues from the mixed close on Wall Street overnight. Today's economic data calendar comprises New Zealand's 3Q construction work, South Korea's Oct current account balance, Australia's Oct retail sales, Singapore's Oct retail sales (-8.5% yoy exp), and Taiwan's Nov foreign reserves. RBI policy decision due today, likely to keep the repurchase rate static at 4.0%.

US: Initial jobless claims last week at 712k bucked two weeks of increase and was the lowest in almost a month. The Markit services PMI in November also beat expectations at 58.4 vs 57.5 expected.

SG: We estimate October retail sales to have contracted 8.5% yoy, close to the median forecast of -8.3% yoy.

Malaysia: Malaysia's benchmark equity index FTSE Bursa Malaysia Index is set to welcome Supermax Corp, a gloves manufacturer, into its folds, alongside its peers Top Glove and Hartalega. Supermax is set to replace KLCCP Stapled Group in the 30-member index starting Dec 21st, as a sign of the rejigging of the economy and market capitalization in the post-pandemic era. Together, the glove makers have a combined 11% weighing in the index as of yesterday, going by Bloomberg calculations.

Oil: Oil prices rose after OPEC+ agreed on a compromise to hike supply. Instead of increasing 1.9mbpd from 1 Jan 2021, the group will add 500kbpd only instead in the first month of the year. Monthly meetings will be conducted subsequently to assess the suitability of increasing output by a similar size. Brent rose 1.0% to \$48.71/bbl.

Key Market Movements

Equity	Value	% chg
S&P 500	3666.7	-0.1%
DJIA	29970	0.3%
Nikkei 225	26809	0.0%
SH Comp	3442.1	-0.2%
STI	2822.3	0.4%
Hang Seng	26729	0.7%
KLCI	1628.3	1.8%
	Value	% chg
DXY	90.714	-0.4%
USDJPY	103.84	-0.6%
EURUSD	1.2144	0.2%
GBPUSD	1.3450	0.6%
USIDR	14140	0.1%
USDSGD	1.3345	-0.3%
SGDMYR	3.0447	0.1%
	Value	chg (bp)
3M UST	0.08	0.00
10Y UST	0.91	-2.97
1Y SGS	0.32	0.00
10Y SGS	0.90	3.07
3M LIBOR	0.23	-0.15
3M SIBOR	0.41	0.00
3M SOR	0.19	0.00
	Value	% chg
Brent	48.71	1.0%
WTI	45.64	0.8%
Gold	1841	0.5%
Silver	24.07	-0.2%
Palladium	2319	-3.8%
Copper	7673	0.0%
BCOM	74.07	-0.6%

Source: Bloomberg

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Major Markets

US: US equities traded mixed, paring earlier gains as market sentiment dipped on reportedly outdated Pfizer vaccine news. The S&P 500 index closed 0.1% lower while the Nasdaq 100 Composite index notched a 0.2% gain. Markets remain sensitive to vaccine developments and this is likely to influence the US equity market although we expect the risk rally to be intact in the near term.

CN: China's central bank and banking regulator official unveiled the guidelines to review and assess banks deemed as systemically important. As China's financial system mainly relies on indirect financing, China set a lower threshold line for banks to be included in the assessment. Total 30 banks with combined asset size more than CNY200 trillion will be included. Meanwhile, China's top leadership reiterated that China will not use property market as short term stimulus tools to support the growth.

SG: The STI rose 0.4% yesterday but may see some profit taking today, following a soft Wall Street performance overnight. The benchmark equity index has tested the 2800 level in the last three sessions and may close below said level today if a technical selloff materialises.

Indonesia: Bank Indonesia pledged to keep an accommodative monetary policy stance and use all its instruments to spur a recovery. In its annual meeting yesterday, Governor Perry Warjiyo said that GDP is set to contract by a range of 1-2% this year, worse than the 0.6-1.7% contraction expected by the government. (We see growth a -2.0% in 2020). Meanwhile, in the same meeting, President Jokowi urged BI to take on a "more significant role" and that it must "share in the burden and responsibility" of supporting the economy.

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Bond Market Updates

Market Commentary: The SGD swap curve bear steepened yesterday, with the shorter and belly tenors trading 1-3bps higher while the longer tenors traded 4-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 154bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 679bps. The HY-IG Index Spread tightened 2bps to 525bps. There were minimal flows in SGD corporates. 10Y UST Yields fell 3bps to 0.91%, after news reported that Pfizer could only ship half of the COVID-19 vaccines planned for 2020 due to supply chain issues.

