

Highlights

Global	The market implications of the Jan FOMC minutes continued to be debated and reverberated through financial markets overnight. Fed rhetoric remained mixed – Dudley suggested the word “further” in the Jan FOMC minutes referred to “more confidence in the strength of the economy” while Kashkari opined that it was “intended to say continuing the current path that we’re on”. Kaplan (non-voter) said three hikes this year was a “reasonable base case”, while Bullard warned that four hikes this year would be priced for perfection. Asian bourses may open on a firmer tone this morning. Today’s economic data releases include Eurozone’s Jan CPI, Germany’s final 4Q17 GDP growth estimates and S’pore’s Jan CPI. Speakers include Fed’s Dudley and Rosengren.
US	The US labour market remained robust - initial jobless claims fell 7k to a 5-week low of 222k, while the continuing claims plunged 73k to 1.875m.
EZ	UK’s preliminary 4Q17 GDP growth was revised down to 1.4% yoy (0.4% qoq), down from 1.5% yoy (0.5% qoq) as previously estimated, as household spending slowed, business investments stalled and exports slipped.
SG	Jan CPI may remain steady at 0.4% yoy, but rise 0.2% mom nsa, versus 0.4% yoy (-0.1% mom nsa) in Dec17, with core CPI also remaining at 1.3% yoy (same as Dec). The upcoming \$1.7b re-opening of the 30-year SGS bond maturing 1 Mar ‘46 should see a relatively healthy demand from lifers given the need for liability matching. Moreover, its bond yield has backed up significantly and hit a high of 2.91% intraday yesterday which is the highest on record, before closing around 2.9%. Given the ongoing US Treasury bond yield curve steepening bias on the back of accelerating inflation and more hawkish FOMC rate hike expectations, longer-dated SGS bonds have also sold off to play catch up. To compare, the 30-year UST bond yield touched 3.21% (highest since Mar17). The last six 30-year SGS bond auctions had fetched cut off yields between a range of 2.29% (Nov16) to 2.86% (Mar15), with a bid-cover ratio of 1.57-2.26x. The upcoming \$1.7b re-opening size should not pose a high hurdle to market digestion given that this will be the only 30-year issue in 2018, especially since the next long-dated SGS issue will be the new 10-year in May, followed by a 20-year SGS re-opening in Jul. There is also \$6.7b maturity of 5-year SGS bonds on 1 Apr18. We see fair value for the 30-year SGS bond around 2.8-2.9% region.
MA	Foreign reserves marginally fell to \$103.6bn as at 15th February 2018 from \$103.7bn as at 30th January 2018. This marks the first time since March 2017 that the foreign reserves have fallen. Current foreign reserves amount to 7.1 months of retained imports and 1.1 times the short-term external debt.
CMD	A surprise fall in US oil inventories, led by relative lower US oil imports for the week ended 16th Feb, lifted oil prices overnight. The US DOE reported an unexpected drawdown in overall US oil inventories of 1.6 million barrels (vs expected +2.9 million barrels), even as oil imports clocked 7.0 million barrels per day (bpd) in the same period, the lowest since Sep 2017. In Asia, palm oil prices were relatively unchanged at MYR2,488/MT (-0.04%), as market waits for China’s commodity import data later this afternoon.

