

Highlights

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| Global | <p>“Buying time” remains the main game in town in Washington, with a deal to fund the US government for three weeks through 8 Feb, but barring an interim breakthrough on competing immigration measures, there could be another shutdown again. Meanwhile, the IMF upgraded its 2018 and 2019 global growth forecasts by 0.2% points from Oct17 to 3.9%, the fastest in seven years, citing US at 2.7% (+0.4% points) amid the corporate tax cut lift, as well as the Eurozone at 2.2% (+0.3% points) and Japan at 1.2% (+0.5% points), albeit the IMF did warn of “rich asset valuations and very compressed term premiums”. Wall Street ploughed higher, led by gains in Halliburton and Netflix, while Treasury bonds softened as investors piled back into risk-taking. Asian bourses should trade on a firmer tone and extend gains this morning. Watch BOJ policy meeting today as well as US president Trump’s attendance at Davos for the annual World Economic Forum, especially since he slapped tariffs on imported solar panels and washing machines under his “America First” policy. Today’s economic calendar comprises Philippines’ 4Q17 GDP, US’ Richmond Fed manufacturing index, Eurozone and German ZEW survey, Taiwan’s industrial production, and S’pore’s Dec CPI. Fed’s Evans also is speaking, while the US Senate is holding the confirmation hearing for Fed nominee Goodfriend.</p> |
| US | <p>The Chicago Fed national activity index beat expectations and edged up from a revised 0.11 in Nov to 0.27 in Dec.</p> |
| SG | <p>MAS MD Ravi Menon said S’pore “should not grow despondent over our slowing rate of economic growth”, but “as a global city, we cannot afford to grow too slowly either”. He noted that “economic dynamism is not about numbers” but “the quality of our workforce, the quality of our enterprises, and the quality of our institutions”. He also opined that “the willingness of a society...to pay in taxes to support those less well off is quite critical...and I think this is one of the existential questions we have to face”.</p> <p>MAS will issue \$2.9b (with MAS taking \$200m) in the re-opening of the 5-year SGS bond maturing on 1 Feb 2023 for auction on 29 Jan and issue on 1 Feb. This is at the higher end of the \$1-\$3.1b issuance size seen in 5-year SGS bond auctions since 2010, and also equivalent to the issue size back in Sep14 which fetched a cut-off yield of 1.65% and bid-cover ratio of 1.77x. The existing SGS bond maturing on Jan2023 is the closest comparable and currently yielding around 1.95% (20bps over 5-year swap offer rate). The Dec headline CPI is likely to print at 0.4% yoy (-0.1% mom nsa) with core CPI at 1.4% yoy, an easing from the Nov readings of 0.6% yoy (0.6% mom nsa) and 1.5% yoy respectively. S’pore also ranked 3rd after S. Korea (1st) and Sweden (2nd) in the Bloomberg Global Innovation Survey.</p> |
| CMD | <p>It is still about production and demand for crude oil. News that US oil inventories could potentially narrow further sparked renewed buying in crude oil. More interestingly however, is China’s record high production of refined copper, which rose 7.7% to 8.89 million metric tons in 2017.</p> |

