

Highlights

Global	<p>With a more buoyant Wall Street on Friday, Asian bourses may trade on a firmer tone this morning as well, but key to watch this week includes the new Fed chair Powell's congressional testimony tomorrow which may shed light on the rate hike trajectory going forward and his views on inflation and the labour market. Assuming that Powell does not rock the boat and reiterates a gradual tightening path, this may clear the way for markets to continue on its risk-on mode in the interim. Elsewhere, China's Communist Party is set to repeal a constitutional provision barring the head of state from serving more than two consecutive terms, while Russia's sovereign credit rating was upgraded from junk (BB+) to BBB- with a stable outlook. Today's economic data releases include US' new home sales, Chicago Fed national activity and Dallas Fed manufacturing activity, S'pore industrial production (tipped at 6.3% yoy and 0.8% mom sa), and Taiwan's unemployment rate. BOK is also likely static at 1.5% tomorrow, but market watchers would be watching for future policy direction. Speakers include Fed's Bullard and Quarles, ECB's Coeure and BOE's Cunliffe.</p>
US	<p>Fed's Kaplan opined that "you should expect a continuation of the way we've been operating" under new Fed chair Powell and three hikes this year is still a "reasonable base case".</p>
SG	<p>Jan CPI was unexpectedly stagnant at 0% yoy (-0.2% mom nsa), undershooting expectations for 0.4% yoy (0.2% mom nsa) and a moderation from the 0.4% yoy (-0.1% mom nsa) seen in Dec17. Bearing in mind the Chinese New Year festive season fell in Jan last year, the factors weighing on headline inflation were a steeper drop in accommodation cost (-5.3% yoy due to S&CC rebate disbursement) and lower private road transport inflation (1.6% yoy amid lower car prices and COE premiums). However, core CPI accelerated from 1.3% yoy in Dec17 to 1.4% yoy in Jan, as the bigger hike in retail item costs outweighed the decline in food inflation. The muted Jan18 CPI prints suggest no immediate inflation acceleration concerns. MTI-MAS language remain benign – import inflation is likely to rise mildly, cost pressures in the economy remain relatively restrained, and there is no change to the official 2018 headline and core inflation forecasts of 0-1% and 1-2% yoy respectively. That said, MAS is still likely to tweak monetary policy by adjusting back to an appreciation SGD NEER slope this year.</p>
CN	<p>China's banking regulator unveiled revised rules to standardize and clarify procedures for foreign banks operation and investment in China. The revised rules followed the guidance from the 19th Party Congress to further open China's financial market.</p>
CMD	<p>Unexpected oil export disruptions in Libya sent oil prices climbing into the weekend amid upbeat comments from Saudi Arabia that an OPEC-led oil curb is working in cutting stockpiles. Note Libya's shutdown of its 70,000 barrels per day (or about 7% of total Libya's production) El Feel oilfield given the ongoing pay disputes. Our view for palm prices to edge lower into the year remains unchanged however, given Asia's strong palm production and a stronger ringgit that could potentially leave prices lower than 2017's levels.</p>

