

Highlights

Global	Global risk appetite took a dive yesterday on news that the US Department of Justice has announced criminal charges against Chinese company Huawei and its CFO Meng Wanzhou (currently under arrest in Canada). Wall Street closed lower amid earnings disappointments and/or guidance from corporates like Caterpillar and Nvidia, whilst oil prices also retreated, albeit the 10-year UST bond yield was relatively little changed at 2.75%. Market focus ahead will be the US-China trade talks between Chinese Vice Premier Liu He and US Trade Representative Robert Lighthizer, with president Trump expected to make the meeting as well according to Treasury Secretary Mnuchin. A WSJ report suggested that China will offer a big increase in US farm purchases and energy, coupled with modest reforms in industrial policies. Asian markets may tread cautiously this morning as investors ponder the implications of the Huawei case on ongoing US-China trade negotiations. Today's economic calendar only comprises US' Conference Board consumer confidence and S&P CoreLogic house prices.
US	The Chicago Fed manufacturing activity index rose from a revised 0.21 in November to 0.27 in December, suggesting a slight increase in growth momentum, whereas the Dallas Fed manufacturing index was at 1.0 (previously -5.1). Meanwhile, US budget deficits are set to widen further to US\$897b over the 12 months through September, up from US\$779b last year, and till top US\$1t by FY2022 (two years later than earlier forecast) mainly due to legislative changes, most notably a decrease in emergency spending, according to the CBO. CBO also estimated that the 5-week partial government shutdown will cost US\$3b (0.02% of annual output). Note House Speaker Nancy Pelosi has invited president Trump to deliver his State of the Union address on 5 February.
CH	China's industrial profit fell by 1.9% yoy in December, the weakest growth since December 2015. The decline of industrial profit was mainly due to the decline of PPI, which led to slower profit growth for the upstream industries such as commodity and chemical etc. However, it is good for the downstream industries. For example, profitability for garment industry improved due to lower raw material costs. Given China's PPI is expected to remain weak in the coming months, China's industry profit is likely to remain weak into 2019.
UK	PM May is backing the Graham Brady plan to scrap the Brexit backstop for the Irish border (which she had agreed to with the EU earlier) in order to get a compromise in Parliament.
CMD	Saudi Arabia is expected to pump 10.2m bpd in Jan and has further said it will pump only 10.1m bpd in Feb, according to Energy Minister Khalid Al-Falih. According to the latest OPEC quota production, Saudi Arabia has a cap of 10.3m bpd – so at 10.2m bpd, it is producing well below its allocated quota. We estimate the global supply deficit at a marginal -0.2m bpd – with the latest directions from Saudi, the deficit will be -0.4m bpd. The energy market has yet to respond to this change in fundamental picture and is still very highly focused on the macro scene at the moment.

