

Highlights

Global	<p>As expected, the UK Parliament rejected PM May's Brexit deal by a 391-242 vote (albeit less than the 230 margin in January), leaving the door open to fresh rounds of voting on no-deal Brexit and /or an extension to Article 50. Our view is that a no-deal Brexit is likely to be rejected and an extension (aimed at avoiding the EU elections on 23 May) is the most likely outcome. Meanwhile, US trade representative Lighthizer also warned that "we have to maintain the right to be able to....raise tariffs in situations where there's violations of the agreement" for any deal with China and "if those issues are not resolved in a way that's beneficial to the United States, we will not have an agreement". Market reaction was relatively muted overnight – the FTSE still managed to edge higher. The S&P500 and UST bonds both gained, with the 10-year bond yield at 2.60% as subdued inflation data suggested that the Fed can remain patient.</p> <p>Asian markets may attempt to rally today to build on fragile Brexit hopes that may not sustain pending the result of the UK Parliament vote. The economic data calendar comprises of US' durable goods orders, PPI, construction spending and mortgage applications, and Eurozone's industrial production. ECB's Coeure is also speaking.</p>
US	<p>Headline CPI rose 0.2% mom in Feb, in line with market expectations, while the core CPI also edged up 0.1% which is slower than the 0.2% pace seen in the last five months. Whilst the latest labour market report suggested that wage costs is picking up, nevertheless the stronger USD has capped import prices so far despite US tariffs on Chinese imports. The NFIB small business optimism improved less than expected from 101.2 in Jan to 101.7 in Feb, snapping a five month decline, but the components on plans to hire and earnings actually declined which may explain some of the NFP weakness seen in the latest print of +20k.</p>
SG	<p>S'pore's retail sales rebounded more than expected by 7.6% yoy (0.2% mom sa) in January, up from December's revised print of -5.8% yoy (-2.3% mom sa). This is the highest on-year retail sales growth print seen since February 2018 which also coincided with the Chinese New Year (CNY) festive season. Excluding autos, retail sales also rose 5.3% yoy in January, up from a 2.8% decline in December. This was also the strongest reading since February last year (8.5% yoy). In particular, motor vehicle sales also surged 20.0% yoy (8.3% mom sa) in January, compared to -20.7% yoy (+3.7% mom sa) in December 2018. However, doubts still remain over if the retail sector is finally emerging from its slump. The key to watch would be if retail sales can sustain in positive growth territory in the coming months or it will quickly reverse back into the doldrums post-CNY, which is actually a high possibility given the high base in February 2018. That said, new upcoming retail space from Jewel Changi, Paya Lebar Quarter and Funan this year may introduce some novelty and new experiential concepts, but also potentially pose a challenge to existing retail malls.</p>

