

Highlights

Global	It's back to risk-off as US and China sling trade salvos at each other, with USTR claiming that China's IP practices have inflicted damages of US\$450b pa on the US economy and targets at least US\$50b of Chinese imports with 25% duties, while China is planning reciprocal tariffs on US\$3b of US imports including pork, steel, aluminium, fruit and wine and plans to take legal action against the US under the WTO framework. US president Trump also directed Treasury Secretary Mnuchin to propose new investment restrictions on Chinese companies within 60 days to safeguard strategic technologies, and also replaced White House National Security Adviser H.R.McMaster with John Bolton (a former ambassador to the UN known for his hawkish views). Meanwhile, Commerce Secretary Ross opined that China will have a "measured response" to the latest US move and also suggested that China buy more natural gas from the US to narrow its bilateral trade gap. The kneejerk market reactions were Wall Street lower and UST bonds higher. Elsewhere, BOE, BI, BSP and CBC all kept policy settings static yesterday, essentially preferring to keep to the sidelines amid the brewing global trade tensions. Expect Asian bourses to gap down in line with the overnight Wall Street sell-off amid renewed fears that the trade tensions were escalating. The economic data calendar comprises US' durable goods orders and new home sales, Taiwan's industrial production and S'pore's Feb inflation data. Speakers include BOE's Vlieghe and Fed's Bostic and Kaplan.
US	Initial jobless claims rose 3k to 229k, while the preliminary March manufacturing PMI improved from 55.3 to 55.7, but the services and composite PMIs edged down to 54.1 and 54.3 respectively.
EZ	Eurozone and German manufacturing, services and composite PMIs also softened in March amid the trade-related headwinds which is likely taking a toll on business sentiments. The German IFO business climate also retreated for a second month from 115.4 to 114.7 in March, as both the current assessment and expectation gauges backed off.
UK	BOE opined that "all members agreed that any future increases in bank rate were likely to be at a gradual pace and to a limited extent", but did little to douse market speculation of a May rate hike. Note McCafferty and Saunders also said that rates should have risen immediately.
SG	Headline inflation likely stayed soft in Feb at -0.1% yoy (-0.1% mom nsa), whereas core CPI may have accelerated to 1.6% yoy. Headline and core CPI printed at 0.0% yoy (-0.2% mom nsa) and 1.4% yoy respectively in Feb. Meanwhile, the Public Transport Council has revised the fare formula to include a new component "Network Capacity Factor" which could mean higher fares for commuters if capacity growth outpaces ridership growth.
CMD	Hurry back to safe havens! Gold prices rose to \$1,333.2/oz (+0.44%) at closing, and still rising this morning on news that China imposed \$3bn worth of retaliatory tariffs on a range of US exports including steel pipes, fruits, wine and pork. The onset of risk aversion also dragged growth-related commodity prices including crude oil (WTI: -1.33%, Brent: -0.81%) and copper (-1.26%). We opine that retaliatory tariffs will potentially create further more uncertainty over how global growth and trade may pan out into 2018, and could drag risk appetite further.

