

Highlights

Global	<p>A soft session for Wall Street despite a bright start for blue chips after Monday's US holiday when the Dow crossed the 26,000 mark (just 12 days after topping 25,000) before succumbing to the drag from energy and chemicals stocks as General Electric's results disappointed. Meanwhile, China's Dagong Global Credit Rating Co trimmed US sovereign ratings from A- to BBB+ (similar to its ratings for Peru, Colombia and Turkmenistan) with a negative outlook as "massive tax cuts directly reduce the federal government's sources of debt repayment". However, UST bond yields did not budge from a tight range overnight, even ahead of Friday's Congressional talks to avert a government shutdown and the 5-30 year yield curve flattened to a 10-year low of 47bps. Separately, Bitcoin plunged up to 26% to below US\$11,000 amid fears of a regulatory crackdown on cryptocurrencies.</p> <p>Asian bourses look set to open softer this morning, as investors potentially take a breather ahead of the BOC policy decision (where a 25bp rate hike to 1.25% has been priced in). Today's economic data calendar comprises US' industrial production, Eurozone's CPI, and Singapore's Dec NODX and COE tender results. Speakers include ECB's Nowotny, BOE's Saunders and Fed's Evans, Kaplan and Mester.</p>
US	<p>US' Empire manufacturing eased from 19.6 in Dec17 to 18.0 in Jan18, but rising future conditions and capital expenditure indices suggest that capex investments could pick up this year. Meanwhile, President Trump expressed disappointment to Chinese President Xi over the growing bilateral trade deficit which is not sustainable. Separately, Stephen Bannon has also been subpoenaed by the special counsel Robert Mueller to testify before a grand jury to investigate Russian links</p>
SG	<p>NODX slowed to 3.1% yoy (-5.0% mom sa), below our expectation for +9.8% yoy (-4.4% mom sa) in Dec17 and down from +9.1% yoy (+8.7% mom sa) in Nov17. The main drag was from electronics exports which contracted 5.3% yoy after two months of growth, although non-electronics exports rose 6.8% yoy (still slower than Nov's 10.6%) on the back of pharmaceutical exports (+7.0% yoy). What was also worrying was that while NODX growth to EU28, US, Japan and Malaysia markets continued to expand by double-digit on-year growth, NODX to our largest export market China actually fell 6.0% yoy, together with NODX contraction to HK, Taiwan and Thailand. This bears watching to see if the Dec slump to China is a seasonal blip, as NODX growth to half of our top 10 NODX markets shrank in Dec. Full-year 2017 NODX growth was 9.2% yoy, an improvement from 2016's -2.2% yoy, and we tip 2018 NODX growth to still be relatively sanguine at 5% yoy.</p>
CMD	<p>In line with our cautious stand, crude oil prices fell with Brent falling sharply below its \$70/bbl handle after crossing it briefly. As mentioned in our previous daily reports, we turned relatively cautious as crude oil prices persisted in their overbought territories. Elsewhere, another session of dollar weakness left precious metal prices higher (except palladium which fell 1.6%), with gold chugging up another 0.2% overnight. Over in Asia, palm oil prices fell harshly (-1.4%) as market-watchers reacted to Malaysia's lower palm oil exports reported by Intertek; Intertek numbers reported Malaysia's palm oil shipments at -7.4% m/m in the first 15 days of January.</p>

