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Highlights

Global	<p>So a hard Brexit it will be for UK PM May, albeit a “phased approach” to “seek the greatest possible access” the EU single market through a “new, comprehensive, bold and ambitious free trade agreement”. Her vision outlined maintaining tariff-free trade with the EU but without “huge” contributions to the EU budget, the ability to negotiate new trade deals with non-EU countries, and transitional arrangements for financial services. She did strike a conciliatory note, saying that the UK wants “reliable partners, willing allies and close friends”, but also warned that “I know there are some voices calling for a punitive deal that punishes Britain” and “that would be an act of calamitous self-harm for the countries of Europe”. The GBP actually strengthened on the guarantee of a Parliament vote on the final Brexit deal.</p> <p>Over in the US, it was a case of “oops he did it again” as president-elect Trump’s comment that the USD is “too strong” sent the greenback lower. Meanwhile, Chinese president Xi warned that “there is no point in blaming economic globalisation for the world’s problems because that is simply not the case” and “waging a trade war will only cause injury and loss to both sides”, in a speech clearly targeted at the incoming US president.</p> <p>For today, the economic data calendar comprises of US’ NAHB housing market, industrial production and CPI, inflation prints from Eurozone and Malaysia, and UK’s jobless claims and ILO unemployment rate. BOC is tipped to keep its policy rate unchanged at 0.5% today.</p>
US	<p>Fed’s Williams opined that “in the context of a strong economy that has reached our maximum employment goal and with inflation nearing our price stability goal, it makes sense that the FOMC has undertaken a process of raising interest rates” and “looking ahead, further gradual increases in the target fed funds rate will likely be appropriate”. Meanwhile, Dudley said that “inflation is simply not a problem”, while Brainard noted that “if fiscal policy changes lead to a more rapid elimination of slack, policy adjustment would, all else being equal, likely be more rapid than otherwise”.</p> <p>The Empire Manufacturing index slipped from a downwardly revised 7.6 in Dec to 6.5 in Jan, suggesting a modest pace of expansion to start 2017.</p>
EZ	<p>The ZEW survey improved from 18.1 to 23.2 in Jan, led by Germany whose expectations and current situation gauges both surged to 16.6 (previously 13.8) and 77.3 (previously 63.5), but is unlikely to sway the ECB tomorrow.</p>
SG	<p>The debt consolidation plan will let borrowers consolidate existing unsecured credit balances across institutions with just one, thereby reducing monthly debt repayment obligations and the debt can be consolidated over up to 10 years, according to the Association of Banks. This comes as the borrowing limit is cut from 24x currently monthly income to 18x in June 2017 and 12x in June 2019.</p>
Commodities	<p>Gold was the star of the day, breaking its \$1,210/oz handle easily and closed at \$1,215.4/oz. Unsurprisingly, the greenback also fell to its lowest since Dec 2016 in tandem on Donald Trump’s comment that the USD is “too strong”. Elsewhere, copper fell the most since mid-Dec to \$5,754/MT (-1.89%) alongside its base metal peers likely as risk appetite turned tame amid stronger safe haven demand leading to UK May’s plans for a ‘hard Brexit’.</p>

