

Highlights

Global	<p>Overnight's key developments included UK PM May surviving a no-confidence vote and opening cross-party talks, US House Speaker Nance Pelosi requesting president Trump to delay his State of the Union speech, and Fed's Beige Book flagging that labor markets were tight and firms were struggling to find workers at any skill level, albeit growth has slowed, particularly in the auto, energy and non-financial sectors, and contacts had become less optimistic in response to increased financial market volatility, rising short-term interest rates, falling energy prices and elevated trade and political uncertainty. Wall Street rose on the back of strong bank earnings from Goldman Sachs and Bank of America, albeit Nasdaq was weighed down by a WSJ report that federal prosecutors are pursuing a criminal case against Huawei Technologies for stealing trade secrets and Apple warned its will cut back on hiring for some divisions. News that PBOC injected a net CNY560b into the financial system yesterday also alleviated concerns of a potential funding squeeze ahead of the Chinese New Year festive period.</p> <p>Asian markets are likely to tread water awaiting the BI policy decision (likely to be static, but the statement may give hints if this is nearing the end of the rate hike cycle or a pause) and the Indonesian presidential debates between incumbent Jokowi and challenger Prabowo. Today's economic data calendar comprises US' initial jobless claims, Philadelphia Fed business index and Eurozone's Dec CPI. ECB's Lautenschlaeger and Fed's Quarles are also speaking.</p>
ID	<p>Bank Indonesia (BI) Governor Perry Warjiyo has said that the key policy rate has almost reached its peak. He also emphasized that the central bank will continue to be pre-emptive and ahead of curve monetary policy in order to guard stability. BI will be releasing its January rate decision later with expectations that it will hold.</p>
SG	<p>NODX data unexpectedly shrank for the second month by 8.5% yoy (-5.7% mom sa) in Dec, while the Nov prints were also revised lower to -2.8% yoy (-4.3% mom sa). The main drag was from electronics exports which slumped 11.2% yoy in Dec and suggested that Nov's growth of 4.3% was the anomaly as it came after 12 straight months of contractions as well. For the top 10 NODX markets, the only two markets that saw NODX growth was US (31.1% yoy) and China (15.4% yoy) in Dec. This suggested a deterioration in global and regional growth prospects and was likely exacerbated by the fading of pre-emptive frontloading activities in 3Q18 in anticipation of the US-China tit-for-tat tariffs. Looking ahead, given the high base in 1Q19, NODX growth is likely to continue to disappoint, barring any rapid turnaround in US-China trade talks and resolution.</p>

Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 advancing 0.22%. The DJIA rose 0.59%, while the Nasdaq composite surged 0.15%.
- Ford Motor shares declined 6.22% after it announced expected earnings of \$1.30 a share compared to consensus of \$1.33 a share.
- Nordstrom shares fell 4.76% after it reported that 2019 earnings will be at the low end of previous guidance due to weak holiday sales.
- **Singapore:** The STI extended gains by 0.52% to close up at 3229.11 yesterday. Overnight cues from Wall Street remain positive on the back of firm bank earnings from Goldman Sachs and Bank of America. STI may continue to trade with a firm tone today, with resistance and support tipped at 3242 and 3198 respectively. UST bond yields firmed by around 1bp overnight with the curve bear flattening, suggesting that selling pressure in the SGS bond market may not take a breather yet.
- **South Korea:** In the first half of January, foreigners have sold -\$2.04bn of Korean bonds. Declining and depressed yields on Korean bonds have forced investors to seek higher yielding assets elsewhere given the recent uptick in risk sentiment.
- **Indonesia:** The first round of Presidential debates will be held today with Jokowi going into it holding a large lead in opinion polling with Charta Politika reporting in their latest opinion survey (Dec 22 2018 – Jan 2 2019) that the incumbent has an approval rating of 53.2% vs Prabowo at 34.1%. Opinion polls in the last few month have similarly shown Jokowi leading by around 20%. The economy may have taken center stage in the campaign but inflation and growth has been moderate for 2018 whilst the IDR has been trading stronger closer to 14,000 so far in 2019. The selection of Ma'ruf Amin by Jokowi as his running mate has helped him address concerns from conservative groups. For today's debate, a major challenge for Jokowi could be addressing concerns regarding national security issues or corruption especially in light of his rival Prabowo's image of being a strongman. Even so, as mentioned, Jokowi's lead is very big and Prabowo has a lot of catching up to do.