Major Markets

- **US:** Equities added to gains last week as the government shutdown concerns subside. It does appear that the market largely dismissed this latest shutdown as a non-event, as investors grow increasingly desensitized by political upheavals. Overall, the S&P 500 added 0.81%, while the Dow and Nasdaq Composite gained 0.55% and 0.98% respectively. Earnings releases this week will feature names like GE, Intel and Starbucks. Meanwhile, watch for any headline risks emanating from the World Economic Forum in Davos this week. VIX slipped to 11.03, compared to 11.27 previously.
- US Treasury yields ended the session marginally softer across the board. 2y and 10y yields closed at 2.061% and 2.650% respectively. Continue to keep a close watch on yields, which have moved higher over the past weeks, and now stand at a crossroad on a technical basis.
- **Singapore:** The STI hit a new 10-year high of 3569.43 (+0.5%), buoyed by the regional tide. With overnight gains in Wall Street and morning rally in Kospi, the STI may make a run for the 3600 handle. With resurgent risk appetite amid news of the US government re-opening, the SGS bond yields which had risen around 2bps yesterday may come under pressure again today.
- **Malaysia:** Bank Negara Malaysia reported an increase in its international reserves to US\$103bn as of January 15 2018, from US\$102.4bn as of December 29 2017. The increase continues an upward trend of Malaysia's international reserves that we have seen for much of 2017. However, the current position still remains well below the amounts seen prior to the rapid decline experienced during 2014-2015.
- **Hong Kong:** Housing completions decreased by 24.68% yoy in November 2017 and increased by 22.3% yoy to 14751 units during the first eleven months. Severe imbalance between pent-up demand and slowly increased private and public home supply led to continuous growth of housing prices despite housing cooling measures. Moving forward, we see two downward risks on the overheated housing market, including capital outflows and increasing supply. On the one hand, capital rotation from emerging market to developed market is likely should global central banks start to tighten their monetary policy. If this is the case, a resultant correction in stock market and increase in local interest rates are likely to deter some investment demand. On the other hand, housing starts increased by 11.57% yoy to 21433 units over the first eleven months of 2017 and are set to surpass 20000 units for the second consecutive year. This indicates higher private home supply in the coming years. Besides, regularized purchase of subsidized flats by White Form applicants and increasing supply of subsidized homes for residents living in public rental flats may help to shift some owner-occupier demand from private housing market. Still, housing correction will likely be limited in the longer term given investment demand from Mainland China and increasing local population.
- **Macau:** Inflation accelerated to its strongest level since Jul16 and printed 2.04% in Dec17. In term of the two heavily-weighted items, food inflation edged up to 2.33% amid higher charges for eating out while housing and fuel price index increased at a faster pace by 1.03% yoy due to the rally of energy prices. Faster inflation of clothing & footwear was mainly attributed to the rising prices of adults' footwear and new arrival of winter clothing. Furthermore, dearer charges for package tours on improved tourism activities have pushed inflation of recreation & culture up to 2.58%, the strongest level since Jan17. Moving forward, housing and fuel inflation is likely to tick up further amid

