

Highlights

Global	<p>Asian bourses may continue to trade on a firm tone ahead of new Fed chair Powell's congressional testimony articulating his semi-annual monetary policy report later today and again on 1 Mar, taking the lead from Wall Street which saw four-week high. Elsewhere, ECB president Draghi opined that recent volatility, particularly in currency markets, deserves close monitoring and policymakers must remain persistent in providing monetary accommodation. For this morning, BOK kept its policy rate static at 1.5%. The economic data calendar comprises US' durable goods orders, FHFA and S&P house prices, Conference Board consumer confidence, and wholesale inventories, Eurozone's economic and consumer confidence, German CPI, as well as HK trade. Apart from Powell, other speakers include ECB's Mersch, BOE's Woods, and RBNZ's Bascand.</p>
US	<p>US' new home sales unexpectedly fell 7.8% mom to 593k in Jan, likely due to a year-end flurry ahead of tax changes which saw upward revisions to both Nov and Dec17. Meanwhile, the Chicago Fed national activity index retreated from a revised 0.14 in Dec17 to 0.12 in Jan18, whereas the Dallas Fed manufacturing activity improved from 33.4 to 37.2.</p>
EZ	<p>EU Ambassador to the US O'Sullivan said "I don't see how steel imports from NATO can be deemed to be a national security threat to the United States". This was in response to the mid-April deadline that US president Trump has to decide on steel and aluminium imports which was declared by the US Commerce Department to threaten national security.</p>
SG	<p>The \$1.7b re-opening of the 30-year SGS bond maturing on 1 March 2046 saw a cut-off yield of 2.74% with a bid-cover ratio of 2.21x (highest since Mar12) and a short tail of 5bps. The median yield was 2.90%, which was close to where the bond had closed the day before, and within market expectations.</p> <p>Meanwhile, industrial production rebounded to 17.9% yoy (6.7% mom sa) in Jan18, beating market expectations, but is partly attributable to a low base effect as CNY was in Jan17 with some spillover into Feb17. The Jan18 data marked the strongest on-year performance since Aug17 and reversed four consecutive months of declines, excluding biomedical, manufacturing output grew an even stronger 21.6% yoy (4.5% mom sa) in Jan18. All the manufacturing clusters registered growth, led by electronics (32.4% yoy, aided by semicon, infocomms & consumer electronics), followed by precision engineering (24.5% due to robust production of optical products and dies, moulds and demand for back-end semiconductor equipment), chemicals (13.7%), general manufacturing (11.6%), biomedical manufacturing (2.5% as strong export demand for medical devices offset lower pharmaceutical output) and even transport engineering (1.4% as robust aerospace and land transport activities offset the 19.5% decline in marine & offshore engineering). The Jan18 surge may be relatively short-lived as the data is likely to normalise somewhat in the months ahead as the base effects get more challenging. We tip manufacturing growth to average 5.9% yoy for 1Q18, bringing GDP growth to around the 3% yoy handle.</p>

