

Highlights

Global	<p>The first trading day for 2018 may see a relatively quiet start, especially with Japanese markets closed today. Global investor sentiments are likely to focus on US president Trump's comments on "failing" Iran, North Korean leader Kim Jong Un's claim that "the nuclear button is always on my desk", and Wall Street's softer close last Friday. Over the weekend, China's manufacturing PMI edged down to 51.6 in Dec in line with market expectations with the non-manufacturing PMI at 55 and suggested momentum remained intact, whilst S'pore reported 4Q17 GDP growth of 3.1% (2.8% qoq saar) this morning, which is close to our forecast of 3.0% yoy (3.2% qoq saar).</p> <p>Asian bourses may start this morning on a slightly firmer but quiet tone, awaiting further cues from today's economic data releases which include the slew of manufacturing PMIs across Asia, US and Europe, as well as Indonesia's Dec CPI. For this week, watch for FOMC Dec minutes tomorrow and US nonfarm payrolls and unemployment rate releases on Friday and anticipated at 188k (Nov: 228k) and 4.1% (unchanged) respectively.</p>
CN	<p>The PBoC announced a new temporary liquidity facility in the last trading day of 2017. The new tool will allow national commercial banks including both big five banks and joint stock banks to use up to 2% of their mandatory reserve for maximum 30 days to cover the funding needs during the Chinese New Year period. The setup of new liquidity facility is likely to add more than CNY2 trillion into the banking system ahead of the upcoming Chinese New Year, which fell in the middle of Feb. Together with the impact of targeted forward reserve ratio cut announced back in late September, which will take effect from 2018, we expect China's liquidity situation is likely to improve in early 2018.</p>
KR	<p>Korea's exports expanded to its highest growth print in at least six decades at 15.8% in 2017, bringing trade surplus to \$96bn.</p>
SG	<p>PM's New Year Day message flagged that 2017 GDP growth was 3.5%, more than double the initial forecast. The Budget will be announced on 19 Feb and likely focus on economic restructuring, education, healthcare, environment and infrastructure, but possibly also herald some tax changes. 3Q17 GDP growth was revised higher to 5.4% yoy (9.4% qoq saar), while 2Q17 was also upgraded to 3.0% yoy (2.6% qoq saar) to bring full year growth to 3.5% yoy which is significantly better than the 2% registered in 2016. Manufacturing outperformed with 6.2% yoy (-11.5% qoq saar), aided by electronics and precision engineering clusters, with services expanding by 3.0% yoy (7.5% qoq saar) on the back of finance & insurance, wholesale & retail trade and transportation & storage sectors, whereas construction lagged at -8.5% yoy (-3.6% qoq saar) in 4Q17, dragged down by private sector construction activity weakness. For 2018, we tip GDP growth to be 2-4%, which is a tad higher than the official forecast range of 1.5-3.5%.</p>
CMD	<p>WTI rose above \$60/bbl on the final trading day of 2017, the first since mid-2015. Brent itself also rose in tandem to near \$67/bbl as well. The rising prices indicated that the previous glut seen in the past years have continued to narrow, underpinned by the relative recovery in demand amid OPEC's cut efforts.</p>

Major Market

- **US:** Equities closed the year weaker, with the S&P 500 closing down 0.52%, and the Dow and Nasdaq Composite also lower by 0.48% and 0.67%. However, this will not take the shine away from a stellar 2017 for US equities. Dip-buying had been a feature throughout, keeping corrections shallow. Overall, the S&P 500 clocked a gain of 19.4% for the year, while the Dow and Nasdaq Composite rose 25.1% and 28.2%. Ongoing sector rotation may continue to feature in the early months of 2018, putting some pressure on tech, while supporting the laggards of 2017.
- Meanwhile, US Treasury yields also ended the year softer. 2y and 10y yields closed the year at 1.883% and 2.405% respectively. Curve flattening moves have been a key theme in the Treasury markets in 2018, with the 2Y-10Y spread closing to 52 bps, compared to almost 130 bps at the start of 2017. Nevertheless, this trend looks set to continue into 2018, even though different measures of the curve flatness is at multi-year records.
- **China:** In its 4Q monetary policy meeting, China's central bank reiterated the key message from the Central Economic Work Conference to control the floodgate of money supply. In addition, China's currency regulator SAFE lowered Chinese individual's overseas cash withdrawal limit in 2018. Individual is only allowed to withdraw maximum CNY100k in a calendar year with domestically issued bank cards.
- **Singapore:** Weak Friday cues by Wall Street and a soft morning open by ASX200 may mean that the STI could tread a range between 3380-3420 today, after adding 0.11% to close 2017 at 3402.91 on Friday. The 2-10 year SGS bond yield curve steepened on Friday, but ended the whole year of 2017 flatter at just 35bps and may continue to take the flattening cue from the UST bond market in the interim.
- **Thailand:** Bank of Thailand Verrathai Santiprabhob iterated that there is no need for higher rates at this juncture, despite the higher rates by the US Federal Reserve.
- **Malaysia:** Manufacturing PMI fell back below its 50.0 handle in Dec, after rising to 52.0 in November. The fall is led by the fall in new orders, although output gained for its fifth consecutive month at 51.2.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened last Friday, with swap curves trading 1-3bps lower across all tenors. Singapore markets were closed yesterday for the New Year's Day Holiday. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded little changed at 67bps last Friday. 10y UST yields ended the year at 2.41%. US markets were closed yesterday for the New Year's Day Holiday.
- **New Issues:** Intermedia Capital Tbk PT has published a prospectus stating that it plans to sell a USD300mn 5-year bond at max 10%. Toba Bara Sejahtera Tbk PT has published a statement stating that it plans to sell a USD250mn 5-year bond at max 10% yield.
- **Rating Changes:** Fitch has upgraded PT Penjaminan Infrastruktur Indonesia (Persero) and PT Sarana Multi Infrastruktur's (Persero) Issuer Default Ratings (IDRs) to 'BBB' from 'BBB-'. The outlook is stable. The rating action follows the upgrade of Indonesia long term IDR to 'BBB' from 'BBB-' as the ratings Penjaminan Infrastruktur Indonesia

