

Highlights

Global	<p>Another risk-off session is likely across Asia today as the extended slump in Wall Street overnight sent investors feeling to quality and lifting safe-haven assets like US Treasury bonds even ahead of its US\$26b 3-year, US\$24b 10-year and US\$16b 30-year debt sales. The Dow fell nearly 1,600 points intra-day in a record point decline and as major equity indices surrendered year-to-date gains. This surely was not the market welcome that new Fed chair Powell was hoping when he took office yesterday. Elsewhere, ECB's Draghi warned that the EUR surge has created "new headwinds", but "our forward guidance continues to provide a stable framework" and "monetary policy will evolve in a fully data-dependent and time-consistent manner".</p> <p>Apart from the likely continued blood-letting in risk markets, today's focus will be RBA's policy decision (likely static at 1.5%, but watch governor Lowe's speech on Thur and RBA monetary policy statement on Fri). The economic calendar may take a backseat, but includes US' trade balance and JOLTS job openings, German factory orders, Taiwan and Philippines inflation, and Malaysia's foreign reserves data. Fed's Bullard is also speaking.</p>
US	<p>Equities erased all 2018 gains in essentially two sessions. The Dow led declines, plunging 4.61%. The S&P 500 and Nasdaq Composite followed up with declines of 4.10% and 3.78% respectively. A series of strong data prints are starting to force a re-assessment of inflation expectations, and also Fed rate hike expectations going forward. The worry appears to be for accelerated rate hikes to impact corporate earnings through higher borrowing costs. The key, then, is to watch for whether dip-buying, which have kept corrections shallow over the past year, start to kick in and at what level. VIX more than doubled to 37.32, compared to 17.31 previously.</p> <p>Meanwhile, the resultant risk-off sentiments caused investors to flee equities into Treasuries. Benchmark yields were lower by 8-15 bps across the board. The 2y yield fell 12 bps to 2.024%, while the 10y yield declined 14 bps to 2.706%.</p>
SG	<p>The STI fell 1.33% to close at 3482.93 yesterday, and may see further slippage today amid very negative cues from overnight Wall Street sell-off and morning slumps of more than 2% in Kospi. STI support and resistance are at 3450 and 3500 respectively. With the flight to quality, UST bond yields fell by up to 15bps in the belly of the curve, and we expect SGS bonds also rally today amid the de-risking behaviour.</p>
TH	<p>More uptick in consumer confidence in Thailand was seen in January. In fact, consumer confidence rose to its highest since 2015, led by improvements over economic conditions, employment opportunities and future income.</p>
CMD	<p>The faltering of risk appetite continue to plague growth-related commodities, especially crude oil. The sticky liquid observably took a hit from global market jitters, sending WTI to a 2-week low. In fact, both WTI and Brent ended last week lower, amid a stronger greenback, as market-watchers cheered on the better-than-expected wage growth and nonfarm payrolls.</p>