Major Market

- **US:** Equities closed last week on a strong note, with S&P 500 adding 1.60%. The Dow and Nasdaq Composite also moved higher by 1.39% and 1.77% respectively. VIX moved lower to 16.49, compared to 18.72 previously. Led by the long end, US Treasuries also advanced alongside equities. Yields were lower by 1-6 bps, with the 10y yield slumping to 2.866% at NY close. The 2y yield also fell to 2.238%.
- This week, we will hear Powell's testimonies to the House (Tuesday) and the Senate (Thursday), and other Fed-speak from Bullard and Quarles (both Monday). Key data prints include GDP and PCE inflation. Expect investors to continually refine their rate hike expectations over Powell's comments in the inflation data release. This will have lead-on effects on equities and Treasury markets, as it has been in the past weeks.
- **Singapore:** The STI rallied 1.28% to close at 3533.22 on Friday, and may trade firmer this morning given the Wall Street's Friday rally and morning gains by Kospi. STI support and resistance are tipped at 3500 and 3550. With the longer-dated UST bonds leading gains on Friday and flattening the yield curve, the SGS bond market may also open higher today, but watch for the \$1.7b re-opening of the 30-year SGS bond maturing on a Mar 2046 which we think should receive a fairly warm reception at current yield levels as we see fair value around 2.8-2.9% region.
- **China:** There are three notable changes from the new rule which has been effective from 13 Feb after CBRC issued the drafted rules in December 2017. First, the revisions clarified procedures and application materials for foreign banks to invest in onshore Chinese banks and will serve as the legal basis for foreign banks to acquire the ownership in Chinese banks. Second, the revisions also scrapped approval procedures for foreign banks in four areas including overseas wealth management products, custody and portfolio investment funds etc. Third, the revisions also simplified procedures for foreign banks to set up new branches, appoint executives and issue bonds. The latest move underpins China's commitment to further open up its banking sector.
- **Korea:** Consumer spending data, including that of Department Stores Sales and Discount Store Sales data, are slated to be out later today. The spending data could provide further evidences of positive spillover effects the robust external environment could give to overall domestic spending.
- **Indonesia:** President Jokowi has nominated Deputy Governor Perry Warjiyo to become the next Governor of BI. Perry Warjiyo is a career central banker with over 30 years of experience, particularly in the areas of monetary policy, economic research and foreign exchange management. His appointment signals a continuity in the monetary policy stance for BI and it could be confirmed by parliament as early as next month after a "fit and proper test". BI has indicated this year that it is unlikely to further ease interest rates as the central bank instead focuses to ensure economic stability in light of the threat of higher US interest rates.
- **Commodities:** Meanwhile, global oil stockpiles are expected to decline further into the year, as retorted by Saudi's al-Falih, given OPEC+ ongoing production curb efforts. Crude palm oil prices closed moderately higher into Friday's closing, as slowing Asia's palm production coupled with extreme weathers in Argentina led futures higher.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened last Friday, with swap rates for the shorter tenors trading 2bps lower while the longer tenors traded 2-3bps lower. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 113bps and 345bps respectively. 10Y UST yields fell 5bps to 2.86%, extending the decline from the prior day as a semi-annual report on monetary policy from the Federal Reserve noted that the economy may be beyond full employment but that wage increases and inflation risks were moderate.
- **New issues:** KEB Hana Bank has priced a USD425mn 5-year FRN Formosa at 3mL+80bps, tightening from its initial guidance of 3mL+83bps area. The expected issue ratings are 'A+/NR/NR'. PT Toba Bara Sejahtra Tbk PT has scheduled for investor meetings from 26 Feb for its potential USD issuance. The expected issue ratings are 'NR/B3/B-'.
- **Rating changes:** Moody's has assigned a 'B3' corporate family rating to PT Toba Bara Sejahtra Tbk (Toba Bara) and a 'B3' rating to its proposed senior secured bond. The outlook is stable. The rating action reflects Toba Bara's scale and concentration risks as well as its acquisitive strategy. Fitch also assigned a 'B-' issuer default rating to Toba Bara with a stable outlook. Fitch has affirmed PT Saka Energi Indonesia's (Saka) 'BB+' issuer default rating. The outlook has been revised to stable from positive. The outlook revision follows Fitch linking Saka's rating to its parent – PT Perusahaan Gas Negara Tbk's (PGN) standalone credit profile of 'BBB-' rather than PGN's issuer default rating. The linkage arises largely from Saka's mandate to improve the vertical integration of PGN, together with substantial financial assistance provided to Saka by PGN to expand its scale since its inception in 2011. The rating action reflects Fitch's belief that Saka's linkages with PGN will continue to be strong as well as Fitch's recent publication of its rating criteria for Government Related Entities. This resulted in PGN's 'BBB-' issuer default ratings being affirmed while its outlook was revised to stable from positive.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	89.883	0.16%	USD-SGD	1.3195	0.02%
USD-JPY	106.890	0.13%	EUR-SGD	1.6226	-0.25%
EUR-USD	1.2295	-0.28%	JPY-SGD	1.2346	-0.10%
AUD-USD	0.7843	-0.04%	GBP-SGD	1.8443	0.18%
GBP-USD	1.3971	0.11%	AUD-SGD	1.0350	--
USD-MYR	3.9185	0.04%	NZD-SGD	0.9626	-0.59%
USD-CNY	6.3372	-0.24%	CHF-SGD	1.4096	-0.33%
USD-IDR	13668	-0.12%	SGD-MYR	2.9623	0.10%
USD-VND	22733	0.08%	SGD-CNY	4.7954	-0.50%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4481	0.0037
2M	-0.3410	--	1M	1.6312	0.0105
3M	-0.3280	--	2M	1.7778	0.0138
6M	-0.2710	-0.0010	3M	1.9563	0.0126
9M	-0.2210	--	6M	2.1819	0.0139
12M	-0.1910	--	12M	2.4597	0.0100