New Issues: E-House China Enterprise Holdings Ltd priced a USD200mn 2.5-year bond at 7.875%, tightening from IPT of 8.1% area. Hefei Xingtai Holding Group Co. Ltd. priced a USD100mn 3-year bond at 3.0%. CDL Properties Ltd. priced a SGD130mn 5-year bond at 1.65%. SND International (BVI) Co., Ltd. (Guarantor: Suzhou SND Group Company Ltd.) has arranged investor calls commencing 4 December 2020 for its proposed USD bond offering.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	90.714	-0.44%	USD-SGD	1.3345	-0.34%
USD-JPY	103.840	-0.56%	EUR-SGD	1.6204	-0.09%
EUR-USD	1.214	0.24%	JPY-SGD	1.2847	0.28%
AUD-USD	0.744	0.31%	GBP-SGD	1.7946	0.28%
GBP-USD	1.345	0.64%	AUD-SGD	0.9931	0.09%
USD-MYR	4.073	-0.12%	NZD-SGD	0.9444	-0.18%
USD-CNY	6.543	-0.31%	CHF-SGD	1.4972	0.15%
USD-IDR	14140	0.11%	SGD-MYR	3.0447	0.06%
USD-VND	23123	0.01%	SGD-CNY	4.9084	0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.5480	-0.55%	O/N	0.0815	0.08%
2M	-0.3360	-0.34%	1M	0.1521	0.15%
3M	-0.5240	-0.53%	2M	0.1880	0.18%
6M	-0.5080	-0.51%	3M	0.2305	0.23%
9M	-0.1940	-0.20%	6M	0.2583	0.26%
12M	-0.4860	-0.49%	12M	0.3344	0.33%

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	-0.067	-0.1	0.072	0.072
07/28/2021	-0.056	1.1	0.075	0.075
09/22/2021	-0.033	2.4	0.081	0.081
11/03/2021	-0.046	-1.4	0.077	0.077
12/15/2021	-0.019	2.7	0.084	0.084

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	45.64	0.80%	Corn (per bushel)	4.225	0.8%
Brent (per barrel)	48.71	0.95%	Soybean (per bushel)	11.683	1.3%
Heating Oil (per gallon)	139.33	1.98%	Wheat (per bushel)	5.718	-1.1%
Gasoline (per gallon)	126.17	1.76%	Crude Palm Oil (MYR/MT)	35.040	0.7%
Natural Gas (per MMBtu)	2.51	-9.82%	Rubber (JPY/KG)	2.629	2.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	7673.00	-0.28%	Gold (per oz)	1841.1	0.5%
Nickel (per mt)	16000.00	-1.71%	Silver (per oz)	24.1	-0.2%

Equity and Commodity

Index	Value	Net change
DJIA	29,969.52	85.73
S&P	3,666.72	-2.29
Nasdaq	12,377.18	27.81
Nikkei 225	26,809.37	8.39
STI	2,822.34	11.39
KLCI	1,628.26	29.54
JCI	5,822.94	8.95
Baltic Dry	1,201.00	-10.00
VIX	21.28	0.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.29 (+0.01)	0.15(-)
5Y	0.51 (+0.02)	0.39 (-0.02)
10Y	0.9 (+0.03)	0.91 (-0.03)
15Y	1.13 (+0.01)	--
20Y	1.18 (+0.01)	--
30Y	1.15 (+0.01)	1.65 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	-3.92	(--)
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	0.08
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/04/2020 08:30	AU Retail Sales MoM	Oct	--	-1.1%	--
12/04/2020 09:00	PH CPI YoY 2012=100	Nov	2.6%	2.5%	--
12/04/2020 11:30	TH CPI YoY	Nov	-0.5%	-0.5%	--
12/04/2020 13:00	SI Retail Sales YoY	Oct	-8.3%	-10.8%	--
12/04/2020 14:15	IN RBI Repurchase Rate	Dec-04	4.0%	4.0%	--
12/04/2020 15:00	GE Factory Orders MoM	Oct	1.5%	0.5%	--
12/04/2020 15:30	TH Foreign Reserves	Nov-27	--	\$253.4b	--
12/04/2020 17:30	UK Markit/CIPS UK Construction PMI	Nov	52	53.1	--
12/04/2020 21:30	CA Unemployment Rate	Nov	9.0%	8.9%	--
12/04/2020 21:30	US Unemployment Rate	Nov	6.8%	6.9%	--
12/04/2020 21:30	CA Net Change in Employment	Nov	20.0k	83.6k	--
12/04/2020 21:30	US Trade Balance	Oct	-\$64.8b	-\$63.9b	--
12/04/2020 21:30	US Change in Nonfarm Payrolls	Nov	475k	638k	--
12/04/2020 23:00	US Durable Goods Orders	Oct F	1.3%	1.3%	--
12/04/2020 23:00	US Factory Orders	Oct	0.8%	1.1%	--
12/04/2020 23:00	US Durables Ex Transportation	Oct F	1.3%	1.3%	--

Source: Bloomberg

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