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Highlights

Global	<p>Despite the US markets being out for holiday yesterday, Asian bourses continued to plough ahead with the exception of the HSI and the Shanghai Composite, but may take a breather awaiting the corporate earnings from US banks including Citigroup. Overnight, there was further hawkish rhetoric by ECB's Hansson who suggested that it would "certainly be conceivable and also appropriate to end the purchases after September" and that he favoured a "timely, gradual exit". He also noted that the EUR strength "is not a threat to the inflation outlook" up to now and one "shouldn't overdramatize" it. The ascent of oil prices to fresh highs, with Brent above US\$70 per barrel for the first time in three years, may also add to inflationary concerns. Today's economic data calendar comprises US' Empire manufacturing, UK's CPI/PPI/RPI and Germany's CPI.</p>
SG	<p>2017 private residential property sales rose 23% yoy to 14,707 units, and improved market sentiments and a steady launch pipeline may support 2018 as well. Meanwhile, MAS MD warned of the "papa bear" of inflation bears watching in the current Goldilocks economy, while the "mama bear" of protectionism remains a risk together with the "baby bear" of financial instability.</p> <p>The STI extended gains by 0.45% to close at 3536.41 yesterday, but the morning slippage by Kospi may cue some consolidation today as investors await key US earnings and tomorrow's BOC policy decision amongst others. Next hurdle for STI is at Apr15 high of 3539, with support at 3515. With the UST bond market closed yesterday, it remains to be seen if the SGS bond market may sustain yesterday's rally which was led by the belly of the curve. Easing 3-month SIBOR and SOR rates are likely to be supportive for shorter duration tenors in the interim – note the current spread between the 3-month SOR and the 2-year SGS bond yield at 43bps remains at the higher end of its 1-year range of 27-57bps.</p>
ID	<p>Exports growth marked 6.93% yoy in December, coming in below expectations of 13.85% yoy. Import growth remains robust at 17.83% yoy. Overall trade balance is expected to be in deficit of US\$270m for the month. Meanwhile, demand from foreign buyers for Indonesian government bonds has been strong since the start of the year, supporting overall actual portfolio flows into the country. Improving inflow momentum should lend the IDR some support in the structural horizon, beyond the recent bout of USD weakness.</p>
TH	<p>The ongoing strength of the THB, on the back on strong portfolio inflows, has attracted the attention of the Deputy Prime Minister Somkid Jatusripitak. DPM Somkid revealed that the Bank of Thailand (BOT) will be keeping a close look on THB strength. We think that THB has structural underpinnings, given the consistent improvement in the Thai current account balance and foreign reserves over the past year.</p>
CMD	<p>US market was closed yesterday. Brent rallied past its psychologically important level of \$70/bbl overnight. Note CFTC net-long positions indicated sustained bullish positions for crude oil in its latest data. At this level, we turn cautious as the recent rally elevated crude oil prices into overbought territories. Palm oil prices rallied after falling for the previous two sessions, underpinned by expectations over falling palm oil production into the weeks ahead.</p>

