

Highlights

Global	<p>Global risk appetite may continue to wane on the back of US president Trump's latest reshuffle to suddenly oust Secretary of State Rex Tillerson and replace with CIA Director Mike Pompeo, as well as opining that Lawrence Kudlow has a "very good chance" to replace Gary Cohn as the National Economic Council director. The instability of the White House staff reinforced market uncertainty about Trump's future policy moves, especially on trade. Instead, the US headline and core CPI print took a backseat as it matched market expectations at 0.2% mom which suggested no acceleration in price pressures. Wall Street and USD shed gains, while the 10-year UST bond yield closed lower at 2.84%, as the US\$13b 30-year bond yield fetched a yield of 3.109% with a bid-cover ratio of 2.26x amid strong direct bids. Expect Asian bourses to trade sideways today, awaiting economic data releases such as China's industrial production and retail sales, and US' retail sales and PPI. Speakers include ECB's Draghi, Praet, Angeloni, Constancio and Coeure.</p>
US	<p>The OECD upgraded its global growth forecast to 3.9% in 2018 and 2019, up from the previous 3.7% and 3.6% respectively, but cautioned on a major trade war risk in addition to elevated debt levels and stock valuations. US growth is tipped at 2.9% on the back of tax cuts (which could add up to 0.75% points to growth in 2018-2019), while Euro area is also expected to see better growth at 2.3% (previously 2.1%). China and India are seen at 6.7% and 7.2%, but UK will be the slowest growing major economy at 1.3% amidst continued Brexit uncertainty.</p>
EZ	<p>The UK Spring Statement saw its 2018 growth forecast upgraded from 1.4% to 1.5%, but trimmed for 2021-22. The deficit is tipped at GBP45.2b for the current year. UK also cut its gilt sales for 2018-2019 by 10.6% to GBP102.9b, with planned borrowing also pared by GBP15.6b over six years. This does not detract from market expectations for a May BOE hike.</p>
CH	<p>One of the key purposes of financial regulatory overhaul in China is to split law making from supervisory role. PBoC will take a bigger role to provide holistic financial regulatory framework while the newly formed China banking and insurance regulatory commission will execute the oversight role on the micro level. Market will also wait for more details about the role of China's security regulator as well as key personnel appointment.</p>
CMD	<p>Risk taking was taken off the table, with Wall Street edging lower while crude oil prices dipped. News surrounding the removal of Rex Tillerson as secretary of state is viewed to have injected uncertainty into the oil market given his view to constrain Iran's investment environment and "roll back" the 2015 nuclear deal agreed during the Obama administration. Should sanctions be re-introduced against Iran, versus the previous lifting of the said sanctions as long as Tehran limited its nuclear energy program, it could raise the geopolitical risk premium in oil markets and potentially disrupt Iranian oil supplies. Gold prices rose 0.5% on the back of safe haven while the dollar fell further.</p>