and Sarana Multi Infrastruktur are credit-linked and equalised to the sovereign rating of Indonesia.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.124	-0.52%	USD-SGD	1.3360	-0.13%
USD-JPY	112.690	-0.16%	EUR-SGD	1.6051	0.46%
EUR-USD	1.2005	0.52%	JPY-SGD	1.1863	0.08%
AUD-USD	0.7809	0.19%	GBP-SGD	1.8073	0.49%
GBP-USD	1.3513	0.52%	AUD-SGD	1.0441	0.11%
USD-MYR	4.0465	-0.50%	NZD-SGD	0.9491	0.13%
USD-CNY	6.5068	-0.41%	CHF-SGD	1.3725	0.40%
USD-IDR	13555	-0.01%	SGD-MYR	3.0299	-0.33%
USD-VND	22698	-0.03%	SGD-CNY	4.8689	-0.32%

Equity and Commodity

Index	Value	Net change
DJIA	24,719.22	-118.29
S&P	2,673.61	-13.93
Nasdaq	6,903.39	-46.77
Nikkei 225	22,764.94	-19.04
STI	3,402.92	3.82
KLCI	1,796.81	17.71
JCI	6,355.65	41.61
Baltic Dry	1,366.00	--
VIX	11.04	0.86

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	-0.0010	O/N	1.4288	-0.0088
2M	-0.3400	0.0010	1M	1.5643	-0.0035
3M	-0.3290	--	2M	1.6219	-0.0000
6M	-0.2710	--	3M	1.6943	-0.0004
9M	-0.2170	--	6M	1.8371	-0.0066
12M	-0.1860	--	12M	2.1070	0.0006

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (-0.05)	1.88 (-0.02)
5Y	1.68 (-0.02)	2.21 (-0.03)
10Y	2.00 (-)	2.41 (-0.03)
15Y	2.36 (+0.03)	--
20Y	2.38 (+0.03)	--
30Y	2.44 (+0.03)	2.74 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.3%	0.3%	0.0%	0.0%	0.0%
03/21/2018	69.7%	69.4%	0.2%	0.0%	0.0%
05/02/2018	71.2%	67.5%	3.7%	0.0%	0.0%
06/13/2018	88.4%	44.4%	41.8%	2.2%	0.0%
08/01/2018	89.3%	41.8%	42.0%	5.4%	0.2%
09/26/2018	93.3%	30.2%	41.9%	19.0%	2.1%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.33	-0.01
EURIBOR-OIS	1.64	0.63
TED	31.86	-0.78

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	60.42	0.97%	Copper (per mt)	7,276.3	-0.24%
Brent (per barrel)	66.87	0.22%	Nickel (per mt)	12,714.0	3.33%
Heating Oil (per gallon)	2.0755	1.14%	Aluminium (per mt)	2,258.3	-0.78%
Gasoline (per gallon)	1.7992	0.35%			
Natural Gas (per MMBtu)	2.9530	1.34%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,503.0	-0.71%
			Rubber (JPY/KG)	206.7	-1.38%
Precious Metals	Futures	% chg			
Gold (per oz)	1,309.3	0.93%			
Silver (per oz)	17.145	1.31%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 26 Dec 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	679,047	643,867	35,180	Soybean	-39,988	-13,548	-26,440
Gold	138,893	116,498	22,395	Live Cattle	106,866	116,785	-9,919
Sugar	-38,953	-60,806	21,853	Cocoa	-9,876	-7,148	-2,728
Corn	-130,725	-149,807	19,082	Coffee	-49,795	-49,230	-565
Copper	52,345	42,168	10,177	Palladium	25,636	24,517	1,119
Heating Oil	60,469	53,254	7,215	Lean Hogs	57,881	56,506	1,375
Wheat	-112,716	-119,350	6,634	Natural Gas	-172,737	-175,051	2,314
Cotton	113,499	107,231	6,268	Silver	3,545	664	2,881
Platinum	17,314	13,270	4,044	RBOB Gasoline	84,129	80,436	3,693