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with the swap curves for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-4bps lower. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and Bloomberg Barclays Asia USD HY Bond Index average traded little changed at 109bps and 277bps respectively. 10Y UST yield were flat as U.S markets were closed yesterday for a public holiday.
- **New Issues:** Guangxi Financial Investment Group Co Ltd has priced its USD500mn 3-year bond at 5.95%, inside initial price guidance of ~6.25%. The expected issue ratings are 'NR/Ba1/NR'. Tata Steel Ltd has scheduled investor meetings from 15 Jan for a potential bond issuance. Concord New Energy Group Ltd has hired banks for its USD 3-year bond issuance. The expected issue ratings are 'BB-/NR/BB-'. ANZ Bank New Zealand Ltd has also hired banks for a potential USD 144A/ Reg S benchmark deal. PT Medco Energi Internasional Tbk has scheduled investor meetings from 16 Jan for its potential USD bond issuance. Sino Trendy Investment Ltd has scheduled investor meetings from 16 Jan for its potential bond issuance (guaranteed by Guangxi Communications Investment Group Corporation Ltd). The expected issue rating is 'NR/NR/BBB'.
- **Rating Changes:** Moody's has affirmed Zurich Insurance Australia Ltd's financial strength rating of 'Aa3' and 'A1' senior unsecured debt rating. The outlook is stable. The rating action reflects the company's strong market position and franchise in the global P&C insurance market, coupled with its good geographical and business diversification as well as its strong levels of capitalisation and financial flexibility. Moody's however acknowledged that these strengths are partly offset by its volatile profitability in the P&C insurance segment, but the company's portfolio pruning and price increases implemented over the past two years are starting to show results in the reduction of attritional loss ratio which Moody's expects to improve in 2018. Fitch has upgraded Parkson Retail Group Ltd's issue default rating to 'B-' from 'CCC', removing the ratings from Rating Watch Positive. The outlook is stable. The rating action reflects Fitch's expectations that Parkson's liquidity will improve in 2018 after successfully securing a refinancing arrangement from Bank of Beijing for its USD500mn bonds maturity in May 2018. Moody's has affirmed PT Medco Energi Internasional Tbk's (Medco) 'B2' corporate family rating. It has also affirmed the 'B2' rating for its senior unsecured bonds issued by Medco Straits Services Pte Ltd, a wholly-owned subsidiary of Medco. The outlook was revised to positive from stable. The rating action reflects Moody's expectations that Medco's credit metrics will continue to improve over the next 12 months, underpinned by stronger cash flow generation from its oil and gas business and the company's debt reduction plan. Moody's has affirmed the 'A3' issuer rating on Malaysia Airport Holdings Bhd (MAHB) and changed the outlook to stable from negative. The rating action reflects MAHB's strengthening credit profile, attributed to its stabilising overseas operations and continued resilience in its domestic market. Moody's expects robust traffic growth in Malaysia to persist, especially for the higher-yielding international passenger segment, which grew 14.1% in 2017. Fitch has revised Lifestyle International Holdings Ltd's (Lifestyle) outlook to stable from negative. Fitch has also affirmed Lifestyle's foreign-currency issue default rating, foreign-currency senior unsecured bond rating and all its outstanding bonds at 'BB+'. The rating action reflects Lifestyle's sufficient funding arrangement for the development of a commercial site in Kai Tak, Kowloon into a large retail property and stable operations at its existing stores. S&P has assigned Jiangsu Zhongnan Construction Group Co Ltd a 'B' long-term

corporate credit rating. The outlook is stable. The rating action reflects Zhongnan's growing contracted sales and established market positions in China's Jiangsu province. S&P however acknowledged that the company's rapid expansion would create more cash flow pressure should there be a slowdown in China's property market. This increases the execution risk given substantial established competition.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.974	--	USD-SGD	1.3212	-0.24%
USD-JPY	110.540	-0.47%	EUR-SGD	1.6205	0.27%
EUR-USD	1.2264	0.51%	JPY-SGD	1.1954	0.32%
AUD-USD	0.7965	0.61%	GBP-SGD	1.8225	0.27%
GBP-USD	1.3792	0.47%	AUD-SGD	1.0524	0.46%
USD-MYR	3.9555	-0.42%	NZD-SGD	0.9647	0.54%
USD-CNY	6.4371	-0.49%	CHF-SGD	1.3719	0.29%
USD-IDR	13332	-0.16%	SGD-MYR	2.9951	0.16%
USD-VND	22698	-0.04%	SGD-CNY	4.8685	-0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5595	--
3M	-0.3290	--	2M	1.6307	--
6M	-0.2710	--	3M	1.7215	--
9M	-0.2160	--	6M	1.8877	--
12M	-0.1860	--	12M	2.1731	--

