

Highlights

Global	<p>Discord over the US president Trump's plan to impose tariffs on steel and aluminium imports have arisen, with House Speaker Paul Ryan rejecting the plan which in turn evoked a quick response from Trump that "No, we're not backing down". Trump had also tweeted that "tariffs on steel and aluminium will only come off if new & fair NAFTA agreement is signed". House Republicans are already drafting a letter to Trump expressing concerns about the prospect of broad, global tariffs on aluminium and steel imports. Nevertheless, S&P500 advanced higher for a second session as investors shrugged off trade war fears as a "political show". The 10-year US Treasury bond yield also rose to 2.88%. Today's key focus will be RBA policy decision which is likely static at 1.5% awaiting GDP data due tomorrow.</p> <p>Asian bourses may open firmer this morning amid a stabilisation in risk sentiments. Today's economic data calendar is relatively light and only comprises US' Jan factory orders and final durable goods orders, Eurozone's retail PMI and Philippines' Feb CPI. Speakers include Fed's Dudley, BOE's Haldane and RBA's Lowe.</p>
US	<p>The non-manufacturing ISM pulled back from 59.9 in Jan to 59.5 in Feb, albeit it beat market expectations for a 59.0 print and remains near the fastest pace in at least a decade. Notably, the business activity gauge jumped to a near 1-year high of 62.8, while the new orders gauge also rose to 64.8 (highest since 2005), which suggests steady growth for the US economy.</p>
EZ	<p>UK services PMI surged to a 4-month high of 54.5 in Feb from 53 in Jan, suggesting that new business picked up for a second month and the backlog of business rose, with warning about skills shortages. This pointed to real activity remaining robust, and could keep the heat on BOE policymakers to remain vigilant on the monetary policy front.</p>
SG	<p>Local business confidence improved for the second consecutive quarter, according to the SCCB's Business Index which rose from 4.29% points in 1Q18 to 8.5% points for 2Q18. The most upbeat sectors were the services and transportation sectors, whereas the manufacturing sector sentiments weakened for the second quarter due to the drag from transport engineering and biomedical industries. Construction also reported weak growth within the private building segment.</p>
CH	<p>China maintained its growth rate target at around 6.5% unchanged for 2018 but removed "higher if possible". This is probably due to China's confidence in job stability. As mentioned by Premier Li in his speech, a 6.5% growth is sufficient for China to achieve its full employment rate. As such, there is no need for China to pursue a higher growth as long as job market remains stable.</p>
CMD	<p>Concerns over a trade war ebbed overnight as market-watchers regard Trump's tariff threat as just a negotiating tool against Canada and Mexico, while US House Speaker Paul Ryan publicly disagreed with Trump's plan, citing risks to the economy. Growth-related commodity prices including energy and copper raced higher, while safe-havens like gold and silver dipped overnight. Note that we published our study on Trump's Tariff Plan yesterday.</p>