Major Market

- **US:** Equities pared gains throughout the day after opening higher, eventually closing in the red. Sentiments were dampened by Trump's removal of Tillerson and also his blocking of the Broadcom-Qualcomm deal. Overall, the S&P 500 declined 0.64%, while the Dow and Nasdaq Composite lost 0.68% and 1.02%, respectively. VIX picked up again to 16.35, compared to 15.78 previously. Safe haven flows following the ousting of Tillerson contributed to the softening of US Treasury yields. The 2y and 10y yields closed at 2.254% and 2.843% respectively, down 1-3 bps. Meanwhile, a Politico article claimed that Trump is intending to slap tariffs and other restrictions onto China. This should be closely watched as it will lightly spark a greater reaction than the steel and aluminium tariffs.
- **Singapore:** The STI rallied another 0.38% to close up at 3553.73 yesterday, but given weak cues from Wall Street overnight and morning selling pressure seen in Nikkei and Kospi, the STI may also consolidate within a range of 3500-3556 today. With UST bonds gaining overnight as market took Tillerson's firing news adversely, SGS bonds may similarly rally as well.
- **Malaysia:** The industrial production index rose 3.0% yoy in January 2018 (Dec 2017: 2.9% yoy) driven by positive growth in all indices. Growth in the manufacturing sector output though moderated to 4.8% yoy (Dec 2017: 5.3% yoy) whilst the mining sector output growth turned positive to 1.5% yoy (Dec 2017: -4.1% yoy). However, the manufacturing sector output growth can be considered rather slow especially given that exports growth in manufacturing grew by 20.4% in the same month. Regardless, this slowdown in manufacturing sector output would be supportive of our view that overall GDP growth is to ease for the coming year.
- **Indonesia:** BI stated that its monetary policy stance will remain neutral and that the closing window for easing doesn't mean the central bank will raise rates. Given the volatility in the IDR and the potential for four Fed rate hikes this year, the central bank has come under increasing pressure to raise rates. It is difficult for us to rule out any BI hike in rates this year and we hold the view that BI would raise rates should there be faster than expected Fed rate hikes.
- **Macau:** Housing transactions increased notably by 106.6% yoy (85% mom) to 1465 deals while approved new mortgage loans also grew 4% yoy (14.9% mom) to MOP3.63 billion. Furthermore, average housing prices jumped 38.7% yoy (28% mom) to MOP124,481/m². The housing market's robust performance could be attributed to several factors including wealth effect from bullish stock market, a stable labour market and a retreat in borrowing costs. Besides, as government warned that it would tighten the control on property market, real estate developers launched their projects at a faster pace and offered a wide range of promotions to lure potential buyers. Looking ahead, housing market is expected to remain elevated. The new control measures will curb investment demand and reduce secondary home supply while the new supportive measure will support first-home local buyers and increase housing demand. This combined with slow increase in both public and private new home supply is expected to limit the upside for housing transactions whereas underpinning housing prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was more or less range bound yesterday, with swap rates trading 1-2bps lower across the curve (except the 15yr tenor which traded 0.8bps higher). In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 116bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 355bps. 10Y UST yields fell 3bps to 2.84%, on the back of softer February consumer price data (Feb CPI: 0.2% vs Jan CPI: 0.5%), suggesting a gradual pickup in inflation.
- **New issues:** Chengdu Xingcheng Investment Group Co Ltd has priced a EUR365mn 3-year bond at MS+250bps, tightening from its initial guidance of MS+265bps. It also priced a EUR135mn 5-year bond at MS+285bps, in line with its initial guidance. The expected issue ratings are 'NR/NR/BBB+'. Rail Transit International Development Co Ltd has priced a EUR400mn 4.25-year green bond (guaranteed by Tianjin Rail Transit Group (Hong Kong) Co Ltd) at MS+145bps, tightening from its initial guidance of MS+155bps. The expected issue ratings are 'NR/Baa1/A'. HuaSing International Holdings Co Ltd has priced a USD300mn 3-year bond (guaranteed by Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd) at CT3+225bps and a USD200mn 5-year bond at CT5+260bps, tightening from its initial guidance of CT3+250bps and CT5+280bps area respectively. The expected issue ratings are 'BBB-/NR/BBB'. Greenland Global Investment Ltd has priced a CNH1.5bn 3-year bond (guaranteed by Greenland Holding Group Co Ltd) at 7.2%, tightening from its initial guidance of 7.375%. The expected issue ratings are 'NR/Ba2/NR'. Beijing Capital Polaris Investment Co Ltd has scheduled for investor meetings on 14-15 Mar for its potential senior unsecured USD and/or CNH green bonds (guaranteed by Beijing Capital Co Ltd) The expected issue ratings are 'BBB-/Baa3/BBB'. PT Bumi Serpong Damai Tbk has scheduled for investor meetings on 14-16 Mar for its potential USD bond issuance.
- **Rating changes:** S&P has lowered its long-term corporate credit rating on SMRT Corp Ltd (SMRT) and the issue ratings on SMRT's senior unsecured notes to 'AA+' from 'AAA'. The outlook is stable. The rating action reflects SMRT's materially higher operating costs, expected weaker operating cash flows and higher leverage over the next 18-24 months. S&P has upgraded its long-term issuer credit rating on Shanghai Rural Commercial Bank Co Ltd (SRCB) to 'BBB' from 'BBB-'. The outlook is stable. The rating action reflects the improved credit standing of Shanghai municipal government, believing that the robust revenue growth supported by Shanghai's strong economy will help the municipal government maintain its budget surplus and very high debt-service coverage ratio. S&P has assigned its 'B+' long-term corporate credit rating and 'B+' long-term issue rating to China Huayang Economic and Trade Group Co Ltd (Huayang). The outlook is stable. The rating action reflects S&P's expectation that Huayang will maintain its market position in its trading business and further develop its petrochemicals business. Moody's has assigned a 'Ba2' senior unsecured rating to Greenland Holding Group Co Ltd's proposed CNY notes. The outlook is negative. The rating action reflects the uncertainty surrounding its plan to lower its high debt leverage. Fitch has withdrawn its 'CCC' long-term foreign and local currency issuer default ratings for China Properties Group Ltd (CPG) as well as its 'CCC' senior unsecured rating, as CPG has chosen to stop participating in the rating process.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.664	-0.26%	USD-SGD	1.3121	-0.06%
USD-JPY	106.580	0.15%	EUR-SGD	1.6256	0.39%
EUR-USD	1.2390	0.45%	JPY-SGD	1.2311	-0.21%
AUD-USD	0.7860	-0.17%	GBP-SGD	1.8320	0.35%
GBP-USD	1.3962	0.40%	AUD-SGD	1.0313	-0.22%
USD-MYR	3.8975	-0.18%	NZD-SGD	0.9611	0.33%
USD-CNY	6.3217	-0.12%	CHF-SGD	1.3899	0.32%
USD-IDR	13752	-0.09%	SGD-MYR	2.9694	-0.03%
USD-VND	22760	0.00%	SGD-CNY	4.8237	0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4450	--
2M	-0.3400	--	1M	1.7650	--
3M	-0.3270	--	2M	1.8804	--
6M	-0.2710	--	3M	2.1069	--
9M	-0.2220	--	6M	2.2868	--
12M	-0.1910	--	12M	2.5626	--

