

Highlights

Global	<p>After a stellar risk-on January performance, is it payback time? The Dow Jones Industrial Average saw its biggest weekly rout in nearly two years, while the 10- and 30-year UST bond yields also surged above 2.85% (highest since Jan 14, before closing at 2.83%) and 3.09% (highest since Mar) respectively and the USD snapped a seven-week losing streak on Friday as VIX spiked to 17.31 (highest since Nov16), following a healthy US labour market report. US' nonfarm payrolls rose 200k with the unemployment rate steady at 4.1% for the fourth straight month, but the upside surprise came from average hourly earnings which jumped 2.9% yoy (0.3% mom, which was above market consensus forecast of 2.6% yoy and 0.2% mom) in its largest increase since 2009, and stocked inflation fears while cementing market anticipation of a Mar FOMC rate hike. Fedspeak was also hawkish, with Kaplan opining that the base case is 3 hikes this year, but could be more, and Williams also saying that the data would decide whether that means 3 or 4 hikes this year. Expect a risk-off tone to dominate Asian bourses this morning, as investors take stock of Friday's carnage in US' financial markets post-NFP. Today's economic calendar also includes Indonesia's 4Q17 GDP growth, Eurozone's retail sales, and services/composite PMIs for Asia (including China's Caixin) and Europe/UK. ECB's Draghi is also presenting the annual report to the European Parliament. For the week ahead, key events are RBA (likely static at 1.5% tomorrow, but watch governor Lowe's speech on Thur and RBA monetary policy statement on Fri), RBI (likely static as well on 7 Feb), RBNZ (likely static at 0.75% on 8 Feb but may turn up the rhetoric on NZD strength), BSP (possibly a pre-emptive hike to 3.25% as governor previously hinted it is "very important" to meet its inflation target "comfortably"), and BOE (also on hold on 8 Feb but watch governor Carney's letter to Chancellor explaining why inflation is above its target, and the quarterly inflation forecasts, amid market speculation of a May rate hike).</p>
US	<p>Factory orders rose 1.7% mom in Dec, and University of Michigan sentiments index was up to 95.7 in Jan, on more upbeat expectations. Meanwhile, the ongoing spat between the White House and FBI continues to hog headlines, ahead of the 8 Feb deadline (where another stopgap spending bill is likely).</p>
SG	<p>The manufacturing PMI improved 0.3 points to 53.1 in Jan18 (highest since Dec00), but the electronics PMI eased for the second straight month by 0.3 points to 52.9 (lowest since Jul17) which suggested the latter had peaked in Nov17 (53.5). Looking forward, manufacturing is likely to ease from 10.4% yoy growth in 2017 to a more modest 5% yoy for 2018.</p>
CMD	<p>Commodity prices tumbled over the weekend on the back of risk aversion, after Yellen comments over elevated equity and property valuations. Especially for growth-related commodities such as energy and base metals, prices fell across the board, while some dollar strength contributed to lower precious metal prices. Notably for crude oil, market-watchers are likely spooked over sustained rise in US oil rig counts, now that the total number of oil rigs drilling for crude rose to the most since August 2017. Money managers appear to be less bullish on Brent as well, with long contracts falling into the week ending 30th Jan 2018, suggesting that some profit-taking after Brent's perceived resistance at \$70/bbl is still on the cards.</p>

