

Highlights

Global	US inflation rose more than expected by 0.5% mom in Jan, beating market expectations for 0.3% mom and propelling the 10-year UST bond yield up to another 4-year high of 2.919%, as well as fuelling expectations for more FOMC rate hikes. However, US stock benchmarks shrugged off inflationary concerns and rebounded to erase losses for the year led by tech stocks, even though the USD remained vulnerable to fiscal and current account deficit concerns. Oil prices also regained the US\$60 handle, whilst the Thai central bank held its policy rates unchanged at 1.5% amid subdued inflation. Asian bourses may open firmer this morning, but volumes may be winding down for the CNY holidays, especially with China, South Korea, Taiwan and Vietnam markets already closed today. BI is widely expected to keep its 7-day reverse repo rate unchanged at 4.25% today. Today's economic data calendar comprises US' initial jobless claims, PPI, Philadelphia Fed business, industrial production and NAHB housing market, and Indonesia's trade data for Jan. ECB's Praet and Lautenschlaeger are also speaking.
US	Core CPI rose 0.3% mom (largest rise since Jan17), but was steady at 1.8% yoy in Jan. Meanwhile, retail sales fell 0.3% in Jan, marking the biggest decrease since Feb17 and MBA mortgage request volumes fell 4.1% as home loan rate surged to a 4-year high. Business inventories rose 0.4% in Dec, the same pace as Nov.
EZ	Eurozone's economic signals remain bright - preliminary 4Q17 GDP growth rose 0.6% qoq (2.7% yoy), bringing full-year 2017 growth to 2.5% yoy (fastest pace since 2007) and Dec industrial production also jumped faster than expected by 0.4% mom (5.2% yoy). Over in the UK, a BOE survey point to firms offering average wage rises of 3.1% (highest since 2008 and up from 2.6% in 2017), even as market players have largely priced in a May rate hike.
SG	SBS Transit will sell its rail operating assets to the Singapore government at a net book value of \$28.8b.
MY	Q4 GDP growth only marginally eased to 5.9% yoy (Q3 2017: 6.2% yoy) on top of a slowdown in export growth at 7.1% yoy (Q3 2017: 11.8% yoy). For the entire year 2017, Malaysia's GDP grew at 5.9% yoy, the fastest it has been since 2014 when it grew at 6.0% yoy.
TH	The Bank of Thailand kept its benchmark rate unchanged at near record low level at 1.50%, in line with our expectations. Monetary policy committee members voted unanimously to hold rates unchanged, a level that has been kept since 2015.
CMD	Crude oil prices tuned back above its \$60/bbl handle, suggesting that risk appetite has improved gradually since last week's tumble. On top of a weaker dollar, oil prices were likely lifted by the lower-than-expected rise in US oil inventories (+1.8 million barrels vs est. +3.1 million barrels) for the week ended 9th Feb. Reportedly, OPEC is said to discuss with Russia on further coordination efforts to assess inventories and propose more measurements to indicate overall inventories. Palm oil futures fell further to MYR2,500/MT, although news of lower Indonesian production in January could cap further downside in price. Note that heavy rain since December has caused flooding in palm oil fields in Kalimantan, and more rains are expected into the third week of February.

