

Highlights

Global	<p>Global risk appetite may remain tentative ahead of the FOMC policy decision mid-week. The G20 meeting in Buenos Aires is unlikely to see any consensus develop on trade issues, especially on steel and aluminium, but the spotlight will be on US Treasury Mnuchin, albeit the US spokesperson had clarified he misspoke that US-China talks have broken down. Meanwhile, it was no surprise that Russia's Putin won a record 4th 6-year term in the recent elections. Expect Asian bourses to trade with a cautious tone this morning. The economic data calendar is relatively light with only Eurozone's Jan trade balance and HK's Feb unemployment rate.</p> <p>For the week ahead, the elephant in the room would be the FOMC where a 25bp rate hike is already discounted, but the key is whether potentially the median dots graph is lifted from 3 to 4 hikes for 2018 (too early we think, albeit the economic assessment is likely brighter than back in Dec and given the pipeline of fiscal stimulus, Fed chair Powell may well set the stage now to do so at the June FOMC), the 2019 dots graph is moved from two to three hikes and/or the terminal rate also similarly raised to 3% (both plausible, but again with market anticipation running high, there may be room for some disappointment if it does not materialise should policymakers prefer to defer to more convincing inflation data in the interim). Other key central bank meetings to watch include RBNZ, BOE, BSP, BI and CBC all likely to be static amid the headwinds of global trade tensions.</p>
US	<p>Industrial production rebounded 1.1% mom in Feb 94.4% yoy which is the fastest pace in seven years), up from a revised -0.3% in Jan. The University of Michigan sentiments also surged from 99.7 in Feb to 102.0 in Mar, lifted by the current conditions gauge at 122.8 (previously 114.9), whereas the expectations gauge actually retreated to 88.6 (previously 90.0). Interestingly, the 1-year inflation gauge accelerated from 2.7% to 2.9%, but the 5-10 year one was unchanged at 2.5%.</p>
CH	<p>As expected, Wang Qishan was elected as China's Vice President, reinforcing President Xi's power. Nevertheless, Mr. Wang is facing a tough start for his job as key China's key negotiator for US-China relationship as the bilateral relationship is deteriorating at a faster than expected pace ahead of the US midterm election.</p>
CMD	<p>Crude oil prices regained lost territories, with WTI and Brent closing at \$62.3 and \$66.2/bbl, respectively. Market-watchers took comfort from Russia's commitment to seeing OPEC's pact to completion, according to energy minister Alexander Novak, adding that Russia will participate in discussions at the next June meeting, or even prolonging cuts into 2019. Elsewhere, gold took another tumble over the weekend, likely as investors eye on a potential FOMC rate hike this week. Note that gold prices have been pointing south this morning, and could trend in a bearish fashion until more clarity over the Fed's rate hike trajectory is seen in the week ahead. Closer to Asia, CPO prices continue to dip lower to its lowest since last week, on the back of a relatively stronger ringgit vs end 2017 levels, as well as market's expectation for Asia's production to pick up into 2Q18.</p>