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%	24.1%	60.6%	14.3%	0.9%
08/01/2018	100.0%	20.6%	55.4%	21.0%	2.8%
09/26/2018	100.0%	11.2%	39.5%	36.7%	11.1%
11/08/2018	100.0%	9.7%	35.7%	37.1%	14.6%

Equity and Commodity

Index	Value	Net change
DJIA	25,309.99	347.51
S&P	2,747.30	43.34
Nasdaq	7,337.39	127.31
Nikkei 225	21,892.78	156.34
STI	3,533.22	44.76
KLCI	1,861.50	6.43
JCI	6,619.80	26.74
Baltic Dry	1,185.00	18.00
VIX	16.49	-2.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (-0.01)	2.24 (-0.01)
5Y	2.03 (-0.04)	2.62 (-0.04)
10Y	2.40 (-0.02)	2.87 (-0.05)
15Y	2.74 (-)	--
20Y	2.80 (-)	--
30Y	2.91 (-)	3.16 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.11	2.08
EURIBOR-OIS	2.85	-0.10
TED	31.75	0.26

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.55	1.24%	Copper (per mt)	7,127.5	-0.87%
Brent (per barrel)	67.31	1.39%	Nickel (per mt)	13,731.0	-0.47%
Heating Oil (per gallon)	1.9694	0.86%	Aluminium (per mt)	2,134.0	-2.18%
Gasoline (per gallon)	1.8085	2.42%			
Natural Gas (per MMBtu)	2.6250	-0.34%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,523.0	1.41%
			Rubber (JPY/KG)	188.2	1.67%
Precious Metals	Futures	% chg			
Gold (per oz)	1,330.3	-0.18%			
Silver (per oz)	16.549	-0.53%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 20 Feb 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Soybean	112,809	53,241	59,568	Natural Gas	-125,344	-105,468	-19,876
Corn	127,026	93,544	33,482	Coffee	-47,840	-36,650	-11,190
Gold	207,226	192,450	14,776	Wheat	-38,767	-29,318	-9,449
Cocoa	27,281	18,247	9,034	Heating Oil	21,437	28,666	-7,229
Live Cattle	123,513	115,860	7,653	RBOB Gasoline	80,622	87,525	-6,903
Platinum	43,531	39,451	4,080	Lean Hogs	23,633	28,514	-4,881
Copper	46,368	43,885	2,483	Nymex Crude	730,790	735,608	-4,818
Sugar	-85,336	-87,313	1,977	Silver	3,524	7,449	-3,925
Palladium	16,928	15,972	956	Cotton	77,861	80,687	-2,826