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%	86.0%	14.0%	0.0%	0.0%
05/02/2018	100.0%	80.5%	18.6%	0.9%	0.0%
06/13/2018	100.0%	21.3%	64.1%	13.9%	0.7%
08/01/2018	100.0%	18.6%	58.8%	20.2%	2.3%
09/26/2018	100.0%	8.3%	36.5%	41.7%	12.2%
11/08/2018	100.0%	7.1%	32.6%	41.0%	16.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	60.71	-1.06%	Copper (per mt)	6,918.1	0.45%
Brent (per barrel)	64.64	-0.48%	Nickel (per mt)	13,829.0	1.49%
Heating Oil (per gallon)	1.8739	0.49%	Aluminium (per mt)	2,085.0	0.60%
Gasoline (per gallon)	1.8863	-0.41%			
Natural Gas (per MMBtu)	2.7860	0.29%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,413.0	1.34%
			Rubber (JPY/KG)	192.3	-0.21%
Precious Metals	Futures	% chg			
Gold (per oz)	1,327.1	0.48%			
Silver (per oz)	16.627	0.55%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,007.03	-171.58
S&P	2,765.31	-17.71
Nasdaq	7,511.01	-77.31
Nikkei 225	21,968.10	144.07
STI	3,553.73	13.54
KLCI	1,864.03	2.81
JCI	6,412.85	-87.84
Baltic Dry	1,201.00	--
VIX	16.35	0.57