Major Markets

- **US:** Tax-related comments from President-elect Trump shook up equities on Tuesday, with retail stocks being the main beneficiaries. Financials, and the broader market, declined as investors started to question whether expected tax reforms will be followed through. Overall, the S&P 500 and Dow both fell 0.30%, while the Nasdaq lost 0.64%. VIX spiked 5.7% to close at 11.87. Meanwhile, the weaker dollar contributed to a rise in US Treasuries in early trade, before a block sale of 10-year notes and corporate IG issuance caused the gains to be pared. Benchmark yields were 4-7 bps lower, with the 2- and 10-year yields standing at 1.15% and 2.33% respectively.
- **Singapore:** The STI ended nearly flat (-0.01%) yesterday to close at 3012.77 but may test the 3000 support given sustained weak leads from Wall Street overnight and morning slippage by Kospi. SGS bonds may gain in tandem with the UST bond rally overnight. The recent retracement of the USDSGD below the 1.42 handle also saw the 3-month SIBOR pulling back slightly, and Trump's comments on a "too strong" USD may extend the current relief window for Asian currencies.
- **China:** Bloomberg reported that China may have supported equity market during President Xi's visit in Davos for World Economic Forum. State backed funds have bought blue-chips stocks to stabilize the market. Meanwhile, CSRC has increased surveillance on transaction and stock exchanges are asked to report abnormal trading observed for this week. Window guidance on some asset managers not to sell certain stocks which may affect the equity index was also reported by media.
- **Hong Kong:** As junket operators resumed credit extension to VIP gamblers and the rooms for the premium players re-opened for the first time in two years in last November, genuine VIP demand has since returned. Adding onto the effect of a low base, revenue from the VIP segment rose significantly by 12.7% yoy to MOP 33.3 billion in 4Q 2016, marking its first growth since 1Q 2014. This also drove the share of VIP revenue up to the highest since 2Q 2015 at 55.2%. In comparison, the mass market appeared to have stabilized. Revenue from the mass market segment increased for the third consecutive quarter and was up by 7.8% yoy to MOP 24 billion (39.8% of total revenue). Based on this, we remain cautiously optimistic about the gaming sector. On one hand, the VIP segment's vulnerability to policy risks may make its revival unsustainable. On the other hand, the mass-market segment could lose some momentum should a stronger MOP and China's slowdown trim some upward risks from the tourism sector. As neither segment could fuel a V-shaped rebound in gaming revenue, we expect gaming revenue to grow moderately by 5% yoy to 7% yoy over 2017.
- **Indonesia:** Economics Minister, Darmin Nasution, reportedly said that the government is planning to release 15th economic stimulus package, focusing on logistics. The package is said to be related to national single window and economic equality, and will be tabled for cabinet discussion next week.
- **Malaysia:** Financial Markets Committee said that the ringgit has been stable amidst global uncertainties, with exchange range intraday movement narrowing to around 61 points from an average of 82 points in December last year.
- **Thailand:** There was new tax measures passed approved in supporting Thai jewelry trade. The government will cut import tax on jewelry while manufacturers can get tax allowances for labour expenses. These measures are expected to cost the government of about THB324 million from tax revenue.
- **Commodities:** Elsewhere in Asia, the Malaysian Palm Oil Board (MPOB) forecasted that palm oil production will rise by 12% to 19.4 million tons in 2017, up from 17.32 million tons last year. This is the fastest annual growth since 2008. Indonesia's GAPKI also iterated similar expectations for the world's largest producer of palm oil to see stronger production to 32 – 33 million tons in 2017, from

28.5 – 30.0 million tons in 2016. Despite the surge in palm oil production, MPOB further commented that palm prices are still expected to average between MYR2,700 – 2,800/MT this year, up from 2016's average of MYR2,656.9/MT. This is likely due to the optimistic expectations for Malaysia to see stronger palm oil exports at +11.2% yoy to 17.85 million tons this year, up from 16.05 million tons seen in 2016.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates falling 3-9bps across all tenors. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 199bps, while the yield on JACI HY Corporates fell 3bps to 6.76%. 10y UST yield fell 7bps yesterday to 2.32%, driven by weaker dollar expectations after President-elect Donald Trump commented that the dollar is already “too strong”. Treasury yields and the Bloomberg Dollar Spot Index have moved in tandem since Trump's election.
- **New Issues:** China Development Bank priced a USD1bn 5-year bond at CT5+87.5bps, tightening from initial guidance of CT5+110bps, and a USD500mn 10-year bond at CT10+115bps, tightening from initial guidance of CT10+135bps. The expected issue ratings are 'AA-/Aa3/NR'. Genting Overseas Holdings (GOHL) Capital Ltd. priced a USD1bn 10-year bond at CT10+198bps, tightening from initial guidance of CT10+220bps. The expected issue ratings are 'NR/Baa1/A-'. State Bank of India priced a USD500mn 5-year bond at CT5+145bps, tightening from initial guidance of CT10+170bps. The expected issue ratings are 'BBB-/Baa3/BBB-'. FWD Ltd. priced a USD250mn NC5 Perp at 6.25%, tightening from initial guidance of 6.875%. The expected issue ratings are 'NR/Ba1/BB+'. Bukit Makmur Mandiri Utama (P.T.) (Buma) scheduled investor roadshows from 18 – 26 January for a potential USD bond issue. Huaxing Investment Holding Company Ltd. scheduled investor meetings from 18 January for a potential USD bond issue (guaranteed by Zhuhai Huafa Group Co.). The expected issue ratings are 'NR/NR/BBB'. Jain International scheduled investor roadshows from 18 January for a potential USD green bond issuance.
- **Rating Changes:** Moody's assigned a 'Ba3' corporate family rating to Bukit Makmur Mandiri Utama (P.T.) (Buma) and a 'Ba3' rating to its proposed senior secured notes. The rating outlook is stable. The rating action reflects its well-recognised franchise and established relationships with Indonesia's largest coal concession holders and the long-term contractual nature of its revenue base which provides cash flow visibility. Moody's has placed China Metallurgical Group Corporation's (CMGC) 'Baa3' issuer rating and the 'Baa3' senior unsecured bond rating of its subsidiary, China Jingye Construction Engineering (Singapore) Pte. Ltd., under review for upgrade. The rating action reflects CMGC's credit positive private equity placement, as it plans to use the proceeds for debt repayment, working capital needs and investments in projects.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.330	-0.84%	USD-SGD	1.4154	-1.05%
USD-JPY	112.620	-1.38%	EUR-SGD	1.5164	0.01%
EUR-USD	1.0713	1.06%	JPY-SGD	1.2570	0.37%
AUD-USD	0.7567	1.20%	GBP-SGD	1.7572	1.97%
GBP-USD	1.2414	3.05%	AUD-SGD	1.0710	0.14%
USD-MYR	4.4625	-0.10%	NZD-SGD	1.0214	0.54%
USD-CNY	6.8450	-0.81%	CHF-SGD	1.4133	-0.03%
USD-IDR	13333	-0.22%	SGD-MYR	3.1420	0.61%
USD-VND	22543	--	SGD-CNY	4.8274	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.6928	--
2M	-0.3390	--	1M	0.7678	--
3M	-0.3280	--	2M	0.8367	--
6M	-0.2380	--	3M	1.0237	--
9M	-0.1530	--	6M	1.3329	--
12M	-0.0950	--	12M	1.7018	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.19	-1.40	3.84
Italy	-0.09	-0.30	1.92
Ireland	-0.42	-2.10	0.93
Greece	7.35	6.60	7.11
Spain	-0.28	-1.10	1.39
Russia	2.48	-10.70	4.29