Major Market

- **Indonesia:** Fourth quarter GDP grew at 5.2%, yoy, beating most analysts' expectations. Growth this quarter was driven by investment and exports. Private consumption growth though remains sluggish at below 5.0%. The lack of pick-up in private consumption growth throughout 2017 has perplexed most economists and it has given rise to the unsolved mystery of a "consumption puzzle" in Indonesia. For the entire 2017, GDP growth was at 5.1%, yoy, which is very much a disappointment. Despite a pick-up in growth through the Asia Pacific, Indonesia did not experience any significant acceleration in its growth rates. Moving forward, it will continue to be challenging to uplift Indonesia's growth rates to President Jokowi's target of 7.0%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with minimal movement in swap rates across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2 bps to 109bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 15bps to 342bps. 10Y UST yields fell 13.55bps to 2.70%, underpinned by the continuous slide in the equities market which drove safe haven sentiment as well as stronger than expected ISM non-manufacturing data announced yesterday.
- **New Issues:** Red Cloud Capital Ltd has scheduled for investor meetings from 5-6 Feb for its potential USD bond issuance (guaranteed by Jiangyin Chengxing Industrial Group Co Ltd). The expected issue ratings are 'NR/NR/B'. China Eastern Airlines Corp Ltd has scheduled for investor meetings from 5-7 Feb for its potential yen bond issuance.
- **Rating Changes:** Moody's has assigned a first-time 'A3' issuer rating to Shandong Hi-speed Group Co Ltd (SDHG). The outlook is stable. The rating action reflects Moody's expectations of a very high likelihood that the company will receive extraordinary support from the Shandong Provincial Government in times of need. It also reflects SDHG'S status as the Shandong Provincial Government's core transportation infrastructure platform, supported by its role as the provincial government's sole platform for railway investment. Moody's has affirmed the 'Baa1' issuer rating of QBE insurance Group Ltd (QBE) and 'A1' insurance financial strength ratings of QBE's main operating subsidiaries. The outlook has been revised to negative from stable. The rating action reflects QBE's weaker earnings performance in the face of higher than expected natural catastrophe losses, combined with goodwill write-downs following downward revisions in the profitability assumption for QBE's North America businesses. The rating affirmation reflect the group's broad product diversification, strong capitalisation, moderate levels of financial leverage and strong profitability of its European, Australian and New Zealand operations. Moody's has affirmed the 'B1' corporate family rating of Lippo Karawaci Tbk PT and 'B1' senior unsecured rating of the bonds issued by Theta Capital Pte Ltd, a wholly-owned subsidiary of Lippo Karawaci. The outlook has been revised to negative from stable. The rating action reflects Lippo Karawaci's increased execution and financing risk underpinned by its shift in strategy to concurrently sell and construct Meikarata instead of pre-selling the project prior to construction. This might lead to a mismatch in cash flows and funding requirements for construction. The risk is further exacerbated by Moody's expectation that Lippo Karawaci's gross margins will decline to 35% from 52% for the 12 months ended 30 September 2017. Moody's has affirmed Beijing Energy Investment Holding Co Ltd's (BEH) 'A3' issuer rating and the

'Baa1' senior unsecured rating on BEH's EUR bond. It has revised the outlook to stable from negative. The rating action reflects BEH's stabilising credit profile, driven by a steadying business profile and manageable credit metrics within Moody's expectation of its current rating level. It also reflects BEH's dominant role in the local power and district heating sectors that are commercially viable but are linked to public policy goals, the 100% ownership by the Beijing municipal government and the track record of support from the Beijing municipal government. S&P has assigned a 'BBB' long-term corporate credit rating to Renesas Electronics Corp. The outlook is stable. The rating action reflects Renesas Electronics's strong position in the automotive and industrial semiconductors market. S&P has affirmed Mitsui & Co Ltd's (Mitsui) 'A' rating. The outlook has been revised to stable from negative. The rating action reflects the decrease in likelihood that Mitsui's profitability and capital adequacy will deteriorate given its efforts to curb fresh investments and implement measures to restore financial soundness. Fitch has assigned HongKong Xiangyu Investment Co Ltd's (Xiangyu Group) USD500mn notes a final rating of 'BBB'. The outlook is stable. The rating action reflects Xiangyu Group's ratings being credit linked to, but not equalised with, China's Xiamen municipality. The linkage is reflected in Xiangyu's 100% state ownership, strong municipal control and oversight, and solid support record coupled with a likely socio-political and financial impact for the government if Xiangyu Group defaults.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.554	0.40%	USD-SGD	1.3217	0.14%
USD-JPY	109.090	-0.98%	EUR-SGD	1.6345	-0.58%
EUR-USD	1.2367	-0.77%	JPY-SGD	1.2117	1.14%
AUD-USD	0.7878	-0.67%	GBP-SGD	1.8450	-0.96%
GBP-USD	1.3959	-1.13%	AUD-SGD	1.0413	-0.43%
USD-MYR	3.9000	0.37%	NZD-SGD	0.9602	-0.34%
USD-CNY	6.2926	-0.13%	CHF-SGD	1.4187	0.11%
USD-IDR	13520	0.51%	SGD-MYR	2.9606	-0.09%
USD-VND	22705	-0.05%	SGD-CNY	4.7750	-0.05%

