

Highlights

Global	<p>With a robust week for risk assets, especially equities, last week, the question on many investors' mind must be if the January effect would last? US' nonfarm payrolls (NFP) disappointed at 148k in Dec, coming on the back of a healthy ADP data earlier and a revised 252k print in Nov, but was weighed down by weakness in retail, transportation and trade sectors. There was a marginal -9k revision for the previous two months, but the unemployment rate sustained at 4.1% for a third month and the workweek was unchanged at 34.5 hours. The average hourly earnings also accelerated as expected to 0.3% mom (25% yoy), which helped to mitigate any fallout from the weaker than expected headline NFP print, and a March FOMC rate hike is still seen as likely (futures pricing is still elevated at 81% probability).</p> <p>Asian bourses are likely to stay buoyant this morning, but with earnings season coming up, some profit-taking may start to emerge. Today's economic data calendar includes US' consumer credit, Eurozone's consumer confidence, German factor orders, Taiwan's Dec trade and Indonesia's foreign reserves. For the week ahead, North and South Korea are holding talks tomorrow for the first time since 2015 and UK PM May is supposedly contemplating a cabinet reshuffle.</p>
US	<p>The non-manufacturing ISM unexpectedly moderated from 57.4 in Nov to 55.9 in Dec (market forecast: 57.6), but came from a post-hurricane surge earlier. The factory orders accelerated from an upwardly revised 0.4% in Oct to 1.3% in Nov and durable goods orders was unchanged at 1.3% as well.</p> <p>Fed rhetoric has kicked off in the new year, with Harker opining that "I want to be slow and steady with any additional rate increases" and "at this point, I don't think we should do anything that would precipitate any inversion so the yield curve", whereas Bullard warned that "there is some possibility" tax reforms "could light a fire under investment and really drive growth higher" and "if that happens I would certainly take note of that and adjust policy appropriately". Note that White House chief economist Hassett has said "if you have a supply side stimulus then it doesn't put upward pressure on prices" and may not warrant a change in the Fed's policy path. Separately, Williams also noted that "something like three rate hikes makes sense to me" this year and "I think we'll be at 2% inflation and around 4% unemployment" two years from now.</p>
CN	<p>China's banking regulator unveiled three other regulations last Friday targeting entrusted loan, commercial bank's risk exposure and commercial bank's major shareholder. All the changes sent one clear message that "back to fundamental and transparency" will be the key regulatory guidance for China's commercial banks to contain financial risk. All those measures will eventually lead to de-leverage. For the drafted rules to limit commercial bank's risk exposure, it will force banks to reduce their reliance on interbank business, which will eventually help curb leverage. Meanwhile, by limiting exposure to single counterparty, it will also encourage banks to step up their support to small and medium sized businesses to support the real economy via more efficient financial resource allocation.</p>

Major Market

- **US:** A suite of wage and labour market data prints came in largely within expectations (although non-farm payrolls were weaker than expected), providing some fundamental support for the continued gains in equity markets. The tech and healthcare sectors led broad-based gains, with the Dow adding 0.88%. The S&P 500 and Nasdaq Composite also added 0.70% and 0.83% to push all three major indices to record highs. VIX was unchanged at 9.22. US Treasuries sold off under the optimism generated by sustained equity outperformance. Attention will be shifted to a series of price data this week, from PPI to CPI prints on Friday.
- Meanwhile, former White House Chief Strategist Stephen Bannon has issued an apology to President Trump and his son amid the controversy over the “Fire and Fury” book which saw Trump tweeting that he’s a “very stable genius” earlier and “now I have to put up with a Fake Book, written by a totally discredited author”.
- **Singapore:** The STI saw its first consolidation in 2018, edging down 0.33% to close at 3489.45 on Friday. That said, Friday highs in Wall Street coupled with morning gains in Kospi may suggest another positive session for the STI. STI is likely to see support and resistance at 3468 and 3500 respectively. With UST bond yields a tad higher on Friday, notwithstanding a soft headline NFP print, SGS bonds may also range trade today, albeit longer-dated tenors already saw better support on Friday.

