

Highlights

Global	<p>The dollar index hit a month high of 94.22 ahead of tonight's FOMC decision on the back of solid US producer price data, which increased by more than expected 0.4% mom. In addition, geopolitical tension eased in East Asia after the US Secretary of State Rex Tillerson said US is ready to talk to North Korea anytime though it would first want a quiet period without nuclear or missile test. The US dollar was briefly dragged down by headlines that Republican Senator Rand Paul said he would vote against any budget busting spending bill but recovered after market realized he was talking spending bill rather than tax reform. Nevertheless, the probability of partial government shutdown still cannot be ruled out after the current spending bill expired on 22 Dec. For today, market will closely watch US CPI data first ahead of major central banks' monetary meeting on Thursday as well as the US Alabama senator vote result which Trump's populism ideology will be tested.</p>
US	<p>PPI rose by 3.1% yoy in November mainly supported by rising energy prices. Even after stripping off the food and energy component, the core PPI also improved further to 2.4% yoy. It seems that the impact of weaker dollar on imported inflation has started to emerge. Should November CPI, due tonight, surprise on the upside, it may affect market's 2018 inflation outlook.</p>
SG	<p>Retail sales unexpectedly fell 0.1% y/y in October (+1.5% m/msa), versus market expectations for a 1.0% gain. Sept's retail sales growth was also revised lower to -0.6% (down from previous -0.5%). Sales of telecommunication & computers (-23.4% y/y) dragged, followed by food & beverages (-3.9%) and motor vehicles (-3.8%).</p>
ID	<p>Foreign reserves slipped for the second consecutive month to \$125.97b in November, from \$126.55b in October. The decline was, in part, due to the deployment of reserves in stabilizing the IDR movements in line with economic fundamentals.</p>
MA	<p>Industrial production growth disappointed at 3.4% y/y (vs est +4.1%), led by a decelerating manufacturing sector which saw its on-year growth slowing for its third consecutive month.</p>
Macau	<p>Housing transactions rebounded by 33.8% mom to 890 deals in October. Pent-up demand post-typhoon translated into large interests in the new home projects launched since late September. As property developers set relatively high prices for their new projects, average housing prices rose by 17% mom (31.2% yoy) to MOP117,360/ sq. m. in October.</p>
CMD	<p>The pipeline outage in North Sea's Forties pipeline had little impact on key crude oil benchmarks – both Brent and WTI did see some short-term gains, but quickly reversed to fall to \$63.34/bbl (-2.1%) and \$57.14/bbl (-1.5%), respectively. The fall in oil prices were also seen despite the fall in US crude oil stocks by 7.4 million barrels according to API data. Note that the US EIA had lowered its oil demand growth by 40,000 barrels per day into 2018, while raising its WTI price outlook to \$52.77/bbl. Elsewhere, with the FOMC meeting slated to release its decision tonight, there appears to be an overwhelming expectation for its policy-makers to hike rates (implied probability has recently risen to 100%). The strengthening dollar seen over the last week to-date has invariably left gold prices starkly below its \$1,250/oz handle.</p>