Major Market

- **US:** Equities closed a dismal week with a slight gain on Friday, supported by a series of better than expected data prints. The S&P 500 firmed by 0.17% after spending four consecutive days in the red. The Dow rose 0.29%, while the Nasdaq Composite closed unchanged. VIX stood at 15.80, compared to 16.59 previously. Expect equities to trade close to current levels ahead of the FOMC on Wednesday. A 25 bps hike is baked in for the FOMC, but the crucial piece of information will be in the dot plot. Watch for any acceleration in the Fed's rate hike path.
- Meanwhile, US Treasury yields firmed to close the week. The front end faced selling pressure ahead of the expected rate hike on Wednesday, as the 2y yield inched to 2.291%, the highest since 2008. The 10y yield also firmed to 2.845%.
- **Singapore:** The STI slipped 0.16% to close down at 3512.14 on Friday, and the 3500 support handle may remain vulnerable today amid weak morning cues from Nikkei and Kospi. STI may see a range of 3491-3520 today. With UST bond yields tipped 1-2bps higher on Friday, SGS bonds may similarly tread water ahead of FOMC. Investors are awaiting the issue size announcement for the mini-bond auction of the N517100F on 27 Mar and issue on 2 April.
- **China:** The PBoC net injected CNY377.5 billion last week via both reverse repo and MLF. The conduction of CNY327 billion MLF exceeded market expectation as only CNY189.5 billion expired last week. The higher than expected MLF injection shows PBoC's commitment to market stability to ease quarter-end funding volatility.
- **Korea:** Even in the midst of positive economic data out from S. Korea, including recent industrial production and trade, the rising household debt remains to be one of the key concerns both policy-makers and investors could have in the coming year. Note that household debt as a percentage of GDP has risen to record high to 94.4% in 3Q17, up from 92.8% at end 2016.
- **Malaysia:** The other opposition coalition Gagasan Sejahtera led by Islamic Party PAS released its manifesto yesterday which among other things promised to abolish GST and replace it with a tax on corporate savings and capital gains in Bursa Malaysia. It also promises assistance to certain first time car buyers and to review the toll rates by going through the toll concession agreements that exceed 15 years. The Islamic party PAS holds a high level of influence in the more rural northern Peninsula Malaysian states, particularly Kedah, Kelantan and Terengganu.
- **Indonesia:** For the coming week, BI's Board of Governors is set to meet on Wednesday – Thursday, 21-22 Mar to set the monetary policy stance. The decision to hike rates or not by BI in our opinion would be highly dependent on the interest rate movements of other Asian central banks and the Fed, due to the volatility and the pressures that the IDR is facing. However, even if the Fed is very likely to raise rates this coming Wednesday, we still believe that BI would hold out until a later period to hike rates as they await more certainty about interest rate movements globally. If anything, a rate hike by BI would more likely be in the latter half of this year. Indonesia's economy is only forecasted to grow at around 5.0% this year and the authorities are known to prefer an acceleration in growth. As a result, avoiding higher rates would very much be in their interest.

- **Hong Kong:** Financial Secretary Chan Mo Po said the government is considering imposing tax on vacant homes. He also pointed out that around 9500 completed flats remained unsold by end of 2017. According to HK Rating and Valuation Department, over 43000 units were vacant in 2016, representing 3.8% of total private housing units. In fact, the government of Victoria, Australia and that of Vancouver, Canada just introduced taxes on empty homes. The same is true to Macau. However, we doubt the measure's effectiveness as HK's vacancy rate in 2016 was lower than the average of 4.6% during 1985-2016. It seems like shortage of new homes is the main culprit of the overheated housing market. Therefore, instead of introducing tax on empty homes or some other property cooling measures, the government should focus more on increasing land supply and new home supply at a faster pace.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 1bps higher (with the exception of 12Y swap rates which traded 2bps higher). In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 118bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 356bps. 10Y UST yield rose 2bps to 2.85% last Friday.
- **New issues:** Yango Justice International Ltd has priced a USD200mn 1.5-year bond (guaranteed by Yango Group Ltd) at 9.5%, in line with its initial price guidance. Qinghai Provincial Investment Group Co Ltd has priced a USD250mn 3P2NC2 bond at 7.875%, tightening from its initial guidance of 8% area. First Abu Dhabi Bank PJSC has priced a CNH900mn 3-year bond at 4.8%, in line with its initial guidance. Shihan Bank has scheduled for investor meetings for its potential USD bond issuance. ICBC Financial Leasing Bank has scheduled for investor meetings from 20-23 Mar for its potential USD bond issuance. Tsinghua Tongfang Bank has scheduled for investor meetings from 19 Mar for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.233	0.10%	USD-SGD	1.3177	0.32%
USD-JPY	106.010	-0.31%	EUR-SGD	1.6195	0.20%
EUR-USD	1.2290	-0.12%	JPY-SGD	1.2432	0.64%
AUD-USD	0.7713	-1.09%	GBP-SGD	1.8373	0.38%
GBP-USD	1.3942	0.04%	AUD-SGD	1.0165	-0.76%
USD-MYR	3.9072	-0.27%	NZD-SGD	0.9507	-0.54%
USD-CNY	6.3348	0.20%	CHF-SGD	1.3839	0.25%
USD-IDR	13751	0.01%	SGD-MYR	2.9805	-0.37%
USD-VND	22765	0.03%	SGD-CNY	4.8075	-0.33%

