

Highlights

Global	<p>The dark side of the moon was where China landed a probe yesterday, but the analogy can also be used for how fragile market sentiments currently are, with S&P500 down another 2.48% overnight amid the continued fallout from weaker Apple guidance while the 10-year UST bond yield rallied further to 2.55% (lowest since January 2018) after US manufacturing ISM disappointed by retreating further from 59.3 to 54.1 (low since November 2016). Note the futures market has now flipped to pricing in a possibility of a Fed rate cut in 2019. Oil prices, however, continued to tread higher on lower supply expectations.</p> <p>With Japanese markets set to reopen today, Asian markets are likely to see further consolidation to end the week on a soft tone while awaiting tonight's key US nonfarm payrolls (NFP) and unemployment data (market consensus forecast: 184k and 3.7% respectively versus November readings of 155k and 3.7%). The economic data calendar is relatively busy today and kicks off with more services and composite PMI data across US, Europe and Asia including China's Caixin, Malaysia's trade, Thai consumer confidence, German unemployment and Eurozone's CPI. Fed's Bostic and Barkin are speaking, while Fed chair Powell as well as Bernanke and Yellen are being interviewed at the AEA.</p>
US	<p>The manufacturing ISM's new orders gauge plunged from 52.1 to 51.1 while order backlogs also slipped from 56.4 to 50.0, which suggests that business conditions are likely to edge lower in 1H19. On the other hand, ADP employment data showed a higher than expected 271k jobs added in December (highest since February 2017) which could bode well for tonight's NFP data. Meanwhile, initial jobless claims rose 10k to 231k.</p>
SG	<p>The manufacturing PMI slid further for the fourth consecutive month to 51.1 (-0.4 points) while the electronics PMI contracted for the second straight month to 49.8 (-0.1 point) in December 2018. The electronics PMI is at its lowest print since July 2016, and the electronics output and imports sub-indices have also slipped into contraction territory as well. Meanwhile the manufacturing PMI has been steadily retreating from its recent high of 53.1 in January 2018, albeit it has been in expansion territory for 28 months.</p>
CMD	<p>Commodities across the board remain mired in their downward slump as the prospects of a global slowdown and the Sino-US trade spat hurt demand for goods.</p> <ul style="list-style-type: none"> • WTI is now hovering at \$45/barrel after touching an 18-month low of \$42.53 on Christmas. Despite OPEC's cut in production of 1.2mn barrels off the market in early Dec, energy prices have continued to falter. • Palm continues to reel from lacklustre demand and oversupply, with Malaysian palm oil reserves currently sitting on a record high inventory level of 3.14mmt in Dec, according to a Bloomberg survey. • Gold shows no respite in its upward climb that has seen prices increase from \$1200/oz to nearly \$1300/oz in the space of less than two months. • Rubber has rebounded sharply on speculation that top producers Thailand, Indonesia and Malaysia are planning to limit exports in an effort to buoy prices.

Major Markets

- **US:** Wall Street ended lower on Thursday, with the S&P500 declining 2.48%. The DJIA fell by 2.83%, while the Nasdaq composite plummeted by 3.04%.
- Apple shares stumbled 10% after it announced a cut in revenue forecast, from \$89-93bn to \$84bn.
- Delta Air Lines shares were down 8.9% after it announced revenue in December is lower than anticipated.
- **Singapore:** The latest domestic PMI readings did not come at much of a surprise as the regional manufacturing PMIs released earlier were also telegraphing weakness. The fact that the domestic manufacturing PMI stayed in expansion territory (>50) in December suggested two things in our view. First, the non-electronics industries is likely providing a buffer to the electronics weakness, and this is probably attributable to the biomedical sector. Second, given the broad macro backdrop of tepid global growth prospects and slowing global demand for electronics, the likely trajectory is for the manufacturing PMI to continue to lose altitude in the coming months.