- **Thailand:** Smog in Bangkok is beginning to take a toll on the Thai economy as several construction projects – mostly the construction of electric train projects in several parts of the capital – have been temporarily halted. Air pollution has remained at dangerous levels since Friday and could likely remain at critical readings for a month due to seasonal weather patterns.
- **Commodities:**
- **Energy:** WTI was up +0.4% yesterday on better-than-expected banks earnings. WTI sunk to as low as 51.50 yesterday but ultimately failed to break the support, eventually rebounding at 3am SGT to close at 52.31. Data from shippers show that Iranian oil exports in Dec has declined by 60% from 2.5m bbl/day to 1.1m bbl/day after the US reimposed sanctions on the country in Nov.
- **Gold:** Gold was up +0.3% but otherwise endured a relatively quiet day. The precious metal has moved in an increasingly eerie narrow fashion since 7 Jan and chart patterns suggest a breakout in either direction. There is a decent chance that this breakout could be towards the downside as the slew of positive news continues – and gold could endure a correction downwards after having risen almost \$1000/oz since its low in mid-Nov.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 3bps higher across most tenors (with the exception of the 1-year swap rate trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 159bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 581bps. 10Y UST yields rose 2bps to close at 2.72% on the back of strong Wall Street performance, as Goldman Sachs and Bank of America posted better than expected results. British Prime Minister Theresa May's win of a confidence vote also weighed in on market sentiments, as safety bids for US government debt were reduced.
- **New Issues:** State Bank of India/London has priced a USD1.25bn 2-tranche deal with the USD400mn 3-year tranche priced at CT+157.5bps (tightening from IPT CT+190bps) and the USD850mn 5-year tranche priced at CT+185bps (tightening from IPT CT+210bps). DBS Group Holdings Ltd has priced a USD100mn 5-year bond at 3.422%. Housing & Developmental Board has priced a SGD600mn 10-year bond at 2.675%. Greenland Global Investment Ltd has priced a USD300mn 1-year,9-month bond (guarantor: Greenland Holding Group Co Ltd) at 8.0%, tightening from IPT of 8.25%. AC Energy Finance International Ltd has scheduled for investor meetings from 17 Jan for its potential USD green bond issuance (guarantor: AC Energy, Inc). BOC Aviation Ltd has mandated banks for its potential USD 5-year bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.059	0.02%	USD-SGD	1.3552	-0.10%
USD-JPY	109.090	0.38%	EUR-SGD	1.5438	-0.29%
EUR-USD	1.1392	-0.18%	JPY-SGD	1.2424	-0.43%
AUD-USD	0.7168	-0.46%	GBP-SGD	1.7461	0.10%
GBP-USD	1.2885	0.19%	AUD-SGD	0.9714	-0.57%
USD-MYR	4.1090	0.07%	NZD-SGD	0.9184	-0.69%
USD-CNY	6.7568	-0.06%	CHF-SGD	1.3685	-0.35%