Major Market

- **US:** Equities are back in positive territory for the year after a fourth consecutive gain. Data releases were mixed overnight. Stronger-than-expected CPI numbers resulted in some initial jitters, but sentiments turned later as markets digested the weak retail sales numbers. Weak retail sales may signal a weakening of the underlying economy, and therefore, making it more likely that the Fed will retain its steady-as-she-goes rate hike trajectory. Overall, the S&P 500 rallied on that premise, gaining 1.34%. The Dow and Nasdaq Composite also added 1.03% and 1.86% respectively. VIX calmed significantly, moving down to 19.26, from 24.97 previously.
- Meanwhile, US Treasuries were sold off amid risk-on sentiments following the CPI results. The 2y yield spiked 6 bps to 2.163%, while the 10y yield closed above the 2.90% handle at 2.902%, adding 7 bps.
- **Singapore:** The STI retreated 0.36% to close lower at 3402.86 yesterday, and may range trade between 3380-3415 today ahead of the CNY holidays, even though Wall Street closed higher overnight notwithstanding the higher than expected US inflation data. With the UST bond market reverting to a steepening bias on renewed inflationary concerns, the SGS bond market is likely to come under similar pressure today.
- **Thailand:** Although widely expected to keep its monetary stance unchanged, BOT members' unanimous vote to do so this time around speaks volume. It suggests that (1) policy-makers are unfazed from the many rate hikes seen in both developed and Asian central banks and (2) the need to ensure economic growth into the year ahead. A rate hike, should it come to pass at this juncture, could further rally the THB against its other Asian peers and worsen Thailand's relative competitiveness, especially with the Baht already being one of the region's best performers. Moreover, inflation risks appear almost non-existent at this point, with inflation missing BOT's target of between 1 – 4% in the past three years.
BOT's language in the report does signal a rather sanguine outlook for the year as well. While reiterating that overall financial conditions remained accommodative and conducive to economic growth, the growth outlook is also underpinned on the back of external demand recovery. Inflation is also expected to return to BOT's target range of between 1 – 4% this year, up from 0.7% in 2017, on the back of a recovering domestic demand and higher oil prices since last year. Of course, the policymakers sound out risks as well, including "uncertainties pertaining to US economic and foreign trade policies as well as geopolitical risks."
- We opine that Thailand's growth outlook will tide in line with Asia's external environment into the year ahead. Importantly, some early signs of moderation in trade (note Dec's custom exports disappointing lower at 8.6% y/y, down from 13.4% in the previous month), and manufacturing momentum (Dec manufacturing index also disappointed at 2.4%, down from 4.1% in Nov) are already seen of late. With the lower-than-expected inflation print at 0.7% in January this year, keeping rates unchanged at the latest meeting is likely a move to sustain the economic recovery momentum into the year ahead. In a nutshell, we maintain our call for Thailand's growth to moderate to 3.5% into 2018, down from 3.9% in 2017. Even in the face of lower growth, we think that BOT's policy rate cannot be kept at such low levels for a prolonged period; higher rates to be seen in both developed and Asian central banks would eventually persuade BOT to play catch up in 4Q18. Moreover, the search for yield behaviour may also lead to the underpricing of risks, and eventually worsen debt serviceability of households and SMEs into the year ahead. As such, we look for policy-makers to eventually lift its benchmark rate by 25bps in 4Q18.

- **Malaysia:** Malaysia's small open economy has significantly benefited from the global pick up in trade in 2017 with exports growing an astounding 9.6% yoy. Private consumption was once again the primary anchor of growth expanding at an accelerated pace of 7.0% yoy (2016: 6.0% yoy).
- **Indonesia:** Bank Indonesia will announce its latest interest rate decision later with many economists believing that the central bank will be cautious and keep rates on hold.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across multiple tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 111bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded tightened 8bps to 346bps. 10Y UST yield rose 7bps to 2.90%, after inflation data took the markets by surprise with headline month-on-month reading coming in at 0.5%. This was more than twice the pace of December revised 0.2% number. The rise in inflation sparked the bond market sell-off, causing 10Y UST yields to reach a four-year high.
- **New Issues:** Syngenta AG has plans to sell USD5bn bonds in 1H2018.
- **Rating Changes:** S&P has lowered its issue-level rating on TTM Technologies Inc's first-lien debt to 'BB+' from 'BBB-'. The outlook is stable. The rating action reflects S&P's view of TMM's plan to increase its first-lien term loan by USD600mn to USD950mn, versus the previous assumption of a USD300mn increase. S&P has placed Arab Bank Australia Ltd's (ABA) long-term issuer credit rating at 'BB+' and placed ABA on CreditWatch with developing implications. S&P has also affirmed the 'B' short-term issuer credit rating on the bank. The rating action follows Arab Bank Plc's plans for a potential sales of ABA. S&P stated that if the sales go ahead, ABA would no longer be regarded as core to the Arab Bank group and would no longer equalise their rating on ABA with those on Arab Bank. Fitch has downgraded PT Lippo Karawaci Tbk long-term issuer default rating to 'B+' from 'BB-'. The outlook is stable. The rating action reflects Fitch's expectations of significantly reduced cash flow access from property sales following the company's strategic decision to divest a substantial stake of its flagship Meikarta project.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.121	-0.65%	USD-SGD	1.3142	-0.65%
USD-JPY	107.010	-0.75%	EUR-SGD	1.6364	0.15%
EUR-USD	1.2451	0.80%	JPY-SGD	1.2282	0.11%
AUD-USD	0.7926	0.85%	GBP-SGD	1.8399	0.11%
GBP-USD	1.3999	0.76%	AUD-SGD	1.0415	0.18%
USD-MYR	3.9183	-0.53%	NZD-SGD	0.9680	0.61%
USD-CNY	6.3415	0.01%	CHF-SGD	1.4143	-0.04%
USD-IDR	13629	-0.16%	SGD-MYR	2.9744	-0.13%
USD-VND	22704	--	SGD-CNY	4.8028	0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4438	--
2M	-0.3410	--	1M	1.5875	--
3M	-0.3290	--	2M	1.6995	--
6M	-0.2760	--	3M	1.8388	--
9M	-0.2220	--	6M	2.0572	--
12M	-0.1910	--	12M	2.3269	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	100.0%	90.0%	10.0%	0.0%	0.0%
05/02/2018	100.0%	84.2%	15.1%	0.6%	0.0%
06/13/2018	100.0%	27.3%	61.8%	10.4%	0.4%
08/01/2018	100.0%	23.9%	57.5%	16.8%	1.7%
09/26/2018	100.0%	12.5%	41.5%	36.2%	8.9%
11/08/2018	100.0%	10.5%	36.8%	37.1%	13.3%