Major Markets

- **US:** Equities took a breather on Tuesday, with markets reversing after hitting intraday highs in early trade. Energy and materials stocks felt most of the pressure, falling alongside slumping oil and metal prices. The S&P 500 closed lower by 0.35%, and the Nasdaq Composite slipped 0.52%. Meanwhile, the Dow was also marginally lower. VIX spiked to 11.66, compared to 10.16 previously. As the earnings season heats up, investors may be taking the opportunity to catch some breath, after a momentum-led run-up in recent sessions. Continue to watch the earnings results of bellwether companies like TSMC and Bank of America.
- US Treasury yield curve resumed flattening moves after the long weekend. The front end was sold off, with the 2y benchmark yield closing above the 2.0% handle at 2.014%. The 10y yield slipped 2 bps to 2.825%.
- **Singapore:** The STI rose for the third straight session by 0.39% to close at a 10-year high of 3550.21 yesterday, but may see some mild profit-taking amid weak signals from Wall Street overnight and morning slippage by Nikkei and Kospi. STI' resistance is tipped at 3570, with support at 3540. With the UST bond yield curve flattening yesterday, it remains to be seen how much further the SGS curve can also flatten. As the 3-month SIBOR continues to ease from its 3 Jan high of 1.50929% to 1.22684%, this also takes some selling pressure off the shorter-dated SGS bonds including the 2-year yield which has similarly retraced 25bps since the start of 2018 to 1.43%. There is a new 5-year SGS bond issue on 1 Feb, with the announcement of size details on 22 Jan for auction on 29 Jan.
- **Korea:** Recent minutes of the 28th Dec 2017 board meeting revealed that several board members preferred maintaining CPI target at 2.0% when the central bank considers a new inflation target starting 2019. Elsewhere, note that the Bank of Korea is slated to meet tomorrow, where we look for policy-makers to stay pat after its surprise 25bps hike in November 2017.
- **Thailand:** The Thai Cabinet approved draft budget proposing FY19 fiscal deficit of THB450bn (estimated at 2.6% of GDP). Note that the government had previously announced that total spending is projected at THB3.0tn, where THB600bn will be reserved for investment, including in the Eastern Economic Corridor project.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday with the swap rates trading 1-2bps higher for the shorter tenors while the long tenors traded 1-2bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS fell 1bps to 108bps while the Bloomberg Barclays Asia USD HY Bond Index average rose 51bps to 328bps. 10Y UST yield fell 1bps to 2.54% yesterday amid Congressional talks to avert a government shutdown Friday.
- **New Issues:** ANZ New Zealand (Int'l) Ltd (London Branch) has priced a two-tranche deal for its USD1bn bond issuance (guaranteed by ANZ Bank New Zealand Ltd), with the USD500mn 3-year Fxd priced at CT3+63bps, broadly in line with initial guidance of CT3+63-65bps area and the USD500mn 10-year bond priced at CT10+95bps area, in line with its initial guidance. The expected issue ratings are 'AA-/A2/AA-'. SSMS Plantation Holdings Pte Ltd has priced a USD300mn 5NC3 bond (guaranteed by PT Sawit Sumberas Sarana Tbk and PT Citra Borneo Indah) at 8%, tightening from its initial guidance of 8.125%. The expected issue ratings are 'NR/B1/B+'. Sunny Optical

Technology Company Ltd has priced a USD500mn 5-year bond at CT5+150bps, tightening from its initial guidance of CT5+185bps area. The expected issue ratings are 'NR/Baa2/NR'. Concord New Energy Group Ltd has priced its USD200mn 3-year bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 7.9%, tightening from initial price guidance of 8.25%. The expected issue ratings are 'BB-/NR/BB-'. CIFI Holdings Co Ltd has priced a USD300mn 5NC3 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 5.625%, tightening from its initial guidance of 5.875%. The expected issue ratings are 'B+/B1/BB'. Mitsui Fudosan Co Ltd has launched its guidance for its USD300mn 5-year bond at CT5+62.5bps, tightening from its initial price guidance of CT10+75 area. Ping An Bank Co Ltd is in talks with lead managers for its first potential USD bond issuance. Zhong Yi Holdings Ltd has scheduled for investor meetings from 17 Jan for its potential USD bond issuance (guaranteed by Si Chuan Province JuYang Group Ltd). The expected issue ratings are 'NR/B3/B'.