Major Market

- **US:** Spooked by the sell-off in the bond markets, equities saw the largest decline for some time on Friday, closing the worst week for equities in two years. Non-farm payrolls came in stronger-than-expected, stoking fears of inflation and more than expected number rate hikes from the Fed this year. Major energy stocks, Exxon and Chevron, led losses as earnings were short of estimates, following up from weak results for Apple and Alphabet. Overall, the S&P 500 slumped 2.12%, while the Dow and Nasdaq Composite were down 2.54% and 1.96% respectively. Note that S&P 500 and Dow futures were also lower this morning, perhaps signaling a weak opening for US equities later in the global day. VIX higher to 17.31, compared to 13.47 previously.
- US Treasury curve steepened on Friday, as the long end continued to be sold off. The 10y yield rose almost 6 bps to 2.841% as strong payrolls and hourly wages data resulted in some re-aligning of inflation expectations. The 2y yield slipped 2 bps to 2.141%.
- **Singapore:** The STI fell 0.49% to close at 3529.82 on Friday, and may see larger declines today amid very weak cues from Friday's Wall Street sell-off and morning slippage of 1-2% by Nikkei and Kospi. STI support and resistance are at 3500 and 3530 respectively. With the ongoing bear-steepening bias in the UST bond market, SGS bonds may extend losses today as well. The 10-year SGS bond yield looks set to test above the 2.3% handle (highest since mid-Mar 17).
- **Japan:** BOJ offered to buy unlimited 10-year JGBs on Friday to cap yields at 0.11%.
- **China:** China has not showed signs of discomfort about the recent RMB appreciation, which may disappoint the exporters who are waiting for the USDCNY to bounce to sell their proceeds. The RMB index broke 96 last Thursday with little resistance though the USDCNY fixing was set at higher than expected 6.3045 on Thursday, which sparked speculation about the revival of counter cyclical factor. However, the Friday's fixing has confirmed that China has not restarted the CCF to slow down the pace of appreciation. The selloff of Korean Won and Japanese Yen last Friday may create more pressures for RMB index to rise at a faster than expected pace. With the RMB index firmly above 96 level, we think this week will be important to monitor the possible reaction from the PBoC.
- **Malaysia:** BNM Governor Muhammad Ibrahim has said that monetary policy is still accommodative and that BNM is not on a tightening trend.
- **Thailand:** The National Legislative Assembly (NLA) hints further delay in Thailand's election, to beyond February next year. The NLA cited the potential scrapping of bills pertaining to the election of MPS and selection of senators as the key reason for the potential delay in election date. Elsewhere, the Bank of Thailand eased fund outflows regulation, increasing the outflow cap to THB800,000/day (up from THB200,000/day) for agents to send money overseas. Moreover, individuals with assets between THB50 - 100 million can directly invest up to US\$1.0 million/year in overseas securities.
- **Macau:** China is reported to consider allowing legal gambling on Hainan Island. We do not expect this to have much impact on Macau in the longer term. First, take the gaming centers of South Korea and South East Asian countries as a reference, they so far have barely any impact on Macau's gaming sector. This is probably due to the geographical advantage of Macau which is the only legal place for gambling in China. Also, Macau is closer to the richest part (like Shenzhen, Guangzhou, etc.) of China's richest province

(Guangdong) than Hainan. Second, the high concentration of casinos and ancillary facilities in Macau, owing to the city's small size, makes this gambling hub not easy to replace. Third, as Macau is aiming to add non-gaming elements to the city, any external shock to the gaming sector may have less and less impact on the economy in a longer term.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with swap rates trading 2-5bps higher across most tenors. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 107bps and 327bps respectively. 10Y UST yields rose 5.1bps to 2.84%, with fears of interest-rate hikes engulfing the market as the global economy is gaining momentum, stoking fears of inflation that could erode the future value of bond coupons.
- **New Issues:** GLL IHT Pte Ltd has priced a SGD50mn re-tap of its GUOLSP 4.6%-PERPs (guaranteed by GuocoLand Ltd) at 100% plus accrued interest. Greenland Global Investment Ltd has priced a USD400mn 3-year bond (guaranteed by Greenland Holdings Group Co Ltd) at 5.25%, tightening from its initial guidance of 5.9%. The expected issue ratings are 'NR/Ba2/NR'. HC International Inc has scheduled for investor meetings from 5-6 Feb for its potential USD bond issuance. Full Dragon (Hong Kong) International Development Ltd has scheduled for investor meetings from 5 Feb for its potential USD bond issuance (guaranteed by Fujian Zhanglong Group Co Ltd). The expected issue ratings are 'NR/NR/BB+'. Guorui Properties Ltd has scheduled for investor meetings from 2 Feb for its potential USD bond issuance. The expected issue ratings are 'B-/NR/B'.
- **Rating Changes:** Moody's has downgraded Thai Beverage Public Co Ltd's (ThaiBev) issuer rating to 'Baa3' from 'Baa2'. The outlook is negative. The rating action reflects significant increase in debt to fund a 53.59% stake in Sabeco which Moody's expect will drive ThaiBev's consolidated adjusted debt/EBITDA close to 4.8x at year-end September 2018, which is a significant shift in the company's financial risk appetite from Moody's previous expectations of leverage remaining below 2x. The rating action also reflects ThaiBev's ability to access cash flows of its subsidiaries, its increased reliance on dividend flows and its increasingly complex organisation structured as it expands into new market across ASEAN. Moody's has assigned a 'B2' corporate family rating to HC International Inc (HC) and a 'B2' senior unsecured rating to the bonds issued by HC Innovest Holdings Ltd, a subsidiary of HC. The outlook is stable. The rating action reflects Moody's expectation that HC will complete the bond issuance upon satisfactory terms and conditions, including proper registration with National Development and Reform Commission in China. It also reflects HC's fast-growing operations and established position in China's business-to-business eCommerce market. Moody's has affirmed all of Parkson Retail Group Ltd's (Parkson) ratings and revised the outlook on the 'B3' corporate family and senior unsecured ratings to stable from negative. The rating action reflects Parkson's reduced refinancing risk, following the repurchase of about half of its USD500mn notes due on May 2018, through a cash tender offer. The rating changes also reflect Parkson's stabilising operating performance in 2018, despite the persistent structural challenges in China's retail market. S&P has lowered PT MNC Investama Tbk's (MNC Investama) corporate credit rating and long-term issue ratings to 'CCC-' from 'CCC', placing it on Credit Watch with negative implications. The rating action reflects the growing likelihood that MNC Investama could take a corporate action