- Manufacturing momentum had decelerated from 3Q18. The manufacturing sector had expanded by 5.5% yoy but declined 8.7% qoq saar in 4Q18, according to yesterday's flash growth estimates. Given that industrial production had expanded by 5.5% in October and 7.6% yoy, the flash growth estimates imply a 3.4% print for December 2018 which could be a somewhat conservative estimate given the low base (-2.4% yoy) in December 2017. As such, there is some room for an upward revision to 4Q18 manufacturing growth, but this doesn't alter the road ahead where a more tepid manufacturing outlook for 1H19 is likely. Our 2019 GDP growth forecast currently stand at 2.7%, down from 3.3% in 2018.
- The STI slide another 0.86% to close down at 3012.88 yesterday, and the prognosis for Asian equity markets still looks weak given S&P500's overnight sell-off. We're now approaching the 3000 support and a break may give way to the next support at 2981.
- With UST bonds continuing to rally on global and US growth concerns which pushed yields down by another 7-10bps, it would be interesting to see if the SGS bond market still remains relatively unmoved. So far, the biggest swings have been seen in the front end of the curve below the 1-year tenor.
- **Hong Kong:** Retail sales growth decelerated from 6% yoy in October to 1.4% yoy in November, the weakest since June 2017. Domestically, sales of goods in supermarkets and consumer durable goods dropped by 0.1% yoy and 2.1% yoy respectively. This indicates that local consumer sentiments have been weakening due to two reasons. First, weather effect abated amid housing market and stock market corrections. Second, the increasing signs of local economic slowdown clouded wage growth prospects. Externally, sales of clothing, footwear and allied products as well as those of jewelry, watches and clocks dropped by 2.8% yoy and 3.9% yoy respectively. Though infrastructure improvement brought more tourists to HK with total visitor arrivals growing by 20.6% yoy in November, the retail sector barely benefited from this as a relatively strong HKD and the weakening economic outlook of Asia have weighed down visitor spending. In conclusion, we expect local consumption and visitor spending to remain sluggish in the coming months. As such, total retail sales growth is expected to print around 8% yoy in 2018 and around -2% yoy in 2019.
- **South Korea:** The KOSPI has endured a -2.3% decline since the start of the new year. With Apple's dire warning on its China revenues yesterday, expect the export-oriented economy of South Korea to face the same pressure on its equity markets. South

Korea's finance ministry apparently held meetings early this morning following yesterday's US equity markets heavy losses.

- **Malaysia:** According to the Oriental Daily, the price of RON95 would reportedly drop by 20 to 27 cents following a heated debate during a cabinet meeting. The government had earlier promised to implement a weekly fuel price float by the end of the first week of January 2019. The government also announced that it had provided subsidies for RON95 and diesel to the amount of about RM4.9bn between January - November 2018. Trade data is due later.
- **Thailand:** Will it happen, or will it not? Deputy Prime Minister Wissanu Krea-ngam has now said that the elections slated on Feb 24 may be delayed – a direct contrast to incumbent Prime Minister Prayut Chan-o-cha's statement the day before that "things remain unchanged". Despite the junta's repeated affirmations, the absence of the royal decree on the Royal Gazette to officially fix the polling date is leaving many to suspect that the general elections will once again be cancelled. Since the coup in May 2014, the Thai junta has announced general elections four times, only to have postponed it on each occasion – in May 2014, May 2015, October 2017 and January 2018.
- **Indonesia:** The government held its first bond auction for the year yesterday (3rd January 2019), where they successfully raised Rp28.25t and hence, exceeding their target of Rp15t. Incoming bids were reported at Rp55.3t. Three new bonds were also offered maturing in April 2019, January 2020 and April 2039 respectively. Meanwhile, the central bank intervened in the local NDF market yesterday (3rd January 2019). On other items, the government has announced that there would be no power tariff adjustment for non-subsidized customers.