Major Markets

- **US:** Wall Street ended lower on Monday, with the S&P500 slipping 0.78%. The DJIA fell 0.84%, while the Nasdaq composite declined 1.11%.
- Nvidia Corp shares skidded 13.8% after it announced that it expects 4Q revenue of \$2.2bn, down from its previous outlook of \$2.7 bn.
- Guess Inc. shares slumped 14.6% after it reported the departure of its Chief Executive Victor Herrero.
- **Singapore:** The STI slipped 0.09% to close at 3199.50 yesterday, suggesting the 3170-3230 range still holds in the interim. Note overnight cues from Wall Street and Kospi this morning are also weak. The 2- and 5-year UST bond auctions were well received and the US yield curve rallied with the belly outperforming. As such, the SGS bond market may also be supported as well today, but investors may await the \$2.9b new 5-year SGS bond being auctioned today, of which MAS taking \$200m.
- **Australia:** PM Scott Morrison has warned of a recession risk if the opposition wins office in elections expected in May.
- **European Union:** ECB president Draghi opined that “at this point in time, we don’t see such contingency as likely to materialize, certainly this year” even though “softer external demand and some country and sector-specific factors” have contributed to a slowdown in the Eurozone economy.
- **China:** China’s industrial profit fell by 1.9% yoy in December, the weakest growth since December 2015. The decline of industrial profit was mainly due to the decline of PPI, which led to slower profit growth for the upstream industries such as commodity and chemical etc. However, it is good for the downstream industries. For example, profitability for garment industry improved due to lower raw material costs. Given China’s PPI is expected to remain weak in the coming months, China’s industry profit is likely to remain weak into 2019.
- **Hong Kong:** Trade data surprised to the downside with exports and imports down by 5.8% yoy and 7% yoy respectively in December 2018. This is in tandem with the contraction of China’s trade activities. Due to the deeper decrease in imports, trade deficit widened from HK\$45 billion to HK\$51.2 billion. Zooming in, exports to Mainland China and the US dropped by 8.7% yoy and 0.7% yoy respectively while imports from Mainland China slid by 4.2% yoy as well. This points out that the front-loading activities with Mainland China and the US came to an end. Though the US and China agreed on a 90-day trade war ceasefire, the new tariff on both China and the US remained in effect and would continue to weigh down HK’s trade activities (exports and imports with Mainland China and the US took up 57% of HK’s total exports and imports). Worse still, exports to India, Japan and Vietnam tumbled by 35.9% yoy, 3.6% yoy and 15.7% yoy respectively. Imports from Mainland China, Taiwan, Japan and South Korea dropped 4.2% yoy, 29.6% yoy, 12.7% yoy and 25.4% yoy respectively. This suggests that domestic and external demand has been weakening due to the still tightening global liquidity and the lingering uncertainties. Moving ahead, we expect trade activities will continue to slow down and even see deeper contraction should trade war between the US and China become technology war.
- **Macau:** Unemployment rate held static at a nearly four-year low of 1.7% in 4Q 2018. The total employed population increased to the highest since late 2016 and printed at

388000 while the participation rate rebounded to 70.9%. Taken all together, it reflects a still resilient labor market. Nevertheless, the employment situation was mixed across major industries. On the back of infrastructure improvement, China's stimulus and a dovish Fed, Macau's buoyant tourism and gaming activities supported the employment of gaming industry (+0.4% mom), retail industry (2.1% mom) as well as hotels & restaurants industry (+0.54% mom). On the flip side, with most of the mega projects completed successively, the demand for construction workers decreased and resulted in a 1.1% mom drop in the employed population of construction industry. In the near term, we expect the eased external headwinds will continue to buoy hiring sentiments. However, the lingering uncertainties from US-China trade war and global monetary tightening could still weigh on Macau's medium-term outlook. Therefore, we expect unemployment rate will retrace higher to 1.8% or above in the medium term.