that S&P construes as a distressed exchange over the next few months, due to the lack of progress on refinancing the company's USD365mn notes maturing in May 2018. Fitch has downgraded Global Logistic Properties Ltd's (GLP) long-term foreign-currency issuer default rating, senior unsecured rating as well as its ratings on GLP's outstanding bonds to 'BBB' from 'BBB+', removing it from Rating Watch negative. The outlook is stable. The rating action reflects Fitch's expectation that the holding company's leverage will increase sharply to over 70% after the company drew down additional loans in Jan 2018. Fitch believes that the leverage will gradually decline but it may take more than 24 months for GLP to deleverage below 50%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.195	0.59%	USD-SGD	1.3198	0.89%
USD-JPY	110.170	0.70%	EUR-SGD	1.6441	0.46%
EUR-USD	1.2463	-0.38%	JPY-SGD	1.1981	0.20%
AUD-USD	0.7931	-1.34%	GBP-SGD	1.8629	-0.17%
GBP-USD	1.4118	-1.02%	AUD-SGD	1.0458	-0.56%
USD-MYR	3.8855	-0.33%	NZD-SGD	0.9635	-0.43%
USD-CNY	6.3008	0.07%	CHF-SGD	1.4171	0.36%
USD-IDR	13452	0.21%	SGD-MYR	2.9632	-0.22%
USD-VND	22716	0.03%	SGD-CNY	4.7773	-0.47%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	-0.0020	O/N	1.4438	--
2M	-0.3410	--	1M	1.5796	0.0001
3M	-0.3290	-0.0010	2M	1.6690	0.0017
6M	-0.2780	--	3M	1.7890	0.0020
9M	-0.2220	--	6M	1.9921	0.0091
12M	-0.1910	--	12M	2.2905	-0.0023

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	92.8%	92.8%	0.0%	0.0%	0.0%
05/02/2018	93.2%	88.6%	4.6%	0.0%	0.0%
06/13/2018	97.6%	35.9%	58.7%	3.0%	0.0%
08/01/2018	98.0%	30.1%	54.8%	12.6%	0.5%
09/26/2018	98.8%	18.7%	44.7%	29.8%	5.4%
11/08/2018	99.1%	15.1%	39.4%	32.8%	10.4%

Equity and Commodity

Index	Value	Net change
DJIA	25,520.96	-665.75
S&P	2,762.13	-59.85
Nasdaq	7,240.95	-144.92
Nikkei 225	23,274.53	-211.58
STI	3,529.82	-17.41
KLCI	1,870.48	1.90
JCI	6,628.82	30.36
Baltic Dry	1,095.00	-19.00
VIX	17.31	3.84

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.58 (+0.02)	2.14 (-0.02)
5Y	1.94 (+0.01)	2.59 (+0.02)
10Y	2.30 (+0.03)	2.84 (+0.05)
15Y	2.58 (+0.03)	--
20Y	2.62 (+0.04)	--
30Y	2.72 (+0.03)	3.09 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.10	--
EURIBOR-OIS	2.85	1.65
TED	31.62	0.73

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.45	-0.53%	Copper (per mt)	7,027.2	-0.67%
Brent (per barrel)	68.58	-1.54%	Nickel (per mt)	13,402.0	-4.05%
Heating Oil (per gallon)	2.0535	-1.77%	Aluminium (per mt)	2,212.5	-0.70%
Gasoline (per gallon)	1.8720	-1.26%			
Natural Gas (per MMBtu)	2.8460	-0.35%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,467.0	-1.00%
			Rubber (JPY/KG)	196.9	1.76%
Precious Metals	Futures	% chg			
Gold (per oz)	1,337.3	-0.79%			
Silver (per oz)	16.709	-2.60%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 30 Jan 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	-42,152	-140,125	97,973	Sugar	-114,032	-93,755	-20,277
Soybean	-12,845	-74,772	61,927	Cotton	109,899	129,851	-19,952
Wheat	-65,114	-115,161	50,047	Lean Hogs	61,188	66,503	-5,315
Nymex Crude	784,290	771,329	12,961	Heating Oil	57,353	62,108	-4,755
Natural Gas	-18,772	-31,373	12,601	RBOB Gasoline	89,607	93,894	-4,287
Cocoa	10,342	3,198	7,144	Gold	225,787	229,807	-4,020
Coffee	-42,539	-47,360	4,821	Palladium	23,901	25,748	-1,847
Live Cattle	110,636	106,603	4,033	Platinum	45,438	45,093	345
Silver	31,877	28,310	3,567	Copper	52,909	52,233	676