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.48	0.21%	Coffee (per lb)	1.499	0.40%
Brent (per barrel)	55.47	-0.70%	Cotton (per lb)	0.7211	-0.22%
Heating Oil (per gallon)	1.6486	-0.17%	Sugar (per lb)	0.2073	1.02%
Gasoline (per gallon)	1.6004	-0.70%	Orange Juice (per lb)	1.7360	-5.21%
Natural Gas (per MMBtu)	3.4120	-0.20%	Cocoa (per mt)	2,235	0.99%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,754.0	-1.89%	Wheat (per bushel)	4.3350	1.76%
Nickel (per mt)	10,125.5	-0.85%	Soybean (per bushel)	10.693	2.57%
Aluminium (per mt)	1,793.8	-0.21%	Corn (per bushel)	3.6550	1.95%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,212.9	1.40%	Crude Palm Oil (MYR/MT)	3,255.0	1.50%
Silver (per oz)	17.148	2.28%	Rubber (JPY/KG)	307.0	-0.49%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	19,826.77	-58.96
S&P	2,267.89	-6.75
Nasdaq	5,538.73	-35.39
Nikkei 225	18,813.53	-281.71
STI	3,012.77	-0.35
KLCI	1,663.03	4.19
JCI	5,266.94	-3.07
Baltic Dry	922.00	-3.00
VIX	11.87	0.64

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.14 (-0.02)	1.15 (-0.04)
5Y	1.74 (-0.03)	1.82 (-0.08)
10Y	2.30 (-0.05)	2.33 (-0.07)
15Y	2.62 (-0.05)	--
20Y	2.70 (-0.04)	--
30Y	2.71 (-0.04)	2.93 (-0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	34.72	0.19
EURIBOR-OIS	2.50	0.90
TED	50.09	--

