

Highlights

Global	<p>With the market speculation of a currency war swirling in financial markets, it was to be expected that US president Trump had to do some damage control on the USD with his comments that the currency will get “stronger and stronger and ultimately I want to see a strong dollar” in his CNBC interview. Meanwhile, the ECB kept policy settings static, retaining the statement that “the Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases”, and Draghi also sounded nonchalant on the EUR strength. He opined that “the exchange rate has moved in part because of...the improvement in the economy, in part due to exogenous reasons that have to do with communication” and “this someone else’s communication doesn’t comply with the agreed terms of references” in a pointed barb at US Treasury Secretary Mnuchin. He also said “this concern is broader than simply the exchange rate” and referenced the IMF member countries promise to “refrain from competitive devaluations”. Even IMF’s Lagarde noted that “the dollar is of all currencies a floating currency and one where value is determined by markets and geared by the fundamentals of US policy”.</p> <p>Asian bourses may tread more cautiously today amid the heightened trade and currency war signals coming out of the US. Expect more commentary out of Davos with US president Trump, BOJ’s Kuroda, BOE’s Carney and IMF’s Lagarde on tap. Today’s economic calendar comprises US’ Dec durable goods orders and 4Q17 GDP growth, and S’pore’s industrial production.</p>
US	New home sales fell more than expected by 9.3% mom to 625k in Dec, while initial jobless claims rose 17k to 233k.
EZ	On the divergence in ECB members’ views, ECB president Draghi also clarified that “we’re not talking about deep, existential differences”, but “there may be differences when to say certain things”. On the exit strategy, he replied that “the discussion hasn’t really started” and “the only discussion that took place was about the need to have a discussion”.
SG	Industrial production may have shrunk 0.4% mom sa in Dec (+1.3% yoy), versus Nov’s -2.3% mom sa (+5.3% yoy).
MA	Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) by 25 basis points to 3.25%. In the Monetary Policy Statement (MPS), BNM mentioned “With the economy firmly on a steady growth path, the MPC decided to normalise the degree of monetary accommodation”. BNM though has also stressed “the need to pre-emptively ensure that the stance of monetary policy is appropriate to prevent the build-up of risks that could arise from interest rates being too low for a prolonged period of time”. However, a further rate hike in the near term is less likely given that inflation has proven to be stable in recent times and that growth is expected to ease in 2018. The recent move can also be viewed as more of a “cautious measure” given recent growth rates.

Major Markets

- **US:** Equities ended mixed on Thursday. The S&P 500 gained 0.06% while Nasdaq fell 0.05%. Of note, the Dow rose 0.54%. Gains were led by industrials and financials on the back of upbeat corporate earnings reports. VIX came in at 11.58, up from 11.47 previously. Meanwhile, Treasuries rallied following President Trump's endorsement of a stronger dollar, this in contrast with Treasury Secretary Mnuchin's comments of a weaker dollar. 10Y yields fell to 2.628%, compared with 2.650 Thursday. 2Y yields stood at 2.088%, up 4bps.
- **Singapore:** The STI retreated 1.01% to close at 3572.62 yesterday, and may face further consolidation pressure amid flattish cues from Wall Street and morning slippage by Kospi. STI support and resistance are at 3550 and 3600 respectively. With the bull-flattening in UST bonds amid a strong 7-year auction, SGS bond yields may extend the 2bps rally seen yesterday.
- **Hong Kong:** Exports and imports expanded by 6% yoy and 9% yoy respectively in December 2017. On the one hand, imports increased on a broad basis due to the effect of Christmas Holiday and higher commodity prices. On the other hand, the growth of exports to Mainland China decelerated notably from 10.1% in November to 1.7% in December. Despite that, overseas shipments to Japan (+10.8% yoy), India (+66.6% yoy) and Vietnam (+10% yoy) all sustained their robust growth. Furthermore, exports to the USA and those to Germany both registered double-digit annual growth. More notably, exports and imports of "electrical machinery, apparatus and appliances, and electrical parts thereof" advanced by 6.8% yoy and 15.4% yoy respectively in December.
- Taken all together, we believe that the recent slowdown in China's trading activities will be transitory. With global economy to sustain its benign growth throughout 2018, we expect HK's trade sector will remain resilient and continue to support local economic growth. A weaker HKD against currencies other than greenback may also boost HK's exports. Nevertheless, China's economic slowdown, China's loosening of some import policies and the revival in Trump trade protectionism may have some downward risks on HK's trade sector.