Interbank Offer Rates (%)

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

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	83.5%	83.5%	0.0%	0.0%	0.0%
05/02/2018	84.2%	80.9%	3.2%	0.0%	0.0%
06/13/2018	93.6%	42.0%	49.7%	1.9%	0.0%
08/01/2018	94.6%	36.6%	48.5%	9.2%	0.3%
09/26/2018	96.5%	25.3%	44.2%	23.4%	3.5%
11/08/2018	97.1%	21.7%	41.1%	26.8%	6.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.15	-1.99%	Copper (per mt)	7,101.1	1.05%
Brent (per barrel)	67.62	-1.40%	Nickel (per mt)	13,708.0	2.28%
Heating Oil (per gallon)	2.0196	-1.65%	Aluminium (per mt)	2,212.8	0.01%
Gasoline (per gallon)	1.8466	-1.36%			
Natural Gas (per MMBtu)	2.7470	-3.48%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,489.0	0.89%
			Rubber (JPY/KG)	196.7	-0.10%
Precious Metals	Futures	% chg			
Gold (per oz)	1,336.5	-0.06%			
Silver (per oz)	16.671	-0.23%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,345.75	-1175.21
S&P	2,648.94	-113.19
Nasdaq	6,967.53	-273.42
Nikkei 225	22,682.08	-592.45
STI	3,482.93	-46.89
KLCI	1,853.07	-17.41
JCI	6,589.68	-39.14
Baltic Dry	1,095.00	--
VIX	37.32	20.01

