

Highlights

Global	<p>The combination of a more dovish Fed chair Powell and an upside surprise to the December nonfarm payrolls of 312k (market consensus: 184k) lent a more supportive tone to Wall Street on Friday and drove UST bond yields back up. S&P500 rebounded 3.43% while the 2- and 10-year UST bond yields jumped to 2.49% and 2.67% respectively and oil prices also rose as global risk appetite improved after a weak start to 2019. Powell articulated a “patient” approach to rate hikes and reassured markets that we are “listening carefully” and “we will be prepared to adjust policy quickly and effectively”. Note the futures market has recently shifted to pricing in the possibility of a Fed rate cut this year, and the next question would be if the balance sheet unwinding process may also be adjusted in light of the recent market and US growth headwinds. Elsewhere, China also cut RRR by 1% point on Friday evening to release a net RMB800 billion, signifying its ongoing policy support to mitigate the growth slowdown.</p> <p>Asian markets are likely to open firmer this morning in response. Keep an eye on the FOMC minutes due Wednesday and US CPI data on Friday, even as the US government remains shut down for a third week running as weekend talks fail and President Trump threatens to drag out the impasse for months or even years and may even call a national emergency to get the wall built. Other key events to watch include the US-China vice-ministerial trade talks starting today in Beijing, and US earnings season which starts on Wednesday. Today’s economic data calendar comprises German factory orders, Taiwan trade data, foreign reserves data from China and Indonesia, as well as US’ non-manufacturing ISM, and Fed’s Bostic is also speaking. Both Powell and vice-chair Clarida are speaking on early Friday morning. BOC is likely static at 1.75% on 9 January, while the UK Parliament resumes a debate on the Brexit bill ahead of a 14 January week vote.</p>
US	<p>The NFP of 312k was the strongest since February and the two-month revision was a +58k, but was coupled with a rise in the unemployment rate to 3.9%, albeit the average hourly earnings also accelerated to 3.2% yoy (0.4% mom) and the labor force participation rate improved to 63.1%. This suggested that the US labor market remained robust, aided by a rebound in services hiring amid a strong holiday season, notwithstanding recent market concerns about potential growth weakness.</p>
CH	<p>The current universal RRR cut has sent much clearer signal that China is able to run full steam to stimulate the economy if needed. This may be positive for the risk sentiment. The RRR cut will also provide liquidity support to the possible increasing issuance of local government debt in the first quarter. China’s National People’s Congress passed a bill on 29 Dec 2018 to allow local governments to issue the debt earlier before the National People’s Congress endorses the official quota in March 2019. With PBoC rolling out more stimulus measures, the focus will switch to fiscal policy, which is expected to take the lead in 2019 to stimulate the economy</p>

Major Markets

- **US:** A prolonged government shutdown back in 1995-96 (5 days from 14-19 November 1995 and 27 days from 16 December 1995 to 6 January 1996) and 2013 (16 days from 1 October) had subtracted around 0.4% and 0.1% points from GDP growth, but the key difference today is that the current shutdown is limited to only 9 of the 15 federal agencies.
- Wall Street ended higher on Friday, with the S&P500 advancing 3.43%. The DJIA increased by 3.29%, while the Nasdaq composite soared by 4.26%.
- Apple shares rebounded to 4.27% after it declined due to the cut in revenue projection announcement.
- Netflix shares advanced 9.72%.

- **China:** The first below 50 reading for China's official PMI since July 2016 confirmed that China is facing heightening downside risk amid the uncertainty from the US-China trade war. China has stepped up its policy supports since the beginning of 2019. The PBoC first unveiled the plan to expand the criteria to be qualified for targeted RRR cut for inclusive finance on 2 Jan (expect about CNY300-400 billion liquidity injection) and then announced the first universal RRR cut since April 2016 by 100bps on 4 Jan. In the near term, it will help smooth the funding volatility ahead of Chinese New Year holiday season. In the longer term, providing cheap and long term stable funding is the first step to re-shore up banks' confidence to lend out.

- **Singapore:** The STI added 1.54% to close at 3059.23 on Friday despite opening softer in the morning, and given strong positive Friday cues from Wall Street and morning rally in Nikkei and Kospi, STI should ride the wave and attempt higher today as well. Watch for a potential break of the 3100 handle, with support at 3012. As UST bond yield surged 7-15bps on Friday as bears pared back their pessimism amid a more dovish FOMC and better than expected US NFP data, SGS bonds may remain pressured today after yields also rose by up to 7bps on Friday led by the longer tenors.
- The Nikkei Singapore PMI eased from 53.8 in November to 52.7 in December, but remained in expansion territory.