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.79 (-0.01)	2.25 (-0.01)
5Y	2.09 (-0.04)	2.62 (-0.02)
10Y	2.44 (-0.04)	2.84 (-0.03)
15Y	2.75 (-0.03)	--
20Y	2.79 (-0.03)	--
30Y	2.94 (-0.03)	3.10 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	45.03	0.80
EURIBOR-OIS	3.06	0.76
TED	42.94	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/13/2018 02:00	US Monthly Budget Statement	Feb	-\$216.0b	-\$215.2b	-\$192.0b	--
03/13/2018 05:45	NZ Food Prices MoM	Feb	--	-0.50%	1.20%	--
03/13/2018 07:50	JN PPI YoY	Feb	2.50%	2.50%	2.70%	--
03/13/2018 08:01	IN Manpower Survey	2Q	--	16%	21%	--
03/13/2018 08:30	AU Home Loans MoM	Jan	-1.00%	-1.10%	-2.30%	--
03/13/2018 08:30	AU Investment Lending	Jan	--	1.10%	-2.60%	-2.90%
03/13/2018 08:30	AU Owner-Occupier Loan Value MoM	Jan	--	0.50%	-1.00%	-1.10%
03/13/2018 08:30	AU NAB Business Conditions	Feb	--	21	19	18
03/13/2018 08:30	AU NAB Business Confidence	Feb	--	9	12	11
03/13/2018 12:00	MA Industrial Production YoY	Jan	6.80%	3.00%	2.90%	--
03/13/2018 12:30	JN Tertiary Industry Index MoM	Jan	-0.30%	-0.60%	-0.20%	0.00%
03/13/2018 16:30	HK Industrial Production YoY	4Q	--	0.60%	0.30%	--
03/13/2018 16:30	HK PPI YoY	4Q	--	3.50%	3.70%	--
03/13/2018 17:00	IT Unemployment Rate Quarterly	4Q	11.00%	11.00%	11.20%	--
03/13/2018 18:00	US NFIB Small Business Optimism	Feb	107.1	107.6	106.9	--
03/13/2018 20:30	US CPI MoM	Feb	0.20%	0.20%	0.50%	--
03/13/2018 20:30	US CPI Ex Food and Energy MoM	Feb	0.20%	0.20%	0.30%	--
03/13/2018 20:30	US CPI Index NSA	Feb	248.933	248.991	247.867	--
03/13/2018 20:30	US CPI Core Index SA	Feb	255.8	255.751	255.287	--
03/14/2018 04:00	NZ REINZ House Sales YoY	Feb	--	1.20%	2.70%	--
03/14/2018 05:00	SK Import Price Index YoY	Feb	--	0.40%	-2.40%	-2.40%
03/14/2018 05:00	SK Export Price Index YoY	Feb	--	-1.30%	-3.50%	-3.70%
03/14/2018 05:45	NZ BoP Current Account Balance NZD	4Q	-2.450b	-2.770b	-4.679b	-4.833b
03/14/2018 05:45	NZ Current Account GDP Ratio YTD	4Q	-2.60%	-2.70%	-2.60%	-2.50%
03/14/2018 07:00	SK Unemployment rate SA	Feb	3.70%	3.60%	3.60%	--
03/14/2018 07:30	AU Westpac Consumer Conf SA MoM	Mar	--	--	-2.30%	--
03/14/2018 07:50	JN Core Machine Orders MoM	Jan	5.20%	--	-11.90%	--
03/14/2018 10:00	CH Retail Sales YTD YoY	Feb	9.80%	--	10.20%	--
03/14/2018 10:00	CH Industrial Production YTD YoY	Feb	6.20%	--	6.60%	--
03/14/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Feb	7.00%	--	7.20%	--
03/14/2018 14:30	IN Wholesale Prices YoY	Feb	2.50%	--	2.84%	--
03/14/2018 15:00	GE CPI YoY	Feb F	1.40%	--	1.40%	--
03/14/2018 17:00	IT Retail Sales MoM	Jan	--	--	-0.30%	--
03/14/2018 18:00	EC Industrial Production SA MoM	Jan	-0.50%	--	0.40%	--
03/14/2018 18:00	EC Employment YoY	4Q	--	--	1.70%	--
03/14/2018 19:00	US MBA Mortgage Applications	Mar-09	--	--	0.30%	--
03/14/2018 20:30	CA Teranet/National Bank HPI MoM	Feb	--	--	0.30%	--
03/14/2018 20:30	US Retail Sales Advance MoM	Feb	0.30%	--	-0.30%	--
03/14/2018 20:30	US Retail Sales Ex Auto MoM	Feb	0.40%	--	0.00%	--
03/14/2018 20:30	US Retail Sales Ex Auto and Gas	Feb	0.30%	--	-0.20%	--
03/14/2018 20:30	US PPI Final Demand MoM	Feb	0.10%	--	0.40%	--
03/14/2018 20:30	US PPI Ex Food and Energy MoM	Feb	0.20%	--	0.40%	--
03/14/2018 22:00	US Business Inventories	Jan	0.60%	--	0.40%	--

Source: Bloomberg

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