

Highlights

Global	<p>Global risk appetite retreated on Friday, with market concerns about a potential US recession re-emerging after the 3-month to 10-year UST yield curve inverted for the first time since 2007, notwithstanding the Fed's dovish signals earlier last week. Eurozone's PMIs also disappointed, with the preliminary manufacturing reading falling to 47.6 in March amid weakness across France and Germany, which sent the 10-year bund yield below 0% for the first time since 2016. The S&P500 slumped 1.9% on Friday, whilst the 10-year UST bond yield fell 10bps to 2.44% (lowest since January 2018) and the fed funds futures market is currently pricing in a 69% probability of a rate cut before January 2020. Meanwhile, UK PM May faces a revolt from her Cabinet ahead of Wednesday's Brexit vote. Elsewhere, early counting suggests that the Palang Pracharath party has taken the lead in Thailand's first general election since the 2014 coup.</p> <p>Asian markets may open lower this morning and continue to consolidate today amid perceived growth brakes for the global economy. Today's economic data calendar is relatively lightweight and comprises of US' Chicago Fed national activity and Dallas Fed manufacturing activity, German IFO, S'pore's Feb CPI and Taiwan's industrial production. Fed's Evans and Harker, BOJ's Harada and ECB's Costa and Coeure are also speaking. For the week ahead, RBNZ is meeting on Wed but is widely expected to keep its 1.75% cash rate static.</p>
US	Existing home sales rebounded more than expected by 11.8% mom in Feb to 5.51m annual pace, likely attributable to the year-end decline in mortgage rates, while wholesale inventories rose 1.2% mom in Jan, up from 1.1% in Dec. Meanwhile, President Trump opined on Friday that a trade deal with China is "very close", and this comes ahead of Lighthizer and Mnuchin's visit to Beijing the end of this week for trade talks. Separately, Special Counsel Mueller's investigation was inconclusive about possible obstruction of justice by President Trump but found no evidence of collusion with Russia.
CH	PBoC Governor Yi Gang laid out China's plan to further open its financial market over the weekend, though most of points echoed the messages from the National People's Congress. Nevertheless, he also added that China's opening of the financial market will go hand in hand with RMB currency mechanism reform. A flexible currency will be an important auto stabilizer to China's macro economy and balance of payment amid China's financial opening.
TH	Vote counting is still underway in Thailand, with 93% of votes already accounted for. The Election Committee is expected to announce the results at 2pm SGT. With 93% of votes counted, the Palang Pracharath party is reportedly leading with 7.64 million votes; Pheu Thai is a close second with 7.16 million votes. New party and dark horse Future Forward party has come in third with 4.8 million votes, relegating the Democrat party to fourth with only about 3 million votes. Democrat party leader Abhisit Vejjajiva has stepped down on accepting responsibility for the party's poor performance.
SG	Headline and core CPI likely rose 0.4% yoy (0.5% mom nsa) and 1.7% yoy respectively in Feb, versus Jan's 0.4% yoy (-0.3% mom nsa) and 1.7% yoy. With core inflation prints likely to remain stable, there should be no kneejerk reactions to upcoming MAS MPS expectations.

Major Markets

- **US:** Wall Street ended lower on Friday, with the S&P500 declining 1.9%. The DJIA fell 1.8%, and the Nasdaq composite tumbled 2.5%.
- **Singapore:** The STI closed down 0.05% at 3212.10 on Friday, but may retreat this morning following weak Friday cues from Wall Street and morning slippage in Kospi. Support and resistance are tipped at 3170 and 3220. With the UST bond yields closing up to 10bps lower amid the risk-off market sentiments on Friday, led by the belly of the curve, SGS bonds may also rally today.
- **China:** PBoC Governor Yi Gang laid out China's plan to further open its financial market over the weekend, though most of points echoed the messages from the National People's Congress. Nevertheless, he also added that China's opening of the financial market will go hand in hand with RMB currency mechanism reform. A flexible currency will be an important auto stabilizer to China's macro economy and balance of payment amid China's financial opening.
- **Macau:** Visitor arrivals grew for the thirteenth consecutive month by 15.5% yoy to 3.55 million in Feb, owing to Chinese New Year holiday and the infrastructure improvement. Specifically, same-day visitors saw double-digit growth for the fifth consecutive month and grew by 21.5% yoy to a record-high. As such, the percentage share of same-day visitors in total visitor arrivals surged to 57.4%, the highest level since Feb 2015. By mode of transport, visitors by land (19.7% by HK-Zhuhai-Macau Bridge) jumped by 30.9% yoy. By place of residence, visitors from HK and those from Mainland China continued to increase by 11.9% yoy and 31.2% yoy respectively. Taken all together, it reinforces that the Hong Kong-Zhuhai-Macau Bridge has lent strong support to Macau's tourism sector. However, in the near term, even though tourism sector could hold up well on infrastructure improvement, neither the gaming sector nor the retail sector have benefited much from the robust tourism due to the gradual reduction in overnight visitors and muted visitor consumption amid a strong MOP, concerns about trade tensions as well as persistent global slowdown.
- **Malaysia:** Headline CPI fell again for the second month running in February by 0.4% yoy. The fall was driven by similar factors as in the previous month such as lower oil prices, reduced broadband prices and the lingering impact of tax policy changes. However, we don't see these figures as any immediate sign of significant economic weakness as the deflation may only be transitory in nature. The effects of the factors driving the fall should eventually wear off in 2H 2019 as the factors were mainly one off policy actions. Furthermore, Core CPI did edge upwards by 0.2%. We do expect headline CPI will expand at 0.3% yoy for March 2019 although this is still at a rather depressed level. We also keep our entire year inflation forecast at 1.3% yoy.
- **Commodities:**
 - **Energy:** WTI slid on Friday and closed at \$59.04/bbl, inching further from the key \$60/bbl level that it managed to overcome on Wednesday. Brent fell -1.2% on the day to \$67.03/bbl. Profit-taking after both benchmarks reach their respective key levels of \$60/bbl and \$68.50/bbl last week, on top of disappointing European data and a gloomy economic forecast from the Fed, have added selling pressure on crude prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with the shorter tenors and belly trading little change while the longer tenors traded 1bps lower (exception: 12-year swap rate trading little change as well). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 455bps. 10Y UST yields plunged 10bps to close the session at 2.44%, on the back of soft data for US manufacturing and services sectors which further reaffirmed market sentiments on an economic slowdown, with a pullback seen across risky assets. Spread between yields on the 3-month and 10-year Treasury, which is used as an indicator of an impending recession, fell below zero for the first time since 2007. Spreads between the 2-10 year Treasury though has not inverted.
- **New Issues:** ESR Cayman Ltd has scheduled for investor meetings from 25 March for its potential bond issuance. Caiyun International Investment Ltd (guarantor: Yunnan Metropolitan Construction Investment Group Co Ltd) has scheduled investor meetings from 25 March for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.651	0.16%	USD-SGD	1.3526	0.27%
USD-JPY	109.920	-0.81%	EUR-SGD	1.5288	-0.36%
EUR-USD	1.1302	-0.63%	JPY-SGD	1.2305	1.08%
AUD-USD	0.7083	-0.41%	GBP-SGD	1.7866	1.05%
GBP-USD	1.3209	0.78%	AUD-SGD	0.9579	-0.18%
USD-MYR	4.0645	0.07%	NZD-SGD	0.9300	0.24%
USD-CNY	6.7182	0.28%	CHF-SGD	1.3613	0.11%
USD-IDR	14165	0.18%	SGD-MYR	3.0072	-0.25%
USD-VND	23202	0.00%	SGD-CNY	4.9669	0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3890	0.0018
2M	-0.3360	0.0018	1M	2.4989	0.0134
3M	-0.3090	0.0134	2M	2.5560	0.0038
6M	-0.2280	0.0038	3M	2.6099	0.0084
9M	-0.1940	0.0084	6M	2.6760	-0.0014
12M	-0.1080	-0.0014	12M	2.7870	-0.0071

