

Highlights

Global	<p>The US dollar's weakness was capped by ECB President Draghi's dovish inflation comment and stronger than expected US data. As widely expected, the ECB kept its benchmark interest rate and QE timetable unchanged. However, Draghi turned dovish on inflation outlook again and expected the inflation to only reach 1.7% in 2020, short of 2% target. Meanwhile, he also said ample degree of monetary stimulus is still needed. The EURUSD fell below 1.1780 after touching overnight high of 1.1863.</p> <p>Risk sentiment turned sour with equities fell across the board and JPY rallied as concerns about tax reform resurfaced after Republican Senator Marco Rubio's spokeswoman said the Senator will vote no if there is no larger child tax credit. Nevertheless, President Trump said he is "very sure" Rubio will vote yes. Market will continue to monitor the progress of tax reform story.</p>
US	<p>All the major economic data released overnight surprised on the upside, supporting Fed's upbeat economic outlook. Initial jobless claims fell to multi-decades low of 225K last week, below market consensus of 236K. Retail sales jumped by 0.8% mom in November after October reading was revised up from 0.2% mom to 0.5% mom. The retail sales control group also grew by 0.8% mom. The strong retail sales data will be supportive to 4Q GDP. In addition, the flash manufacturing PMI also rose to 55 in November from 53.9 in October.</p>
CN	<p>The PBoC raised its reserve repo rate and medium term lending facility (MLF) rate by 5bps yesterday, third money market rate hike since early 2017, in reaction to Fed's rate hike. We think China may continue to adjust its money market rate in 2018. But we don't expect China to hike its benchmark rate as the high debt level remains the key hurdle.</p>
HK	<p>HKMA raised base rate by 25 bps right after the Fed hike rate on Dec 14. Though Hong Kong has followed the Fed and raised rates for five times since Dec 2015, banking system refrained from lifting prime rate.</p>
KR	<p>Korea's household debt to disposable income rose to 155.5% at end 3Q17, up from 153.4% at end 2016. Total household debt rose to a new record of KRW1,419.1 trillion.</p>
ID	<p>Bank Indonesia held rates unchanged yesterday at 4.25%, as expected. We continue to expect that the BI will adopt a holding stance into 1Q18, as it reiterated that previous easing moves are "sufficient to continue the economic recovery process".</p>
PH	<p>The BSP continues to hold back pressures to hike rates, keeping its policy rate at 3.0%. With inflation still within the BSP's target band, and long-end real rates near the middle of the historical range, we do not expect the BSP to move anytime soon. Watch for the government's tax reforms and infrastructure plans to translate into a meaningful increase in price pressures before the BSP will consider a rate hike</p>
TH	<p>Finance Minister Apisak Tantivorawong reiterated the ministry's inflation target of 1 – 4% into 2018.</p>
CMD	<p>Concerns over US' record high production quickly faded as investors re-adjusted their focus back to the North Sea pipeline outage. Both Brent and WTI rose 1.39% and 0.78%, respectively. Elsewhere, gold prices continue to recover back to above its \$1,250/oz handle, a day after FOMC hiked rates by 25bps.</p>