Bond Market Updates

- **Market Commentary:** The SGD swap curve fell marginally yesterday, with swap rates trading 1-2bps lower across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 108bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 332bps. 10Y USTs rose 4bps to 2.67%, on Trump's comment that he "ultimately" wants a strong dollar, coupled with Draghi's conviction that inflation is likely to rise in the medium term. 10Y UST yields however fell to 2.62% towards the closing of the day, due to strong auctions across all Treasury maturities.
- **New Issues:** BOC Aviation Ltd has priced a USD300mn 5-year bond at CT5+115bps, tightening from its initial guidance of CT5+130bps area. The expected issue ratings are 'A-/NR/A-'. Export-Import Bank of India has priced a USD1bn 10-year bond at CT10+125bps, tightening from its initial guidance of CT10+150bps area. The expected issue ratings are 'NR/Baa2/BBB-'. FWD Ltd has priced a USD200mn Perp NC5 bond at 5.5%, tightening from its initial guidance of 5.75% area. Tsinghua Uni Ltd has priced a three-tranche USD deal (guaranteed by Tsinghua Unigroup Co Ltd), with the

USD900mn 3-year bond priced a 5.125%, tightening from its initial guidance of 5.375%; the USD750mn 5-year bond priced at 5.75%, tightening from its initial guidance of 6%; and the USD200mn 10-year bond priced at 6.875%, in line with its initial guidance of 6.875%. Roshine China Holdings Ltd has priced a USD325mn 3-year puttable 2-year bond (guaranteed by certain of the issuer's restricted subsidiaries outside the PRC) at 9%, tightening from its initial guidance of 9.25%. The expected issue ratings are 'NR/NR/B+'. China Cinda Asset Management Co Ltd is said to hire banks for its potential USD bond issuance. Indonesian chemical producer PT Sulfindo Adiusaha has hired banks for its potential USD bond issuance. Bank of New Zealand has scheduled for investor meetings from 12-16 February for its potential USD bond issuance.

- **Rating Changes:** S&P has assigned UTAC Holdings Ltd a corporate credit rating of 'B'. The outlook is stable. The rating action reflects UTAC's sound cost position and profit margins, despite the midsize OSAT company operating in a volatile industry with limited free operating cash flow due to high capital spending requirements. S&P has affirmed its 'AA-' long-term ratings and unsecured issue ratings on Seven & i Holdings Co Ltd, removing it from the CreditWatch list. The outlook on the long-term ratings are negative. The rating action is followed by the announcement that Seven & i would acquire part of Sunoco LP's gasoline retail and convenience store business through its U.S operating subsidiary for North America. The rating action also reflects S&P's expectations that its expanded store network is likely to enhance its convenience store business in North America in the medium term, but key financial ratios will deteriorate temporarily.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.391	0.21%	USD-SGD	1.3100	0.21%
USD-JPY	109.410	0.17%	EUR-SGD	1.6240	0.12%
EUR-USD	1.2396	-0.10%	JPY-SGD	1.1976	0.05%
AUD-USD	0.8026	-0.45%	GBP-SGD	1.8526	-0.48%
GBP-USD	1.4142	-0.70%	AUD-SGD	1.0518	-0.20%
USD-MYR	3.8855	-0.66%	NZD-SGD	0.9597	0.06%
USD-CNY	6.3263	-0.49%	CHF-SGD	1.3925	0.69%
USD-IDR	13289	-0.19%	SGD-MYR	2.9810	-0.05%
USD-VND	22696	-0.12%	SGD-CNY	4.8534	-0.09%

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	1.6395	--
6M	-0.2780	--	3M	1.7525	--
9M	-0.2240	--	6M	1.9374	--
12M	-0.1920	--	12M	2.2306	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	3.3%	3.3%	0.0%	0.0%	0.0%
03/21/2018	91.6%	88.5%	3.1%	0.0%	0.0%
05/02/2018	91.6%	88.0%	3.6%	0.0%	0.0%
06/13/2018	97.0%	36.7%	58.0%	2.3%	0.0%
08/01/2018	97.3%	33.7%	56.0%	7.3%	0.2%
09/26/2018	98.6%	18.2%	44.9%	31.7%	3.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.51	-0.15%	Copper (per mt)	7,091.2	-0.37%
Brent (per barrel)	70.42	-0.16%	Nickel (per mt)	13,662.5	0.86%
Heating Oil (per gallon)	2.1154	0.44%	Aluminium (per mt)	2,243.3	-0.37%
Gasoline (per gallon)	1.9154	-0.05%			
Natural Gas (per MMBtu)	3.4470	-1.77%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,493.0	-1.11%
			Rubber (JPY/KG)	203.7	-0.20%
Precious Metals	Futures	% chg			
Gold (per oz)	1,368.0	0.48%			
Silver (per oz)	17.615	0.72%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,392.79	140.67
S&P	2,839.25	1.71
Nasdaq	7,411.16	-3.90
Nikkei 225	23,669.49	-271.29
STI	3,572.62	-36.62
KLCI	1,845.86	8.82
JCI	6,615.33	-0.16
Baltic Dry	1,200.00	--
VIX	11.58	0.11