Commodities Futures

	Futures	% chg		Futures	% chg
Energy			Base Metals		
WTI (per barrel)	60.60	2.38%	Copper (per mt)	7,134.2	2.32%
Brent (per barrel)	64.36	2.61%	Nickel (per mt)	14,059.0	4.85%
Heating Oil (per gallon)	1.8844	2.59%	Aluminium (per mt)	2,175.5	1.96%
Gasoline (per gallon)	1.7130	1.64%			
Natural Gas (per MMBtu)	2.5870	-0.27%	Asian Commodities		
			Crude Palm Oil (MYR/MT)	2,503.0	-0.48%
Precious Metals			Rubber (JPY/KG)	184.3	-2.64%
Gold (per oz)	1,358.0	2.07%			
Silver (per oz)	16.878	2.12%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,893.49	253.04
S&P	2,698.63	35.69
Nasdaq	7,143.62	130.11
Nikkei 225	21,154.17	-90.51
STI	3,402.86	-12.21
KLCI	1,834.93	1.91
JCI	6,594.40	16.22
Baltic Dry	1,114.00	--
VIX	19.26	-5.71

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.56 (-0.01)	2.16 (+0.06)
5Y	1.92 (+0.01)	2.63 (+0.09)
10Y	2.25 (+0.01)	2.90 (+0.07)
15Y	2.58 (+0.01)	--
20Y	2.65 (+0.01)	--
30Y	2.75 (-)	3.16 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.24	0.14
EURIBOR-OIS	2.80	0.06
TED	26.61	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/14/2018 05:45	NZ Food Prices MoM	Jan	--	1.20%	-0.80%	--
02/14/2018 07:00	SK Unemployment rate SA	Jan	3.70%	3.60%	3.60%	3.70%
02/14/2018 07:30	AU Westpac Consumer Conf SA MoM	Feb	--	-2.30%	1.80%	--
02/14/2018 07:50	JN GDP SA QoQ	4Q P	0.20%	0.10%	0.60%	--
02/14/2018 07:50	JN GDP Annualized SA QoQ	4Q P	1.00%	0.50%	2.50%	2.20%
02/14/2018 07:50	JN GDP Deflator YoY	4Q P	0.00%	0.00%	0.10%	0.20%
02/14/2018 08:00	SI GDP YoY	4Q F	2.90%	3.60%	3.10%	--
02/14/2018 10:00	NZ 2Yr Inflation Expectation	1Q	--	2.11%	2.02%	--
02/14/2018 12:00	MA GDP YoY	4Q	5.80%	5.90%	6.20%	--
02/14/2018 12:00	JN Tokyo Condominium Sales YoY	Jan	--	39.70%	-7.50%	--
02/14/2018 15:00	GE GDP SA QoQ	4Q P	0.60%	0.60%	0.80%	--
02/14/2018 15:00	GE CPI YoY	Jan F	1.60%	1.60%	1.60%	--
02/14/2018 15:00	GE CPI EU Harmonized YoY	Jan F	1.40%	1.40%	1.40%	--
02/14/2018 15:05	TH BoT Benchmark Interest Rate	Feb-14	1.50%	1.50%	1.50%	--
02/14/2018 17:00	IT GDP WDA QoQ	4Q P	0.40%	0.30%	0.40%	--
02/14/2018 18:00	EC Industrial Production SA MoM	Dec	0.10%	0.40%	1.00%	1.30%
02/14/2018 18:00	EC GDP SA QoQ	4Q P	0.60%	0.60%	0.60%	--
02/14/2018 20:00	US MBA Mortgage Applications	Feb-09	--	-4.10%	0.70%	--
02/14/2018 21:30	US CPI MoM	Jan	0.30%	0.50%	0.10%	0.20%