Major Market

- **US:** Stronger than expected PPI and small business optimism data-prints supported equity markets on Tuesday. Financials and telecommunication stocks saw the largest gains, though this was offset in part by a decline in utilities. Meanwhile, the tech sector snapped a 5-day winning streak to end lower as a group. Overall, the S&P 500 rose 0.16%, while the Dow powered ahead by 0.49%. The Nasdaq Composite, however, slipped 0.19%. VIX is higher at 9.92, compared to 9.34 previously.
- Meanwhile, US Treasury yields were higher across the board, in part supported by the PPI data. Strong PPI data could be a precursor to firmer CPI data to be released later today. Yields were generally higher intraday, before paring towards the close. Overall, 2y and 10y benchmark yields stood at 1.827% and 2.401%.
- **Singapore:** The Straits Times Index continued its rally higher (+0.15%) to close at 3,465.5 on Tuesday, its highest since May '15. Active tickers yesterday include Keppel Corp Ltd (+2.38%) and City Developments Ltd (-2.07%).
- **Macau:** Housing transactions and approved new mortgage loans both slid for the third consecutive month and were down by 12.9% yoy and 2.2% yoy respectively. This indicates that secondary housing market remained suppressed by cooling measures and prospects for higher borrowing costs. In the near term, new home supply may grow as housing completions surged by 903% yoy to 3970 units during the first ten months of 2017. Given a stable labor market and resilient local economy, demand for new homes is expected to hold up well. As a result, even if higher interest rates and cooling measures continue to damp secondary housing demand, average housing price may still oscillate around its current level in the coming months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the 1-year to 4-year tenors trading little changed to 1bps higher, while the 5-year to 30-year tenors traded 1-2bps lower. In the broader dollar space, the spread on JACI IG Corp traded little changed at 181bps, while the yield on JACI HY Corp rose 2bps to 6.95%. 10Y UST yields rose 1bps to 2.40%, as stronger-than-expected PPI data pushed yields upwards, but retreated following a solid 30Y UST auction.
- **New Issues:** Yangzhou Urban Construction State-owned Assets Holding (Group) Co Ltd has priced a USD300mn 3-year bond at CT3+245bps, tightening from initial guidance of CT3+280bps area. The expected issue ratings are 'BBB/NR/BBB'. CIFI Holdings (Group) Co Ltd has priced a USD300mn Perp NC3 (Call date: Feb 2021) at 5.375%, in line with final guidance. Shangrao City Construction Investment Development Group Co Ltd has scheduled investor meetings for potential USD bond issuance from 13 Dec. The expected issue ratings are 'NR/NR/BB+'. Luso International Banking Ltd has scheduled investor meetings for potential USD 10NC5.5 bond issuance from 13 Dec.
- **Rating Changes:** Moody's has affirmed Commerzbank AG's (Commerzbank) 'A2' deposit and senior senior unsecured debt ratings, its 'Baa1' senior unsecured debt and issuer ratings, and its 'Ba1' subordinated debt ratings. The outlook on the bank's long-term deposit and senior senior unsecured debt ratings have been changed to positive from stable, while the rating on the bank's senior unsecured debt and issuer ratings were maintained at stable. The rating action reflects the improvement in