Major Market

- **US:** Equities started the week on a strong footing on Monday, as concerns over rising rates continue to fade ahead of Powell's testimony to the House later today. Note the broad-based gains across ten of eleven industry sectors, with only utilities ending in the red as a group. Gains were led by the tech and financial sectors. Overall, the S&P 500 added 1.18%, while the Dow and Nasdaq Composite gained 1.58% and 1.15% respectively. VIX edged lower to 15.80, compared to 16.49 previously. US Treasury yields were lower by 1-2 bps across the curve, with 2y and 10y benchmark yields standing at 2.222% and 2.862% at NY close. Eyes will be on Powell's testimony to the House Committee later today.
- **Singapore:** Given the strong rally in Wall Street overnight, the STI which gained 0.64% to close at 3555.85 yesterday, may also extend gains today, taking the lead from Kospi's morning gains. STI's support and resistance are tipped at 3533 and 3577. With the longer-dated UST bonds extending gains again yesterday, pushing the 10-year UST bond yield back down to 2.86%, the SGS bond market may also rally further, especially since the \$1.7b re-opening of the 30-year SGS bond saw strong demand.
- **Macau:** Inflation decelerated to 1.74% in January 2018 due to calendar effect. Notably, food inflation slowed to 2.25% as lower fresh food prices offset some positive effects of higher charges for eating out. Besides, lower fees for telecommunication services and package tours pushed price index of communication and recreation & culture down by 11.32% and 5.61% respectively. In contrast, housing and fuels accelerated to 1.16% amid higher energy prices, dearer housing rentals and low base effect. Increase in gold jewellery prices drove the inflation of miscellaneous goods & services up to 2.65%, the strongest level since April 2015. Moving forward, calendar effect may distort February's data print. Despite that, new property control measures are expected to increase supply and reduce demand in the rental housing market. Therefore, we expect housing and fuels prices to grow at a rather moderate rate. However, rally in commodity prices and a weaker MOP against major currencies may translate into imported inflation. Therefore, we expect inflation to surpass 2% in 2018.
- Visitor arrivals decreased by 4.7% yoy in January 2018 due to calendar effect. Specifically, the number of same-day visitors dropped significantly by 16.8% yoy. This offset the strong growth of 8.8% yoy in overnight visitors. By country of residence, the number of visitors from Mainland China, Hong Kong and Taiwan decreased 3.5% yoy, 16.8% yoy and 0.8% yoy respectively. However, tourists from South Korea and Japan jumped by 20.2% yoy and 6.9% yoy respectively. Therefore, we believe that January's decrease is transitory. With a new wave of mega projects commenced operation or to open this year, we expect overnight visitors to increase further. Improvement in infrastructure will also encourage residents of Mainland China and Hong Kong to visit the gambling hub. Moreover, a weaker MOP against major currencies may boost the city's tourism activities. All in all, we expect tourism sector to revive further this year and in turn lend support to the retail sector and the mass-market of the gaming sector.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenors trading 2-3bps lower while the longer tenors traded 4-5bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 113bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 344bps. 10Y UST yield fell 4bps to 2.83% earlier

in the day as traders reduced their bearish bond positions in advance Fed Chairman Jerome Powell's semi-annual monetary policy testimony before Congress this week. Towards the latter part of the day, 10Y UST yield retraced 3bps and closed at 2.86% due to commentary from Randal Quarles, a member of Fed Board of Governors, who said there is a possibility that the US economy will shift to a higher growth trajectory and hence potentially a higher long-term terminal rate. Overall, 10Y UST yields was little changed at 2.86%

- New issues:** Mitsubishi UFJ Financial Group Inc (MUFG) has priced a USD3.5bn four-tranche deal, with the USD1.5bn 5-year FXD priced at CT5+85bps, tightening from its initial guidance of CT5+100bps area; the USD750mn 5-year FRN priced at 3mL+74bps, in line with its initial guidance of 3mL+74bps; the USD750mn 7-year bond priced at CT7+100bps, tightening from its initial guidance of CT7+110-115bps area and the USD500mn 10-year bond priced at CT10+110bps, tightening from its initial guidance of CT10+120bps area. The expected issue ratings are 'A-/A1/A'. Industrial and Commercial Bank of China Ltd (acting through Industrial and Commercial Bank of China Ltd Dubai (DIFC) Branch) has priced a USD700mn 3-year FRN at 3mL+75bps, tightening from its initial guidance of CT3+100bps area and a USD700mn 5-year FRN at 3mL+85bps, tightening from its initial guidance of CT5+110bps area. The expected issue ratings are 'NR/A1/NR'. Central China Real Estate Ltd has priced a USD300mn 3-year bond (guaranteed by certain of the company's restricted subsidiaries outside the PRC) at 6.5%, tightening from its initial guidance of 6.875%. The expected issue ratings are 'NR/B1/BB-'. Industrial Bank Co. Hong Kong Branch has priced a multi-tranche deal with the USD600mn 3-year FXD priced at CT3+115bps, tightening from its initial guidance of CT3+135bps area; the USD250mn 5-year FXD priced at CT5+123bps, tightening from its initial guidance of CT5+145bps area ; USD500mn 5-year FRN priced at 3mL+105bps, tightening from its initial guidance of 3mL+132.5bps area and the EUR250mn 3-year FRN priced at 3m€+75bps, tightening from its initial guidance of 3m€+95bps area. The expected issue ratings are 'NR/Baa3/NR'. Hubei Science & Technology Investment Group (Hong Kong) Company Ltd has priced a USD300mn 3-year bond (guaranteed by Hubei Science & Technology Investment Co Ltd) at CT3+205bps area, tightening from its initial guidance of CT3+230bps area. Hyundai Capital Services Inc has priced a USD500mn 5-year bond at CT5+120bps, tightening from its initial guidance of CT5+135bps area. The expected issue ratings are 'A-/Baa1/NR'. Bank of China Ltd (Macau Branch) has priced a CNH1.5bn 1-year bond at 4.45%, tightening from its initial guidance of 4.7% and a CNH2.5bn 3-year bond at 4.65%, tightening from its initial guidance of 4.9%. The expected issue ratings area 'A/A1/A'. Shui On Development (Holding) Ltd has priced a CNH1.6bn 3NC2 bond (guaranteed by Shui On Land Ltd) at 6.875%, , tightening from its initial guidance of 7.125%. CNAC (HK) Finbridge Company Ltd China has scheduled for investor meeting from 27 Feb for its potential USD bond issuance (guaranteed by National Chemical Corporation Ltd). The expected issue ratings are 'BBB/NR/A-'. IL&FS Transportation Networks Ltd has hired banks for its first USD bond issuance. NTPC Ltd has hired banks for its potential USD 10-year bond issuance.
- Rating changes:** S&P has stated that its 'B' corporate credit rating and stable outlook on Sprint Corp are not affected by their recent outlook revision on SoftBank. The rating action reflects S&P's view that SoftBank would provide Sprint with some degree of support if it falls into financial difficulty but does not necessarily imply a long-term commitment of support by Softbank.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.853	-0.03%	USD-SGD	1.3160	-0.27%
USD-JPY	106.930	0.04%	EUR-SGD	1.6210	-0.10%
EUR-USD	1.2317	0.18%	JPY-SGD	1.2307	-0.32%
AUD-USD	0.7855	0.15%	GBP-SGD	1.8382	-0.33%
GBP-USD	1.3968	-0.02%	AUD-SGD	1.0337	-0.13%
USD-MYR	3.9030	-0.40%	NZD-SGD	0.9611	-0.16%
USD-CNY	6.3161	-0.33%	CHF-SGD	1.4030	-0.47%
USD-IDR	13660	-0.06%	SGD-MYR	2.9673	0.17%
USD-VND	22748	0.07%	SGD-CNY	4.7925	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	0/N	1.4481	--
2M	-0.3410	--	1M	1.6312	--
3M	-0.3280	--	2M	1.7778	--
6M	-0.2710	--	3M	1.9563	--
9M	-0.2210	--	6M	2.1819	--
12M	-0.1910	--	12M	2.4597	--