- **South Korea:** KOSPI opened with a massive gap-up this Monday morning, opening at 2,034.24 from its close at 2,010.25 and highest at 2,011.56 on Friday. The surge in the US equity on Friday market following the positive jobs report is likely to lead most Asian equities higher today.

- **Malaysia:** The government has implemented a managed weekly float system with the first set of new determined prices taking effect from 12.00am 5th January 2018. Prices would be determined every Friday and come into effect immediately following the next day Saturday. Following the implementation of the system, RON95 and RON97 prices fell by 27 sen to RM1.93 and RM2.23 respectively. Diesel prices fell by 14 sen to RM2.04. Meanwhile, trade data for November showed that the trade balance has narrowed to RM7.55bn (Oct 2018: RM16.32bn) as exports growth slowed significantly to 1.6% yoy (Oct 2018: 17.7% yoy) and imports grew at 5.0% yoy (Oct 2018: 11.4% yoy).

- **Thailand:** Tropical storm Pabuk managed to leave the key tourist areas of Koh Samui, Poh Phangan and Koh Tao relatively unscathed and tourism is not expected to be hard-hit in these cities. Pabuk has now been downgraded to a depression.
- On the Thai elections: there is still no update on whether the planned polls will proceed on 24 Feb.

- **Indonesia:** Finance Minister Sri Mulyani has reported that the government has managed to spend 99.2% of its total expenditure target. She noted that the central government spent 99.3% of its target whilst spending by regional administrations, including village funds hit 98.9% of the target. However, she did mention that capital expenditure only hit 90.7% of the target. Meanwhile, according to Bloomberg, Bank Indonesia has mentioned that they will be conducting intervention in the domestic NDF market today via eight brokers after concluding the daily DNDF auction.
- **Philippines:** Inflation in the Philippines moderated further, with the headline CPI in Dec coming in at 5.1% after peaking at 6.7% in October. A drop in food and energy prices was the main reasons for the ease in inflationary pressures. The downward trend in inflation is expected to ease pressure on BSP in performing further rate hikes.
- **Commodities:**
 - **Energy:** Oil prices rallied on the excellent US jobs report, but gave up some of its gains after the EIA report showed a build-up in gasoline and distillate inventories in the US.
 - **Agriculture:** Most commodities in the softs space rose in tandem with energy prices and the general positive sentiment on Friday. Corn and soybeans were up about 1% each while cotton was up +2.4%. Palm is up about 1% in ringgit terms, aided by a stronger dollar.
 - **Gold:** Declined -0.6%, its first since Christmas, on the string of positive US economic news.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with the shorter tenors trading within 1bps lower while the longer tenors traded 1-3bps higher (with the exception of the 12-year swap rates trading 6bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 167bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 645bps. 10Y UST yields rose 11bps to close at 2.67%, on the back of Federal Reserve Chair Jerome Powell's dovish stance regarding the rate-hiking policy. The US employment report for December also came in more robust than expected, weighing positively on market sentiments.
- **New Issues:** Yankuang Group Co Ltd has scheduled for investor meetings from 7-11 Jan for its potential USD bond issuance. Indian Oil Corp Ltd has scheduled for investor meetings from 7-9 Jan for its potential USD bond issuance. Korea Developmental Bank has sent requests for proposals to banks for its potential offshore bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.179	-0.13%	USD-SGD	1.3593	-0.35%
USD-JPY	108.510	0.77%	EUR-SGD	1.5490	-0.33%
EUR-USD	1.1395	0.01%	JPY-SGD	1.2525	-1.14%
AUD-USD	0.7113	1.53%	GBP-SGD	1.7292	0.38%
GBP-USD	1.2723	0.75%	AUD-SGD	0.9669	1.17%
USD-MYR	4.1360	-0.18%	NZD-SGD	0.9148	0.21%
USD-CNY	6.8692	-0.04%	CHF-SGD	1.3776	-0.33%
USD-IDR	14270	-0.97%	SGD-MYR	3.0393	0.20%
USD-VND	23214	-0.03%	SGD-CNY	5.0477	0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	2.3940	0.0021
2M	-0.3360	--	1M	2.5206	0.0078
3M	-0.3090	--	2M	2.6231	0.0027
6M	-0.2370	--	3M	2.8039	0.0089
9M	-0.1940	--	6M	2.8558	-0.0031
12M	-0.1190	--	12M	2.9649	-0.0401