Commerzbank's solvency profile and its reduced level of reliance on market funding as a result of its continued downsizing. Moody's has affirmed Landesbank Baden-Wuerttemberg's (LBBW) 'A1' senior unsecured ratings. The outlook remains at negative. The rating action is a part of Moody's affirmation of 22 German banks, which follows the agreement to an amendment to the EU's Bank Recovery and Resolution Directive. The amendment requires member states to introduce a class of non-preferred senior debt, and this is expected to be credit negative for investors in senior unsecured bonds issued by German Banks. Moody's has affirmed Toshiba Corporation's (Toshiba) 'Caa1' corporate family rating and senior secured debt ratings, as well as its 'Ca1' subordinated debt ratings. The outlook has been revised to stable from negative. The rating action follows Toshiba's issuance of new shares, which enables it to pay off its obligations relating to its US nuclear projects and significantly improve its net worth position. Moody's has affirmed Novacare Solutions Partnership's 'A1' senior secured rating. The outlook is stable. The rating action reflects Novacare Solutions Partnership's Mater Hospital Project's stable and predictable cash flow and the continued stability in the project's operating performance. However, the rating on Novacare Solutions Partnership, and Novacare Services Pty Ltd (its partner in the Mater Hospital Contract) is constrained by its high financial leverage and the predetermined nature of its revenue. Moody's has upgraded Indika Energy Tbk's (PT) (Indika) corporate family rating and ratings on its senior secured notes to 'Ba3' from 'B2'. The outlook is stable. The rating action follows the completion of Indika's acquisition of an additional 45% stake in Kideco Jaya Agung (PT), which improves Indika's operating profile as it controls the steady cash flow of Kideco. However, there is a high degree of event risk as Kideco's coal contract of work expires in 2023, and negotiations can only commence in 2023. Fitch has also upgraded the Issuer Default Ratings on Indika and the ratings on its senior notes to 'B+' from 'B-', while removing the ratings from Rating Watch Positive. The outlook on the ratings are positive. Moody's has affirmed Aristocrat Leisure Ltd's (Aristocrat) 'Ba3' corporate family rating, while affirming the 'Ba1' rating on the senior secured term loan facilities and revolving credit facility of Aristocrat International Pty Limited. The outlook is stable. The rating action follows Aristocrat's announcement that it has entered into a binding agreement to acquire 100% of Big Fish Game Inc (Big Fish). The rating action reflects Moody's expectation that management will reduce inefficiencies to improve margin and post strong operating results, as well as the fact that Aristocrat's low levels of leverage will allow it to absorb the largely debt-funded acquisition of Big Fish while remaining within the tolerance levels for the 'Ba1' rating. Fitch has upgraded Anton Oilfield Services Group's (Anton) Issuer Default Rating (IDR) and senior unsecured rating to 'B-' from 'CCC'. At the same time, Fitch has assigned a 'B-' rating on Anton's 9.75% bonds that are maturing in 2020. The outlook is stable. The rating action follows the completion of Anton's new bond issuance which alleviates its refinancing burden. Fitch has assigned Shangrao City Construction Investment Development Group Co Ltd (SCID) Issuer Default Ratings of 'BB+'. The 'BB+' rating was also assigned to its senior unsecured bonds. The outlook is stable. The rating is credit-linked to the creditworthiness of its sponsor, Shangrao municipality, as there is a high likelihood that SCID would receive extraordinary government support if needed. Fitch has upgraded PLDT Inc's (PLDT) Issuer Default Ratings to 'BBB+' from 'BBB'. The outlook is stable. The rating action follows the upgrade of Philippines' Country Ceiling to 'BBB'. The rating action also reflects PLDT's leading position in the Philippines, its strategy change to focus on profitability rather than market share and manageable leverage, but is constrained by its high capex.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.101	0.25%	USD-SGD	1.3521	0.04%
USD-JPY	113.550	-0.01%	EUR-SGD	1.5877	-0.18%
EUR-USD	1.1742	-0.23%	JPY-SGD	1.1913	0.10%
AUD-USD	0.7558	0.43%	GBP-SGD	1.8007	-0.13%
GBP-USD	1.3318	-0.17%	AUD-SGD	1.0220	0.47%
USD-MYR	4.0785	0.05%	NZD-SGD	0.9378	0.40%
USD-CNY	6.6215	0.04%	CHF-SGD	1.3636	0.07%
USD-IDR	13574	0.16%	SGD-MYR	3.0173	-0.01%
USD-VND	22706	-0.09%	SGD-CNY	4.8933	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.1825	--
2M	-0.3370	--	1M	1.4595	--
3M	-0.3270	--	2M	1.5022	--
6M	-0.2710	--	3M	1.5635	--
9M	-0.2190	--	6M	1.7354	--
12M	-0.1910	--	12M	2.0136	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.25 - 1.5	1.5 - 1.75	1.75 - 2.0	2.0 - 2.25
12/13/2017	100.0%	99.3%	0.7%	0.0%	0.0%
01/31/2018	100.0%	98.5%	1.5%	0.0%	0.0%
03/21/2018	100.0%	30.0%	69.0%	1.0%	0.0%
05/02/2018	100.0%	27.9%	66.2%	5.8%	0.1%
06/13/2018	100.0%	13.8%	46.8%	36.4%	3.0%
08/01/2018	100.0%	12.8%	44.5%	37.1%	5.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	57.14	-1.47%	Copper (per mt)	6,664.6	0.38%
Brent (per barrel)	63.34	-2.09%	Nickel (per mt)	11,013.0	-1.52%
Heating Oil (per gallon)	1.9336	-0.87%	Aluminium (per mt)	1,996.8	-0.29%
Gasoline (per gallon)	1.6976	-1.68%			
Natural Gas (per MMBtu)	2.6780	-5.30%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,473.0	0.57%
			Rubber (JPY/KG)	204.0	0.49%
Precious Metals	Futures	% chg			
Gold (per oz)	1,241.7	-0.42%			
Silver (per oz)	15.668	-0.74%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,504.80	118.77
S&P	2,664.11	4.12
Nasdaq	6,862.32	-12.76
Nikkei 225	22,866.17	-72.56
STI	3,465.54	5.09
KLCI	1,729.57	10.10
JCI	6,032.37	5.74
Baltic Dry	1,727.00	--
VIX	9.92	0.58