Equity and Commodity

Index	Value	Net change
DJIA	24,946.51	72.85
S&P	2,752.01	4.68
Nasdaq	7,481.99	0.25
Nikkei 225	21,676.51	-127.44
STI	3,512.14	-5.59
KLCI	1,846.39	1.12
JCI	6,304.95	-16.95
Baltic Dry	1,169.00	--
VIX	15.80	-0.79

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	0.0010	O/N	1.4463	0.0012
2M	-0.3410	--	1M	1.8221	0.0139
3M	-0.3280	--	2M	1.9345	0.0184
6M	-0.2720	-0.0010	3M	2.2018	0.0242
9M	-0.2220	-0.0010	6M	2.3636	0.0219
12M	-0.1920	-0.0010	12M	2.6145	0.0131

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.75 (-0.01)	2.29 (+0.01)
5Y	2.05 (+0.01)	2.64 (+0.02)
10Y	2.37 (-)	2.84 (+0.02)
15Y	2.69 (-)	--
20Y	2.72 (-)	--
30Y	2.87 (-)	3.08 (+0.02)

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%	82.0%	18.0%	0.0%	0.0%
05/02/2018	100.0%	76.7%	22.1%	1.2%	0.0%
06/13/2018	100.0%	23.3%	60.1%	15.7%	0.8%
08/01/2018	100.0%	20.4%	55.6%	21.2%	2.7%
09/26/2018	100.0%	9.1%	36.0%	40.3%	13.0%
11/08/2018	100.0%	7.6%	31.6%	39.6%	17.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	51.18	2.30
EURIBOR-OIS	3.10	0.90
TED	43.27	-1.89

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.34	1.88%	Copper (per mt)	6,850.9	-0.64%
Brent (per barrel)	66.21	1.67%	Nickel (per mt)	13,569.0	-0.05%
Heating Oil (per gallon)	1.9118	1.00%	Aluminium (per mt)	2,064.5	0.01%
Gasoline (per gallon)	1.9459	1.10%			
Natural Gas (per MMBtu)	2.6880	0.26%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,416.0	-1.19%
			Rubber (JPY/KG)	191.8	-1.74%
Precious Metals	Futures	% chg			
Gold (per oz)	1,312.3	-0.42%			
Silver (per oz)	16.272	-0.91%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 13 Mar 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	372,754	285,630	87,124	Sugar	-110,752	-72,146	-38,606
Natural Gas	-106,867	-119,455	12,588	Gold	174,563	193,337	-18,774
Cocoa	43,502	33,665	9,837	Nymex Crude	710,895	728,841	-17,946
Soybean	203,048	196,074	6,974	Heating Oil	7,326	18,713	-11,387
Cotton	102,911	99,903	3,008	Live Cattle	104,924	113,323	-8,399
RBOB Gasoline	80,249	81,030	-781	Lean Hogs	14,001	21,923	-7,922
Palladium	13,113	14,298	-1,185	Wheat	-11,206	-4,636	-6,570
Copper	39,667	41,534	-1,867	Silver	1,417	4,876	-3,459
Coffee	-42,401	-40,227	-2,174	Platinum	33,668	36,169	-2,501