- **Commodities:**
 - **Energy:** The backdrop of potential global slowdown, Apple's revenue warning, the continued trade spat and persistent questions whether OPEC will maintain its supply cut beyond 6 months have weighed on oil prices. WTI has only ever fallen below \$40/barrel in the last ten years – once during the GFC in 2008/09, and the other during the shale glut in 2015/16. Neither instances saw WTI remained below \$40/barrel for more than a quarter so at current levels there may be limited downside – but do not expect any meaningful rallies either. Expect WTI to trade in a large sideways range of \$45-\$60 before the end of the 90-day US-China truce.
 - **Palm:** Scarce rains in Brazil last month have seen soybean yields being downgraded, sparking a mini rally in palm in the same month. However the larger fundamental backdrop of poor demand from China, India and palm's record inventories in Malaysia, mean it will take time for global palm supply to correct. 2200 MYR/mt for palm will look to be a strong resistance in the short-term.
 - **Gold:** With prices having already risen +8.3% in the last 1 ½ months, the question of how high can gold rise continues to linger. The bulk of gold's rise is mainly due to a risk-off environment, which can also be observed from the rise in yen and the collapse in Treasury yields. It appears to be a matter of time before gold officially breaks above \$1300/oz – but from there \$1350/oz will prove to be a difficult resistance, with the precious metal having not overcome that hurdle on multiple occasions in the past five years.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading within 1bps higher (with the exception of the 1-year swap rates trading little change) while the longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 170bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 26bps to 655bps. 10Y UST yields fell 7bps to close at 2.55%, on the back of newly released data indicating a significant slowdown in US manufacturing activity. The revenue warning issued by Apple due to weakening iPhone sales in China also added onto the adverse market sentiments regarding the impact of the economic slowdown in China.
- **New Issues:** State Bank of India has hired banks for its potential USD bond issuance. NCIG Holdings Pty Ltd has scheduled for investor meetings on 9 Jan for its potential bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.305	-0.53%	USD-SGD	1.3641	-0.18%
USD-JPY	107.680	-1.10%	EUR-SGD	1.5542	0.26%
EUR-USD	1.1394	0.44%	JPY-SGD	1.2669	0.95%
AUD-USD	0.7006	0.30%	GBP-SGD	1.7227	--
GBP-USD	1.2628	0.17%	AUD-SGD	0.9557	0.13%
USD-MYR	4.1435	0.16%	NZD-SGD	0.9129	0.40%
USD-CNY	6.8720	0.15%	CHF-SGD	1.3822	0.15%
USD-IDR	14410	-0.33%	SGD-MYR	3.0333	-0.10%
USD-VND	23220	0.04%	SGD-CNY	5.0367	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3620	--	O/N	2.3868	--