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
01/30/2019	0.0%	0.5%	0.0%	0.5%	99.5%
03/20/2019	0.0%	2.9%	0.0%	2.9%	97.1%
05/01/2019	2.0%	2.9%	0.0%	2.8%	95.1%
06/19/2019	6.9%	2.7%	0.0%	2.7%	90.4%
07/31/2019	6.5%	7.4%	0.2%	7.2%	86.1%
09/18/2019	6.3%	10.5%	0.4%	10.1%	83.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.96	1.85%	Coffee (per lb)	1.016	-0.54%
Brent (per barrel)	57.06	1.98%	Cotton (per lb)	0.7252	2.39%
Heating Oil (per gallon)	1.7692	1.56%	Sugar (per lb)	0.1193	2.05%
Gasoline (per gallon)	1.3478	-0.13%	Orange Juice (per lb)	1.2130	-0.29%
Natural Gas (per MMBtu)	3.0440	3.36%	Cocoa (per mt)	2,361	-1.63%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,836.7	3.10%	Wheat (per bushel)	5.1700	0.63%
Nickel (per mt)	11,050.5	2.25%	Soybean (per bushel)	9.095	1.03%
Aluminium (per mt)	1,850.3	1.80%	Corn (per bushel)	3.8300	0.86%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,285.8	-0.70%	Crude Palm Oil (MYR/MT)	2,120.0	1.44%
Silver (per oz)	15.786	-0.07%	Rubber (JPY/KG)	175.2	1.86%