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/02/2018 05:45	NZ Building Permits MoM	Dec	--	-9.60%	10.80%	9.60%
02/02/2018 07:50	JN Monetary Base YoY	Jan	--	9.70%	11.20%	--
02/02/2018 08:30	AU PPI QoQ	4Q	--	0.60%	0.20%	--
02/02/2018 15:30	TH Foreign Reserves	Jan-26	--	\$213.8b	\$209.3b	--
02/02/2018 17:30	UK Markit/CIPS UK Construction PMI	Jan	52	50.2	52.2	--
02/02/2018 18:00	EC PPI MoM	Dec	0.20%	0.20%	0.60%	--
02/02/2018 18:00	IT CPI EU Harmonized YoY	Jan P	0.80%	1.10%	1.00%	--
02/02/2018 21:00	SI Purchasing Managers Index	Jan	52.6	53.1	52.8	--
02/02/2018 21:30	US Change in Nonfarm Payrolls	Jan	180k	200k	148k	160k
02/02/2018 21:30	US Change in Manufact. Payrolls	Jan	20k	15k	25k	21k
02/02/2018 21:30	US Unemployment Rate	Jan	4.10%	4.10%	4.10%	--
02/02/2018 23:00	US U. of Mich. Sentiment	Jan F	95	95.7	94.4	--
02/02/2018 23:00	US Factory Orders	Dec	1.50%	1.70%	1.30%	1.70%
02/02/2018 23:00	US Durable Goods Orders	Dec F	--	2.80%	2.90%	--
02/02/2018 23:00	US Durables Ex Transportation	Dec F	--	0.70%	0.60%	--
02/02/2018 23:00	US Cap Goods Orders Nondef Ex Air	Dec F	--	-0.60%	-0.30%	--
02/02/2018 23:00	US Cap Goods Ship Nondef Ex Air	Dec F	--	0.40%	0.60%	--
02/05/2018 05:00	SK Foreign Reserves	Jan	--	\$395.75b	\$389.27b	--
02/05/2018 07:00	SK BoP Current Account Balance	Dec	--	\$4092.3m	\$7427.6m	--
02/05/2018 08:00	NZ ANZ Commodity Price	Jan	--	--	-2.20%	--
02/05/2018 08:30	JN Nikkei Japan PMI Services	Jan	--	--	51.1	--
02/05/2018 08:30	JN Nikkei Japan PMI Composite	Jan	--	--	52.2	--
02/05/2018 08:30	HK Nikkei Hong Kong PMI	Jan	--	--	51.5	--
02/05/2018 08:30	AU ANZ Job Advertisements MoM	Jan	--	--	-2.30%	--
02/05/2018 09:45	CH Caixin China PMI Composite	Jan	--	--	53	--
02/05/2018 09:45	CH Caixin China PMI Services	Jan	53.5	--	53.9	--
02/05/2018 13:00	IN Nikkei India PMI Services	Jan	--	--	50.9	--
02/05/2018 13:00	IN Nikkei India PMI Composite	Jan	--	--	53	--
02/05/2018 16:20	TA Foreign Reserves	Jan	--	--	\$451.50b	--
02/05/2018 16:45	IT Markit/ADACI Italy Services PMI	Jan	55.9	--	55.4	--
02/05/2018 16:45	IT Markit/ADACI Italy Composite PMI	Jan	57.4	--	56.5	--
02/05/2018 16:50	FR Markit France Services PMI	Jan F	59.3	--	59.3	--
02/05/2018 16:50	FR Markit France Composite PMI	Jan F	59.7	--	59.7	--
02/05/2018 16:55	GE Markit Germany Services PMI	Jan F	57	--	57	--
02/05/2018 16:55	GE Markit/BME Germany Composite PMI	Jan F	58.8	--	58.8	--
02/05/2018 17:00	EC Markit Eurozone Services PMI	Jan F	57.6	--	57.6	--
02/05/2018 17:00	EC Markit Eurozone Composite PMI	Jan F	58.6	--	58.6	--
02/05/2018 17:30	UK Markit/CIPS UK Services PMI	Jan	54.1	--	54.2	--
02/05/2018 17:30	UK Markit/CIPS UK Composite PMI	Jan	54.6	--	54.9	--
02/05/2018 18:00	EC Retail Sales MoM	Dec	-1.00%	--	1.50%	--
02/05/2018 22:45	US Markit US Services PMI	Jan F	53.3	--	53.3	--
02/05/2018 22:45	US Markit US Composite PMI	Jan F	--	--	53.8	--
02/05/2018 23:00	US ISM Non-Manf. Composite	Jan	56.7	--	55.9	56
02/05/2018	ID GDP YoY	4Q	5.10%	--	5.06%	--

Source: Bloomberg

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