low base effect. A weaker MOP may translate into import inflation. Rebound in external price pressures is also expected given rally in commodity prices. Therefore, we expect inflation to surpass 2% in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened, with swap rates for shorter tenors trading 2-5bps higher while the longer tenors traded 6-8bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 326bps. 10Y UST fell 3bps to 2.63% as news of the U.S government shutdown brought fears to the market. 10Y UST yields however recovered to 2.65% on Democratic Senator Schumer's announcement that the chamber has a deal to end the federal government shutdown.
- **New Issues:** Fortune Star (BVI) Ltd has priced a USD450mn 5NC3 bond at 5.95% and a USD250mn retap of its FOSUNI 5.375%'20 (both guaranteed by Fosun International Ltd) at 101, tightening from its initial guidance of 6.125% and 100.5 respectively. The expected issue ratings are 'BB/Ba2/NR'. Korean Southern Power Co Ltd has priced a USD400mn 3-year bond at CT3+90-95bps, tightening from its initial guidance of CT3+115bps area. The expected issue ratings are 'NR/Aa2/AA-'. PT Soechi Lines Tbk has scheduled for investor calls from 22 Jan for its potential USD bond issuance. International Financial Services Centre (IFSC) Banking Unit has scheduled for investor meetings from 23 Jan for its potential USD bond issuance. Shimao Property Holdings Ltd is planning to issue USD senior notes.
- **Rating Changes:** S&P revised the corporate credit rating on Fufeng Group Ltd (Fufeng) to 'BBB-' from 'BB+' to reflect S&P's view that Fufeng's conservative financial policy, stable profitability, and diversifying revenue base will allow the company to maintain its debt-to-EBITDA ratio below 1.5x over the next 24 months. The outlook is stable. S&P has revised the rating for Yingde Gases Group Co Ltd to 'B' from 'CCC+', removing it from the CreditWatch positive. The outlook is stable. Moody's has affirmed PT Soechi Lines Tbk's (Soechi) 'B1' corporate family rating and assigned a 'B1' senior unsecured rating to the proposed notes issued by Soechi Capital Pte Ltd, a wholly owned subsidiary of Soechi. The outlook is stable. The rating action reflects Soechi's high barriers to entry created by cabotage laws in Indonesia which mandate the use of Indonesia-flagged vessels for domestic sea freight transportation and the benefits of a strong and long-standing relationship with PT Pertamina (Persero), which accounted for 62% of its revenue for 9M2017. Moody's has withdrawn Quintis Limited's (Quintis) corporate family rating and senior secured rating of 'C' . The outlook is stable. The rating action reflects Quintis's announcement on 20 January that it will enter into voluntary administration. Fitch has assigned Central China Real Estate Ltd (CCRE) an issuer default rating of 'BB-'. The outlook is stable. The rating action reflects CCRE's healthy financial profile and low leverage coupled with its competitive positioning as a real estate developer in Henan province, with broad housing product diversification and growing non-property development business from rental properties and project management. However, Fitch acknowledged that CCRE's ratings are limited by its aggressive expansion strategy in the next two years and its leverage is expected to face upward pressure to above 30% over this period.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 90.401 | -0.19% | USD-SGD | 1.3190 | -0.14% |
| USD-JPY | 110.920 | 0.14% | EUR-SGD | 1.6173 | 0.17% |
| EUR-USD | 1.2262 | 0.33% | JPY-SGD | 1.1890 | -0.31% |
| AUD-USD | 0.8017 | 0.28% | GBP-SGD | 1.8450 | 0.81% |
| GBP-USD | 1.3987 | 0.93% | AUD-SGD | 1.0574 | 0.10% |
| USD-MYR | 3.9335 | -0.13% | NZD-SGD | 0.9665 | 0.58% |
| USD-CNY | 6.4050 | 0.02% | CHF-SGD | 1.3713 | -0.02% |
| USD-IDR | 13350 | 0.26% | SGD-MYR | 2.9790 | -0.21% |
| USD-VND | 22698 | -- | SGD-CNY | 4.8559 | 0.08% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3690 | -- | O/N | 1.4375 | -- |
| 2M | -0.3410 | -- | 1M | 1.5613 | -- |
| 3M | -0.3280 | -- | 2M | 1.6348 | -- |
| 6M | -0.2760 | -- | 3M | 1.7445 | -- |
| 9M | -0.2230 | -- | 6M | 1.9318 | -- |
| 12M | -0.1910 | -- | 12M | 2.2275 | -- |

