

Highlights

Global	<p>With the inexorable slide in the USD, one lingering question on investors' minds is why the Fed policy normalisation and president Trump's trade protectionism didn't lend much near-term support. Of course it didn't help that US Treasury Secretary Mnuchin was singing the tune at Davos that "obviously a weaker dollar is good for us as it relates to trade and opportunities" and its short-term value is "not a concern of ours at all" which sent the USD to a fresh 3-year low. Adding fuel to the fire was US Commerce Secretary Ross who opined that "a trade war has been in place for quite a little while, the difference is the US troops are now coming to the rampart". With US president Trump set to take the stage tomorrow at Davos, being the first American president to do so in 18 years, expect more trade and FX rhetoric to be forthcoming. In the interim, ECB's policy meeting will take centerstage with Draghi's comments to be closely watched even though he may want to dial down the recent hawkish jawboning on the exit strategy post-Sep18. BNM is also meeting and market players have priced in a 25bp rate hike. Asian bourses may tread more cautiously today amid the heightened trade and currency war signals coming out of the US. Today's economic calendar comprises US' new home sales and initial jobless claims, German IFO business climate and GfK consumer confidence, and HK trade.</p>
US	<p>Existing home sales fell more than expected by 3.6% mom to 5.57m in Dec amid a record low supply of 1.48m units and pushing up prices, versus a revised 5.1% gain in Nov. Meanwhile, president Trump said "I would do it under oath. Absolutely" when asked about the Mueller probe.</p>
EZ	<p>The Eurozone's services and composite PMIs improved to 57.6 and 58.6 respectively for Jan, even though the manufacturing PMI retreated from 60.6 to 59.6. Meanwhile, UK's jobless claims was 8.6k in Dec, leaving the unemployment rate at a 42-year low of 4.3%, while the number of people in work rose 102k to a record high and basic wage inflation accelerated to 2.4%. This may pressure BOE to a more hawkish stance later this year.</p>
CN	<p>China's key economic policy advisor Liu He said China will continue its supply side reform, which has yielded some positive results as China's total factor productivity has stopped its decline and began to increase since 2016. In addition, Liu highlighted three critical battles faced by China in the next few years including preventing financial risk, targeted poverty reduction and environmental protection. Shadow banking and hidden debt for local government are two major problems China will deal with in the next few years. Meanwhile he also commits that China will keep leverage ratio under effective control in three year time. On the positive note, Liu said China has achieved marginally slower overall leverage ratio growth since 4Q 2017. And changing market expectation on implicit guarantee and moral hazard helped. Meanwhile, he also invited global community to participate in China's battle to control financial risk.</p>
SK	<p>4Q17 GDP growth unexpectedly shrank 0.2% qoq sa (+3.0% yoy), which is the slowest pace since 4Q08 and below market expectations for +0.1% qoq sa (+3.4% yoy). Exports contracted 5.4% qoq, while construction investments also fell 3.8%, albeit private consumption and government spending expanded 1% and 0.5% respectively. 2017 GDP growth was 3.1%.</p>

Major Markets

- **US:** Equities finished mixed Wednesday undermined by concerns over a pickup in trade tensions. Overall, the Dow Jones Industrial Average edged up 0.16% while the S&P500 and Nasdaq Composite were lower by 0.06% and 0.61% respectively. VIX stood at 11.47, compared to 11.10. Meanwhile in the US Treasuries market, expectations of a better economic outlook that would motivate rate hikes drove US Treasuries to fall. 10y benchmark yield rose to 2.650% compared with 2.646% Tuesday. 2y yields rose to 2.080% as well.
- **Singapore:** The STI added 0.48% to close at 3609.24 (last seen back in Oct07) yesterday, but it remains to be seen if it can continue to sustain momentum above the 3600 support today given the overnight wobble in Wall Street and mixed market cues from Nikkei and Kospi. With UST bonds under pressure, SGS bond yields are likely to creep higher as well.
- **Malaysia:** Headline inflation marginally increased in December to 3.5% yoy, due mainly to higher growth in transport costs. Other positive signs in the economy together with the mild inflation pick up makes the likelihood of a rate hike by BNM today increasingly more likely.