Major Market

- **US:** A trade war may finally be upon us, as Trump ordered the USTR to draft up a set of tariffs against Chinese imports. In response, the Chinese have also announced plans for tariffs on US imports, ranging from pork to steel. Trump's replacement of McMaster with perceived hardliner Bolton as the National Security Advisor also did not help sentiments. This series of unfortunate events caused equities to sell off heavily, with the S&P 500 down 2.52%. Similarly, the Dow and Nasdaq also saw heavy losses, down 2.93% and 2.43% respectively. VIX shot higher to 23.34, compared to 17.86 previously. Expect equity weakness to persist into the end of the week.
- Meanwhile, US Treasuries rallied on safe haven demand. Benchmark yields were lower across the board, with the 2y down 3 bps to 2.279%. The 10y yield fell 6 bps to 2.824%.
- **Singapore:** The STI retreated 0.6% to close at 3491.37 as market confidence evaporated, and may trade lower again today amid the overnight slump in Wall Street and morning 1-2% losses in Nikkei and Kospi on fears of an outright trade war. With the flight to quality and UST bond yields lower by up to 6bps led by longer tenors, SGS bonds may also extend gains today.
- **China:** The country said it will suspend the tariff concession for some US imports according to the WTO rules. A total of 128 products worth US\$3 billion will be targeted in two stages. Without the tariff concession, 15% tariff will be applied to fresh fruits, nuts, wine and steel pipes etc while 25% tariff will be applied to pork and recycled aluminium.
- **Malaysia:** Foreign reserves rose to \$103.9bn as of 15th March 2018 (28 Feb 2018: \$103.7bn). This amounted to 7.3 months of retained imports and 1.1 times the short-term external debt.
- **Indonesia:** BI held interest rates at 4.25% as expected, following the meeting of BI's Board of Governors. The central bank continues to believe that the current monetary policy stance is sufficient to boost the ongoing economic improvement. BI also mentioned in its press statement yesterday that it will continue to take actions to ensure the stabilization of the IDR and the central bank has reiterated previously that it will be using its foreign reserves to achieve this. It seems very much the case now that the central bank is fully focused on the IDR as it attempts to ensure that this IDR volatility does not eventually severely impact the rest of the economy. Interest rates would probably be kept on hold for at least the first half of 2018 given that it is now likely that the Fed will only push ahead with three rate hikes this year and inflation is expected to remain within the corridor.
- **Hong Kong:** HKMA followed the Fed's step to raise base rate by 25bps on 22 Mar. However, the banking system remained prime rate unchanged amid flush liquidity. As global central banks remain cautious about tightening, HK may continue to see capital inflows in the near term. Meanwhile, rising wealth of Mainlanders will also translate into increasing demand for portfolio diversification and continue to bring net equity inflows to HK. With no significant change to the fundamentals, liquidity may remain ample and allow banking system to stay put in the near term. However, should inflation risk mount on synchronized global recovery and propel global central banks to tighten monetary policy in 2H 2018, this will add to US tax reform in draining liquidity out of emerging markets. Then we will see a faster increase in HIBOR and a tumble in HKD as a knee-jerk reaction to fast capital outflows. If HKD tries to break the weak end of the peg, the resultant intervention of HKMA will push up the HIBOR further and narrow HIBOR's gap