USD-IDR	14128	0.27%	SGD-MYR	3.0343	0.09%
USD-VND	23194	0.02%	SGD-CNY	4.9875	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	2.3868	--
2M	-0.3360	--	1M	2.5075	--
3M	-0.3080	--	2M	2.6396	--
6M	-0.2360	--	3M	2.7734	--
9M	-0.1940	--	6M	2.8458	--
12M	-0.1170	--	12M	3.0084	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
01/30/2019	0.0%	1.6%	1.6%	98.5%	0.0%
03/20/2019	0.0%	1.6%	1.6%	98.5%	0.0%
05/01/2019	4.1%	1.5%	1.5%	94.4%	4.1%
06/19/2019	14.7%	1.3%	1.3%	84.0%	14.2%
07/31/2019	14.6%	1.6%	1.6%	83.8%	14.2%
09/18/2019	14.5%	2.4%	2.4%	83.1%	14.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.31	0.38%	Coffee (per lb)	1.024	1.09%
Brent (per barrel)	61.32	1.12%	Cotton (per lb)	0.7327	1.26%
Heating Oil (per gallon)	1.8946	1.20%	Sugar (per lb)	0.1317	0.08%
Gasoline (per gallon)	1.4159	0.32%	Orange Juice (per lb)	1.2090	-0.41%
Natural Gas (per MMBtu)	3.3840	-3.34%	Cocoa (per mt)	2,322	2.11%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1250	0.29%
Nickel (per mt)	11,631.0	--	Soybean (per bushel)	8.945	0.14%
Aluminium (per mt)	1,840.3	--	Corn (per bushel)	3.7400	0.74%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,293.8	0.42%	Crude Palm Oil (MYR/MT)	2,090.0	-1.88%
Silver (per oz)	15.638	0.12%	Rubber (JPY/KG)	191.8	2.02%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,207.16	141.57
S&P	2,616.10	5.80
Nasdaq	7,034.69	10.86
Nikkei 225	20,442.75	-112.54
STI	3,229.11	16.81
KLCI	1,673.08	-6.34
JCI	6,413.36	4.58
Baltic Dry	1,096.00	--
VIX	19.04	0.44

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.91 (+0.02)	2.54 (+0.01)
5Y	1.99 (+0.02)	2.54 (+0.01)
10Y	2.19 (+0.01)	2.72 (+0.01)
15Y	2.44 (+0.01)	--
20Y	2.48 (+0.01)	--
30Y	2.58 (--)	3.07 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.20	-1.03
TED	35.07	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/16/2019 00:00	NZ QV House Prices YoY	Dec	--	3.20%	3.50%	--
01/16/2019 05:45	NZ Card Spending Retail MoM	Dec	-0.40%	-2.30%	-0.40%	-0.50%
01/16/2019 05:45	NZ Card Spending Total MoM	Dec	--	-1.90%	-0.20%	-0.30%
01/16/2019 07:30	AU Westpac Consumer Conf Index	Jan	--	99.6	104.4	--
01/16/2019 07:30	AU Westpac Consumer Conf SA MoM	Jan	--	-4.70%	0.10%	--
01/16/2019 07:50	JN Core Machine Orders MoM	Nov	3.00%	0.00%	7.60%	--
01/16/2019 07:50	JN Core Machine Orders YoY	Nov	0.20%	0.80%	4.50%	--
01/16/2019 07:50	JN PPI YoY	Dec	1.80%	1.50%	2.30%	--
01/16/2019 07:50	JN PPI MoM	Dec	-0.30%	-0.60%	-0.30%	--
01/16/2019 12:30	JN Tertiary Industry Index MoM	Nov	-0.60%	-0.30%	1.90%	2.20%
01/16/2019 15:00	GE CPI MoM	Dec F	0.10%	0.10%	0.10%	--
01/16/2019 15:00	GE CPI YoY	Dec F	1.70%	1.70%	1.70%	--
01/16/2019 15:00	GE CPI EU Harmonized MoM	Dec F	0.30%	0.30%	0.30%	--
01/16/2019 15:00	GE CPI EU Harmonized YoY	Dec F	1.70%	1.70%	1.70%	--
01/16/2019 15:00	EC EU27 New Car Registrations	Dec	--	-8.40%	-8.00%	--
01/16/2019 17:00	IT Industrial Sales WDA YoY	Nov	--	0.60%	2.00%	--