Major Market

- **US:** Wall Street ended higher Thursday on the back of a strong Initial Jobless Claims print (222k in Jan, near a 45-year low) as well as a more upbeat economic outlook following the FOMC meeting minutes. The Dow and S&P 500 added 0.66% and 0.1%, respectively, effectively reversing losses registered from the last two sessions. Meanwhile, the Nasdaq Composite declined 0.1% to continue a 4-session streak of losses. VIX stepped lower to 18.72, compared with 20.02 previously. For US Treasury yields, the 2y yield fell 2bps to close at 2.246% while the 10y yield inched lower to close at 2.921%.
- **Singapore:** The STI declined 0.79% to dip below the 3500 handle again to close at 3488.46 yesterday. With a firmer start by Nikkei and Kospi, the STI may test the 3500 handle again, with support at 3470. With the UST bond yields lower by up to 3bps overnight, the SGS bond market may also reverse some of yesterday's losses.
- **Indonesia:** Finance Minister Sri Mulyani announced that the government will revise its tax incentives in a bid to attract more investment. She did not give specifics but did mention that the government is considering adding at least 20 business sectors to the 145 currently qualifying for allowances. The government is also planning to change the minimum requirement to get a tax holiday.
- **Hong Kong:** Inflation stabilized at 1.7% in January 2017 as huge increase in electricity charge was offset by calendar effect. For the most heavily-weight items, housing inflation remained at 2.5% while food inflation slowed down to 2.3%. Also, price index of miscellaneous services decreased 1.5% yoy, the largest decline since January 2010 amid lower charges for package tours. In contrast, the utility inflation ticked up rapidly to 10.8% due to the special fuel rebate for the same month last year. For the coming month, calendar effect is likely to persist and result in a distortedly high inflation. Still, we expect inflation to rebound gradually this year given higher commodity prices on synchronized global growth. A weaker HKD may also lead to imported inflation. Internally, given a tight labour market and resilient local economy, price pressure is tilt to the upside. All in all, we expect composite CPI to print 2% in 2018.
- Unemployment rate stayed at a nearly two-decade low of 2.9% over the three months through January 2018 due to broad-based domestic recovery. Specifically, the jobless rate of construction sector, tourism-related sector and trade sector decreased to 4.0% (lowest since early 2017), 4.2% (lowest since 4Q 2014) and 2.2% (lowest since 1998) respectively. The labour market demonstrates persistent improvement, especially in tourism-related sector and trade sector amid resilient growth of global economy and further revival of tourism activities. The continued public investment in infrastructure and aggressive construction plan of property developers are expected to keep lifting the hiring sentiments in construction sector. Nevertheless, financial sector may become more cautious about business expansion given recent increase in stock market volatility. Moving forward, should global central banks tighten the monetary policy amid pickup in inflation, we expect financial sector's employment to take a further hit. Despite that, resilient economic growth at home and abroad may help to sustain the tight labour market with jobless rate stabilizing around 2.9% in the 1H 2018. However, a volatile stock market could undermine consumer and investor confidence despite a strong labour market.

Bond Market Updates