Bond Market Updates

- **Market Commentary:** The SGD swap curve fell yesterday, with swap rates trading 2bps lower across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 2bps to 328bps. 10Y UST yields rose 3.34bps to 2.64% yesterday, following Ray Dalio's comment stating that bonds have slipped into bear territory with the Fed set to tightening at a faster rate than it is signalling.
- **New Issues:** HanKook Tire Co Ltd has priced a USD300mn 5-year bond at CT5+112.5bps, tightening from its initial guidance of CT5+135bps area. The expected issue ratings are 'BBB/Baa2/NR'. Soechi Capital Pte Ltd has priced a USD200mn 5NC3 bond (guaranteed by PT Soechi Lines Tbk and all subsidiaries) at 8.375% , tightening from its initial guidance of 8.5%. The expected issue ratings are 'NR/B1/B+'. Central Plaza Development Ltd has priced a USD500mn 3-year bond (guaranteed by International Financial Centre Property Ltd) at CT3+187.5bps, tightening from its initial guidance of CT3+220bps area. The expected issuer ratings are 'NR/NR/BBB'. Ronshine China Holdings Ltd is proposing to issue USD senior notes. Daegu Bank Ltd has scheduled for investor meetings from 29 Jan for its potential USD bond issuance. Poly Real Estate Finance Ltd has scheduled for investor meetings from 25 Jan for its potential USD bond issuance. The expected issue ratings are 'BBB-/Baa3/BBB+'.
- **Rating Changes:** Fitch has assigned Guangxi Communications Investment Group Ltd's (GCI) senior unsecured notes a final rating of 'BBB'. The outlook is stable. The final rating is in line with the expected rating assigned on 15 Jan 2018. GCI's ratings are equalised with those of its sponsor, Guangxi Zhuang Autonomous Region, reflecting the regional government's strong oversight and supervision, coupled with GCI's strategic importance and close financial integration with Guangxi. Fitch has published Gangtai Group Co Ltd's issuer default rating of 'B'. The outlook is stable. The rating action reflects Guangtai's diversified jewellery brand portfolio, expansion into other business

segments and its improving credit profile. Fitch however acknowledged that the ratings are constrained by Gangtai's limited access to the cash at Gangtai Holdings, a short history of operating in the financial investment and cultural and media segments and the company's high leverage. Moody's has upgraded Emeco Holdings Ltd's corporate family rating and senior secured debt rating to 'B3' from 'Caa1'. Moody's has also revised the outlook to stable from positive. The rating actions reflect Moody's expectation that Emeco would continue to benefit from an improving operating environment in Australia, where mining equipment supply has tightened. The rating action is also substantiated by Emeco's improving credit profile, underpinned by increased earnings and margins during the last three quarters. With the successful closing of the Force Equipment acquisitions that were funded completely by an equity raising, Emeco's fleet size, earnings, geographic and commodity diversification are expected to increase further.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.206	-1.02%	USD-SGD	1.3073	-0.77%
USD-JPY	109.220	-0.99%	EUR-SGD	1.6221	0.12%
EUR-USD	1.2408	0.89%	JPY-SGD	1.1970	0.23%
AUD-USD	0.8062	0.77%	GBP-SGD	1.8616	0.94%
GBP-USD	1.4242	1.73%	AUD-SGD	1.0539	--
USD-MYR	3.9115	-0.39%	NZD-SGD	0.9591	-0.99%
USD-CNY	6.3575	-0.74%	CHF-SGD	1.3829	0.53%
USD-IDR	13314	-0.13%	SGD-MYR	2.9825	0.17%
USD-VND	22724	0.11%	SGD-CNY	4.8580	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3400	--	1M	1.5614	--
3M	-0.3280	--	2M	1.6393	--
6M	-0.2760	--	3M	1.7452	--
9M	-0.2240	--	6M	1.9284	--
12M	-0.1910	--	12M	2.2247	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	2.3%	2.3%	0.0%	0.0%	0.0%
03/21/2018	88.4%	86.4%	2.1%	0.0%	0.0%
05/02/2018	88.5%	85.9%	2.6%	0.0%	0.0%
06/13/2018	95.9%	37.9%	56.3%	1.7%	0.0%
08/01/2018	96.3%	34.9%	54.6%	6.6%	0.2%
09/26/2018	98.2%	19.0%	44.5%	31.1%	3.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.61	1.77%	Copper (per mt)	7,117.6	3.78%
Brent (per barrel)	70.53	0.81%	Nickel (per mt)	13,546.5	5.69%
Heating Oil (per gallon)	2.1061	0.96%	Aluminium (per mt)	2,251.5	0.94%
Gasoline (per gallon)	1.9164	0.40%			
Natural Gas (per MMBtu)	3.5090	1.89%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,521.0	1.08%
			Rubber (JPY/KG)	204.1	-1.21%
Precious Metals	Futures	% chg			
Gold (per oz)	1,361.4	1.47%			
Silver (per oz)	17.489	3.41%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,252.12	41.31
S&P	2,837.54	-1.59
Nasdaq	7,415.06	-45.23
Nikkei 225	23,940.78	-183.37
STI	3,609.24	17.16
KLCI	1,837.04	-1.00
JCI	6,615.49	-19.84
Baltic Dry	1,157.00	--
VIX	11.47	0.37