Major Markets

- **US:** Wall Street ended mixed on Tuesday, with the S&P500 jumping 0.3%. The DJIA fell 0.4%, and the Nasdaq composite increased 0.4%.
- **Singapore:** Given that the CNY festive season fell in early February this year, the January retail sales was likely lifted by pre-CNY shopping, which could be seen in the stronger sales chalked up in segments like wearing apparel & footwear (10.5% yoy), department stores (8.9% yoy), supermarkets & hypermarkets (8.8% yoy) and food retailers (8.0% yoy). The only retail segments that remained depressed in January were computer & telecommunications equipment (-11.5% yoy), which was attributed to lower demand for mobile phones during this period, as well as optical goods & books (-1.6% yoy). Note that overall retail sales had declined for 6 out of the 12 months in 2018, partly due to disruption from e-commerce and reduced average tourist spending. Back in 2018, the CNY spike in retail sales in January did not last and March slipped back to a 1.0% yoy decline.
- The STI added 0.65% to close at 3212.25 yesterday, but may find it difficult to retain the 3200 support amid softer risk appetite post the UK Parliament's rejection of the Brexit deal. With UST bonds gaining overnight, the SGS bond market may also be better bid today.
- **China:** China's average mortgage rate for the first time borrower fell by 0.53% to 5.63% in February benefiting from the easing monetary policy.
- **Macau:** Housing transaction volume rebounded by 18.7% mom to 495 deals in January 2019, ending the downtrend over the past two months. During the same month, average housing price rose by 1% mom to MOP102,101/square meter while approved new mortgage loans surged by 20.2% mom or 21.5% yoy to MOP4.4 billion. This was probably due to the improved market sentiments on the back of eased trade tension and dovish central banks. Besides, the limited housing supply might have been another favourable factor to the property market. Nevertheless, the upside to the housing market may be limited this year. Average housing price and housing transaction volume were down by 18% yoy and 66.2% yoy respectively in January. Moving ahead, the upside of the property market may be capped by several unfavorable factors including property control measures, the diminishing effect of property supportive measures and the possibly unsustainable rebound in market sentiments against the backdrop of global economic slowdown and lingering trade war risks. In conclusion, we expect average housing price to oscillate around MOP100,000/square meter and housing transaction volume to remain subdued in 2019.
- **Malaysia:** Prime Minister Mahathir Mohamad has said that the government would "be studying and investigating as to whether" they should shut down, sell it off or refinance Malaysia Airlines Bhd. This comes after the state sovereign wealth fund Khazanah Nasional reported a pre-tax loss of RM6.3bn for 2018, which was its first since 2005. Most of the loss was attributed to an impairment of RM7.3bn, which was mainly due to a write-down on Khazanah's investment in Malaysia Airlines Bhd.
- **Indonesia:** The Ministry of Finance awarded a total of Rp18.05tn of government bonds, which exceeded the initial target of Rp15tn. Incoming bids were reported at Rp58.3tn, with 35.1% of them coming from foreign investors. Foreign investors eventually accounted for 30.7% of awarded bids.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 1bps higher (with the exception of the 1-year swap rate trading 1bps lower), while the belly and longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 489bps. 10Y UST yields fell 4bps to 2.60% on the back of weak inflation data which further supports expectations that the Federal Reserve will hold interest rates steady. Safe haven demand arising from the uncertainty regarding Britain's exit from the European Union also contributed to the fall in yields.
- **New Issues:** Guorui Properties Ltd has priced a USD295mn re-tap of its existing GUOPRO 13.5%'22s (guarantor: certain of issuer's restricted subsidiaries outside the PRC) at 15.3% (reoffer at 97). ANZ New Zealand (Int'l) Ltd, London Branch, has priced a USD750mn 5-year bond (guarantor: ANZ Bank New Zealand Ltd) at CT5+100bps, tightening from IPT of +110bps area. Canara Bank has mandated banks for its potential USD bond issuance. Qatar Islamic Bank has scheduled investor meetings from 14 March for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.935	-0.29%	USD-SGD	1.3560	-0.15%
USD-JPY	111.360	0.13%	EUR-SGD	1.5305	0.23%
EUR-USD	1.1288	0.38%	JPY-SGD	1.2178	-0.26%
AUD-USD	0.7082	0.17%	GBP-SGD	1.7728	-0.72%
GBP-USD	1.3075	-0.57%	AUD-SGD	0.9602	0.01%
USD-MYR	4.0837	-0.16%	NZD-SGD	0.9303	0.30%
USD-CNY	6.7085	-0.27%	CHF-SGD	1.3455	0.13%
USD-IDR	14265	-0.18%	SGD-MYR	3.0119	0.06%
USD-VND	23199	--	SGD-CNY	4.9498	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3903	--
2M	-0.3360	--	1M	2.4989	--
3M	-0.3080	--	2M	2.5715	--
6M	-0.2320	--	3M	2.6083	--
9M	-0.1940	--	6M	2.6793	--
12M	-0.1080	--	12M	2.8690	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.8%	0.0%	0.0%	0.0%	99.2%
05/01/2019	0.8%	2.1%	0.0%	2.1%	97.2%
06/19/2019	0.7%	11.1%	0.2%	10.9%	88.2%
07/31/2019	1.9%	11.0%	0.2%	10.8%	87.1%
09/18/2019	1.8%	16.6%	0.9%	15.7%	81.6%
10/30/2019	1.8%	17.9%	1.1%	16.7%	80.4%

Equity and Commodity

Index	Value	Net change
DJIA	25,554.66	-96.22
S&P	2,791.52	8.22
Nasdaq	7,591.03	32.97
Nikkei 225	21,503.69	378.60
STI	3,212.25	20.83
KLCI	1,671.28	6.65
JCI	6,353.77	-12.66
Baltic Dry	647.00	2.00
VIX	13.77	-0.56

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.01)	2.45 (-0.02)
5Y	2.05 (+0.02)	2.41 (-0.03)
10Y	2.22 (+0.03)	2.60 (-0.04)
15Y	2.45 (+0.03)	--
20Y	2.51 (+0.03)	--
30Y	2.66 (+0.04)	2.99 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.18	0.08
TED	35.36	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.87	0.1%	Corn (per bushel)	3.5650	1.1%
Brent (per barrel)	66.67	0.1%	Soybean (per bushel)	8.848	0.8%
Heating Oil (per gallon)	1.9857	-0.4%	Wheat (per bushel)	4.4625	5.7%
Gasoline (per gallon)	1.8155	-0.6%	Crude Palm Oil (MYR/MT)	1,980.0	0.9%
Natural Gas (per MMBtu)	2.7840	0.4%	Rubber (JPY/KG)	182.0	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,407	--	Gold (per oz)	1,298.1	0.5%
Nickel (per mt)	12,900	--	Silver (per oz)	15.338	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/12/2019 09:00	PH Exports YoY	Jan	-4.30%	-1.70%	-12.30%	--
03/12/2019 13:00	SI Retail Sales YoY	Jan	2.60%	7.60%	-6.00%	-5.80%
03/12/2019 17:30	UK Trade Balance	Jan	-£3500m	-£3825m	-£3229m	-£3448m
03/12/2019 17:30	UK Industrial Production MoM	Jan	0.20%	0.60%	-0.50%	--
03/12/2019 17:30	UK Manufacturing Production MoM	Jan	0.20%	0.80%	-0.70%	--
03/12/2019 20:30	US CPI MoM	Feb	0.20%	0.20%	0.00%	--
03/13/2019 19:00	US MBA Mortgage Applications	Mar-08	--	--	-2.50%	--
03/13/2019 20:30	US PPI Ex Food and Energy MoM	Feb	0.20%	--	0.30%	--
03/13/2019 20:30	US PPI Final Demand YoY	Feb	1.90%	--	2.00%	--
03/13/2019 20:30	US Durable Goods Orders	Jan P	-0.40%	--	1.20%	--
03/13/2019 22:00	US Construction Spending MoM	Jan	0.50%	--	-0.60%	--

Source: Bloomberg

OCBC Treasury Research	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Howie Lee HowieLee@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).