2M	-0.3360	--	1M	2.5071	--
3M	-0.3100	--	2M	2.6174	--
6M	-0.2380	--	3M	2.7939	--
9M	-0.1940	--	6M	2.8739	--
12M	-0.1210	--	12M	3.0020	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
01/30/2019	0.0%	4.7%	0.0%	4.7%	95.4%
03/20/2019	0.0%	13.4%	0.4%	13.0%	86.6%
05/01/2019	0.0%	18.8%	1.2%	17.6%	81.2%
06/19/2019	0.0%	25.4%	2.5%	22.7%	74.6%
07/31/2019	0.0%	31.1%	4.1%	26.7%	68.9%
09/18/2019	0.0%	35.5%	5.5%	29.4%	64.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.09	1.18%	Coffee (per lb)	1.022	2.66%
Brent (per barrel)	55.95	1.89%	Cotton (per lb)	0.7083	-0.01%
Heating Oil (per gallon)	1.7420	2.43%	Sugar (per lb)	0.1169	-2.01%
Gasoline (per gallon)	1.3495	1.80%	Orange Juice (per lb)	1.2165	-0.61%
Natural Gas (per MMBtu)	2.9450	-0.44%	Cocoa (per mt)	2,400	0.25%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,661.5	-2.10%	Wheat (per bushel)	5.1375	1.38%
Nickel (per mt)	10,807.0	--	Soybean (per bushel)	9.003	0.61%
Aluminium (per mt)	1,773.0	--	Corn (per bushel)	3.7975	1.06%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,294.8	0.83%	Crude Palm Oil (MYR/MT)	2,090.0	0.97%
Silver (per oz)	15.797	0.95%	Rubber (JPY/KG)	172.0	0.00%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,686.22	-660.02
S&P	2,447.89	-62.14
Nasdaq	6,463.50	-202.43
Nikkei 225	20,014.77	--
STI	3,012.88	-26.01
KLCI	1,675.83	7.72
JCI	6,221.01	39.84
Baltic Dry	1,282.00	--
VIX	25.45	2.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.86 (-0.01)	2.38 (-0.09)
5Y	1.91 (+0.01)	2.36 (-0.1)
10Y	2.05 (+0.01)	2.55 (-0.07)
15Y	2.28 (+0.01)	--
20Y	2.34 (+0.01)	--
30Y	2.46 (+0.01)	2.90 (-0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.83	0.10
TED	38.42	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/03/2019 16:30	HK Retail Sales Value YoY	Nov	4.50%	1.40%	5.90%	6.00%
01/03/2019 16:30	HK Retail Sales Volume YoY	Nov	4.60%	1.20%	5.20%	5.30%
01/03/2019 17:00	EC M3 Money Supply YoY	Nov	3.80%	3.70%	3.90%	--
01/03/2019 17:30	UK Markit/CIPS UK Construction PMI	Dec	52.9	52.8	53.4	--
01/03/2019 20:00	US MBA Mortgage Applications	Dec-28	--	-8.50%	-1.40%	--
01/03/2019 21:00	SI Purchasing Managers Index	Dec	--	51.1	51.5	--
01/03/2019 21:15	US ADP Employment Change	Dec	180k	271k	179k	157k
01/03/2019 21:30	US Initial Jobless Claims	Dec-29	220k	231k	216k	221k
01/03/2019 21:30	US Continuing Claims	Dec-22	1690k	1740k	1701k	1708k
01/03/2019 22:45	US Bloomberg Consumer Comfort	Dec-30	--	59.6	59.4	--
01/03/2019 23:00	US ISM Manufacturing	Dec	57.5	54.1	59.3	--
01/03/2019 23:00	US ISM Prices Paid	Dec	57.7	54.9	60.7	--
01/04/2019 05:00	SK Foreign Reserves	Dec	--	\$403.69b	\$402.99b	--
01/04/2019 08:30	HK Nikkei Hong Kong PMI	Dec	--	--	47.1	--
01/04/2019 08:30	JN Nikkei Japan PMI Mfg	Dec F	--	--	52.4	--
01/04/2019 09:00	PH CPI YoY 2012=100	Dec	5.60%	--	6.00%	--
01/04/2019 09:45	CH Caixin China PMI Composite	Dec	--	--	51.9	--
01/04/2019 09:45	CH Caixin China PMI Services	Dec	53	--	53.8	--