01/16/2019 17:00	IT Industrial Sales MoM	Nov	--	0.10%	-0.50%	--
01/16/2019 17:00	IT Industrial Orders NSA YoY	Nov	--	-2.00%	2.00%	1.80%
01/16/2019 17:00	IT Industrial Orders MoM	Nov	--	-0.20%	-0.30%	-0.50%
01/16/2019 17:30	UK CPI MoM	Dec	0.20%	0.20%	0.20%	--
01/16/2019 17:30	UK CPI YoY	Dec	2.10%	2.10%	2.30%	--
01/16/2019 17:30	UK CPI Core YoY	Dec	1.80%	1.90%	1.80%	--
01/16/2019 17:30	UK Retail Price Index	Dec	286	285.6	284.6	--
01/16/2019 17:30	UK RPI MoM	Dec	0.50%	0.40%	0.00%	--
01/16/2019 17:30	UK RPI YoY	Dec	2.90%	2.70%	3.20%	--
01/16/2019 17:30	UK RPI Ex Mort Int.Payments (YoY)	Dec	2.80%	2.70%	3.10%	--
01/16/2019 17:30	UK PPI Input NSA MoM	Dec	-1.40%	-1.00%	-2.30%	-2.60%
01/16/2019 17:30	UK PPI Input NSA YoY	Dec	3.70%	3.70%	5.60%	5.30%
01/16/2019 17:30	UK PPI Output NSA MoM	Dec	0.00%	-0.30%	0.20%	0.10%
01/16/2019 17:30	UK PPI Output NSA YoY	Dec	2.90%	2.50%	3.10%	3.00%
01/16/2019 17:30	UK PPI Output Core NSA MoM	Dec	0.10%	0.20%	0.10%	--
01/16/2019 17:30	UK PPI Output Core NSA YoY	Dec	2.40%	2.50%	2.40%	--
01/16/2019 18:00	IT CPI EU Harmonized YoY	Dec F	1.20%	1.20%	1.20%	--
01/16/2019 20:00	US MBA Mortgage Applications	Jan-11	--	13.50%	23.50%	--
01/16/2019 21:30	US Import Price Index MoM	Dec	-1.30%	-1.00%	-1.60%	-1.90%
01/16/2019 21:30	US Import Price Index YoY	Dec	-0.80%	-0.60%	0.70%	0.50%
01/16/2019 23:00	US NAHB Housing Market Index	Jan	56	58	56	--
01/17/2019 04:00	NZ REINZ House Sales YoY	Dec	--	-12.90%	2.60%	--
01/17/2019 08:01	UK RICS House Price Balance	Dec	-13%	--	-11%	--
01/17/2019 08:30	AU Home Loans MoM	Nov	-1.50%	--	2.20%	--
01/17/2019 08:30	AU Investment Lending	Nov	--	--	0.60%	--
01/17/2019 08:30	AU Owner-Occupier Loan Value MoM	Nov	--	--	3.50%	--
01/17/2019 08:30	SI Non-oil Domestic Exports SA MoM	Dec	3.00%	--	-4.20%	--
01/17/2019 08:30	AU RBA FX Transactions Market	Dec	--	--	A\$560m	--
01/17/2019 08:30	SI Non-oil Domestic Exports YoY	Dec	2.00%	--	-2.60%	--
01/17/2019 08:30	SI Electronic Exports YoY	Dec	--	--	4.50%	--
01/17/2019 16:30	HK Unemployment Rate SA	Dec	2.80%	--	2.80%	--
01/17/2019 17:00	IT Trade Balance Total	Nov	--	--	3784m	--
01/17/2019 17:00	IT Trade Balance EU	Nov	--	--	744m	--
01/17/2019 18:00	EC Construction Output MoM	Nov	--	--	-1.60%	--
01/17/2019 18:00	EC CPI Core YoY	Dec F	1.00%	--	1.00%	--
01/17/2019 18:00	EC CPI MoM	Dec	0.00%	--	-0.20%	-0.20%
01/17/2019 18:00	EC CPI YoY	Dec F	1.60%	--	1.90%	1.90%
01/17/2019 21:30	US Philadelphia Fed Business Outlook	Jan	9.5	--	9.4	9.1
01/17/2019 21:30	US Initial Jobless Claims	Jan-12	220k	--	216k	--
01/17/2019 21:30	US Continuing Claims	Jan-05	1734k	--	1722k	--
01/17/2019 22:45	US Bloomberg Consumer Comfort	Jan-13	--	--	58.5	--
01/17/2019 22:45	US Bloomberg Economic Expectations	Jan	--	--	50	--
01/17/2019	HK Composite Interest Rate	Dec	--	--	0.78%	--
01/17/2019	ID Bank Indonesia 7D Reverse Repo	Jan-17	6.00%	--	6.00%	--

Source: Bloomberg

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