Major Market

- **US:** Equities started the week on a strong foot, recovering early losses to mark gains. It might be “no-news-is-good-news” at this stage as the markets await further clarification on the impending trade tariffs. The S&P 500 added 1.10%, while the Dow and Nasdaq Composite rose 1.37% and 1.00% respectively. The VIX slipped to 18.73, from 19.59 previously. Meanwhile, US Treasuries also slipped in the temporary lull in the tariff episode. Overall, the curve steepened, with the 2y yield declining to 2.238%, while the 10y added 1.5 bps to 2.881%.
- Meanwhile, Fed Vice-Chair Quarles opined that “the Volcker Rule is an example of a complex regulation that is not working well” and regulators are working quickly to make “material changes”.
- **Singapore:** The STI fell by another 1.17% to close at 3438.61 yesterday, but may see some relief today amid more positive cues from Wall Street. STI's support and resistance are tipped at 3416 and 3474 respectively. With the UST bonds resuming their selling, SGS bonds remain under pressure for the day ahead.
- **China:** The country lowered its fiscal deficit target to 2.6% of GDP in 2018 down from 3% in 2017, the first reduction since 2012 although the absolute level of fiscal deficit remained unchanged at CNY2.38 trillion.
- Meanwhile, China also withdrew from the quantified target for M2 and aggregate social financing growth, a sign of higher tolerance for slower growth. Nevertheless, China will continue its balance act to contain financial risk.
- **Malaysia:** Trade exports surged to 17.9% yoy in January (Dec 2017: 4.7% yoy) driven by growth in all major sectors, particular in manufactured goods such as electrical & electronics (27.1% yoy) and chemicals & chemical products (23.4% yoy). Growth in imports also increased by 11.6% yoy (Dec 2017: 7.9% yoy) on top of growth in consumption goods at 9.8% but the intermediate goods and capital goods decreased at 1.7% yoy and 3.1% yoy respectively. The strong performance represents a good start for Malaysia in 2018 but we eventually expect that trade growth to slow as growth in the major economies such as China and the EU also slow.
- **Indonesia:** Foreign outflows of Indonesia's stocks accelerated in the past week as the 5-day moving average of net foreign outflows stood at US\$46.9 million vs the 20-day moving average at US\$41.8 million, according to data from the Indonesia Stock Exchange. This comes on top of edginess that the Fed would engage in four rate hikes this year instead of three as market participants await the Fed decision in March.
- **Commodities:** Palm oil prices continue to edge lower as market-watchers eye closely on favourable production growth from Asia, with Malaysia to see around 5 – 10% production growth, while Indonesia (largest palm producer globally) may produce 37 million tons this year, up from 34 million tons a year earlier. Falling palm oil prices were also driven by India's decision to implement a crude palm oil import duty at 44% (from 30%), and processed palm oil import duty at 54% (from 40%). The decision is slated to cut domestic palm oil demand, and drag palm oil prices in the near term.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened, with swap rates trading 1-3bps lower for the shorter tenors while the longer tenors traded 2-3bps lower. In the broader

dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 114bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 334bps. 10Y UST yield rose 2bps to 2.88%, as fears of a trade war eased after senior Republicans urged President Donald Trump to reconsider his threat to impose tariffs on imported steel and aluminium.