- **Malaysia:** Malaysiakini has claimed that a minister has informed them that "there is no clear-cut decision to terminate" the East Coast Rail Link (ECRL). The news portal also mentioned the minister had said, "The prime minister gave us a clear instruction to further study the ECRL contract. We have a target number, and we need to arbitrate this number." Malaysiakini also reported that the minister had mentioned there is a "need to arbitrate as the price is ridiculous".
- **Commodities:**
- **Gold:** Gold continues to hold above \$1,300/oz but is bound for big swings this week. The FOMC is highly likely to push gold higher if there are indeed some hints of the Fed planning to halt their asset-reduction programme, and could likely swing the other way if the Fed says otherwise. Then there is the Brexit vote and debate on PM Theresa May's Plan B tonight; Liu He's visit to Washington to recommence trade talks tomorrow; and the ongoing talks about the wall funding in the US government. We rank the key drivers (in descending importance) for gold this week as the FOMC meeting; Liu He's trade negotiations; and equal weight for both the Brexit and ongoing US wall talks.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading within 1bps higher across most tenors (with the exception of both the 1-year and 12-year swap rates trading 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 152bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 523bps. 10Y UST yields fell 1bps to close the trading session at 2.75%, on the back of strong demand for the USD162bn of new debt sold. The new supply of notes was issued to pay for US President Donald Trump's tax cuts and fiscal policies.
- **New Issues:** Baixin Auto Finance I Ltd has priced a USD300mn 363-day bond (parent guarantor: China Grand Automotive Services Co Ltd; subsidiary guarantor: China Grand Automotive Services (Hong Kong) Ltd) at 8.75%, tightening from IPT of 9.25% area. CMOC Capital Ltd has priced a USD300mn 3-year bond (guarantor: China Molybdenum Co Ltd) at 5.48%, tightening from IPT of high 5% area. Fantasia Holdings Group Co has priced a USD100mn re-tap of its existing FTHDGR 15%'21s (subsidiary guarantors: certain non-PRC subsidiaries) at par, in line with IPT. Fortune Star (BVI) Ltd has priced a USD500mn 2-year bond (parent guarantor: Fosun International Ltd) at 6.875%, tightening from IPT of 7.25% area. Hyundai Capital America (HYNMTR) has priced a USD1bn 2-tranche deal, with the USD650mn 3-year bond priced at CT3+140bps (IPT of CT+160bps area) and the USD350mn 5-year bond priced at

CT5+173bps (IPT of CT+185bps area). Jingrui Holdings Ltd has priced a USD150mn 1.5-year bond (subsidiary guarantors: certain non-PRC subsidiaries) at 13%, in line with the final guidance. Kookmin Bank has priced a USD450mn 10-year Tier 2 bond at CT10+187.5bps, tightening from IPT of CT+215bps area. RKPF Overseas 2019 (A) Ltd has priced a USD400mn 4NC2 bond (parent guarantor: Road King Infrastructure Ltd) at 7.875%, tightening from IPT of 8.5% area. Yuzhou Properties Co Ltd has priced a USD500mn 4NC3 bond (subsidiary guarantors: certain restricted subsidiaries outside of the PRC) at 8.5%, in line with the final guidance. Industrial & Commercial Bank of China Ltd of Hong Kong has priced USD100mn 1-year floating rate note at 3-month US LIBOR +65bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.746	-0.05%	USD-SGD	1.3528	-0.04%
USD-JPY	109.350	-0.18%	EUR-SGD	1.5460	0.10%
EUR-USD	1.1428	0.19%	JPY-SGD	1.2372	0.13%
AUD-USD	0.7166	-0.18%	GBP-SGD	1.7805	-0.35%
GBP-USD	1.3163	-0.25%	AUD-SGD	0.9694	-0.23%
USD-MYR	4.1120	-0.33%	NZD-SGD	0.9241	-0.18%
USD-CNY	6.7453	-0.04%	CHF-SGD	1.3637	0.12%
USD-IDR	14072	-0.15%	SGD-MYR	3.0365	0.06%
USD-VND	23195	-0.01%	SGD-CNY	4.9849	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3848	--
2M	-0.3360	--	1M	2.5000	--
3M	-0.3070	--	2M	2.6464	--
6M	-0.2370	--	3M	2.7516	--
9M	-0.1940	--	6M	2.8323	--
12M	-0.1140	--	12M	3.0315	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
01/30/2019	0.0%	0.0%	100.0%	0.0%	0.0%
03/20/2019	1.0%	0.0%	99.0%	1.0%	0.0%
05/01/2019	5.0%	0.0%	95.0%	5.0%	0.0%
06/19/2019	17.9%	0.0%	82.1%	17.2%	0.7%
07/31/2019	19.8%	0.0%	80.2%	18.7%	1.1%
09/18/2019	24.8%	0.0%	75.2%	22.6%	2.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.99	-3.17%	Coffee (per lb)	1.027	-3.89%
Brent (per barrel)	59.93	-2.77%	Cotton (per lb)	0.7385	-0.38%
Heating Oil (per gallon)	1.8377	-2.86%	Sugar (per lb)	0.1279	2.81%
Gasoline (per gallon)	1.3331	-4.05%	Orange Juice (per lb)	1.1835	-0.88%
Natural Gas (per MMBtu)	2.9110	-8.40%	Cocoa (per mt)	2,250	1.12%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1875	-0.24%
Nickel (per mt)	11,912.0	--	Soybean (per bushel)	9.233	-0.22%
Aluminium (per mt)	1,912.8	--	Corn (per bushel)	3.7975	-0.13%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,303.1	0.39%	Crude Palm Oil (MYR/MT)	2,222.0	1.46%
Silver (per oz)	15.765	0.42%	Rubber (JPY/KG)	196.5	-1.50%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,528.22	-208.98
S&P	2,643.85	-20.91
Nasdaq	7,085.69	-79.18
Nikkei 225	20,649.00	-124.56
STI	3,199.50	-2.75
KLCI	1,697.50	-3.53
JCI	6,458.71	-24.13
Baltic Dry	905.00	--
VIX	18.87	1.45