with the Prime Rate. Therefore, we expect banks to raise Prime Rate probably in 2H 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve fell yesterday, with swap rates for the shorter tenors trading 2-5bps lower while the longer tenors traded 5-6bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 121bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 367bps. 10Y UST yields fell 6bps to 2.82% on rising risk aversion as Donald Trump announced steps to institute new tariffs and penalties to crack down on China's intellectual properties practices. This heightened concerns of a potential global trade war which led to 10Y UST yields falling.
- **New issues:** Baidu Inc has priced a USD1.5bn deal across two-tranches, with the USD1bn 5.5-year bond priced at CT5.5+125bps, tightening from its initial price guidance of CT5.5+140bps area and the USD500mn 10-year bond priced at CT10+160bps, tightening from its initial price guidance of CT10+180bps area. Lenovo Group Ltd (LENOVO) has priced a USD750mn 5-year bond at CT5+215bps, tightening from its initial price guidance of CT5+230bps area. Jinshine International Co Ltd has priced a USD400mn 3NP2 bond (guaranteed by Xuzhou Economic and Technology Development Zone State-owned Assets Management Co Ltd) at 6.75%, tightening from its initial price guidance of 7%. Blue Skyview Co Ltd has priced a USD60mn re-tap of its HONAIR 7.125%-Perp NC 2020 bond (guaranteed by Hong Kong Airlines International Ltd) at 100. Korea Resources Corp has scheduled for investor meetings from 3 Apr for its potential USD bond issuance. Ease Trade Global Ltd has scheduled for investor meetings from 22 Mar for its potential USD bond issuance (keepwell provider: China Poly Group, guaranteed by: Poly Property Group Co Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	89.857	0.08%	USD-SGD	1.3172	0.36%
USD-JPY	105.280	-0.73%	EUR-SGD	1.6204	0.07%
EUR-USD	1.2302	-0.29%	JPY-SGD	1.2512	1.10%
AUD-USD	0.7693	-0.93%	GBP-SGD	1.8567	0.04%
GBP-USD	1.4096	-0.32%	AUD-SGD	1.0133	-0.59%
USD-MYR	3.9135	-0.31%	NZD-SGD	0.9492	0.04%
USD-CNY	6.3350	0.19%	CHF-SGD	1.3876	0.40%
USD-IDR	13755	-0.04%	SGD-MYR	2.9771	0.05%
USD-VND	22785	0.08%	SGD-CNY	4.8114	0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4488	--
2M	-0.3410	--	1M	1.8613	--
3M	-0.3290	--	2M	1.9753	--
6M	-0.2720	--	3M	2.2711	--
9M	-0.2210	--	6M	2.4342	--
12M	-0.1910	--	12M	2.6764	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	27.8%	27.8%	0.0%	0.0%	0.0%
06/13/2018	78.5%	59.0%	19.5%	0.0%	0.0%
08/01/2018	79.8%	56.7%	22.0%	1.2%	0.0%
09/26/2018	91.1%	36.3%	41.3%	12.8%	0.7%
11/08/2018	92.3%	32.6%	40.6%	16.7%	2.3%
12/19/2018	95.3%	23.0%	37.5%	25.9%	7.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.30	-1.33%	Copper (per mt)	6,658.0	-1.26%
Brent (per barrel)	68.91	-0.81%	Nickel (per mt)	13,154.0	-2.01%
Heating Oil (per gallon)	1.9923	-0.57%	Aluminium (per mt)	2,062.0	-0.36%
Gasoline (per gallon)	2.0096	-0.13%			
Natural Gas (per MMBtu)	2.6170	-0.80%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,450.0	0.08%
Gold (per oz)	1,333.2	0.44%	Rubber (JPY/KG)	187.3	0.16%
Silver (per oz)	16.387	-0.19%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,957.89	-724.42
S&P	2,643.69	-68.24
Nasdaq	7,166.68	-178.61
Nikkei 225	21,591.99	211.02
STI	3,491.37	-19.76
KLCI	1,876.87	11.07
JCI	6,254.07	-58.76
Baltic Dry	1,122.00	--
VIX	23.34	5.48