- **Rating Changes:** Moody's has assigned an 'A2' rating to Wharf REIC Finance (BVI) Ltd's USD senior unsecured notes issued by its wholly-owned financing subsidiary of Wharf Real Estate Investment Company Ltd (WREIC). The outlook is stable. The rating action reflects Wharf REIC's strong tenancy management, sizeable and good quality assets as well as its diversified asset types located in prime commercial locations in Hong Kong. While Moody's expect WREIC to continue its sustainable business strategy and prudent financial management, Moody's acknowledged risks arising from WREIC's revenue and asset concentration in two key assets in Hong Kong. Moody's has assigned PT Sawit Sumberas Sarana Tbk's (SSMS) senior unsecured bond a 'B1' rating. The outlook is stable. The rating action reflects SSMS's efficient upstream operations, with a track record of profitable and cash generative operations through the crude palm oil cycle. This is coupled with Moody's expectation of increased diversification and sale in PT Citra Borneo Indah's (CBI) downstream operations once its refinery commences operation in 2018. Moody's has upgraded Fosun International Ltd's corporate family rating to 'Ba2' from 'Ba3', and revised its outlook on the rating to stable from positive. The rating action reflects Fosun's established track record of managing its acquired businesses as well as its improved business profile which is expected to reduce its volatility in its future performance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	90.393	-0.64%	USD-SGD	1.3207	-0.04%
USD-JPY	110.450	-0.08%	EUR-SGD	1.6192	-0.08%
EUR-USD	1.2260	-0.03%	JPY-SGD	1.1959	0.04%
AUD-USD	0.7961	-0.05%	GBP-SGD	1.8216	-0.05%
GBP-USD	1.3792	--	AUD-SGD	1.0513	-0.10%
USD-MYR	3.9575	0.05%	NZD-SGD	0.9600	-0.49%
USD-CNY	6.4440	0.11%	CHF-SGD	1.3766	0.34%
USD-IDR	13338	0.05%	SGD-MYR	2.9909	-0.14%
USD-VND	22706	0.04%	SGD-CNY	4.8672	-0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5561	--
3M	-0.3290	--	2M	1.6326	--
6M	-0.2740	--	3M	1.7313	--
9M	-0.2210	--	6M	1.8988	--
12M	-0.1870	--	12M	2.1887	--