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.03 (+0.01)	2.59 (-0.02)
5Y	2.08 (+0.02)	2.58 (-0.02)
10Y	2.21 (--)	2.74 (-0.01)
15Y	2.49 (+0.01)	--
20Y	2.55 (+0.01)	--
30Y	2.67 (+0.01)	3.07 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.40	-0.05
TED	37.84	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
01/28/2019 07:50	JN	PPI Services YoY	Dec	1.20%	1.10%	1.20%	--
01/28/2019 09:30	CH	Industrial Profits YoY	Dec	--	-1.90%	-1.80%	--
01/28/2019 12:00	MU	Unemployment Rate	Dec	--	1.70%	1.70%	--
01/28/2019 16:30	HK	Exports YoY	Dec	-1.70%	-5.80%	-0.80%	--
01/28/2019 16:30	HK	Imports YoY	Dec	-2.10%	-7.00%	0.50%	--
01/28/2019 16:30	HK	Trade Balance HKD	Dec	-57.5b	-51.2b	-45.0b	--
01/28/2019 17:00	EC	M3 Money Supply YoY	Dec	3.80%	4.10%	3.70%	--
01/28/2019 21:30	US	Chicago Fed Nat Activity Index	Dec	--	0.27	0.22	0.21
01/28/2019 23:00	CA	Bloomberg Nanos Confidence	Jan-25	--	54.4	54.5	--
01/28/2019 23:30	US	Dallas Fed Manf. Activity	Jan	-2.7	1	-5.1	--
01/29/2019 05:45	NZ	Trade Balance NZD	Dec	150m	264m	-861m	-955m
01/29/2019 05:45	NZ	Exports NZD	Dec	5.50b	5.48b	4.94b	4.91b
01/29/2019 05:45	NZ	Imports NZD	Dec	5.30b	5.22b	5.80b	5.86b
01/29/2019 05:45	NZ	Trade Balance 12 Mth YTD NZD	Dec	-5812m	-5858m	-5423m	-5508m
01/29/2019 08:30	AU	NAB Business Conditions	Dec	--	--	11	--
01/29/2019 08:30	AU	NAB Business Confidence	Dec	--	--	3	--
01/29/2019 11:30	TH	Mfg Production Index ISIC NSA YoY	Dec	0.55%	--	0.98%	--
01/29/2019 15:45	FR	Consumer Confidence	Jan	88	--	87	--
01/29/2019 17:00	IT	PPI MoM	Dec	--	--	-0.80%	--
01/29/2019 17:00	IT	PPI YoY	Dec	--	--	5.70%	--
01/29/2019 22:00	US	S&P CoreLogic CS 20-City YoY NSA	Nov	4.89%	--	5.03%	--
01/29/2019 22:00	US	S&P CoreLogic CS 20-City MoM SA	Nov	0.40%	--	0.41%	--
01/29/2019 22:00	US	S&P CoreLogic CS 20-City NSA Index	Nov	--	--	213.89	--
01/29/2019 22:00	US	S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	5.48%	--
01/29/2019 22:00	US	S&P CoreLogic CS US HPI NSA Index	Nov	--	--	206.03	--
01/29/2019 23:00	US	Conf. Board Consumer Confidence	Jan	124	--	128.1	--
01/29/2019 02/05	US	New Home Sales	Nov	567k	--	544k	--
01/29/2019 02/05	US	New Home Sales MoM	Nov	4.20%	--	-8.90%	--