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.89 (-0.03)	2.28 (-0.03)
5Y	2.15 (-0.03)	2.62 (-0.05)
10Y	2.39 (-0.04)	2.82 (-0.06)
15Y	2.69 (-0.04)	--
20Y	2.74 (-0.03)	--
30Y	2.89 (-0.03)	3.06 (-0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	55.51	1.40
EURIBOR-OIS	3.15	1.05
TED	54.77	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
03/22/2018 02:00	US	FOMC Rate Decision (Upper Bound)	Mar-21	1.75%	1.75%	1.50%	--
03/22/2018 04:00	NZ	RBNZ Official Cash Rate	Mar-22	1.75%	1.75%	1.75%	--
03/22/2018 08:30	AU	Employment Change	Feb	20.0k	17.5k	16.0k	12.5k
03/22/2018 08:30	AU	Unemployment Rate	Feb	5.50%	5.60%	5.50%	--
03/22/2018 08:30	AU	Participation Rate	Feb	65.60%	65.70%	65.60%	--
03/22/2018 08:30	JN	Nikkei Japan PMI Mfg	Mar P	--	53.2	54.1	--
03/22/2018 12:30	JN	All Industry Activity Index MoM	Jan	-1.80%	-1.80%	0.50%	0.60%
03/22/2018 13:30	JN	Nationwide Dept Sales YoY	Feb	--	-0.90%	-1.20%	--
03/22/2018 15:00	MA	Foreign Reserves	Mar-15	--	\$103.9b	\$103.7b	--
03/22/2018 15:45	FR	Manufacturing Confidence	Mar	111	111	112	--
03/22/2018 16:00	FR	Markit France Manufacturing PMI	Mar P	55.5	53.6	55.9	--
03/22/2018 16:00	TA	Unemployment Rate	Feb	3.70%	3.70%	3.68%	--
03/22/2018 16:00	FR	Markit France Services PMI	Mar P	57	56.8	57.4	--
03/22/2018 16:00	PH	BSP Overnight Borrowing Rate	Mar-22	3.00%	3.00%	3.00%	--
03/22/2018 16:00	FR	Markit France Composite PMI	Mar P	57	56.2	57.3	--
03/22/2018 16:30	GE	Markit Germany Manufacturing PMI	Mar P	59.8	58.4	60.6	--
03/22/2018 16:30	GE	Markit Germany Services PMI	Mar P	55	54.2	55.3	--
03/22/2018 16:30	GE	Markit Germany Composite PMI	Mar P	57	55.4	57.6	--
03/22/2018 17:00	EC	Markit Eurozone Manufacturing PMI	Mar P	58.1	56.6	58.6	--
03/22/2018 17:00	GE	IFO Business Climate	Mar	114.6	114.7	115.4	--
03/22/2018 17:00	GE	IFO Expectations	Mar	104.4	104.4	105.4	--
03/22/2018 17:00	GE	IFO Current Assessment	Mar	125.6	125.9	126.3	126.4
03/22/2018 17:00	EC	Markit Eurozone Services PMI	Mar P	56	55	56.2	--
03/22/2018 17:00	EC	Markit Eurozone Composite PMI	Mar P	56.8	55.3	57.1	--
03/22/2018 17:28	TA	CBC Benchmark Interest Rate	Mar-22	1.38%	1.38%	1.38%	--
03/22/2018 17:30	UK	Retail Sales Ex Auto Fuel MoM	Feb	0.40%	0.60%	0.10%	-0.20%
03/22/2018 17:30	UK	Retail Sales Inc Auto Fuel MoM	Feb	0.40%	0.80%	0.10%	-0.20%
03/22/2018 17:49	ID	Bank Indonesia 7D Reverse Repo	Mar-22	4.25%	4.25%	4.25%	--
03/22/2018 20:00	UK	Bank of England Bank Rate	Mar-22	0.50%	0.50%	0.50%	--
03/22/2018 20:00	UK	BOE Asset Purchase Target	Mar	435b	435b	435b	--
03/22/2018 20:30	US	Initial Jobless Claims	Mar-17	225k	229k	226k	--
03/22/2018 20:30	US	Continuing Claims	Mar-10	1870k	1828k	1879k	1885k
03/22/2018 21:00	US	FHFA House Price Index MoM	Jan	0.40%	0.80%	0.30%	0.40%
03/22/2018 21:45	US	Bloomberg Economic Expectations	Mar	--	56	54.5	--
03/22/2018 21:45	US	Bloomberg Consumer Comfort	Mar-18	--	56.8	56.2	--
03/22/2018 21:45	US	Markit US Manufacturing PMI	Mar P	55.5	55.7	55.3	--
03/22/2018 21:45	US	Markit US Services PMI	Mar P	56	54.1	55.9	--
03/22/2018 21:45	US	Markit US Composite PMI	Mar P	--	54.3	55.8	--
03/22/2018 22:00	US	Leading Index	Feb	0.50%	0.60%	1.00%	0.80%
03/23/2018 07:30	JN	Natl CPI YoY	Feb	1.50%	1.50%	1.40%	--
03/23/2018 07:30	JN	Natl CPI Ex Fresh Food YoY	Feb	1.00%	1.00%	0.90%	--
03/23/2018 07:50	JN	Japan Buying Foreign Bonds	Mar-16	--	¥853.8b	¥1090.0b	--
03/23/2018 07:50	JN	Foreign Buying Japan Stocks	Mar-16	--	¥1153.2b	¥432.5b	--
03/23/2018 13:00	SI	CPI YoY	Feb	0.40%	--	0.00%	--
03/23/2018 15:30	TH	Foreign Reserves	Mar-16	--	--	\$212.6b	--
03/23/2018 16:00	TA	Industrial Production YoY	Feb	1.70%	--	10.86%	--
03/23/2018 20:30	CA	CPI YoY	Feb	1.90%	--	1.70%	--
03/23/2018 20:30	CA	Retail Sales MoM	Jan	1.10%	--	-0.80%	--
03/23/2018 20:30	CA	Retail Sales Ex Auto MoM	Jan	0.80%	--	-1.80%	--
03/23/2018 20:30	US	Durable Goods Orders	Feb P	1.60%	--	-3.60%	--
03/23/2018 20:30	US	Durables Ex Transportation	Feb P	0.50%	--	-0.30%	--
03/23/2018 20:30	US	Cap Goods Orders Nondef Ex Air	Feb P	0.90%	--	-0.30%	--
03/23/2018 20:30	US	Cap Goods Ship Nondef Ex Air	Feb P	0.50%	--	-0.10%	--
03/23/2018 22:00	US	New Home Sales	Feb	620k	--	593k	--
03/23/2018	MU	Visitor Arrivals	Feb	--	--	2741t	--
03/23/2018	PH	Budget Balance PHP	Jan	--	--	-107.1b	--

Source: Bloomberg

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