

Highlights

Global: US equity markets pulled back (S&P 500: -0.1%, Dow Jones: -0.22%) for a second day in a row on Tuesday after hitting new year highs. More data releases point to a cooling US labour market, supporting the end of the tightening narrative. UST yields fell, with the 10Y yield touching 4.16% at some point – the lowest level in over three months. That said, questions are emerging on whether market participants are being too aggressive in pricing in early rate cuts next year (Fed funds futures price over a 70% chance of a 25bp cut by March 2024). On the data front, the JOLTS October figure came in at 8.7 million, down from 9.4 million in September. This marked the lowest reading since March 2021, confirming the gradual cooling in the US labour market. Meanwhile, the ISM Services PMI rose to 52.7 in November from 51.8 in October. Elsewhere, Moody's cut its outlook for China's A1 debt rating to 'negative' from 'stable'.

Market Watch: Today's economic calendar comprises Taiwan's November inflation, Eurozone's October retail sales, Canada and US' trade data for October, and US' ADP employment change. Earlier today, Australia released their 3Q GDP figures which beat consensus expectations at 2.1% YoY (0.2% QoQ sa). Later tonight, the Bank of Canada (BoC) will be releasing their policy rate decision where market widely expects the BoC to keep rates on hold at 5.00%.

PH: Headline CPI eased to 4.1% YoY in November from 4.9% in October (Consensus & OCBC: 4.3% YoY). The easing in headline CPI was broad-based and driven mainly by lower inflation in 'food and non-alcoholic beverages' while the 'transport' component of inflation flipped into negative territory in November. The November print brings the average year-to-date inflation to 6.2% YoY versus 5.8% in 2022. We maintain our 2023 average inflation forecast of 6.1%. With inflation easing, Bangko Sentral ng Pilipinas (BSP) is likely to keep policy rates unchanged at the 14 December meeting.

SG: Retail sales contracted 0.1% YoY (-0.8% MoM sa) in October, after eight consecutive months of expansion. Excluding motor vehicles, retail sales fell a sharper 1.0% YoY (-1.3% MoM sa). Main drivers to October's lower figure were a contraction in sales for 'department stores', 'supermarkets & hypermarkets', 'cosmetics, toiletries & medical goods', 'furniture & household equipment', 'recreational goods', 'computer & telecom equipment', and 'others'.

Oil: WTI and Brent declined by 1.0% on Tuesday to close at US\$72.3/bbl and US\$77.2/bbl respectively. Prices edged lower on supply-side factors. Supply remained healthy as US exports of crude may have rose to a new record of ~6 mbpd (for the week ended 01 December), according to reports from Bloomberg, and would have a dampening effect on oil prices. Additionally, the American Petroleum Institute (API) reported a buildup of 0.6mn bbls in US crude inventories for the week ended 01 December. Energy Information Administration (EIA) crude oil inventories data will be released tonight (consensus: -774.20k) and could mirror the buildup in US inventories for a seventh consecutive week.

Key Market Movements

Equity	Value	% chg
S&P 500	4567.2	-0.1%
DJIA	36125	-0.2%
Nikkei 225	32776	-1.4%
SH Comp	2972.3	-1.7%
STI	3077.2	-0.2%
Hang Seng	16328	-1.9%
KLCI	1449.5	-0.1%
	Value	% chg
DXY	104.050	0.3%
USDJPY	147.15	0.0%
EURUSD	1.0797	-0.4%
GBPUSD	1.2595	-0.3%
USDIDR	15505	0.3%
USDSGD	1.3411	0.3%
SGDMYR	3.4862	-0.1%
	Value	chg (bp)
2Y UST	4.58	-5.86
10Y UST	4.16	-8.80
2Y SGS	3.36	-0.70
10Y SGS	2.92	-2.92
3M LIBOR	5.62	0.00
3M SIBOR	4.06	0.00
3M SORA	3.74	-0.16
3M SOFR	5.35	0.07
	Value	% chg
Brent	77.2	-1.1%
WTI	72.32	-1.0%
Gold	2019	-0.5%
Silver	24.16	-1.4%
Palladium	938	-4.2%
Copper	8335	-1.3%
BCOM	99.57	-0.4%