Major Market

- **US:** Notwithstanding Trump's triumphant declaration the day before, the equity markets turned jittery on the tax reform package's progress. The shock loss in Alabama cuts the Republicans' Senate majority to 51-49, and as it currently stands, two Republican senators are still having reservations. The declines were broad-based, with healthcare and materials stocks bearing most of the brunt. The S&P 500 slipped 0.41%, while the Dow and Nasdaq Composite also lost 0.31% and 0.28% respectively. VIX rose to 10.49, compared to 10.18 previously. Meanwhile, the US Treasury curve reassumed flattening moves. Short-end yields were higher by 3-4 bps, while the long end was lower by 0-2 bps. 2y and 10y benchmark yields stood at 1.811% and 2.349% respectively.
- **China:** China's economic data is largely in with market expectation in November. Industrial production decelerated to 6.1% yoy in November due to weaker mining production. Fixed asset investment also decelerated to 7.2% yoy in the first eleven months from 7.3% yoy in the first ten months as private investment growth started to lose momentum due to concerns about financial de-leverage. Retail sales growth, however, accelerated to 10.2% yoy in November from 10% yoy in October. The November economic data reinforced our expectation that the economy is expected to slow further but at a manageable pace.
- **Singapore:** The STI fell 0.95% to close at 3,435.8. Top performing stocks include Hutchison Port Holdings Trust (+1.23%) and StarHub Ltd (+0.69%). Top losers include Jardine Strategic Holdings Ltd (-2.26%) as well as Oversea-Chinese Banking Corp Ltd (-2.22%).
- **Hong Kong:** Liquidity remains relatively flushed. Aggregate balance amounted to HK\$179.679 billion as at Dec 13, which is well above its historical average. Meanwhile, we continue to see southbound equity inflows under two stock connects. Therefore, larger banks with ample liquidity may not rush to raise rates while small to medium size banks, which suffered more from higher cost of fund, may also refrain from taking the first step amid fierce competition. Nevertheless, as HIBOR is expected to remain on uptrend in the coming year due to (1) Fed's rate hike expectations (2) high loan-to-deposit ratio and (3) potential large IPOs, mortgage loan rates will continue to top their cap. Adding on an expected uptrend of deposit rates over 2018, higher cost of fund may further compress banks' net interest margin. In this case, banks will face more pressure to lift prime rate next year. The need to hike could be more imminent should inflationary pressure intensify and trigger the tipping point of global liquidity some time in 2018.
- **Indonesia:** Overall, the BI remains optimistic about the economy, projecting a 5.1-5.5% growth rate for 2018. Going forward, inflation prints should be the best indicator of the BI's stance. If inflation continues to slip towards the lower end of the 2018 target range of 2.5%, the BI may have to move accordingly.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 2-3bps lower across all tenors. In the broader dollar space, the spread on Itraxx Asia ex-Japan rose 1bps to 71bps. 10Y UST yields rose 1bps overall to 2.35%, as a rise in yields upon retail sales data that came in stronger-than-expected subsequently fell upon news that Senator Marco Rubio will oppose the tax bill in its current form.
- **New Issues:** CFLD (Cayman) Investment Ltd has priced a USD500mn 3-year bond (guaranteed by China Fortune Land Development Co Ltd) at 6.5%, tightening from initial guidance of 6.625%. China Shandong International Economic & Technical Finance 1 Ltd has priced a USD400mn 3-year bond (with the keepwell and liquidity support deed provider being Shandong Hi-Speed Group Co Ltd) at 4%, tightening from initial guidance of 4.5% area. Luso International Banking Ltd has priced a USD250mn 10NC5.5 bond at 5.375%, tightening from initial guidance of 5.5%.