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 | 96.4% | 35.1% | 60.6% | 0.6% | 0.0% |
| 08/01/2018 | 96.7% | 32.6% | 58.6% | 5.4% | 0.1% |
| 09/26/2018 | 98.4% | 17.0% | 44.7% | 33.8% | 2.9% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 63.49 | 0.19% | Copper (per mt) | 7,051.5 | 0.35% |
| Brent (per barrel) | 69.03 | 0.61% | Nickel (per mt) | 12,730.5 | 0.33% |
| Heating Oil (per gallon) | 2.0569 | -0.07% | Aluminium (per mt) | 2,249.5 | 1.24% |
| Gasoline (per gallon) | 1.8801 | 0.89% | | | |
| Natural Gas (per MMBtu) | 3.2240 | 1.22% | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,475.0 | 1.23% |
| | | | Rubber (JPY/KG) | 209.2 | 0.00% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,331.9 | -0.09% | | | |
| Silver (per oz) | 16.989 | -0.28% | | | |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 26,214.60 | 142.88 |
| S&P | 2,832.97 | 22.67 |
| Nasdaq | 7,408.03 | 71.65 |
| Nikkei 225 | 23,816.33 | 8.27 |
| STI | 3,569.43 | 19.07 |
| KLCI | 1,833.15 | 4.32 |
| JCI | 6,500.53 | 9.63 |
| Baltic Dry | 1,125.00 | -- |
| VIX | 11.03 | -0.24 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.46 (+0.01) | 2.06 (--) |
| 5Y | 1.78 (+0.02) | 2.45 (--) |
| 10Y | 2.17 (+0.02) | 2.65 (-0.01) |
| 15Y | 2.44 (+0.02) | -- |
| 20Y | 2.49 (+0.02) | -- |
| 30Y | 2.62 (+0.02) | 2.91 (-0.02) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 25.10 | 0.03 |
| EURIBOR-OIS | 2.34 | -- |
| TED | 31.77 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|-------------------------------------------|--------------|---------------|---------------|---------------|---------------|
| 01/22/2018 05:00 | SK PPI YoY | Dec | -- | 2.30% | 3.10% | -- |
| 01/22/2018 11:30 | TH Customs Exports YoY | Dec | 11.50% | 8.60% | 13.40% | 13.36% |
| 01/22/2018 11:30 | TH Customs Imports YoY | Dec | 10.70% | 16.60% | 13.70% | -- |
| 01/22/2018 11:30 | TH Customs Trade Balance | Dec | \$1152m | -\$278m | \$1763m | -- |
| 01/22/2018 12:00 | JN Tokyo Condominium Sales YoY | Dec | -- | -7.50% | 24.60% | -- |
| 01/22/2018 15:00 | JN Convenience Store Sales YoY | Dec | -- | -0.30% | -0.30% | -- |
| 01/22/2018 15:00 | MA Foreign Reserves | Jan-15 | -- | \$103.0b | \$102.4b | -- |
| 01/22/2018 15:46 | TH Car Sales | Dec | -- | 104302 | 78082 | -- |
| 01/22/2018 16:00 | TA Export Orders YoY | Dec | 12.20% | 17.50% | 11.60% | -- |
| 01/22/2018 16:00 | TA Unemployment Rate | Dec | 3.69% | 3.70% | 3.69% | -- |
| 01/22/2018 16:57 | MU CPI Composite YoY | Dec | -- | 2.04% | 1.69% | -- |
| 01/22/2018 21:30 | CA Wholesale Trade Sales MoM | Nov | 1.20% | 0.70% | 1.50% | 1.60% |
| 01/22/2018 21:30 | US Chicago Fed Nat Activity Index | Dec | 0.22 | 0.27 | 0.15 | 0.11 |
| 01/22/2018 23:00 | CA Bloomberg Nanos Confidence | Jan-19 | -- | 60 | 60.5 | -- |
| 01/23/2018 05:30 | NZ Performance Services Index | Dec | -- | 56 | 56.4 | 56.5 |
| 01/23/2018 06:30 | AU Confidence Index | Jan-21 | -- | 119.4 | 123.5 | -- |
| 01/23/2018 10:00 | PH GDP YoY | 4Q | 6.70% | -- | 6.90% | -- |
| 01/23/2018 12:30 | JN All Industry Activity Index MoM | Nov | 0.80% | -- | 0.30% | -- |
| 01/23/2018 13:00 | SI CPI YoY | Dec | 0.50% | -- | 0.60% | -- |
| 01/23/2018 13:00 | SI CPI Core YoY | Dec | 1.40% | -- | 1.50% | -- |
| 01/23/2018 13:30 | JN Nationwide Dept Sales YoY | Dec | -- | -- | 2.20% | -- |
| 01/23/2018 13:30 | JN Tokyo Dept Store Sales YoY | Dec | -- | -- | 3.80% | -- |
| 01/23/2018 14:00 | JN Machine Tool Orders YoY | Dec F | -- | -- | 48.30% | -- |
| 01/23/2018 16:00 | TA Industrial Production YoY | Dec | 1.20% | -- | 0.85% | -- |
| 01/23/2018 16:30 | HK CPI Composite YoY | Dec | 1.70% | -- | 1.60% | -- |
| 01/23/2018 17:30 | UK Public Finances (PSNCR) | Dec | -- | -- | 12.9b | -- |
| 01/23/2018 17:30 | UK Central Government NCR | Dec | -- | -- | 12.3b | -- |
| 01/23/2018 17:30 | UK Public Sector Net Borrowing | Dec | 4.3b | -- | 8.1b | -- |
| 01/23/2018 17:30 | UK PSNB ex Banking Groups | Dec | 5.0b | -- | 8.7b | -- |
| 01/23/2018 18:00 | GE ZEW Survey Current Situation | Jan | 89.6 | -- | 89.3 | -- |
| 01/23/2018 18:00 | GE ZEW Survey Expectations | Jan | 17.7 | -- | 17.4 | -- |
| 01/23/2018 18:00 | EC ZEW Survey Expectations | Jan | -- | -- | 29 | -- |
| 01/23/2018 19:00 | UK CBI Trends Total Orders | Jan | 12 | -- | 17 | -- |
| 01/23/2018 19:00 | UK CBI Trends Selling Prices | Jan | -- | -- | 23 | -- |
| 01/23/2018 19:00 | UK CBI Business Optimism | Jan | -- | -- | -11 | -- |
| 01/23/2018 23:00 | US Richmond Fed Manufact. Index | Jan | 19 | -- | 20 | -- |
| 01/23/2018 23:00 | EC Consumer Confidence | Jan A | 0.6 | -- | 0.5 | -- |
| 01/23/2018 | JN BOJ 10-Yr Yield Target | Jan-23 | 0.00% | -- | 0.00% | -- |
| 01/23/2018 | MU Visitor Arrivals | Dec | -- | -- | 2833t | -- |
| 01/23/2018 | JN BOJ Policy Balance Rate | Jan-23 | -0.10% | -- | -0.10% | -- |
| 01/22/2018 01/26 | ID Motorcycle Sales | Dec | -- | -- | 550303 | -- |
| 01/22/2018 01/26 | ID Local Auto Sales | Dec | -- | -- | 96148 | -- |

Source: Bloomberg

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