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.58 (-)	2.02 (-0.12)
5Y	1.95 (+0.01)	2.44 (-0.15)
10Y	2.31 (+0.02)	2.71 (-0.14)
15Y	2.61 (+0.03)	--
20Y	2.64 (+0.03)	--
30Y	2.75 (+0.03)	3.01 (-0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.10	1.12
EURIBOR-OIS	2.50	-0.35
TED	31.62	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/05/2018 05:00	SK Foreign Reserves	Jan	--	\$395.75b	\$389.27b	--
02/05/2018 06:30	AU AiG Perf of Services Index	Jan	--	54.9	52	--
02/05/2018 07:00	SK BoP Current Account Balance	Dec	--	\$4092.3m	\$7427.6m	--
02/05/2018 07:00	SK BoP Goods Balance	Dec	--	\$8212m	\$11461m	--
02/05/2018 08:00	AU Melbourne Institute Inflation MoM	Jan	--	0.30%	0.10%	--
02/05/2018 08:00	NZ ANZ Commodity Price	Jan	--	0.70%	-2.20%	-1.90%
02/05/2018 08:30	JN Nikkei Japan PMI Services	Jan	--	51.9	51.1	--
02/05/2018 08:30	JN Nikkei Japan PMI Composite	Jan	--	52.8	52.2	--
02/05/2018 08:30	HK Nikkei Hong Kong PMI	Jan	--	51.1	51.5	--
02/05/2018 08:30	AU ANZ Job Advertisements MoM	Jan	--	6.20%	-2.30%	-2.70%
02/05/2018 09:45	CH Caixin China PMI Composite	Jan	--	53.7	53	--
02/05/2018 09:45	CH Caixin China PMI Services	Jan	53.5	54.7	53.9	--
02/05/2018 11:30	TH Consumer Confidence Economic	Jan	--	67	66.2	--
02/05/2018 12:08	ID GDP YoY	4Q	5.10%	5.19%	5.06%	--
02/05/2018 13:00	IN Nikkei India PMI Services	Jan	--	51.7	50.9	--
02/05/2018 13:00	IN Nikkei India PMI Composite	Jan	--	52.5	53	--
02/05/2018 16:20	TA Foreign Reserves	Jan	--	\$455.72b	\$451.50b	--
02/05/2018 16:45	IT Markit/ADACI Italy Services PMI	Jan	55.9	57.7	55.4	--
02/05/2018 16:45	IT Markit/ADACI Italy Composite PMI	Jan	57.4	59	56.5	--
02/05/2018 16:50	FR Markit France Services PMI	Jan F	59.3	59.2	59.3	--
02/05/2018 16:50	FR Markit France Composite PMI	Jan F	59.7	59.6	59.7	--
02/05/2018 16:55	GE Markit Germany Services PMI	Jan F	57	57.3	57	--
02/05/2018 16:55	GE Markit/BME Germany Composite PMI	Jan F	58.8	59	58.8	--
02/05/2018 17:00	EC Markit Eurozone Services PMI	Jan F	57.6	58	57.6	--
02/05/2018 17:00	EC Markit Eurozone Composite PMI	Jan F	58.6	58.8	58.6	--
02/05/2018 17:30	UK Official Reserves Changes	Jan	--	\$1709m	-\$44m	--
02/05/2018 17:30	UK Markit/CIPS UK Services PMI	Jan	54.1	53	54.2	--
02/05/2018 17:30	UK Markit/CIPS UK Composite PMI	Jan	54.6	53.5	54.9	--
02/05/2018 18:00	EC Retail Sales MoM	Dec	-1.00%	-1.10%	1.50%	2.00%
02/05/2018 18:00	EC Retail Sales YoY	Dec	1.90%	1.90%	2.80%	3.90%
02/05/2018 22:45	US Markit US Services PMI	Jan F	53.3	53.3	53.3	--
02/05/2018 22:45	US Markit US Composite PMI	Jan F	--	53.8	53.8	--
02/05/2018 23:00	US ISM Non-Manf. Composite	Jan	56.7	59.9	55.9	56
02/06/2018 08:30	AU Trade Balance	Dec	A\$200m	--	-\$628m	--
02/06/2018 08:30	AU Retail Sales MoM	Dec	-0.20%	--	1.20%	--
02/06/2018 09:00	PH CPI YoY	Jan	3.50%	--	3.30%	--
02/06/2018 11:30	AU RBA Cash Rate Target	Feb-06	1.50%	--	1.50%	--
02/06/2018 15:00	GE Factory Orders MoM	Dec	0.70%	--	-0.40%	--
02/06/2018 15:00	MA Foreign Reserves	Jan-30	--	--	\$103.0b	--
02/06/2018 15:45	FR Budget Balance YTD	Dec	--	--	-84.7b	--
02/06/2018 16:00	TA CPI YoY	Jan	1.00%	--	1.21%	--
02/06/2018 16:00	TA WPI YoY	Jan	--	--	0.24%	--
02/06/2018 16:30	GE Markit Germany Construction PMI	Jan	--	--	53.7	--
02/06/2018 17:10	IT Markit Italy Retail PMI	Jan	--	--	49.5	--
02/06/2018 17:10	FR Markit France Retail PMI	Jan	--	--	53	--
02/06/2018 17:10	GE Markit Germany Retail PMI	Jan	--	--	55.1	--
02/06/2018 17:10	EC Markit Eurozone Retail PMI	Jan	--	--	53	--
02/06/2018 21:30	CA Int'l Merchandise Trade	Dec	-2.25b	--	-2.54b	--
02/06/2018 21:30	US Trade Balance	Dec	-\$52.1b	--	-\$50.5b	--
02/06/2018 23:00	CA Ivey Purchasing Managers Index SA	Jan	--	--	60.4	--
02/06/2018 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	-14.90%	--

Source: Bloomberg

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