01/04/2019 12:00	MA Trade Balance MYR	Nov	11.00b	--	16.32b	--
01/04/2019 12:00	MA Exports YoY	Nov	6.60%	--	17.70%	--
01/04/2019 13:00	IN Nikkei India PMI Services	Dec	--	--	53.7	--
01/04/2019 13:00	IN Nikkei India PMI Composite	Dec	--	--	54.5	--
01/04/2019 15:00	UK Nationwide House PX MoM	Dec	0.10%	--	0.30%	--
01/04/2019 15:00	UK Nationwide House Px NSA YoY	Dec	1.50%	--	1.90%	--
01/04/2019 15:30	TH Foreign Reserves	Dec-28	--	--	\$203.6b	--
01/04/2019 15:45	FR CPI EU Harmonized MoM	Dec P	0.10%	--	-0.20%	--
01/04/2019 15:45	FR CPI EU Harmonized YoY	Dec P	2.00%	--	2.20%	--
01/04/2019 15:45	FR CPI MoM	Dec P	0.10%	--	-0.20%	--
01/04/2019 15:45	FR CPI YoY	Dec P	1.80%	--	1.90%	--
01/04/2019 16:20	TA Foreign Reserves	Dec	--	--	\$461.38b	--
01/04/2019 16:45	IT Markit/ADACI Italy Services PMI	Dec	50.1	--	50.3	--
01/04/2019 16:45	IT Markit/ADACI Italy Composite PMI	Dec	49.3	--	49.3	--
01/04/2019 16:50	FR Markit France Services PMI	Dec F	49.7	--	49.6	--
01/04/2019 16:50	FR Markit France Composite PMI	Dec F	49.4	--	49.3	--
01/04/2019 16:55	GE Unemployment Change (000's)	Dec	-13k	--	-16k	--
01/04/2019 16:55	GE Unemployment Claims Rate SA	Dec	5.00%	--	5.00%	--
01/04/2019 16:55	GE Markit Germany Services PMI	Dec F	52.5	--	52.5	--
01/04/2019 16:55	GE Markit/BME Germany Composite PMI	Dec F	52.2	--	52.2	--
01/04/2019 17:00	EC Markit Eurozone Services PMI	Dec F	51.4	--	51.4	--
01/04/2019 17:00	EC Markit Eurozone Composite PMI	Dec F	51.3	--	51.3	--
01/04/2019 17:30	UK Mortgage Approvals	Nov	66.0k	--	67.1k	--
01/04/2019 17:30	UK Money Supply M4 MoM	Nov	--	--	0.70%	--
01/04/2019 17:30	UK M4 Money Supply YoY	Nov	--	--	1.00%	--
01/04/2019 17:30	UK Markit/CIPS UK Services PMI	Dec	50.7	--	50.4	--
01/04/2019 17:30	UK Markit/CIPS UK Composite PMI	Dec	50.8	--	50.7	--
01/04/2019 18:00	EC PPI YoY	Nov	4.20%	--	4.90%	--
01/04/2019 18:00	EC CPI Core YoY	Dec A	1.00%	--	1.00%	--
01/04/2019 18:00	EC CPI Estimate YoY	Dec	1.70%	--	2.00%	--
01/04/2019 18:00	IT CPI EU Harmonized MoM	Dec P	0.10%	--	-0.20%	-0.30%
01/04/2019 18:00	IT CPI NIC incl. tobacco MoM	Dec P	--	--	-0.10%	-0.20%
01/04/2019 18:00	IT CPI NIC incl. tobacco YoY	Dec P	1.50%	--	1.70%	1.60%
01/04/2019 18:00	IT CPI EU Harmonized YoY	Dec P	1.40%	--	1.60%	--
01/04/2019 21:30	CA Net Change in Employment	Dec	10.0k	--	94.1k	--
01/04/2019 21:30	US Change in Nonfarm Payrolls	Dec	184k	--	155k	--
01/04/2019 21:30	CA Unemployment Rate	Dec	5.70%	--	5.60%	--
01/04/2019 21:30	US Change in Manufact. Payrolls	Dec	20k	--	27k	--
01/04/2019 21:30	US Unemployment Rate	Dec	3.70%	--	3.70%	--
01/04/2019 21:30	CA Industrial Product Price MoM	Nov	0.00%	--	0.20%	--
01/04/2019 21:30	CA Raw Materials Price Index MoM	Nov	--	--	-2.40%	--
01/04/2019 22:45	US Markit US Composite PMI	Dec F	--	--	53.6	--
01/04/2019 22:45	US Markit US Services PMI	Dec F	53.4	--	53.4	--

Source: Bloomberg

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