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	88.2%	87.9%	0.3%	0.0%	0.0%
05/02/2018	88.3%	87.4%	0.9%	0.0%	0.0%
06/13/2018	95.8%	38.6%	56.6%	0.6%	0.0%
08/01/2018	96.2%	35.9%	55.2%	5.0%	0.0%
09/26/2018	97.9%	21.4%	46.4%	27.8%	2.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.30	--	Copper (per mt)	7,095.6	--
Brent (per barrel)	70.26	0.56%	Nickel (per mt)	12,807.0	0.98%
Heating Oil (per gallon)	2.0850	--	Aluminium (per mt)	2,216.8	0.61%
Gasoline (per gallon)	1.8495	--			
Natural Gas (per MMBtu)	3.2000	--	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,554.0	0.71%
			Rubber (JPY/KG)	214.8	2.04%
Precious Metals	Futures	% chg			
Gold (per oz)	1,334.9	--			
Silver (per oz)	17.141	--			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,803.19	--
S&P	2,786.24	--
Nasdaq	7,261.06	--
Nikkei 225	23,714.88	61.06
STI	3,536.41	15.85
KLCI	1,825.91	3.24
JCI	6,382.20	12.13
Baltic Dry	1,279.00	--
VIX	10.16	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.45 (-0.01)	2.00 (-)
5Y	1.68 (-0.01)	2.35 (-)
10Y	2.07 (-0.01)	2.55 (-)
15Y	2.36 (-)	--
20Y	2.42 (-0.01)	--
30Y	2.55 (-0.01)	2.85 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.55	-0.07
EURIBOR-OIS	1.10	--
TED	28.45	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/15/2018 05:00	SK Import Price Index YoY	Dec	--	-1.00%	3.90%	4.00%
01/15/2018 05:00	SK Export Price Index YoY	Dec	--	-2.10%	2.30%	2.50%
01/15/2018 05:45	NZ Food Prices MoM	Dec	--	-0.80%	-0.40%	--
01/15/2018 07:50	JN Money Stock M2 YoY	Dec	4.00%	3.60%	4.00%	--
01/15/2018 07:50	JN Money Stock M3 YoY	Dec	3.40%	3.10%	3.40%	--
01/15/2018 08:01	UK Rightmove House Prices MoM	Jan	--	0.70%	-2.60%	-2.30%
01/15/2018 08:28	AU Melbourne Institute Inflation MoM	Dec	--	0.10%	0.20%	--
01/15/2018 12:00	ID Imports YoY	Dec	18.13%	17.83%	19.62%	19.22%
01/15/2018 12:00	ID Exports YoY	Dec	13.85%	6.93%	13.18%	13.46%
01/15/2018 12:00	ID Trade Balance	Dec	\$579m	-\$270m	\$127m	\$215m
01/15/2018 14:00	JN Machine Tool Orders YoY	Dec P	--	48.30%	46.80%	--
01/15/2018 14:21	PH Overseas Remittances YoY	Nov	7.30%	2.00%	8.40%	--
01/15/2018 14:21	PH Overseas Workers Remittances	Nov	\$2450m	\$2262m	\$2099m	--
01/15/2018 14:30	IN Wholesale Prices YoY	Dec	4.00%	3.58%	3.93%	--
01/15/2018 18:00	EC Trade Balance SA	Nov	22.3b	22.5b	19.0b	--
01/15/2018 20:51	IN Exports YoY	Dec	--	12.40%	30.60%	--
01/15/2018 20:51	IN Imports YoY	Dec	--	21.10%	19.60%	--
01/16/2018 07:50	JN PPI YoY	Dec	3.20%	--	3.50%	--
01/16/2018 08:30	AU New Motor Vehicle Sales MoM	Dec	--	--	0.10%	--
01/16/2018 10:00	NZ Non Resident Bond Holdings	Dec	--	--	60.40%	--
01/16/2018 12:30	JN Tertiary Industry Index MoM	Nov	0.30%	--	0.30%	--
01/16/2018 12:30	JN Bankruptcies YoY	Dec	--	--	-2.30%	--
01/16/2018 15:00	GE CPI MoM	Dec F	0.60%	--	0.60%	--
01/16/2018 15:00	GE CPI EU Harmonized YoY	Dec F	1.60%	--	1.60%	--
01/16/2018 15:45	FR Budget Balance YTD	Nov	--	--	-77.1b	--
01/16/2018 17:00	IT CPI EU Harmonized YoY	Dec F	1.00%	--	1.00%	--
01/16/2018 17:30	UK CPI YoY	Dec	3.00%	--	3.10%	--
01/16/2018 17:30	UK CPI Core YoY	Dec	2.60%	--	2.70%	--
01/16/2018 17:30	UK Retail Price Index	Dec	277.6	--	275.8	--
01/16/2018 17:30	UK RPI MoM	Dec	0.60%	--	0.20%	--
01/16/2018 17:30	UK RPI Ex Mort Int. Payments (YoY)	Dec	3.90%	--	4.00%	--
01/16/2018 17:30	UK PPI Input NSA YoY	Dec	5.30%	--	7.30%	--
01/16/2018 17:30	UK PPI Output NSA MoM	Dec	0.20%	--	0.30%	--
01/16/2018 17:30	UK PPI Output Core NSA YoY	Dec	2.30%	--	2.20%	--
01/16/2018 18:00	IT Trade Balance Total	Nov	--	--	4953m	--
01/16/2018 21:30	US Empire Manufacturing	Jan	19	--	18	--
01/15/2018 01/19	NZ REINZ House Sales YoY	Dec	--	--	-8.90%	--

Source: Bloomberg

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