Source: Bloomberg

Daily Treasury Outlook

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Major Markets

MY: Fitch Ratings has affirmed Malaysia's long-term foreign-currency issuer default rating at BBB+ with a 'stable outlook,' citing a balanced assessment of a diverse economy with strong medium-term growth against challenges such as high public debt, a low revenue base, and "political considerations that may hinder long-term policymaking and reform implementation." Fitch Ratings expects GDP growth to moderate to 4.0% in 2023 before accelerating to 4.2% next year. Additionally, the current account surplus is anticipated to narrow to 2.6% to GDP in 2023 from 3.0% to GDP last year.

CN: Caixin services PMI rose notably from 50.4 in October to 51.5 in November, the highest in three months, buoyed by an uptick in new businesses. The new business index rose to 51.3 during the month, as both domestic and external demand showed signs of improvement. In parallel, the composite PMI increased to 51.6 in November, from 50.0 in October. Taken together, the Caixin PMI data pointed to a rosier outlook for the economy, while the official PMI still painted a mixed picture. The divergence was conceivably due to differences between the coverage, sample size, and sample period of the two sets of survey.

HK: Hong Kong's PMI rose back to expansionary zone at 50.1 in November, after hovering below the boom-bust divide for four consecutive months. The biggest boost stemmed from the increase in inventories sub-index, while new business, output, and purchasing activities all declined at slower rates, amid signs of improvement in demand. That said, margin pressures remained, as firms were not keen to share the heightened cost burden with clients.

ID: Ford Motor Co. will take an initial 8.5% stake in a US\$3.8bn battery nickel project in Indonesia, in which the US carmaker is partnering with China's Zhejiang Huayou Cobalt Co. and the local unit of Brazilian miner Vale SA, as reported by Bloomberg. Ford will have an option to raise its stake to 17% within an agreed timeframe. In a statement on Monday, Huayou announced that the three companies have made changes to their March agreement regarding the production of 120,000 tons of nickel-cobalt hydroxide at the plan.

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ESG Updates

MY: Bursa Malaysia, Malaysia's stock exchange, launched on Monday (4 December) an ESG reporting platform for mandatory disclosures under the exchange's enhanced sustainability reporting requirements.

Rest of the world: The world could possibly exceed the 1.5 degrees Celsius global warming threshold in 7 years as a result of CO2 emissions continuing to rise, according to the Global Carbon Project assessment led by an international association of climate scientists. Fossil fuel CO2 emissions edged 1.1% YoY higher in 2022, with China and India leading as the world's first and third largest emitters, respectively. The report estimated a 50% chance that global warming will surpass the Paris Agreement's goal of 1.5 degrees Celsius. The association of climate scientists presented these findings at the COP28 in Dubai, urging nations to "act now" on coal, oil and gas pollution, as reported by CNA.

Credit Market Updates

Market Commentary: The SGD SORA curve traded mostly lower yesterday, with short tenors trading -3 to +1bps, belly tenors trading 2-4bps lower, and the 10Y trading 5bps lower. According to Bloomberg, Moody's has changed the outlook on China's sovereign credit ratings to negative from stable while retaining a long-term rating of A1 on Tuesday. The downgrade was due to increased credit risk posed by increased fiscal stimulus and prolonged downturn of its property market. China Evergrande Group ("EVERRE") received notices from Guangzhou Intermediate People's Court for the claim on Jinbi Property of approximately RMB2bn with estimated interest of RMB152mn. This was in respect of the RMB2bn deposit certificate pledge guarantees of the property enforced by banks. Yesterday, Bloomberg Asia USD Investment Grade spreads widened by 1bp to 109bps, and Asia USD High Yield spreads widened by 8bps to 822bps, per Bloomberg.

New Issues: There were no new issues priced yesterday.