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (+0.02)	1.83 (+0.01)
5Y	1.69 (+0.01)	2.17 (+0.02)
10Y	2.05 (-0.02)	2.40 (+0.01)
15Y	2.35 (-0.03)	--
20Y	2.36 (-0.03)	--
30Y	2.46 (-0.03)	2.78 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	16.06	0.61
EURIBOR-OIS	0.51	-0.11
TED	26.40	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
12/12/2017 07:50	JN PPI YoY	Nov 3.30%	3.50%	3.40%	--
12/12/2017 08:30	AU NAB Business Conditions	Nov --	12	21	--
12/12/2017 08:30	AU NAB Business Confidence	Nov --	6	8	9
12/12/2017 09:00	PH Exports YoY	Oct 6.90%	6.60%	4.30%	--
12/12/2017 09:00	PH Trade Balance	Oct -\$2200m	-\$2845m	-\$1915m	--
12/12/2017 12:00	MA Industrial Production YoY	Oct 4.10%	3.40%	4.70%	--
12/12/2017 12:30	JN Tertiary Industry Index MoM	Oct 0.20%	0.30%	-0.20%	--
12/12/2017 13:00	SI Retail Sales SA MoM	Oct 2.00%	1.50%	-4.20%	--
12/12/2017 13:00	SI Retail Sales YoY	Oct 1.00%	-0.10%	-0.50%	-0.60%
12/12/2017 17:30	UK CPI YoY	Nov 3.00%	3.10%	3.00%	--
12/12/2017 17:30	UK CPI Core YoY	Nov 2.70%	2.70%	2.70%	--
12/12/2017 17:30	UK Retail Price Index	Nov 276.1	275.8	275.3	--
12/12/2017 17:30	UK RPI YoY	Nov 4.00%	3.90%	4.00%	--
12/12/2017 17:30	UK PPI Output NSA MoM	Nov 0.30%	0.30%	0.20%	--
12/12/2017 17:30	UK PPI Output NSA YoY	Nov 3.00%	3.00%	2.80%	--
12/12/2017 18:00	GE ZEW Survey Current Situation	Dec 88.7	89.3	88.8	--
12/12/2017 18:00	EC ZEW Survey Expectations	Dec --	29	30.9	--
12/12/2017 18:00	GE ZEW Survey Expectations	Dec 18	17.4	18.7	--
12/12/2017 19:00	US NFIB Small Business Optimism	Nov 104	107.5	103.8	--
12/12/2017 20:00	IN CPI YoY	Nov 4.29%	4.88%	3.58%	--
12/12/2017 20:00	IN Industrial Production YoY	Oct 2.90%	2.20%	3.80%	4.10%
12/12/2017 21:30	US PPI Final Demand MoM	Nov 0.30%	0.40%	0.40%	--
12/12/2017 21:30	US PPI Ex Food and Energy MoM	Nov 0.20%	0.30%	0.40%	--
12/12/2017 21:30	US PPI Final Demand YoY	Nov 2.90%	3.10%	2.80%	--
12/12/2017 21:30	US PPI Ex Food and Energy YoY	Nov 2.40%	2.40%	2.40%	--
12/13/2017 03:00	US Monthly Budget Statement	Nov -\$134.5b	-\$138.5b	-\$136.7b	--
12/13/2017 04:00	NZ REINZ House Sales YoY	Nov --	-8.90%	-15.80%	--
12/13/2017 05:45	NZ Food Prices MoM	Nov --	-0.40%	-1.10%	--
12/13/2017 07:00	SK Unemployment rate SA	Nov 3.60%	3.70%	3.60%	--
12/13/2017 07:30	AU Westpac Consumer Conf SA MoM	Dec --	3.60%	-1.70%	--
12/13/2017 07:50	JN Core Machine Orders MoM	Oct 2.90%	--	-8.10%	--
12/13/2017 07:50	JN Core Machine Orders YoY	Oct -3.40%	--	-3.50%	--
12/13/2017 08:00	AU HIA New Home Sales MoM	Nov --	--	--	--
12/13/2017 15:00	GE CPI YoY	Nov F 1.80%	--	1.80%	--
12/13/2017 15:00	GE CPI EU Harmonized MoM	Nov F 0.30%	--	0.30%	--
12/13/2017 15:00	GE CPI EU Harmonized YoY	Nov F 1.80%	--	1.80%	--
12/13/2017 17:00	IT Industrial Production WDA YoY	Oct 3.40%	--	2.40%	--
12/13/2017 17:00	IT Industrial Production MoM	Oct 0.70%	--	-1.30%	--
12/13/2017 17:30	UK Claimant Count Rate	Nov --	--	2.30%	--
12/13/2017 17:30	UK Jobless Claims Change	Nov --	--	1.1k	--
12/13/2017 17:30	UK ILO Unemployment Rate 3Mths	Oct 4.20%	--	4.30%	--
12/13/2017 18:00	EC Industrial Production SA MoM	Oct 0.00%	--	-0.60%	--
12/13/2017 18:00	EC Industrial Production WDA YoY	Oct 3.20%	--	3.30%	--
12/13/2017 20:00	US MBA Mortgage Applications	Dec-08 --	--	4.70%	--
12/13/2017 21:30	US CPI YoY	Nov 2.20%	--	2.00%	--
12/13/2017 21:30	US CPI Ex Food and Energy YoY	Nov 1.80%	--	1.80%	--

Source: Bloomberg

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