- **New issues:** CDBL Funding 1 has priced a USD100mn re-tap of its CDBLFU 3%'23 bond (guaranteed by CDB Aviation Lease Finance Designated Activity Company, keepwell provider: China Development Bank Financial Leasing Co Ltd) at CT5+140bps, tightening from its initial guidance of CT5+150bps area. The expected issue ratings are 'NR/A2/A+'. China Minmetals Corporation has priced a USD400mn Perp NC May 2021 bond at 4.45%, tightening from its initial guidance of 4.65%. The expected issue ratings are 'NR/Baa1/NR'. The Korea Development Bank has priced a USD1bn deal across two tranches, with the USD500mn 3-year FRN priced at 3mL+55bps, tightening from its initial guidance of 3mL+70bps area and the USD500mn 5-year Fxd priced at CT5+85bps area, tightening from its initial guidance of CT5+100bps area. The expected issue ratings are 'AA/Aa2/AA-'. Country Garden Holdings Co Ltd has priced a CNH950mn 3NC2 bond (guaranteed by certain of the issuer's restricted subsidiaries outside the PRC) at 5.80%, tightening from its initial guidance of 6.125%. The expected issue ratings are 'NR/NR/BBB-'. Dianjin International Finance Ltd has scheduled for investor meetings from 6 Mar for its potential USD bond issuance (guaranteed by Power Construction Corporation of China) The expected issue ratings are 'NR/Baa1/BBB+'. Rizal Commercial Banking Corporation has scheduled for investor meetings from 6 Mar for its potential USD bond. The expected issue ratings are 'NR/Baa2/NR'. Rural Electrification Corp Ltd has hired five banks for its potential USD bond issuance.
- **Rating changes:** Moody's has assigned a 'Baa3' long-term issuer rating to Everbright Sun Hung Kai Co Ltd. The outlook is stable. The rating action reflects Everbright Sun Hung Kai's standalone assessment of 'ba1', reflecting the long-established franchise in Hong Kong's retail brokerage business and diversified funding sources, which is constrained by the company's rapid asset and business growth and increasing investment and credit risk coupled with its volatile profitability. Moody's has assigned a 'Baa1' senior unsecured rating to the proposed senior perpetual securities to be issued under the medium-term note program of Dianjian International Finance Ltd and guaranteed by Power Construction Corporation of China. The outlook is stable. The rating action reflects the guarantee from PowerChina and the fact that the securities will rank pari passu with all other senior unsecured obligations of PowerChina.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.080	0.16%	USD-SGD	1.3183	-0.13%
USD-JPY	106.200	0.43%	EUR-SGD	1.6263	0.06%
EUR-USD	1.2336	0.15%	JPY-SGD	1.2413	-0.56%
AUD-USD	0.7765	0.06%	GBP-SGD	1.8258	0.26%
GBP-USD	1.3849	0.34%	AUD-SGD	1.0237	-0.03%
USD-MYR	3.9065	0.08%	NZD-SGD	0.9526	-0.32%
USD-CNY	6.3496	0.07%	CHF-SGD	1.4028	-0.34%
USD-IDR	13762	0.04%	SGD-MYR	2.9609	0.10%
USD-VND	22760	-0.01%	SGD-CNY	4.8123	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	0/N	1.4475	--
2M	-0.3410	--	1M	1.6905	--
3M	-0.3270	--	2M	1.8269	--
6M	-0.2710	--	3M	2.0252	--
9M	-0.2220	--	6M	2.2284	--
12M	-0.1910	--	12M	2.4967	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	100.0%	88.0%	12.0%	0.0%	0.0%
05/02/2018	100.0%	82.4%	16.9%	0.8%	0.0%
06/13/2018	100.0%	20.1%	66.4%	12.9%	0.6%
08/01/2018	100.0%	18.0%	61.6%	18.5%	1.9%
09/26/2018	100.0%	8.0%	37.3%	42.5%	11.1%
11/08/2018	100.0%	6.9%	33.3%	41.8%	15.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.57	2.16%	Copper (per mt)	6,896.1	0.11%
Brent (per barrel)	65.54	1.82%	Nickel (per mt)	13,386.5	-0.18%
Heating Oil (per gallon)	1.8967	0.91%	Aluminium (per mt)	2,138.0	-0.29%
Gasoline (per gallon)	1.9349	1.76%			
Natural Gas (per MMBtu)	2.7040	0.33%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,463.0	-0.44%
			Rubber (JPY/KG)	193.9	1.25%
Precious Metals	Futures	% chg			
Gold (per oz)	1,319.9	-0.26%			
Silver (per oz)	16.412	-0.33%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,874.76	336.70
S&P	2,720.94	29.69
Nasdaq	7,330.71	72.84
Nikkei 225	21,042.09	-139.55
STI	3,438.61	-40.59
KLCI	1,842.62	-13.45
JCI	6,550.59	-31.72
Baltic Dry	1,207.00	--
VIX	18.73	-0.86