GLOBAL MARKETS RESEARCH

Daily Treasury Outlook

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	104.050	0.33%	USD-SGD	1.3411	0.25%
USD-JPY	147.150	-0.04%	EUR-SGD	1.4479	-0.12%
EUR-USD	1.080	-0.36%	JPY-SGD	0.9114	0.30%
AUD-USD	0.655	-1.03%	GBP-SGD	1.6892	-0.05%
GBP-USD	1.260	-0.30%	AUD-SGD	0.8787	-0.78%
USD-MYR	4.666	0.20%	NZD-SGD	0.8220	-0.32%
USD-CNY	7.147	0.05%	CHF-SGD	1.5328	0.01%
USD-IDR	15505	0.32%	SGD-MYR	3.4862	-0.09%
USD-VND	24271	0.08%	SGD-CNY	5.3268	-0.09%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	3.8550	-0.36%	1M	5.3639	0.00%
3M	3.9620	0.05%	2M	5.3750	0.02%
6M	3.9450	-1.47%	3M	5.3780	0.03%
12M	3.7940	-2.77%	6M	5.3062	0.02%
			1Y	5.0310	0.15%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
12/13/2023	0.000	0.000	5.333
01/31/2024	-0.120	-0.030	5.302
03/20/2024	-0.730	-0.183	5.150
05/01/2024	-1.464	-0.366	4.967
06/12/2024	-2.245	-0.561	4.771
07/31/2024	-2.990	-0.748	4.585
09/18/2024	-3.780	-0.945	4.387

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.32	-0.99%	Corn (per bushel)	4.685	1.8%
Brent (per barrel)	77.20	-1.06%	Soybean (per bushel)	13.055	-0.1%
Heating Oil (per gallon)	264.11	-0.70%	Wheat (per bushel)	6.208	4.2%
Gasoline (per gallon)	211.03	-1.12%	Crude Palm Oil (MYR/MT)	36.360	-1.1%
Natural Gas (per MMBtu)	2.71	0.59%	Rubber (JPY/KG)	2.400	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	8334.50	-1.29%	Gold (per oz)	2019.4	-0.5%
Nickel (per mt)	16143.00	-3.42%	Silver (per oz)	24.2	-1.4%

Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised
12/06/2023 08:30	AU	GDP SA QoQ	3Q	0.50%	0.20%	0.40%
12/06/2023 08:30	AU	GDP YoY	3Q	1.90%	2.10%	2.10%
12/06/2023 10:00	VN	Domestic Vehicle Sales YoY	Nov	--	--	-25.80%
12/06/2023 15:00	GE	Factory Orders MoM	Oct	0.20%	--	0.20%
12/06/2023 15:00	GE	Factory Orders WDA YoY	Oct	-3.90%	--	-4.30%
12/06/2023 16:00	TA	CPI YoY	Nov	2.80%	--	3.05%
12/06/2023 16:00	SI	Automobile COE Open Bid Cat A	Dec-06	--	--	85001
12/06/2023 16:00	SI	Automobile COE Open Bid Cat B	Dec-06	--	--	135336
12/06/2023 17:30	UK	S&P Global/CIPS UK Construction PMI	Nov	46.7	--	45.6
12/06/2023 18:00	EC	Retail Sales MoM	Oct	0.20%	--	-0.30%
12/06/2023 18:00	EC	Retail Sales YoY	Oct	-1.10%	--	-2.90%
12/06/2023 20:00	US	MBA Mortgage Applications	Dec-01	--	--	0.30%
12/06/2023 21:15	US	ADP Employment Change	Nov	130k	--	113k
12/06/2023 21:30	US	Trade Balance	Oct	-\$64.2b	--	-\$61.5b
12/06/2023 21:30	CA	Int'l Merchandise Trade	Oct	1.80b	--	2.04b
12/06/2023 23:00	CA	Bank of Canada Rate Decision	Dec-06	5.00%	--	5.00%

Source: Bloomberg

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