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
12/29/2017 07:00	SK CPI YoY	Dec	1.40%	1.50%	1.30%	--
12/29/2017 08:30	AU Private Sector Credit MoM	Nov	0.40%	0.50%	0.40%	--
12/29/2017 10:00	SK Discount Store Sales YoY	Nov	--	0.00%	5.30%	--
12/29/2017 10:00	SK Department Store Sales YoY	Nov	--	8.50%	-3.70%	--
12/29/2017 10:40	MU Hotel Occupancy Rate	Nov	--	90.4	88.2	--
12/29/2017 10:40	MU Unemployment Rate	Nov	--	1.90%	1.90%	--
12/29/2017 13:47	PH Bank Lending YoY	Nov	--	18.30%	18.00%	--
12/29/2017 15:30	TH Foreign Reserves	Dec-22	--	\$202.8b	\$203.4b	--
12/29/2017 15:30	TH Exports YoY	Nov	--	12.30%	13.40%	--
12/29/2017 15:30	TH Imports YoY	Nov	--	11.90%	16.60%	--
12/29/2017 15:30	TH Trade Balance	Nov	--	\$3335m	\$1624m	--
12/29/2017 15:30	TH BoP Current Account Balance	Nov	\$3933m	\$5285m	\$3535m	--
12/29/2017 17:00	EC M3 Money Supply YoY	Nov	4.90%	4.90%	5.00%	--
12/29/2017 17:00	IT PPI MoM	Nov	--	0.40%	0.40%	--
12/29/2017 21:00	GE CPI YoY	Dec P	1.50%	1.70%	1.80%	--
12/29/2017 21:00	GE CPI EU Harmonized YoY	Dec P	1.40%	1.60%	1.80%	--
12/31/2017 09:00	CH Manufacturing PMI	Dec	51.6	51.6	51.8	--
12/31/2017 09:00	CH Non-manufacturing PMI	Dec	54.7	55	54.8	--
01/01/2018 08:00	SK Trade Balance	Dec	\$7100m	\$5783m	\$7840m	\$7633m
01/01/2018 08:00	SK Exports YoY	Dec	9.80%	8.90%	9.60%	9.50%
01/01/2018 08:00	SK Imports YoY	Dec	12.00%	13.00%	12.30%	14.80%
01/02/2018 06:30	AU AiG Perf of Mfg Index	Dec	--	56.2	57.3	--
01/02/2018 08:00	SI GDP YoY	4Q A	2.60%	--	5.20%	--
01/02/2018 08:00	SI GDP SAAR QoQ	4Q A	1.60%	--	8.80%	--
01/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Dec	--	--	51.2	--
01/02/2018 08:30	TA Nikkei Taiwan PMI Mfg	Dec	--	--	56.3	--
01/02/2018 08:30	VN Nikkei Vietnam PMI Mfg	Dec	--	--	51.4	--
01/02/2018 08:30	ID Nikkei Indonesia PMI Mfg	Dec	--	--	50.4	--
01/02/2018 09:45	CH Caixin China PMI Mfg	Dec	50.7	--	50.8	--
01/02/2018 11:00	ID CPI YoY	Dec	3.38%	--	3.30%	--
01/02/2018 13:00	IN Nikkei India PMI Mfg	Dec	--	--	52.6	--
01/02/2018 13:30	AU Commodity Index SDR YoY	Dec	--	--	-3.30%	--
01/02/2018 16:45	IT Markit Italy Manufacturing PMI	Dec	58.5	--	58.3	--
01/02/2018 16:50	FR Markit France Manufacturing PMI	Dec F	59.3	--	59.3	--
01/02/2018 16:55	GE Markit Germany Manufacturing PMI	Dec F	63.3	--	63.3	--
01/02/2018 17:00	EC Markit EU Manufacturing PMI	Dec F	60.6	--	60.6	--
01/02/2018 17:30	UK Markit UK PMI Manufacturing SA	Dec	57.9	--	58.2	--
01/02/2018 22:30	CA Markit Canada Manufacturing PMI	Dec	--	--	54.4	--
01/02/2018 22:45	US Markit US Manufacturing PMI	Dec F	55	--	55	--
01/02/2018	IT Budget Balance	Dec	--	--	-5.5b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W