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.0%	4.1%	0.0%	4.1%	95.9%
05/01/2019	0.0%	22.0%	0.8%	21.3%	78.0%
06/19/2019	0.0%	27.6%	2.2%	25.3%	72.4%
07/31/2019	0.0%	45.2%	7.9%	36.8%	54.8%
09/18/2019	0.0%	50.5%	10.7%	38.5%	49.5%
10/30/2019	0.0%	60.3%	16.1%	40.7%	39.7%

Equity and Commodity

Index	Value	Net change
DJIA	25,502.32	-460.19
S&P	2,800.71	-54.17
Nasdaq	7,642.67	-196.29
Nikkei 225	21,627.34	18.42
STI	3,212.10	-1.55
KLCI	1,666.66	3.00
JCI	6,525.27	23.50
Baltic Dry	690.00	-5.00
VIX	16.48	2.85

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (-0.02)	2.32 (-0.09)
5Y	1.92 (-0.01)	2.24 (-0.1)
10Y	2.05 (-0.01)	2.44 (-0.1)
15Y	2.30 (-0.03)	--
20Y	2.36 (-0.02)	--
30Y	2.51 (-0.02)	2.87 (-0.09)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.10	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.44
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.04	-1.6%	Corn (per bushel)	3.7825	0.5%
Brent (per barrel)	67.03	-1.2%	Soybean (per bushel)	9.038	-0.7%
Heating Oil (per gallon)	1.9659	-1.1%	Wheat (per bushel)	4.6600	-0.1%
Gasoline (per gallon)	1.9259	0.3%	Crude Palm Oil (MYR/MT)	2,090.0	--
Natural Gas (per MMBtu)	2.7530	-2.4%	Rubber (JPY/KG)	182.7	3.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,312	-1.7%	Gold (per oz)	1,312.3	0.4%
Nickel (per mt)	12,995	0.0%	Silver (per oz)	15.345	-0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/22/2019 07:30	JN Natl CPI YoY	Feb 0.30%	0.20%	0.20%	--
03/22/2019 08:30	JN Nikkei Japan PMI Mfg	Mar P --	48.9	48.9	--
03/22/2019 12:00	MA CPI YoY	Feb -0.30%	-0.40%	-0.70%	--
03/22/2019 15:30	TH Foreign Reserves	Mar-15 --	\$212.7b	\$212.0b	--
03/22/2019 17:00	EC Markit Eurozone Manufacturing PMI	Mar P 49.5	47.6	49.3	--
03/22/2019 21:45	US Markit US Manufacturing PMI	Mar P 53.5	52.5	53	--
03/22/2019 22:00	US Wholesale Inventories MoM	Jan 0.10%	1.20%	1.10%	--
03/22/2019 22:00	US Existing Home Sales	Feb 5.10m	5.51m	4.94m	4.93m
03/23/2019 02:00	US Monthly Budget Statement	Feb -\$227.0b	-\$234.0b	-\$215.2b	--
03/25/2019 12:30	JN All Industry Activity Index MoM	Jan -0.40%	--	-0.40%	--
03/25/2019 13:00	SI CPI YoY	Feb 0.60%	--	0.40%	--

Source: Bloomberg

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