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%	88.0%	12.0%	0.0%	0.0%
05/02/2018	100.0%	80.5%	18.5%	1.0%	0.0%
06/13/2018	100.0%	24.6%	61.5%	13.2%	0.7%
08/01/2018	100.0%	21.0%	56.2%	20.2%	2.5%
09/26/2018	100.0%	11.0%	39.5%	37.3%	10.9%
11/08/2018	100.0%	9.5%	35.6%	37.6%	14.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.91	0.57%	Copper (per mt)	7,108.8	-0.26%
Brent (per barrel)	67.50	0.28%	Nickel (per mt)	13,889.5	1.15%
Heating Oil (per gallon)	1.9859	0.84%	Aluminium (per mt)	2,131.3	-0.13%
Gasoline (per gallon)	1.8267	1.01%			
Natural Gas (per MMBtu)	2.6390	0.53%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,540.0	0.67%
			Rubber (JPY/KG)	193.8	2.98%
Precious Metals	Futures	% chg			
Gold (per oz)	1,332.8	0.19%			
Silver (per oz)	16.622	0.44%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,709.27	399.28
S&P	2,779.60	32.30
Nasdaq	7,421.46	84.07
Nikkei 225	22,153.63	260.85
STI	3,555.85	22.63
KLCI	1,860.08	-1.42
JCI	6,554.67	-65.13
Baltic Dry	1,185.00	--
VIX	15.80	-0.69