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.45 (+0.01)	2.08 (+0.04)
5Y	1.77 (+0.01)	2.43 (+0.02)
10Y	2.15 (+0.01)	2.65 (+0.03)
15Y	2.41 (-)	--
20Y	2.45 (-)	--
30Y	2.59 (-)	2.93 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.32	0.26
EURIBOR-OIS	2.31	-0.03
TED	32.32	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/24/2018 07:30	AU Westpac Leading Index MoM	Dec	--	0.27%	0.10%	0.05%
01/24/2018 07:50	JN Trade Balance	Dec	¥535.0b	¥359.0b	¥113.4b	¥112.2b
01/24/2018 08:30	JN Nikkei Japan PMI Mfg	Jan P	--	54.4	54	--
01/24/2018 10:00	NZ Credit Card Spending YoY	Dec	--	6.30%	9.10%	--
01/24/2018 12:00	MA CPI YoY	Dec	3.50%	3.50%	3.40%	--
01/24/2018 13:00	JN Leading Index CI	Nov F	--	108.3	108.6	--
01/24/2018 16:00	FR Markit France Manufacturing PMI	Jan P	58.6	58.1	58.8	--
01/24/2018 16:00	FR Markit France Services PMI	Jan P	58.9	59.3	59.1	--
01/24/2018 16:00	FR Markit France Composite PMI	Jan P	59.2	59.7	59.6	--
01/24/2018 16:30	GE Markit Germany Manufacturing PMI	Jan P	63	61.2	63.3	--
01/24/2018 16:30	GE Markit Germany Services PMI	Jan P	55.5	57	55.8	--
01/24/2018 16:30	GE Markit/BME Germany Composite PMI	Jan P	58.5	58.8	58.9	--
01/24/2018 17:00	EC Markit Eurozone Manufacturing PMI	Jan P	60.3	59.6	60.6	--
01/24/2018 17:00	EC Markit Eurozone Services PMI	Jan P	56.4	57.6	56.6	--
01/24/2018 17:00	EC Markit Eurozone Composite PMI	Jan P	57.9	58.6	58.1	--
01/24/2018 17:30	UK Claimant Count Rate	Dec	--	2.40%	2.30%	--
01/24/2018 17:30	UK Jobless Claims Change	Dec	--	8.6k	5.9k	12.2k
01/24/2018 17:30	UK ILO Unemployment Rate 3Mths	Nov	4.30%	4.30%	4.30%	--
01/24/2018 20:00	US MBA Mortgage Applications	Jan-19	--	4.50%	4.10%	--
01/24/2018 22:00	US FHFA House Price Index MoM	Nov	0.50%	0.40%	0.50%	0.60%
01/24/2018 22:45	US Markit US Manufacturing PMI	Jan P	55	55.5	55.1	--
01/24/2018 22:45	US Markit US Services PMI	Jan P	54.3	53.3	53.7	--
01/24/2018 22:45	US Markit US Composite PMI	Jan P	--	53.8	54.1	--
01/24/2018 23:00	US Existing Home Sales	Dec	5.70m	5.57m	5.81m	5.78m
01/25/2018 05:45	NZ CPI QoQ	4Q	0.40%	0.10%	0.50%	--
01/25/2018 07:00	SK GDP YoY	4Q P	3.40%	3.00%	3.80%	--
01/25/2018 07:50	JN Japan Buying Foreign Bonds	Jan-19	--	--	¥953.5b	--
01/25/2018 07:50	JN Foreign Buying Japan Stocks	Jan-19	--	--	¥498.7b	--
01/25/2018 15:00	MA BNM Overnight Policy Rate	Jan-25	3.25%	--	3.00%	--
01/25/2018 15:00	GE GfK Consumer Confidence	Feb	10.8	--	10.8	--
01/25/2018 16:30	HK Trade Balance HKD	Dec	-45.9b	--	-39.7b	--
01/25/2018 16:30	HK Exports YoY	Dec	7.30%	--	7.80%	--
01/25/2018 16:30	HK Imports YoY	Dec	7.20%	--	8.60%	--
01/25/2018 17:00	GE IFO Business Climate	Jan	117	--	117.2	--
01/25/2018 17:00	GE IFO Expectations	Jan	109.3	--	109.5	--
01/25/2018 17:00	GE IFO Current Assessment	Jan	125.3	--	125.4	--
01/25/2018 17:00	IT Industrial Orders MoM	Nov	--	--	1.90%	--
01/25/2018 17:30	UK UK Finance Loans for Housing	Dec	39800	--	39507	--
01/25/2018 20:45	EC ECB Main Refinancing Rate	Jan-25	0.00%	--	0.00%	--
01/25/2018 20:45	EC ECB Marginal Lending Facility	Jan-25	0.25%	--	0.25%	--
01/25/2018 20:45	EC ECB Deposit Facility Rate	Jan-25	-0.40%	--	-0.40%	--
01/25/2018 21:30	US Initial Jobless Claims	Jan-20	235k	--	220k	--
01/25/2018 21:30	US Continuing Claims	Jan-13	1925k	--	1952k	--
01/25/2018 21:30	CA Retail Sales MoM	Nov	0.80%	--	1.50%	--
01/25/2018 21:30	CA Retail Sales Ex Auto MoM	Nov	0.90%	--	0.80%	--
01/25/2018 22:45	US Bloomberg Consumer Comfort	Jan-21	--	--	53.8	--
01/25/2018 23:00	US New Home Sales	Dec	675k	--	733k	--
01/25/2018 23:00	US Leading Index	Dec	0.50%	--	0.40%	--
01/25/2018 01/28	VN CPI YoY	Jan	2.60%	--	2.60%	--
01/25/2018 01/31	VN Exports YTD YoY	Jan	27.70%	--	21.10%	--

Source: Bloomberg

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