Bond Market Updates

- **Market Commentary:** The SGD swap curve fell last Friday, with the swap curve trading 1-2bps lower across most tenors. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded 2bps lower to 62bps last Friday. The 10y UST fell to 2.43% in the earlier part of the day last Friday due to lackluster payroll gains in the December jobs report. The gains in Treasuries were however short-lived with the 10y UST yields recovering 2.37bps to 2.47% last Friday due to rate-locking selling flows against this week’s corporate calendar.
- **New Issues:** Zhongyuan Sincere Investment Co (guaranteed by Zhongyuan Yuzi Investment Holding Co) has scheduled for investors meeting in Hong Kong and Singapore from 8 Jan for a potential USD bond issuances. The expected issue ratings are ‘NR/NR/A-’ respectively. International Container Terminal Services Inc. (ICTSI) has scheduled for investor meetings in Asia and Europe for perpetual fixed-for-life capital securities. Garuda Indonesia is seeking to hire banks for its USD750mn bond offer.
- **Rating Changes:** Fitch has assigned Zhongyuan Yuzi Investment Holding Group Co Ltd’s (Yuzi) issuer default rating and its US dollar senior unsecured guaranteed notes an expected rating of ‘A-’. The outlook is stable. The rating action reflects Yuzi’s strong likelihood of extraordinary support from the government as its rating is being credit linked, but not equalised with Henan province. Moody’s has upgraded West China Cement Limited’s (WCC) corporate family and senior unsecured ratings to ‘Ba3’ from ‘B1’. The outlook is stable. The rating action reflects an improvement in WCC’s capital structure. It also reflects Moody’s view that the increase in WCC’s revenue and profitability will be sustainable due to higher cement prices as a result of favourable structural changes in key cement markets. S&P has assigned Singapore Life Pte Ltd (‘Singapore Life’) a local currency long-term financial strength and issuer credit rating of ‘BBB’. The outlook is stable. The rating action reflects Singapore Life’s modest competitive positioning in Singapore’s life insurance market, its good capitalisation and

the risks it faces as a start-up. While S&P expects Singapore Life to offer attractive products that the market will value, they acknowledge the elevated risk associated with ensuring that Singapore Life can operate profitably. S&P has discontinued its 'AA-' long term local currency financial strength rating on AIA International Ltd Korea Branch as the Korea branch has transferred all its assets and liabilities as well as insurance business to AIA Life Insurance Ltd, which is wholly owned by AIA International Ltd.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.949	0.10%	USD-SGD	1.3264	-0.11%
USD-JPY	113.050	0.27%	EUR-SGD	1.5953	-0.44%
EUR-USD	1.2029	-0.32%	JPY-SGD	1.1736	-0.33%
AUD-USD	0.7864	--	GBP-SGD	1.7999	0.04%
GBP-USD	1.3571	0.15%	AUD-SGD	1.0434	-0.07%
USD-MYR	3.9975	-0.22%	NZD-SGD	0.9508	0.08%
USD-CNY	6.4885	-0.08%	CHF-SGD	1.3609	-0.12%
USD-IDR	13416	-0.04%	SGD-MYR	3.0118	-0.09%
USD-VND	22698	-0.05%	SGD-CNY	4.8893	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	-0.0010	O/N	1.4375	--
2M	-0.3400	-0.0010	1M	1.5525	-0.0025
3M	-0.3290	--	2M	1.6219	0.0013
6M	-0.2710	--	3M	1.7039	0.0001
9M	-0.2190	0.0010	6M	1.8651	0.0068
12M	-0.1870	--	12M	2.1495	0.0112

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.3%	0.3%	0.0%	0.0%	0.0%
03/21/2018	82.0%	81.7%	0.3%	0.0%	0.0%
05/02/2018	82.5%	80.0%	2.6%	0.0%	0.0%
06/13/2018	93.4%	41.1%	50.6%	1.6%	0.0%
08/01/2018	94.0%	38.0%	49.8%	6.0%	0.10%
09/26/2018	96.4%	25.4%	45.1%	23.3%	2.50%

Equity and Commodity

Index	Value	Net change
DJIA	25,295.87	220.74
S&P	2,743.15	19.16
Nasdaq	7,136.56	58.64
Nikkei 225	23,714.53	208.20
STI	3,489.45	-11.71
KLCI	1,817.97	14.52
JCI	6,353.74	61.42
Baltic Dry	1,371.00	30.00
VIX	9.22	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.55 (-)	1.96 (+0.01)
5Y	1.67 (-)	2.29 (+0.02)
10Y	2.03 (-)	2.48 (+0.02)
15Y	2.34 (-0.04)	--
20Y	2.39 (-0.02)	--
30Y	2.50 (-)	2.81 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.89	0.42
EURIBOR-OIS	1.83	-0.07
TED	31.03	-0.99

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	61.44	-0.92%	Copper (per mt)	7,119.8	-1.03%
Brent (per barrel)	67.62	-0.66%	Nickel (per mt)	12,481.0	-0.94%
Heating Oil (per gallon)	2.0587	-0.88%	Aluminium (per mt)	2,190.3	-2.09%
Gasoline (per gallon)	1.7858	-1.16%			
Natural Gas (per MMBtu)	2.7950	-2.95%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,594.0	0.35%
			Rubber (JPY/KG)	204.8	-1.01%
Precious Metals	Futures	% chg			
Gold (per oz)	1,322.3	0.05%			
Silver (per oz)	17.285	0.09%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 02 Jan 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	-4,065	-38,953	34,888	Soybean	-63,627	-39,988	-23,639
Gold	172,021	138,893	33,128	Nymex Crude	670,848	679,047	-8,199
Natural Gas	-140,501	-172,737	32,236	Live Cattle	105,130	106,866	-1,736
Silver	22,513	3,545	18,968	Cotton	114,565	113,499	1,066
Wheat	-100,201	-112,716	12,515	RBOB Gasoline	85,610	84,129	1,481
Copper	62,856	52,345	10,511	Palladium	27,123	25,636	1,487
Coffee	-39,663	-49,795	10,132	Platinum	19,048	17,314	1,734
Corn	-123,031	-130,725	7,694	Cocoa	-5,721	-9,876	4,155
Heating Oil	66,518	60,469	6,049	Lean Hogs	62,159	57,881	4,278