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.63 (-0.02)	2.22 (-0.02)
5Y	2.01 (-0.02)	2.61 (-0.01)
10Y	2.38 (-0.02)	2.86 (--)
15Y	2.72 (-0.02)	--
20Y	2.79 (-0.01)	--
30Y	2.91 (--)	3.15 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.11	1.15
EURIBOR-OIS	2.20	-0.65
TED	31.75	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/26/2018 10:31	MU CPI Composite YoY	Jan	--	1.74%	2.04%	--
02/26/2018 13:00	JN Leading Index CI	Dec F	--	107.4	107.9	--
02/26/2018 13:00	JN Coincident Index	Dec F	--	120.2	120.7	--
02/26/2018 13:00	SI Industrial Production YoY	Jan	7.50%	17.90%	-3.90%	-3.40%
02/26/2018 16:00	TA Unemployment Rate	Jan	3.70%	3.68%	3.70%	--
02/26/2018 17:12	MU Visitor Arrivals	Jan	--	2741t	3054t	--
02/26/2018 17:30	UK UK Finance Loans for Housing	Jan	37000	40117	36115	36085
02/26/2018 21:30	US Chicago Fed Nat Activity Index	Jan	0.25	0.12	0.27	0.14
02/26/2018 23:00	US New Home Sales	Jan	647k	593k	625k	643k
02/26/2018 23:30	US Dallas Fed Manf. Activity	Feb	30	37.2	33.4	--
02/27/2018 05:00	SK Consumer Confidence	Feb	--	108.2	109.9	--
02/27/2018 05:45	NZ Trade Balance NZD	Jan	0m	-566m	640m	596m
02/27/2018 05:45	NZ Exports NZD	Jan	4.58b	4.31b	5.55b	5.49b
02/27/2018 05:45	NZ Imports NZD	Jan	4.60b	4.87b	4.91b	4.89b
02/27/2018 10:00	SK Department Store Sales YoY	Jan	--	--	3.20%	--
02/27/2018 10:00	SK Discount Store Sales YoY	Jan	--	--	2.20%	--
02/27/2018 15:45	FR Consumer Confidence	Feb	103	--	104	--
02/27/2018 16:20	TA Money Supply M2 Daily Avg YoY	Jan	--	--	3.60%	--
02/27/2018 16:30	HK Exports YoY	Jan	16.10%	--	6.00%	--
02/27/2018 16:30	HK Imports YoY	Jan	18.90%	--	9.00%	--
02/27/2018 16:30	HK Trade Balance HKD	Jan	-20.3b	--	-59.9b	--
02/27/2018 17:00	EC M3 Money Supply YoY	Jan	4.60%	--	4.60%	--
02/27/2018 17:00	IT Manufacturing Confidence	Feb	109.2	--	109.9	--
02/27/2018 17:00	IT Consumer Confidence Index	Feb	115	--	115.5	--
02/27/2018 17:00	IT Economic Sentiment	Feb	--	--	105.6	--
02/27/2018 18:00	EC Economic Confidence	Feb	114	--	114.7	--
02/27/2018 18:00	EC Business Climate Indicator	Feb	1.47	--	1.54	--
02/27/2018 18:00	EC Industrial Confidence	Feb	8	--	8.8	--
02/27/2018 18:00	EC Consumer Confidence	Feb F	0.1	--	0.1	--
02/27/2018 21:00	GE CPI YoY	Feb P	1.50%	--	1.60%	--
02/27/2018 21:00	GE CPI EU Harmonized YoY	Feb P	1.30%	--	1.40%	--
02/27/2018 21:30	US Wholesale Inventories MoM	Jan P	0.40%	--	0.40%	--
02/27/2018 21:30	US Durable Goods Orders	Jan P	-2.00%	--	2.80%	--
02/27/2018 21:30	US Durables Ex Transportation	Jan P	0.40%	--	0.70%	--
02/27/2018 21:30	US Cap Goods Orders Nondef Ex Air	Jan P	0.50%	--	-0.60%	--
02/27/2018 21:30	US Cap Goods Ship Nondef Ex Air	Jan P	0.30%	--	0.40%	--
02/27/2018 22:00	US House Price Purchase Index QoQ	4Q	--	--	1.40%	--
02/27/2018 22:00	US FHFA House Price Index MoM	Dec	0.40%	--	0.40%	--
02/27/2018 22:00	US S&P CoreLogic CS 20-City NSA Index	Dec	--	--	204.21	--
02/27/2018 23:00	US Richmond Fed Manufact. Index	Feb	15	--	14	--
02/27/2018 23:00	US Conf. Board Consumer Confidence	Feb	126.5	--	125.4	--
02/27/2018	SK BoK 7-Day Repo Rate	Feb-27	1.50%	--	1.50%	--
02/27/2018	PH Budget Balance PHP	Dec	--	--	-8.6b	--
02/26/2018 02/28	VN CPI YoY	Feb	2.90%	--	2.65%	--
02/26/2018 02/28	VN Imports YTD YoY	Feb	--	--	47.40%	--
02/26/2018 02/28	VN Exports YTD YoY	Feb	--	--	33.10%	--
02/26/2018 02/28	VN Retail Sales YTD YoY	Feb	--	--	9.50%	--

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

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