- **Market Commentary:** The SGD swap curve rose yesterday, with swap rates for the shorter tenors trading 2-3bps higher, while the longer tenors traded 4bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 111bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 343bps. 10Y UST yields fell 3bps to 2.92%, as the bond market took a breather from Wednesday's selloff on the back of better-than-expected US Manufacturing PMI and hawkish FOMC meeting minutes. The rebound in treasuries prices suggest that the sell-off could be a knee-jerk reaction, and not a potential return to the declines that pressured global markets at the start of the month.
- **New issues:** Perusahaan Penerbit SBSN Indonesia III has priced its USD1.25bn 5-year Green Sukuk bond (obligor: The Government of the Republic of Indonesia represented by the Ministry of Finance) at 3.75% and its USD1.75bn 10-year bond at 4.40% , tightening from its initial guidance of 4.05% and 4.70% respectively. The expected issue ratings are 'BBB-/Baa3/BBB'. Far East Horizon Ltd has priced its USD200mn 5-year bond at CT5+175bps, tightening from its initial guidance of CT5+200bps area. The expected issue ratings are 'BBB-/NR/NR'. It has also priced its CNH630mn 3-year bond at 4.90%, tightening from its initial guidance of 5.20%. Redco Properties Group Ltd has priced its USD300mn 364-day bond at 6.375%, tightening from its initial guidance of 6.75%. BNZ International Funding Ltd (London Branch) has priced its USD500mn 5-year bond (guaranteed by Bank of New Zealand) at CT5+85bps, tightening from its initial guidance of CT5+95bps area. The expected issuer ratings are 'AA-/A1/NR'.
- **Rating changes:** Moody's has placed HSBC Bank Plc's (HSBC Bank) baseline credit assessment (BCA) and the long-term counterparty risk assessment (CRA) on review for downgrade. The rating action reflects Moody's view of the likely impact on the bank of the UK's so called ring-fencing legislation. Moody's stated that HSBC Bank will become the non-ring-fenced bank, further increasing its dependence on wholesale debt and deposit funding and its reliance on riskier wholesale and capital markets activities. Moody's has placed Barclays Bank PLC's (Barclays) 'Baa2' long-term issuer and senior unsecured debt ratings on review for downgrade. The rating action reflects Barclays ongoing credit weaknesses and likely impact of ring-fencing implementation, which have been the main drivers for the negative outlook since last September. Moody's has placed the 'AA3' ratings of Standard Chartered Bank (Singapore) (SCBSL) on review for downgrade. The rating action reflects the higher risk profile for a post-merger company, whereby the enlarged bank's balance sheet will almost triple in size and additional exposures will subject SCBSL to higher credit risk compared to its current lower-risk and retail focused operations in Singapore. S&P has assigned its 'A' preliminary long-term issuer credit ratings to Standard Chartered Bank (Singapore) (SCBS). The outlook is stable. The rating action reflects S&P's expectation that SCBS will become a core subsidiary of its wider banking group and be of moderate systemic importance to the Singapore banking system.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	89.736	-0.29%	USD-SGD	1.3192	-0.34%
USD-JPY	106.750	-0.96%	EUR-SGD	1.6266	0.04%
EUR-USD	1.2330	0.37%	JPY-SGD	1.2358	0.62%
AUD-USD	0.7846	0.54%	GBP-SGD	1.8409	-0.08%
GBP-USD	1.3956	0.27%	AUD-SGD	1.0350	0.18%
USD-MYR	3.9170	0.28%	NZD-SGD	0.9683	-0.05%
USD-CNY	6.3527	0.17%	CHF-SGD	1.4142	0.32%
USD-IDR	13685	0.49%	SGD-MYR	2.9594	0.03%
USD-VND	22715	0.03%	SGD-CNY	4.8196	0.31%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4450	--
2M	-0.3410	--	1M	1.6025	--
3M	-0.3290	--	2M	1.7491	--
6M	-0.2710	--	3M	1.9198	--
9M	-0.2210	--	6M	2.1455	--
12M	-0.1910	--	12M	2.4256	--