01/29/2019 02/05	US	Retail Sales Ex Auto MoM	Dec	0.10%	--	0.20%	--
01/29/2019 02/05	US	Retail Sales Control Group	Dec	0.30%	--	0.90%	--
01/29/2019 02/05	US	Retail Sales Ex Auto and Gas	Dec	0.40%	--	0.50%	--
01/29/2019 02/05	US	Housing Starts MoM	Dec	-0.50%	--	3.20%	--
01/29/2019 02/05	US	Building Permits MoM	Dec	-2.90%	--	5.00%	--
01/29/2019 02/05	US	Building Permits	Dec	1290k	--	1328k	--
01/29/2019 02/05	US	Housing Starts	Dec	1250k	--	1256k	--
01/29/2019 02/05	US	Retail Sales Advance MoM	Dec	0.10%	--	0.20%	--
01/29/2019 02/05	US	Monthly Budget Statement	Dec	-\$10.0b	--	-\$204.9b	--
01/29/2019 02/05	US	Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.60%	--
01/29/2019 02/02	US	Cap Goods Orders Nondef Ex Air	Dec P	0.00%	--	--	--
01/29/2019 02/05	US	Cap Goods Ship Nondef Ex Air	Nov F	--	--	-0.10%	--
01/29/2019 02/02	US	Cap Goods Ship Nondef Ex Air	Dec P	0.00%	--	--	--
01/29/2019 02/05	US	Durables Ex Transportation	Nov F	--	--	-0.30%	--
01/29/2019 02/02	US	Durables Ex Transportation	Dec P	0.20%	--	--	--
01/29/2019 02/05	US	Durable Goods Orders	Nov F	0.80%	--	0.80%	--
01/29/2019 02/02	US	Durable Goods Orders	Dec P	1.70%	--	--	--
01/29/2019 02/05	US	Construction Spending MoM	Nov	0.20%	--	-0.10%	--
01/29/2019 02/05	US	Trade Balance	Nov	-\$54.0b	--	-\$55.5b	--
01/29/2019 02/02	US	New Home Sales MoM	Dec	5.70%	--	--	--
01/29/2019 02/02	US	New Home Sales	Dec	575k	--	--	--
01/29/2019 02/05	US	Total Net TIC Flows	Nov	--	--	\$42.0b	--
01/29/2019 02/05	US	Net Long-term TIC Flows	Nov	--	--	\$31.3b	--
01/28/2019 01/29	VN	Industrial Production YoY	Jan	--	--	11.40%	--
01/28/2019 01/29	VN	Retail Sales YTD YoY	Jan	--	--	11.70%	--
01/28/2019 01/29	VN	Exports YTD YoY	Jan	5.50%	--	13.80%	--
01/28/2019 01/29	VN	CPI YoY	Jan	2.80%	--	2.98%	--
01/28/2019 01/29	VN	Imports YTD YoY	Jan	6.60%	--	11.50%	--
01/29/2019 02/05	US	Factory Orders	Nov	0.30%	--	-2.10%	--
01/29/2019 02/02	US	Wholesale Inventories MoM	Nov F	0.50%	--	--	--
01/29/2019 02/05	US	Business Inventories	Nov	0.30%	--	0.60%	--
01/28/2019 01/29	VN	Trade Balance	Jan	\$130m	--	-\$200m	--

Source: Bloomberg

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