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/05/2018 07:00	SK BoP Current Account Balance	Nov	--	\$7427.6m	\$5715.5m	--
01/05/2018 07:50	JN Monetary Base YoY	Dec	--	11.20%	13.20%	--
01/05/2018 08:30	AU Trade Balance	Nov	A\$550m	-A\$628m	A\$105m	-A\$302m
01/05/2018 08:30	JN Nikkei Japan PMI Services	Dec	--	51.1	51.2	--
01/05/2018 08:30	JN Nikkei Japan PMI Composite	Dec	--	52.2	52.2	--
01/05/2018 09:00	PH CPI YoY	Dec	3.30%	3.30%	3.30%	--
01/05/2018 12:00	MA Exports YoY	Nov	14.50%	14.40%	18.90%	18.70%
01/05/2018 13:00	JN Vehicle Sales YoY	Dec	--	-1.00%	-5.40%	--
01/05/2018 15:00	GE Retail Sales MoM	Nov	1.00%	2.30%	-1.20%	-1.00%
01/05/2018 15:00	MA Foreign Reserves	Dec-29	--	\$102.4b	\$102.2b	--
01/05/2018 15:30	TH Foreign Reserves	Dec-29	--	\$202.6b	\$202.8b	--
01/05/2018 15:45	FR Consumer Confidence	Dec	103	105	102	103
01/05/2018 15:45	FR CPI YoY	Dec P	1.20%	1.20%	1.20%	--
01/05/2018 16:00	TA CPI YoY	Dec	0.85%	1.21%	0.35%	0.34%
01/05/2018 17:20	PH Foreign Reserves	Dec	--	\$81.5b	\$80.3b	--
01/05/2018 18:00	EC CPI Core YoY	Dec A	1.00%	0.90%	0.90%	--
01/05/2018 18:00	IT CPI NIC incl. tobacco MoM	Dec P	0.20%	0.40%	-0.20%	--
01/05/2018 18:00	IT CPI EU Harmonized YoY	Dec P	1.10%	1.00%	1.10%	--
01/05/2018 21:30	CA Int'l Merchandise Trade	Nov	-1.13b	-2.54b	-1.47b	-1.55b
01/05/2018 21:30	US Change in Nonfarm Payrolls	Dec	190k	148k	228k	252k
01/05/2018 21:30	CA Net Change in Employment	Dec	2.0k	78.6k	79.5k	--
01/05/2018 21:30	CA Unemployment Rate	Dec	6.00%	5.70%	5.90%	--
01/05/2018 21:30	US Change in Manufact. Payrolls	Dec	18k	25k	31k	--
01/05/2018 21:30	US Unemployment Rate	Dec	4.10%	4.10%	4.10%	--
01/05/2018 21:30	US Trade Balance	Nov	-\$49.9b	-\$50.5b	-\$48.7b	-\$48.9b
01/05/2018 23:00	US ISM Non-Manf. Composite	Dec	57.6	55.9	57.4	--
01/05/2018 23:00	US Factory Orders	Nov	1.10%	1.30%	-0.10%	0.40%
01/05/2018 23:00	US Durable Goods Orders	Nov F	--	1.30%	1.30%	--
01/05/2018 23:00	US Durables Ex Transportation	Nov F	--	-0.10%	-0.10%	--
01/05/2018 23:00	US Cap Goods Orders Nondef Ex Air	Nov F	--	-0.20%	-0.10%	--
01/05/2018 23:00	US Cap Goods Ship Nondef Ex Air	Nov F	--	-0.10%	0.30%	--
01/05/2018	HK Foreign Reserves	Dec	--	\$431.3b	\$422.1b	--
01/07/2018 13:59	CH Foreign Reserves	Dec	\$3126.8b	\$3139.9b	\$3119.3b	--
01/08/2018 15:00	GE Factory Orders MoM	Nov	0.00%	--	0.50%	--
01/08/2018 16:00	TA Exports YoY	Dec	9.40%	--	14.00%	--
01/08/2018 16:00	TA Trade Balance	Dec	\$5.70b	--	\$5.96b	--
01/08/2018 16:30	UK Halifax House Prices MoM	Dec	0.20%	--	0.50%	--
01/08/2018 18:00	EC Consumer Confidence	Dec F	0.5	--	0.5	--
01/08/2018 18:00	EC Retail Sales MoM	Nov	1.30%	--	-1.10%	--
01/08/2018 18:00	EC Economic Confidence	Dec	114.8	--	114.6	--
01/08/2018	ID Foreign Reserves	Dec	--	--	\$125.97b	--
01/06/2018 01/13	VN Domestic Vehicle Sales YoY	Dec	--	--	-17.60%	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W