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/16/2018 04:00	US Total Net TIC Flows	Jan	--	\$119.7b	-\$119.3b	-\$122.5b
03/16/2018 04:00	US Net Long-term TIC Flows	Jan	--	\$62.1b	\$27.3b	\$23.3b
03/16/2018 05:30	NZ BusinessNZ Manufacturing PMI	Feb	--	53.4	55.6	54.4
03/16/2018 08:30	SI Non-oil Domestic Exports SA MoM	Feb	0.10%	-2.60%	-0.30%	-0.40%
03/16/2018 08:30	SI Electronic Exports YoY	Feb	2.80%	-12.30%	-3.90%	--
03/16/2018 08:30	SI Non-oil Domestic Exports YoY	Feb	4.80%	-5.90%	13.00%	12.90%
03/16/2018 10:00	NZ Non Resident Bond Holdings	Feb	--	59.70%	60.00%	--
03/16/2018 12:30	JN Industrial Production MoM	Jan F	--	-6.80%	-6.60%	--
03/16/2018 12:30	JN Capacity Utilization MoM	Jan	--	-7.30%	2.80%	--
03/16/2018 15:30	TH Foreign Reserves	Mar-09	--	\$212.6b	\$212.7b	\$213.3b
03/16/2018 17:00	IT CPI EU Harmonized YoY	Feb F	0.70%	0.50%	0.70%	--
03/16/2018 18:00	EC CPI Core YoY	Feb F	1.00%	1.00%	1.00%	--
03/16/2018 18:00	EC CPI YoY	Feb F	1.20%	1.10%	1.30%	1.30%
03/16/2018 20:00	IN BoP Current Account Balance	4Q	-\$15.85b	-\$13.50b	-\$7.20b	-\$7.22b
03/16/2018 20:30	CA Manufacturing Sales MoM	Jan	-0.90%	-1.00%	-0.30%	-0.10%
03/16/2018 20:30	CA Int'l Securities Transactions	Jan	--	5.68b	-1.97b	-1.54b
03/16/2018 20:30	US Housing Starts	Feb	1290k	1236k	1326k	1329k
03/16/2018 20:30	US Building Permits	Feb	1320k	1298k	1396k	1377k
03/16/2018 21:15	US Industrial Production MoM	Feb	0.40%	1.10%	-0.10%	-0.30%
03/16/2018 21:15	US Capacity Utilization	Feb	77.70%	78.10%	77.50%	77.40%
03/16/2018 22:00	US JOLTS Job Openings	Jan	5917	6312	5811	5667
03/16/2018 22:00	US U. of Mich. Sentiment	Mar P	99.3	102	99.7	--
03/19/2018 07:50	JN Trade Balance	Feb	¥89.1b	--	¥943.4b	¥944.1b
03/19/2018 07:50	JN Exports YoY	Feb	1.40%	--	12.20%	12.30%
03/19/2018 08:01	UK Rightmove House Prices MoM	Mar	--	--	0.80%	--
03/19/2018 16:30	HK Unemployment Rate SA	Feb	2.90%	--	2.90%	--
03/19/2018 17:00	IT Industrial Production MoM	Jan	-0.60%	--	1.60%	--
03/19/2018 18:00	EC Trade Balance SA	Jan	22.3b	--	23.8b	--
03/19/2018 18:00	EC Construction Output MoM	Jan	--	--	0.10%	--
03/19/2018 18:00	IT Trade Balance Total	Jan	--	--	5253m	--
03/19/2018 18:00	IT Trade Balance EU	Jan	--	--	-974m	--
03/19/2018	HK Composite Interest Rate	Feb	--	--	0.37%	--
03/19/2018	PH BoP Overall	Feb	--	--	-\$531m	--
03/16/2018 03/18	CH Foreign Direct Investment YoY CNY	Feb	--	--	0.30%	--
03/19/2018 03/24	TH Car Sales	Feb	--	--	66545	--

Source: Bloomberg

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