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
01/17/2017 08:30	AU	Home Loans MoM	Nov	0.30%	0.90%	-0.80%	-0.60%
01/17/2017 08:30	AU	Investment Lending	Nov	--	4.90%	0.70%	1.50%
01/17/2017 08:30	AU	Owner-Occupier Loan Value MoM	Nov	--	0.40%	-0.80%	-0.20%
01/17/2017 08:30	AU	New Motor Vehicle Sales MoM	Dec	--	0.30%	-0.60%	-0.70%
01/17/2017 08:30	AU	New Motor Vehicle Sales YoY	Dec	--	0.20%	-1.10%	--
01/17/2017 08:30	SI	NODX Exports YoY	Dec	5.80%	9.40%	11.50%	--
01/17/2017 08:30	SI	NODX SA MoM	Dec	-5.50%	1.00%	13.10%	13.00%
01/17/2017 08:30	SI	Electronic Exports YoY	Dec	--	5.70%	3.50%	--
01/17/2017 12:30	JN	Industrial Production MoM	Nov F	--	1.50%	1.50%	--
01/17/2017 12:30	JN	Industrial Production YoY	Nov F	--	4.60%	4.60%	--
01/17/2017 12:30	JN	Capacity Utilization MoM	Nov	--	3.00%	1.40%	--
01/17/2017 15:00	EC	EU27 New Car Registrations	Dec	--	3.00%	5.80%	--
01/17/2017 17:00	IT	Trade Balance Total	Nov	--	4203m	4299m	4293m
01/17/2017 17:30	UK	CPI MoM	Dec	0.30%	0.50%	0.20%	--
01/17/2017 17:30	UK	CPI YoY	Dec	1.40%	1.60%	1.20%	--
01/17/2017 17:30	UK	CPI Core YoY	Dec	1.40%	1.60%	1.40%	--
01/17/2017 17:30	UK	Retail Price Index	Dec	266.7	267.1	265.5	--
01/17/2017 17:30	UK	RPI MoM	Dec	0.40%	0.60%	0.30%	--
01/17/2017 17:30	UK	RPI YoY	Dec	2.30%	2.50%	2.20%	--
01/17/2017 17:30	UK	RPI Ex Mort Int.Payments (YoY)	Dec	2.50%	2.70%	2.50%	--
01/17/2017 17:30	UK	PPI Input NSA MoM	Dec	2.40%	1.80%	-1.10%	-0.60%
01/17/2017 17:30	UK	PPI Input NSA YoY	Dec	15.50%	15.80%	12.90%	13.30%
01/17/2017 17:30	UK	PPI Output NSA MoM	Dec	0.40%	0.10%	0.00%	0.10%
01/17/2017 17:30	UK	PPI Output NSA YoY	Dec	2.90%	2.70%	2.30%	2.40%
01/17/2017 17:30	UK	PPI Output Core NSA YoY	Dec	2.20%	2.10%	2.20%	2.30%
01/17/2017 18:00	GE	ZEW Survey Expectations	Jan	18.4	16.6	13.8	--
01/17/2017 18:00	GE	ZEW Survey Current Situation	Jan	65	77.3	63.5	--
01/17/2017 18:00	EC	ZEW Survey Expectations	Jan	--	23.2	18.1	--
01/17/2017 18:36	FR	Budget Balance YTD	Nov	--	-93.3b	-85.5b	--
01/17/2017 21:30	US	Empire Manufacturing	Jan	8.5	6.5	9	7.6
01/18/2017 07:30	AU	Westpac Consmr Conf SA MoM	Jan	--	--	-3.90%	--
01/18/2017 10:00	NZ	Non Resident Bond Holdings	Dec	--	--	63.60%	--
01/18/2017 12:00	MA	CPI YoY	Dec	1.90%	--	1.80%	--
01/18/2017 15:00	GE	CPI YoY	Dec F	1.70%	--	1.70%	--
01/18/2017 15:00	GE	CPI MoM	Dec F	0.70%	--	0.70%	--
01/18/2017 15:00	GE	CPI EU Harmonized MoM	Dec F	1.00%	--	1.00%	--
01/18/2017 15:00	GE	CPI EU Harmonized YoY	Dec F	1.70%	--	1.70%	--
01/18/2017 17:30	UK	Claimant Count Rate	Dec	2.30%	--	2.30%	--
01/18/2017 17:30	UK	Jobless Claims Change	Dec	5.0k	--	2.4k	--
01/18/2017 17:30	UK	ILO Unemployment Rate 3Mths	Nov	4.80%	--	4.80%	--
01/18/2017 18:00	EC	CPI MoM	Dec	0.50%	--	-0.10%	-0.10%
01/18/2017 18:00	EC	CPI YoY	Dec F	1.10%	--	1.10%	--
01/18/2017 18:00	EC	CPI Core YoY	Dec F	0.90%	--	0.90%	--
01/18/2017 20:00	US	MBA Mortgage Applications	Jan-13	--	--	5.80%	--
01/18/2017 21:30	US	CPI MoM	Dec	0.30%	--	0.20%	--
01/18/2017 21:30	US	CPI Ex Food and Energy MoM	Dec	0.20%	--	0.20%	--
01/18/2017 21:30	US	CPI YoY	Dec	2.10%	--	1.70%	--
01/18/2017 21:30	US	CPI Ex Food and Energy YoY	Dec	2.10%	--	2.10%	--
01/18/2017 21:30	US	CPI Core Index SA	Dec	249.753	--	249.357	--
01/18/2017 21:30	US	CPI Index NSA	Dec	241.508	--	241.353	--
01/18/2017 22:15	US	Industrial Production MoM	Dec	0.60%	--	-0.40%	--
01/18/2017 22:15	US	Capacity Utilization	Dec	75.40%	--	75.00%	--
01/18/2017 23:00	CA	Bank of Canada Rate Decision	Jan-18	0.50%	--	0.50%	--
01/18/2017 23:00	US	NAHB Housing Market Index	Jan	69	--	70	--
01/18/2017 23:00	CA	BoC Jan Monetary Policy Report					
01/18/2017 01/21	CH	China December Property Prices					

Source: Bloomberg

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