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.44 (-0.01)	2.08 (+0.01)
5Y	1.75 (-0.02)	2.42 (-0.01)
10Y	2.13 (-0.02)	2.62 (-0.03)
15Y	2.40 (-0.02)	--
20Y	2.43 (-0.02)	--
30Y	2.57 (-0.02)	2.88 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.93	-1.39
EURIBOR-OIS	2.27	-0.04
TED	32.80	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
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	--	¥411.1b	¥953.5b	¥957.8b
01/25/2018 07:50	JN Japan Buying Foreign Stocks	Jan-19	--	¥379.8b	¥89.2b	¥93.1b
01/25/2018 07:50	JN Foreign Buying Japan Bonds	Jan-19	--	-¥413.4b	¥86.8b	¥87.7b
01/25/2018 07:50	JN Foreign Buying Japan Stocks	Jan-19	--	-¥148.2b	¥498.7b	¥499.4b
01/25/2018 15:00	MA BNM Overnight Policy Rate	Jan-25	3.25%	3.25%	3.00%	--
01/25/2018 15:00	GE GfK Consumer Confidence	Feb	10.8	11	10.8	--
01/25/2018 16:30	HK Exports YoY	Dec	7.30%	6.00%	7.80%	--
01/25/2018 16:30	HK Imports YoY	Dec	7.20%	9.00%	8.60%	--
01/25/2018 16:30	HK Trade Balance HKD	Dec	-45.9b	-59.9b	-39.7b	--
01/25/2018 17:00	GE IFO Business Climate	Jan	117	117.6	117.2	--
01/25/2018 17:00	GE IFO Expectations	Jan	109.3	108.4	109.5	--
01/25/2018 17:00	GE IFO Current Assessment	Jan	125.3	127.7	125.4	125.5
01/25/2018 17:00	IT Industrial Sales MoM	Nov	--	1.30%	1.10%	--
01/25/2018 17:00	IT Industrial Orders MoM	Nov	--	0.30%	1.90%	--
01/25/2018 17:30	UK UK Finance Loans for Housing	Dec	39800	36115	39507	39007
01/25/2018 20:45	EC ECB Main Refinancing Rate	Jan-25	0.00%	0.00%	0.00%	--
01/25/2018 20:45	EC ECB Marginal Lending Facility	Jan-25	0.25%	0.25%	0.25%	--
01/25/2018 20:45	EC ECB Deposit Facility Rate	Jan-25	-0.40%	-0.40%	-0.40%	--
01/25/2018 21:30	US Initial Jobless Claims	Jan-20	235k	233k	220k	216k
01/25/2018 21:30	US Continuing Claims	Jan-13	1925k	1937k	1952k	1965k
01/25/2018 21:30	CA Retail Sales MoM	Nov	0.80%	0.20%	1.50%	1.60%
01/25/2018 21:30	CA Retail Sales Ex Auto MoM	Nov	0.90%	1.60%	0.80%	--
01/25/2018 22:45	US Bloomberg Consumer Comfort	Jan-21	--	53.7	53.8	--
01/25/2018 23:00	US New Home Sales	Dec	675k	625k	733k	689k
01/25/2018 23:00	US Leading Index	Dec	0.50%	0.60%	0.40%	0.50%
01/26/2018 05:00	SK Consumer Confidence	Jan	--	109.9	110.9	110.6
01/26/2018 07:30	JN Natl CPI YoY	Dec	1.10%	--	0.60%	--
01/26/2018 07:50	JN PPI Services YoY	Dec	0.80%	--	0.80%	--
01/26/2018 10:30	SI Unemployment rate SA	4Q	2.10%	--	2.10%	2.20%
01/26/2018 13:00	SI Industrial Production YoY	Dec	0.80%	--	5.30%	--
01/26/2018 15:30	TH Foreign Reserves	Jan-19	--	--	\$206.2b	--
01/26/2018 15:45	FR Consumer Confidence	Jan	106	--	105	--
01/26/2018 15:45	FR Manufacturing Confidence	Jan	112	--	112	--
01/26/2018 15:45	FR Production Outlook Indicator	Jan	31	--	30	--
01/26/2018 15:45	FR Own-Company Production Outlook	Jan	16	--	15	--
01/26/2018 17:00	EC M3 Money Supply YoY	Dec	4.90%	--	4.90%	--
01/26/2018 17:30	UK Index of Services 3M/3M	Nov	0.40%	--	0.30%	--
01/26/2018 17:30	UK GDP QoQ	4Q A	0.40%	--	0.40%	--
01/26/2018 21:30	CA CPI YoY	Dec	1.90%	--	2.10%	--
01/26/2018 21:30	US Wholesale Inventories MoM	Dec P	0.40%	--	0.80%	--
01/26/2018 21:30	US GDP Annualized QoQ	4Q A	3.00%	--	3.20%	--
01/26/2018 21:30	US Personal Consumption	4Q A	3.70%	--	2.20%	--
01/26/2018 21:30	US GDP Price Index	4Q A	2.30%	--	2.10%	--
01/26/2018 21:30	US Core PCE QoQ	4Q A	1.90%	--	1.30%	--
01/26/2018 21:30	US Durable Goods Orders	Dec P	0.80%	--	1.30%	--
01/26/2018 21:30	US Durables Ex Transportation	Dec P	0.60%	--	-0.10%	--
01/26/2018 21:30	US Cap Goods Orders Nondef Ex Air	Dec P	0.60%	--	-0.20%	--
01/26/2018 21:30	US Cap Goods Ship Nondef Ex Air	Dec P	0.40%	--	-0.10%	--
01/26/2018	MU Unemployment Rate	Dec	--	--	1.90%	--

Source: Bloomberg

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