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

Equity and Commodity

Index	Value	Net change
DJIA	23,433.16	746.94
S&P	2,531.94	84.05
Nasdaq	6,738.86	275.35
Nikkei 225	19,561.96	-452.81
STI	3,059.23	46.35
KLCI	1,669.78	-6.05
JCI	6,274.54	53.53
Baltic Dry	1,260.00	-7.00
VIX	21.38	-4.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.87 (+0.01)	2.49 (+0.12)
5Y	1.94 (+0.03)	2.50 (+0.14)
10Y	2.13 (+0.08)	2.67 (+0.11)
15Y	2.35 (+0.06)	--
20Y	2.40 (+0.06)	--
30Y	2.51 (+0.05)	2.98 (+0.08)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.98	0.05
TED	39.57	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/04/2019 08:30	HK Nikkei Hong Kong PMI	Dec	--	48	47.1	--
01/04/2019 08:30	JN Nikkei Japan PMI Mfg	Dec F	--	52.6	52.4	--
01/04/2019 09:00	PH CPI YoY 2012=100	Dec	5.60%	5.10%	6.00%	--
01/04/2019 09:45	CH Caixin China PMI Composite	Dec	--	52.2	51.9	--
01/04/2019 09:45	CH Caixin China PMI Services	Dec	53	53.9	53.8	--
01/04/2019 13:00	IN Nikkei India PMI Services	Dec	--	53.2	53.7	--
01/04/2019 13:00	IN Nikkei India PMI Composite	Dec	--	53.6	54.5	--
01/04/2019 15:00	UK Nationwide House PX MoM	Dec	0.10%	-0.70%	0.30%	0.40%
01/04/2019 15:00	UK Nationwide House Px NSA YoY	Dec	1.50%	0.50%	1.90%	--
01/04/2019 15:30	TH Foreign Reserves	Dec-28	--	\$205.0b	\$203.6b	--
01/04/2019 15:45	FR CPI EU Harmonized MoM	Dec P	0.10%	0.10%	-0.20%	--
01/04/2019 15:45	FR CPI EU Harmonized YoY	Dec P	2.00%	1.90%	2.20%	--
01/04/2019 15:45	FR CPI MoM	Dec P	0.10%	0.00%	-0.20%	--
01/04/2019 15:45	FR CPI YoY	Dec P	1.80%	1.60%	1.90%	--
01/04/2019 16:45	IT Markit/ADACI Italy Services PMI	Dec	50.1	50.5	50.3	--
01/04/2019 16:45	IT Markit/ADACI Italy Composite PMI	Dec	49.3	50	49.3	--
01/04/2019 16:50	FR Markit France Services PMI	Dec F	49.7	49	49.6	--
01/04/2019 16:50	FR Markit France Composite PMI	Dec F	49.4	48.7	49.3	--
01/04/2019 16:55	GE Unemployment Change (000's)	Dec	-13k	-14k	-16k	--
01/04/2019 16:55	GE Unemployment Claims Rate SA	Dec	5.00%	5.00%	5.00%	--
01/04/2019 16:55	GE Markit Germany Services PMI	Dec F	52.5	51.8	52.5	--
01/04/2019 16:55	GE Markit/BME Germany Composite PMI	Dec F	52.2	51.6	52.2	--
01/04/2019 17:00	EC Markit Eurozone Services PMI	Dec F	51.4	51.2	51.4	--
01/04/2019 17:00	EC Markit Eurozone Composite PMI	Dec F	51.3	51.1	51.3	--
01/04/2019 17:30	UK Mortgage Approvals	Nov	66.0k	63.7k	67.1k	66.7k
01/04/2019 17:30	UK Markit/CIPS UK Services PMI	Dec	50.7	51.2	50.4	--
01/04/2019 17:30	UK Markit/CIPS UK Composite PMI	Dec	50.8	51.4	50.7	50.8
01/04/2019 18:00	EC CPI Core YoY	Dec A	1.00%	1.00%	1.00%	--
01/04/2019 18:00	EC CPI Estimate YoY	Dec	1.70%	1.60%	2.00%	--
01/04/2019 18:00	IT CPI EU Harmonized MoM	Dec P	0.10%	-0.10%	-0.20%	-0.30%
01/04/2019 18:00	IT CPI NIC incl. tobacco MoM	Dec P	--	-0.10%	-0.10%	-0.20%
01/04/2019 18:00	IT CPI NIC incl. tobacco YoY	Dec P	1.50%	1.10%	1.70%	1.60%
01/04/2019 18:00	IT CPI EU Harmonized YoY	Dec P	1.40%	1.20%	1.60%	--
01/04/2019 21:30	CA Net Change in Employment	Dec	10.0k	9.3k	94.1k	--
01/04/2019 21:30	US Change in Nonfarm Payrolls	Dec	184k	312k	155k	176k
01/04/2019 21:30	CA Unemployment Rate	Dec	5.70%	5.60%	5.60%	--
01/04/2019 21:30	US Change in Manufact. Payrolls	Dec	20k	32k	27k	--
01/04/2019 21:30	US Unemployment Rate	Dec	3.70%	3.90%	3.70%	--
01/04/2019 21:30	CA Industrial Product Price MoM	Nov	0.00%	-0.80%	0.20%	--
01/04/2019 21:30	CA Raw Materials Price Index MoM	Nov	--	-11.70%	-2.40%	-2.30%
01/04/2019 22:45	US Markit US Composite PMI	Dec F	--	54.4	53.6	--
01/04/2019 22:45	US Markit US Services PMI	Dec F	53.4	54.4	53.4	--
01/07/2019 05:30	AU AiG Perf of Mfg Index	Dec	--	49.5	51.3	--
01/07/2019 07:50	JN Monetary Base YoY	Dec	5.80%	4.80%	6.10%	--
01/07/2019 08:30	JN Nikkei Japan PMI Composite	Dec	--	52	52.4	--
01/07/2019 08:30	JN Nikkei Japan PMI Services	Dec	--	51	52.3	--
01/07/2019 13:00	JN Vehicle Sales YoY	Dec	--	--	8.30%	--
01/07/2019 15:00	GE Retail Sales MoM	Nov	0.40%	--	-0.30%	0.10%
01/07/2019 15:00	GE Retail Sales YoY	Nov	-0.40%	--	5.00%	--
01/07/2019 15:00	GE Factory Orders MoM	Nov	-0.10%	--	0.30%	--
01/07/2019 15:00	GE Factory Orders WDA YoY	Nov	-2.70%	--	-2.70%	--
01/07/2019 15:00	MA Foreign Reserves	Dec-31	--	--	\$101.4b	--
01/07/2019 16:00	TA Exports YoY	Dec	-5.50%	--	-3.40%	--
01/07/2019 18:00	EC Retail Sales YoY	Nov	0.40%	--	1.70%	--
01/07/2019 23:00	US ISM Non-Manufacturing Index	Dec	59	--	60.7	--
			\$3071.85			
01/07/2019	CH Foreign Reserves	Dec	b	--	\$3061.70b	--
01/07/2019	HK Foreign Reserves	Dec	--	--	\$423.2b	--
01/07/2019	PH Foreign Reserves	Dec	--	--	\$75.5b	--
01/07/2019 01/13	VN Domestic Vehicle Sales YoY	Dec	--	--	35.50%	--

Source: Bloomberg

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