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	88.2%	87.9%	0.3%	0.0%	0.0%
05/02/2018	88.3%	87.4%	0.9%	0.0%	0.0%
06/13/2018	95.8%	38.6%	56.6%	0.6%	0.0%
08/01/2018	96.2%	35.9%	55.2%	5.0%	0.0%
09/26/2018	97.9%	21.7%	46.7%	27.2%	2.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.73	-0.89%	Copper (per mt)	7,097.8	0.03%
Brent (per barrel)	69.15	-1.58%	Nickel (per mt)	12,502.0	-2.38%
Heating Oil (per gallon)	2.0634	-1.04%	Aluminium (per mt)	2,186.5	-1.36%
Gasoline (per gallon)	1.8384	-0.60%			
Natural Gas (per MMBtu)	3.1290	-2.22%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,518.0	-1.41%
Gold (per oz)	1,337.1	0.16%	Rubber (JPY/KG)	212.9	-0.88%
Silver (per oz)	17.189	0.28%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,792.86	-10.33
S&P	2,776.42	-9.82
Nasdaq	7,223.69	-37.38
Nikkei 225	23,951.81	236.93
STI	3,550.21	13.80
KLCI	1,826.03	0.12
JCI	6,429.69	47.50
Baltic Dry	1,264.00	--
VIX	11.66	1.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.43 (-0.01)	2.01 (+0.02)
5Y	1.68 (--)	2.35 (+0.01)
10Y	2.07 (-0.01)	2.54 (-0.01)
15Y	2.34 (-0.02)	--
20Y	2.39 (-0.03)	--
30Y	2.52 (-0.02)	2.83 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.81	0.26
EURIBOR-OIS	1.10	--
TED	29.43	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/16/2018 07:50	JN	PPI YoY	Dec	3.20%	3.10%	3.50%	3.60%
01/16/2018 08:30	AU	New Motor Vehicle Sales MoM	Dec	--	4.50%	0.10%	0.20%
01/16/2018 10:00	NZ	Non Resident Bond Holdings	Dec	--	61.10%	60.40%	--
01/16/2018 12:30	JN	Tertiary Industry Index MoM	Nov	0.30%	1.10%	0.30%	0.20%
01/16/2018 12:30	JN	Bankruptcies YoY	Dec	--	-1.97%	-2.30%	--
01/16/2018 15:00	GE	CPI YoY	Dec F	1.70%	1.70%	1.70%	--
01/16/2018 15:00	GE	CPI EU Harmonized YoY	Dec F	1.60%	1.60%	1.60%	--
01/16/2018 16:00	FR	Budget Balance YTD	Nov	--	-84.7b	-77.1b	--
01/16/2018 17:00	IT	CPI EU Harmonized YoY	Dec F	1.00%	1.00%	1.00%	--
01/16/2018 17:30	UK	CPI YoY	Dec	3.00%	3.00%	3.10%	--
01/16/2018 17:30	UK	CPI Core YoY	Dec	2.60%	2.50%	2.70%	--
01/16/2018 17:30	UK	Retail Price Index	Dec	277.6	278.1	275.8	--
01/16/2018 17:30	UK	RPI MoM	Dec	0.60%	0.80%	0.20%	--
01/16/2018 17:30	UK	RPI Ex Mort Int.Payments (YoY)	Dec	3.90%	4.20%	4.00%	--
01/16/2018 17:30	UK	PPI Input NSA YoY	Dec	5.30%	4.90%	7.30%	--
01/16/2018 17:30	UK	PPI Output NSA MoM	Dec	0.20%	0.40%	0.30%	0.40%
01/16/2018 17:30	UK	PPI Output Core NSA YoY	Dec	2.30%	2.50%	2.20%	2.30%
01/16/2018 18:07	IT	Trade Balance Total	Nov	--	4830m	4953m	4988m
01/16/2018 21:30	US	Empire Manufacturing	Jan	19	17.7	18	19.6
01/17/2018 07:30	AU	Westpac Consumer Conf SA MoM	Jan	--	--	3.60%	--
01/17/2018 07:50	JN	Core Machine Orders MoM	Nov	-1.40%	--	5.00%	--
01/17/2018 08:00	NZ	ANZ Commodity Price	Dec	--	--	-0.90%	--
01/17/2018 08:30	AU	Home Loans MoM	Nov	0.00%	--	-0.60%	--
01/17/2018 08:30	AU	Investment Lending	Nov	--	--	1.60%	--
01/17/2018 08:30	AU	Owner-Occupier Loan Value MoM	Nov	--	--	0.00%	--
01/17/2018 08:30	SI	Non-oil Domestic Exports SA MoM	Dec	-4.40%	--	8.70%	--
01/17/2018 08:30	SI	Non-oil Domestic Exports YoY	Dec	8.60%	--	9.10%	--
01/17/2018 08:30	SI	Electronic Exports YoY	Dec	--	--	5.20%	--
01/17/2018 15:00	EC	EU27 New Car Registrations	Dec	--	--	5.90%	--
01/17/2018 15:00	SI	Automobile COE Open Bid Cat A	Jan-17	--	--	41400	--
01/17/2018 15:00	SI	Automobile COE Open Bid Cat B	Jan-17	--	--	45289	--
01/17/2018 15:00	SI	Automobile COE Open Bid Cat E	Jan-17	--	--	47390	--
01/17/2018 18:00	EC	CPI Core YoY	Dec F	0.90%	--	0.90%	--
01/17/2018 18:00	EC	CPI YoY	Dec F	1.40%	--	1.50%	1.50%
01/17/2018 20:00	US	MBA Mortgage Applications	Jan-12	--	--	8.30%	--
01/17/2018 22:15	US	Industrial Production MoM	Dec	0.50%	--	0.20%	--
01/17/2018 22:15	US	Capacity Utilization	Dec	77.40%	--	77.10%	--
01/17/2018 23:00	CA	Bank of Canada Rate Decision	Jan-17	1.25%	--	1.00%	--
01/17/2018 23:00	US	NAHB Housing Market Index	Jan	72	--	74	--
01/17/2018 01/23	NZ	REINZ House Sales YoY	Dec	--	--	-8.90%	--

Source: Bloomberg

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