02/14/2018 21:30	US CPI YoY	Jan	1.90%	2.10%	2.10%	--
02/14/2018 21:30	US CPI Ex Food and Energy YoY	Jan	1.70%	1.80%	1.80%	--
02/14/2018 21:30	US Retail Sales Advance MoM	Jan	0.20%	-0.30%	0.40%	0.00%
02/14/2018 21:30	US Retail Sales Ex Auto MoM	Jan	0.50%	0.00%	0.40%	0.10%
02/14/2018 21:30	US Retail Sales Ex Auto and Gas	Jan	0.30%	-0.20%	0.40%	0.00%
02/15/2018 04:00	NZ REINZ House Sales YoY	Jan	--	2.70%	-10.10%	--
02/15/2018 04:00	US Bloomberg Consumer Comfort	Feb-11	--	57	54.4	--
02/15/2018 07:50	JN Core Machine Orders MoM	Dec	-2.00%	--	5.70%	--
02/15/2018 08:30	AU Employment Change	Jan	15.0k	--	34.7k	--
02/15/2018 08:30	AU Unemployment Rate	Jan	5.50%	--	5.50%	--
02/15/2018 08:30	AU Full Time Employment Change	Jan	--	--	15.1k	--
02/15/2018 08:30	AU Participation Rate	Jan	65.60%	--	65.70%	--
02/15/2018 08:30	SI Non-oil Domestic Exports YoY	Jan	8.90%	--	3.10%	--
02/15/2018 08:30	SI Non-oil Domestic Exports SA MoM	Jan	4.20%	--	-5.00%	--
02/15/2018 08:30	AU RBA FX Transactions Market	Jan	--	--	A\$1279m	--
02/15/2018 12:00	ID Exports YoY	Jan	7.30%	--	6.93%	--
02/15/2018 12:00	ID Trade Balance	Jan	\$280m	--	-\$270m	--
02/15/2018 12:30	JN Industrial Production YoY	Dec F	--	--	4.20%	--
02/15/2018 12:30	JN Capacity Utilization MoM	Dec	--	--	0.00%	--
02/15/2018 14:30	IN Wholesale Prices YoY	Jan	3.20%	--	3.58%	--
02/15/2018 15:00	EC EU27 New Car Registrations	Jan	--	--	-4.90%	--
02/15/2018 17:00	IT Trade Balance Total	Dec	--	--	4830m	--
02/15/2018 21:30	US Empire Manufacturing	Feb	18	--	17.7	--
02/15/2018 21:30	US Initial Jobless Claims	Feb-10	228k	--	221k	--
02/15/2018 21:30	US Continuing Claims	Feb-03	1925k	--	1923k	--
02/15/2018 21:30	US PPI Final Demand MoM	Jan	0.40%	--	-0.10%	0.00%
02/15/2018 21:30	US PPI Ex Food and Energy MoM	Jan	0.20%	--	-0.10%	--
02/15/2018 21:30	US Philadelphia Fed Business Outlook	Feb	21.6	--	22.2	--
02/15/2018 22:15	US Industrial Production MoM	Jan	0.20%	--	0.90%	--
02/15/2018 22:15	US Capacity Utilization	Jan	78.00%	--	77.90%	--
02/15/2018 23:00	US NAHB Housing Market Index	Feb	72	--	72	--
02/15/2018	ID Bank Indonesia 7D Reverse Repo	Feb-15	4.25%	--	4.25%	--
02/15/2018	IN Exports YoY	Jan	--	--	12.40%	--
02/15/2018	IN Imports YoY	Jan	--	--	21.10%	--
02/15/2018	PH Overseas Remittances YoY	Dec	3.60%	--	2.00%	--

Source: Bloomberg

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