- **Rating Changes:** S&P has affirmed Insurance Australia Group Ltd's (IAG) 'A' issuer credit rating and 'AA-' financial strength rating. The outlook is stable. The rating action reflects S&P's view that IAG's agreements with reinsurers to provide unlimited cover for IAG's consolidated businesses in Australia, New Zealand and Thailand will lead to a material increase in IAG's reinsurance utilization, but will not result in a dilution of the insurer's earnings base or control over its business. S&P has assigned Norinchukin Australia Pty Ltd (Norinchukin Australia) issuer credit ratings of 'A'. The outlook is stable. The rating action reflects Moody's view that Norinchukin Australia is a core subsidiary of Norinchukin Bank, and therefore the rating is equalized to the group credit profile of the Norinchukin group. Moody's has downgraded Hydo International Holding Limited's (Hydo) corporate family rating (CFR) to 'B3' from 'B2', while downgrading the senior unsecured ratings to 'Caa1' from 'B3'. The outlook is negative. The rating action reflects Moody's concern that Hydo's ability to refinance debt will be weak as contracted sales will unlikely improve materially. Moody's has downgraded Cromwell Property Securities Limited's (Cromwell) and CDPT Finance Pty Ltd's senior unsecured rating to 'Baa3' from 'Baa2', while downgrading the senior unsecured rating of Cromwell SPV Finance Pty Ltd to 'Ba1' from 'Baa3'. Moody's then withdrew Cromwell Property Group's 'Baa3' issuer rating. The outlook on the ratings are stable. The rating action reflects Cromwell's high level of financial leverage due to Cromwell's investment initiatives. Fitch has affirmed Sime Darby Berhad's (Sime Darby) Issuer Default Ratings (IDR) and senior unsecured ratings at 'BB+'. The outlook is stable. Fitch then withdrew all ratings of Sime Darby for commercial reasons. Fitch has upgraded Development Bank of the Philippines (DBP) and Land Bank of the Philippines' (LBP) IDRs to 'BBB-' from 'BB+'. The outlooks are stable. The rating action follows the upgrade of the sovereign rating of the Philippines to 'BBB' from 'BBB-'.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.489	0.06%	USD-SGD	1.3456	-0.07%
USD-JPY	112.390	-0.13%	EUR-SGD	1.5848	-0.48%
EUR-USD	1.1778	-0.41%	JPY-SGD	1.1971	0.05%
AUD-USD	0.7666	0.38%	GBP-SGD	1.8072	0.02%
GBP-USD	1.3431	0.08%	AUD-SGD	1.0316	0.33%
USD-MYR	4.0845	-0.07%	NZD-SGD	0.9398	-0.63%
USD-CNY	6.6093	-0.15%	CHF-SGD	1.3605	-0.43%
USD-IDR	13576	-0.10%	SGD-MYR	3.0274	0.21%
USD-VND	22709	0.00%	SGD-CNY	4.9037	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1825	--
2M	-0.3400	--	1M	1.4770	--
3M	-0.3290	--	2M	1.5218	--
6M	-0.2730	--	3M	1.5885	--
9M	-0.2220	--	6M	1.7558	--
12M	-0.1910	--	12M	2.0386	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.8%	0.8%	0.0%	0.0%	0.0%
03/21/2018	63.7%	63.1%	0.5%	0.0%	0.0%
05/02/2018	66.3%	61.2%	5.0%	0.0%	0.0%
06/13/2018	82.5%	48.0%	32.1%	2.4%	0.0%
08/01/2018	83.8%	45.9%	33.2%	4.5%	0.2%
09/26/2018	88.5%	37.2%	36.9%	12.9%	1.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	57.04	0.78%	Copper (per mt)	6,773.7	0.62%
Brent (per barrel)	63.31	1.39%	Nickel (per mt)	11,098.5	0.56%
Heating Oil (per gallon)	1.9099	0.29%	Aluminium (per mt)	2,033.8	2.16%
Gasoline (per gallon)	1.6707	1.46%			
Natural Gas (per MMBtu)	2.6840	-1.14%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,452.0	-0.24%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	205.3	0.54%
Gold (per oz)	1,257.1	0.68%			
Silver (per oz)	15.934	0.41%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,508.66	-76.77
S&P	2,652.01	-10.84
Nasdaq	6,856.53	-19.27
Nikkei 225	22,694.45	-63.62
STI	3,435.78	-32.99
KLCI	1,759.00	21.34
JCI	6,113.65	59.05
Baltic Dry	1,730.00	--
VIX	10.49	0.31