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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 07:30	JN Natl CPI Ex Fresh Food YoY	Jan	0.80%	0.90%	0.90%	--
02/23/2018 07:50	JN PPI Services YoY	Jan	0.80%	0.70%	0.80%	--
02/23/2018 11:00	SK Short-Term External Debt	4Q	--	\$115.9b	\$119.8b	\$118.9b
02/23/2018 13:00	SI CPI YoY	Jan	0.40%	0.00%	0.40%	--
02/23/2018 13:00	SI CPI Core YoY	Jan	1.50%	1.40%	1.30%	--
02/23/2018 15:00	GE Private Consumption QoQ	4Q	0.10%	0.00%	-0.10%	-0.20%
02/23/2018 15:00	GE Government Spending QoQ	4Q	0.40%	0.50%	0.00%	0.50%
02/23/2018 15:00	GE Capital Investment QoQ	4Q	0.50%	0.00%	0.40%	--
02/23/2018 15:00	GE Construction Investment QoQ	4Q	-0.20%	-0.40%	-0.40%	-0.30%
02/23/2018 15:00	GE Domestic Demand QoQ	4Q	0.20%	0.10%	0.40%	--
02/23/2018 15:00	GE Exports QoQ	4Q	2.20%	2.70%	1.70%	1.80%
02/23/2018 15:00	GE Imports QoQ	4Q	1.40%	2.00%	0.90%	1.10%
02/23/2018 15:00	GE GDP SA QoQ	4Q F	0.60%	0.60%	0.60%	--
02/23/2018 15:30	TH Foreign Reserves	Feb-16	--	\$213.4b	\$212.7b	--
02/23/2018 15:30	TH Forward Contracts	Feb-16	--	\$36.8b	\$35.7b	--
02/23/2018 16:20	TA BoP Current Account Balance	4Q	--	\$26577m	\$20514m	\$22084m
02/23/2018 18:00	EC CPI Core YoY	Jan F	1.00%	1.00%	1.00%	--
02/23/2018 18:00	EC CPI YoY	Jan F	1.30%	1.30%	1.40%	--
02/23/2018 21:30	CA CPI YoY	Jan	1.50%	1.70%	1.90%	--
02/23/2018 21:30	CA Consumer Price Index	Jan	131.5	131.7	130.8	--
02/24/2018 09:30	CH China January Property Prices					
02/26/2018 13:00	JN Leading Index CI	Dec F	--	--	107.9	--
02/26/2018 13:00	JN Coincident Index	Dec F	--	--	120.7	--
02/26/2018 13:00	SI Industrial Production YoY	Jan	8.00%	--	-3.90%	--
02/26/2018 16:00	TA Unemployment Rate	Jan	3.70%	--	3.70%	--
02/26/2018 17:30	UK UK Finance Loans for Housing	Jan	37000	--	36115	--
02/26/2018 21:30	US Chicago Fed Nat Activity Index	Jan	0.2	--	0.27	--
02/26/2018 23:00	CA Bloomberg Nanos Confidence	Feb-23	--	--	58.3	--
02/26/2018 23:00	US New Home Sales	Jan	648k	--	625k	--
02/26/2018 23:30	US Dallas Fed Manf. Activity	Feb	30	--	33.4	--
02/26/2018	MU CPI Composite YoY	Jan	--	--	2.04%	--
02/26/2018	MU Visitor Arrivals	Jan	--	--	3054t	--
02/26/2018	CH FX Net Settlement - Clients CNY	Jan	--	--	44.5b	--
02/26/2018 03/02	SK Department Store Sales YoY	Jan	--	--	3.20%	--
02/26/2018 03/02	SK Discount Store Sales YoY	Jan	--	--	2.20%	--
02/26/2018 03/02	PH Budget Balance PHP	Dec	--	--	-8.6b	--
02/25/2018 02/28	IN Eight Infrastructure Industries	Jan	--	--	4.00%	--
02/26/2018 02/28	VN CPI YoY	Feb	--	--	2.65%	--
02/26/2018 02/28	VN Imports YTD YoY	Feb	--	--	47.40%	--
02/26/2018 02/28	VN Exports YTD YoY	Feb	--	--	33.10%	--
02/26/2018 02/28	VN Retail Sales YTD YoY	Feb	--	--	9.50%	--

Source: Bloomberg

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