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (-0.01)	2.24 (--)
5Y	1.96 (-0.01)	2.65 (+0.02)
10Y	2.32 (-0.02)	2.88 (+0.02)
15Y	2.63 (-0.02)	--
20Y	2.64 (-0.04)	--
30Y	2.80 (-0.04)	3.15 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.37	-0.20
EURIBOR-OIS	2.97	-0.06
TED	38.65	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/05/2018 05:30	AU AiG Perf of Services Index	Feb	--	54	54.9	--
03/05/2018 08:00	AU Melbourne Institute Inflation MoM	Feb	--	-0.10%	0.30%	--
03/05/2018 08:00	NZ ANZ Commodity Price	Feb	--	2.80%	0.70%	--
03/05/2018 08:30	AU Building Approvals MoM	Jan	5.00%	17.10%	-20.00%	-20.60%
03/05/2018 08:30	JN Nikkei Japan PMI Services	Feb	--	51.7	51.9	--
03/05/2018 08:30	JN Nikkei Japan PMI Composite	Feb	--	52.2	52.8	--
03/05/2018 08:30	HK Nikkei Hong Kong PMI	Feb	--	51.7	51.1	--
03/05/2018 08:30	AU ANZ Job Advertisements MoM	Feb	--	-0.30%	6.20%	--
03/05/2018 09:45	CH Caixin China PMI Composite	Feb	--	53.3	53.7	--
03/05/2018 09:45	CH Caixin China PMI Services	Feb	54.3	54.2	54.7	--
03/05/2018 12:00	MA Trade Balance MYR	Jan	7.90b	9.71b	7.30b	7.25b
03/05/2018 12:00	MA Imports YoY	Jan	11.00%	11.60%	7.90%	--
03/05/2018 12:00	MA Exports YoY	Jan	13.00%	17.90%	4.70%	--
03/05/2018 13:00	IN Nikkei India PMI Services	Feb	--	47.8	51.7	--
03/05/2018 13:00	IN Nikkei India PMI Composite	Feb	--	49.7	52.5	--
03/05/2018 16:00	TA Industrial Production YoY	Jan	4.90%	10.86%	1.20%	1.37%
03/05/2018 16:20	TA Foreign Reserves	Feb	--	\$456.72b	\$455.72b	--
03/05/2018 16:45	IT Markit/ADACI Italy Services PMI	Feb	57	55	57.7	--
03/05/2018 16:45	IT Markit/ADACI Italy Composite PMI	Feb	57.9	56	59	--
03/05/2018 16:50	FR Markit France Services PMI	Feb F	57.9	57.4	57.9	--
03/05/2018 16:50	FR Markit France Composite PMI	Feb F	57.8	57.3	57.8	--
03/05/2018 16:55	GE Markit Germany Services PMI	Feb F	55.3	55.3	55.3	--
03/05/2018 16:55	GE Markit/BME Germany Composite PMI	Feb F	57.4	57.6	57.4	--
03/05/2018 17:00	EC Markit Eurozone Services PMI	Feb F	56.7	56.2	56.7	--
03/05/2018 17:00	EC Markit Eurozone Composite PMI	Feb F	57.5	57.1	57.5	--
03/05/2018 17:30	UK Official Reserves Changes	Feb	--	\$651m	\$1709m	--
03/05/2018 17:30	UK Markit/CIPS UK Services PMI	Feb	53.3	54.5	53	--
03/05/2018 17:30	UK Markit/CIPS UK Composite PMI	Feb	53.6	54.5	53.5	--
03/05/2018 18:00	EC Retail Sales MoM	Jan	-0.10%	-0.10%	-1.10%	-1.00%
03/05/2018 22:45	US Markit US Services PMI	Feb F	55.9	55.9	55.9	--
03/05/2018 22:45	US Markit US Composite PMI	Feb F	--	55.8	55.9	--
03/05/2018 23:00	US ISM Non-Manf. Composite	Feb	59	59.5	59.9	--
03/06/2018 05:00	SK Foreign Reserves	Feb	--	\$394.80b	\$395.75b	--
03/06/2018 07:00	SK BoP Current Account Balance	Jan	--	\$2680.4m	\$4092.3m	--
03/06/2018 07:00	SK BoP Goods Balance	Jan	--	\$8109m	\$8212m	--
03/06/2018 07:00	SK CPI YoY	Feb	1.20%	1.40%	1.00%	--
03/06/2018 08:30	AU BoP Current Account Balance	4Q	-A\$12.2b	--	-A\$9.1b	--
03/06/2018 08:30	AU Retail Sales MoM	Jan	0.40%	--	-0.50%	--
03/06/2018 09:00	PH CPI YoY 2006=100	Feb	4.20%	--	4.00%	--
03/06/2018 11:30	AU RBA Cash Rate Target	Mar-06	1.50%	--	1.50%	--
03/06/2018 16:30	GE Markit Germany Construction PMI	Feb	--	--	59.8	--
03/06/2018 17:10	IT Markit Italy Retail PMI	Feb	--	--	47.3	--
03/06/2018 17:10	FR Markit France Retail PMI	Feb	--	--	51	--
03/06/2018 17:10	GE Markit Germany Retail PMI	Feb	--	--	53	--
03/06/2018 17:10	EC Markit Eurozone Retail PMI	Feb	--	--	50.8	--
03/06/2018 23:00	CA Ivey Purchasing Managers Index SA	Feb	--	--	55.2	--
03/06/2018 23:00	US Factory Orders	Jan	-1.40%	--	1.70%	--
03/06/2018 23:00	US Durable Goods Orders	Jan F	-3.60%	--	-3.70%	--
03/06/2018 23:00	US Durables Ex Transportation	Jan F	--	--	-0.30%	--
03/06/2018 23:00	US Cap Goods Orders Nondef Ex Air	Jan F	--	--	-0.20%	--
03/06/2018 23:00	US Cap Goods Ship Nondef Ex Air	Jan F	--	--	0.10%	--
03/06/2018	ID Consumer Confidence Index	Feb	--	--	126.1	--
03/06/2018 03/13	VN Domestic Vehicle Sales YoY	Feb	--	--	29.40%	--

Source: Bloomberg

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