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%	78.6%	20.1%	1.3%	0.0%
06/13/2018	100.0%	27.3%	58.3%	13.6%	0.8%
08/01/2018	100.0%	22.8%	53.2%	21.0%	2.9%
09/26/2018	100.0%	11.5%	38.1%	36.9%	11.9%
11/08/2018	100.0%	9.9%	34.5%	37.1%	15.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.77	1.77%	Copper (per mt)	7,190.4	0.76%
Brent (per barrel)	66.39	1.48%	Nickel (per mt)	13,796.0	-0.11%
Heating Oil (per gallon)	1.9527	1.06%	Aluminium (per mt)	2,181.5	-0.81%
Gasoline (per gallon)	1.7657	0.48%			
Natural Gas (per MMBtu)	2.6340	-0.94%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,488.0	-0.04%
			Rubber (JPY/KG)	185.1	-0.48%
Precious Metals	Futures	% chg			
Gold (per oz)	1,332.7	0.05%			
Silver (per oz)	16.638	-0.24%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,962.48	164.70
S&P	2,703.96	2.63
Nasdaq	7,210.09	-8.14
Nikkei 225	21,736.44	-234.37
STI	3,488.46	-27.77
KLCI	1,855.07	-3.10
JCI	6,593.06	-50.34
Baltic Dry	1,146.00	--
VIX	18.72	-1.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (+0.05)	2.25 (-0.02)
5Y	2.06 (+0.02)	2.66 (-0.03)
10Y	2.42 (+0.04)	2.92 (-0.03)
15Y	2.74 (+0.05)	--
20Y	2.80 (+0.05)	--
30Y	2.91 (+0.05)	3.21 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	31.88	0.68
EURIBOR-OIS	2.85	0.75
TED	28.58	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
02/22/2018 03:00	US FOMC Meeting Minutes	Jan-31	--	--	--	--
02/22/2018 07:50	JN Japan Buying Foreign Bonds	Feb-16	--	¥553.1b	¥973.2b	¥967.3b
02/22/2018 07:50	JN Japan Buying Foreign Stocks	Feb-16	--	¥587.1b	¥44.8b	¥59.5b
02/22/2018 07:50	JN Foreign Buying Japan Bonds	Feb-16	--	¥789.5b	¥41.7b	¥41.6b
02/22/2018 07:50	JN Foreign Buying Japan Stocks	Feb-16	--	¥127.1b	¥429.5b	¥430.0b
02/22/2018 08:40	TH Car Sales	Jan	--	66545	104302	--
02/22/2018 10:00	NZ Credit Card Spending YoY	Jan	--	4.60%	6.30%	6.20%
02/22/2018 15:00	MA Foreign Reserves	Feb-15	--	\$103.6b	\$103.7b	--
02/22/2018 15:45	FR Manufacturing Confidence	Feb	113	112	113	114
02/22/2018 15:45	FR Production Outlook Indicator	Feb	33	30	34	--
02/22/2018 15:45	FR Own-Company Production Outlook	Feb	15	16	16	20
02/22/2018 15:45	FR CPI EU Harmonized YoY	Jan F	1.50%	1.50%	1.50%	--
02/22/2018 15:45	FR CPI YoY	Jan F	1.40%	1.30%	1.40%	--
02/22/2018 15:45	FR CPI Ex-Tobacco Index	Jan	101.68	101.67	101.76	--
02/22/2018 16:30	HK Unemployment Rate SA	Jan	2.90%	2.90%	2.90%	--
02/22/2018 16:30	HK CPI Composite YoY	Jan	1.80%	1.70%	1.70%	--
02/22/2018 17:00	GE IFO Business Climate	Feb	117	115.4	117.6	--
02/22/2018 17:00	GE IFO Expectations	Feb	107.9	105.4	108.4	108.3
02/22/2018 17:00	GE IFO Current Assessment	Feb	127	126.3	127.7	127.8
02/22/2018 17:00	IT Industrial Sales MoM	Dec	--	2.50%	1.30%	1.40%
02/22/2018 17:00	IT Industrial Orders MoM	Dec	--	6.50%	0.30%	0.40%
02/22/2018 17:30	UK Index of Services 3M/3M	Dec	0.50%	0.60%	0.40%	--
02/22/2018 17:30	UK GDP QoQ	4Q P	0.50%	0.40%	0.50%	--
02/22/2018 17:30	UK Private Consumption QoQ	4Q P	0.40%	0.30%	0.50%	0.40%
02/22/2018 17:30	UK Government Spending QoQ	4Q P	0.30%	0.60%	-0.20%	0.00%
02/22/2018 17:30	UK Exports QoQ	4Q P	0.50%	-0.20%	0.80%	0.20%
02/22/2018 17:30	UK Imports QoQ	4Q P	1.00%	1.50%	0.90%	1.00%
02/22/2018 17:30	UK Total Business Investment QoQ	4Q P	0.40%	0.00%	0.50%	--
02/22/2018 18:00	IT CPI EU Harmonized YoY	Jan F	1.10%	1.20%	1.10%	--
02/22/2018 21:30	US Initial Jobless Claims	Feb-17	230k	222k	230k	229k
02/22/2018 21:30	US Continuing Claims	Feb-10	1935k	1875k	1942k	1948k
02/22/2018 21:30	CA Retail Sales MoM	Dec	-0.10%	-0.80%	0.20%	0.30%
02/22/2018 23:00	US Leading Index	Jan	0.70%	1.00%	0.60%	--
02/23/2018 05:45	NZ Retail Sales Ex Inflation QoQ	4Q	1.40%	1.70%	0.20%	0.30%
02/23/2018 07:30	JN Natl CPI YoY	Jan	1.30%	1.40%	1.00%	--
02/23/2018 07:50	JN PPI Services YoY	Jan	0.80%	--	0.80%	--
02/23/2018 13:00	SI CPI YoY	Jan	0.40%	--	0.40%	--
02/23/2018 15:00	GE GDP SA QoQ	4Q F	0.60%	--	0.60%	--
02/23/2018 15:00	GE GDP NSA YoY	4Q F	2.30%	--	2.30%	--
02/23/2018 15:30	TH Foreign Reserves	Feb-16	--	--	\$212.7b	--
02/23/2018 16:20	TA BoP Current Account Balance	4Q	--	--	\$20514m	--
02/23/2018 18:00	EC CPI Core YoY	Jan F	1.00%	--	1.00%	--
02/23/2018 18:00	EC CPI YoY	Jan F	1.30%	--	1.40%	--
02/23/2018 21:30	CA CPI YoY	Jan	1.50%	--	1.90%	--

Source: Bloomberg

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