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (-)	1.81 (+0.04)
5Y	1.69 (-)	2.14 (+0.03)
10Y	2.00 (-0.04)	2.35 (+0.01)
15Y	2.30 (-0.04)	--
20Y	2.31 (-0.04)	--
30Y	2.40 (-0.04)	2.71 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.15	1.24
EURIBOR-OIS	1.10	-0.28
TED	29.93	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
12/14/2017 03:00	US FOMC Rate Decision (Upper Bound)	Dec-13	1.50%	1.50%	1.25%	--
12/14/2017 07:50	JN Japan Buying Foreign Bonds	Dec-08	--	-¥487.6b	-¥208.1b	-¥204.0b
12/14/2017 07:50	JN Foreign Buying Japan Stocks	Dec-08	--	-¥84.8b	-¥167.1b	-¥166.8b
12/14/2017 08:01	UK RICS House Price Balance	Nov	0%	0%	1%	--
12/14/2017 08:30	AU Unemployment Rate	Nov	5.40%	5.40%	5.40%	--
12/14/2017 08:30	AU Participation Rate	Nov	65.10%	65.50%	65.10%	65.20%
12/14/2017 08:30	JN Nikkei Japan PMI Mfg	Dec P	--	54.2	53.6	--
12/14/2017 10:00	CH Retail Sales YoY	Nov	10.30%	10.20%	10.00%	--
12/14/2017 10:00	CH Fixed Assets Ex Rural YTD YoY	Nov	7.20%	7.20%	7.30%	--
12/14/2017 12:00	JN Tokyo Condominium Sales YoY	Nov	--	24.60%	-3.00%	--
12/14/2017 12:30	JN Industrial Production MoM	Oct F	--	0.50%	0.50%	--
12/14/2017 12:30	JN Capacity Utilization MoM	Oct	--	0.20%	-1.50%	--
12/14/2017 14:30	IN Wholesale Prices YoY	Nov	4.00%	3.93%	3.59%	--
12/14/2017 15:00	EC EU27 New Car Registrations	Nov	--	5.90%	5.90%	--
12/14/2017 15:45	FR CPI YoY	Nov F	1.20%	1.20%	1.20%	--
12/14/2017 16:00	PH BSP Overnight Borrowing Rate	Dec-14	3.00%	3.00%	3.00%	--
12/14/2017 16:00	FR Markit France Manufacturing PMI	Dec P	57.2	59.3	57.7	--
12/14/2017 16:30	GE Germany Manufacturing PMI	Dec P	62	63.3	62.5	--
12/14/2017 16:30	GE Markit/BME Germany Composite PMI	Dec P	57.2	58.7	57.3	--
12/14/2017 17:00	EC Markit Eurozone Manufacturing PMI	Dec P	59.7	60.6	60.1	--
12/14/2017 17:00	IT CPI EU Harmonized YoY	Nov F	1.10%	1.10%	1.10%	--
12/14/2017 17:30	UK Retail Sales Ex Auto Fuel MoM	Nov	0.40%	1.20%	0.10%	0.40%
12/14/2017 20:00	UK Bank of England Bank Rate	Dec-14	0.50%	0.50%	0.50%	--
12/14/2017 20:00	UK BOE Asset Purchase Target	Dec	435b	435b	435b	--
12/14/2017 20:45	EC ECB Main Refinancing Rate	Dec-14	0.00%	0.00%	0.00%	--
12/14/2017 20:45	EC ECB Marginal Lending Facility	Dec-14	0.25%	0.25%	0.25%	--
12/14/2017 20:45	EC ECB Deposit Facility Rate	Dec-14	-0.40%	-0.40%	-0.40%	--
12/14/2017 21:30	CA New Housing Price Index MoM	Oct	0.20%	0.10%	0.20%	--
12/14/2017 21:30	US Initial Jobless Claims	Dec-09	236k	225k	236k	--
12/14/2017 21:30	US Continuing Claims	Dec-02	1900k	1886k	1908k	1913k
12/14/2017 21:30	US Retail Sales Advance MoM	Nov	0.30%	0.80%	0.20%	0.50%
12/14/2017 21:30	US Import Price Index MoM	Nov	0.70%	0.70%	0.20%	0.10%
12/14/2017 22:45	US Markit US Manufacturing PMI	Dec P	53.9	55	53.9	--
12/14/2017 22:45	US Bloomberg Consumer Comfort	Dec-10	--	51.3	52.3	--
12/14/2017	ID Bank Indonesia 7D Reverse Repo	Dec-14	4.25%	4.25%	4.25%	--
12/15/2017 05:30	NZ BusinessNZ Manufacturing PMI	Nov	--	57.7	57.2	57.3
12/15/2017 07:50	JN Tankan Large Mfg Index	4Q	24	--	22	--
12/15/2017 07:50	JN Tankan Large Non-Mfg Index	4Q	24	--	23	--
12/15/2017 07:50	JN Tankan Large All Industry Capex	4Q	7.50%	--	7.70%	--
12/15/2017 10:00	ID Exports YoY	Nov	12.63%	--	18.39%	--
12/15/2017 10:00	ID Trade Balance	Nov	\$844m	--	\$895m	--
12/15/2017 15:30	TH Foreign Reserves	Dec-08	--	--	\$203.1b	--
12/15/2017 21:30	CA Manufacturing Sales MoM	Oct	1.00%	--	0.50%	--
12/15/2017 21:30	US Empire Manufacturing	Dec	18.7	--	19.4	--
12/15/2017 22:15	US Industrial Production MoM	Nov	0.30%	--	0.90%	--
12/15/2017 22:15	US Capacity Utilization	Nov	77.20%	--	77.00%	--
12/15/2017	PH Overseas Remittances YoY	Oct	9.60%	--	-8.30%	--
12/14/2017 12/15	IN Exports YoY	Nov	--	--	-1.10%	--
12/14/2017 12/15	IN Imports YoY	Nov	--	--	7.60%	--

Source: Bloomberg

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