

Highlights

Global	<p>Global risk appetite remained on the mend overnight, aided by market optimism over the US-China trade talks (with Commerce Secretary Wilbur Ross opining that “there’s a very good chance that we’ll get a reasonable settlement that China can live with, that we can live with, and that addresses all the key issues” and Liu He making a surprise appearance) and North Korean leader Kim Jong Un making his fourth visit to China ahead of a possible second summit with US president Trump. Separately, Trump will also be delivering a prime-time speech to address the humanitarian and national security crisis ahead of his trip to the US-Mexican border on Thursday). Wall Street edged higher overnight on the back of tech and small cap stocks, while shorter-dated UST bonds continued to sell off and the yield curve flattened, notwithstanding the softer non-manufacturing ISM print. Asian markets are likely to open higher today, following the rise in Wall Street.</p> <p>US-China vice-ministerial trade talks continue today and today’s economic data calendar comprises US’ NFIB small business optimism and JOLTS job openings, Eurozone’s consumer confidence, German industrial production and Taiwan’s CPI.</p>
US	<p>US’ non-manufacturing ISM slipped more than expected from 60.7 in Nov to a five-month low of 57.6 in Dec, led by the supplier-delivery times and business activity gauges, and the employment gauge also fell for a third month even though new orders hit a six-month high. Note Fed’s Bostic has also changed his view to “right now, I’m at one move for 2019”.</p>
UK	<p>PM May is considering a proposal to limit the Treasury’s tax raising power if there’s a no-deal Brexit.</p>
SG	<p>S’pore foreign minister Vivian Balakrishnan is meeting his Malaysian counterpart Saifuddin Abdullah in Singapore today to discuss recent bilateral issues.</p>
CH	<p>China’s FX reserve increased further in December for the second consecutive month by US\$11 billion to US\$3.07 trillion. The rebound was mainly the result of valuation effect as global bond prices rallied in December. We think capital flow to China in December is more balanced thanks to the trade truce.</p>
CMD	<p>Most commodities expectedly rallied after Friday brought about renewed positive sentiment in the markets, but the weaker-than-expected ISM manufacturing report saw many commodities give up their gains.</p> <p>Energy: WTI rose to as high as \$49.79 but then gave up most gains, eventually closing at \$48.52 to cap a daily gain of +1.2%.</p> <p>Agriculture: Similarly, corn rose to as high as 384 c/bu before retreating to 382.25 c/bu to cap a daily loss of -0.2%. Similar trends were observed in soybean and cotton. Palm lost -0.6% in ringgit terms.</p> <p>Metals: Similar to energy and agriculture, copper managed to end the session flat, but closed the day lower than it had started.</p> <p>Gold: Safe-haven gold rose as high as \$1,295.13 – which would have posted a daily gain – after sinking to as low as \$1,282.71 at the start of the session.</p>

Major Markets

- **US:** Wall Street ended higher on Monday, with the S&P500 advancing 0.70%. The DJIA increased by 0.42%, while the Nasdaq composite soared by 1.26%.
- General Electric shares jumped 6.2% after discussions with Apollo Global Management regarding the sale of its jet-leasing unit.
- Luxoft Holdings shares rose 82% after it was announced that it would be acquired by DXC Technology.
- **Singapore:** The STI extended the rally to gain another 1.42% to close at 3102.80 yesterday, and given continued momentum in Wall Street overnight on hopes of smoother US-China trade talks. Nikkei and Kospi are also opening slightly higher this morning, so STI may consolidate its position above the 3100 support handle. As the front-end of the UST bond yield curve continue to recalibrate higher by around 5bps overnight, the correction in SGS bonds came mainly in the back-end of the curve yesterday. Note the 2-10 year yield spread for SGS has widened back from its recent low of 14bps post-Christmas, which is close to the 15bps in its US counterpart as well. The 3-month SOR eased slightly to 1.911% and narrowed the gap with the 3-month SOR of 1.886% to just 2bps.
- **Hong Kong:** In last November, housing price index was down for the fourth consecutive month by 3.5% mom while approved new mortgage loans dropped to the lowest since December 2017. Worse still, housing transaction volume plunged by 54% yoy to 2635 deals in December 2018, the lowest since March 2016. Despite that, lately, the market showed some signs of rebound. The CCL index which tracks secondary housing prices ended the longest losing streak since 2008 during the week ended 30th December 2018. This may be due to easing concerns about rising interest rates, the currently limited supply of public housing, the reducing offer price of secondary and primary homes, and improved sentiments on US-China trade truce and China's monetary stimulus. Nevertheless, we expect the rebound to be short-lived as the economic outlook of China and HK remains subdued amid the still tightening global liquidity and the lingering uncertainty about trade war. On the other hand, with public housing supply to increase notably in the coming decade, private housing prices may need to drop further to attract buyers. In conclusion, we hold onto our view that housing transaction volume to remain muted and housing prices to fall by around 15% yoy in 2019.
- **South Korea** Samsung Electronic misses its quarterly profit and sales estimates, showing that Apple is not alone in its dire revenue warning last week. Operating income at 10.8tn won was below analysts' estimates of 12.8tn won, while sales at 59tn won fell short of the expected 63.6tn won.
- **Malaysia:** Foreign reserves data as of 31 December 2018 remained static at U\$104.4bn.
- **Indonesia:** The IDR continued to rally yesterday as it ended the day close to the 14,000 mark amid news of a dovish Powell and Chinese monetary policy easing. Meanwhile, the Central Bank and the government have reportedly agreed to operate an integrated export earnings monitoring system. Foreign Reserves came in at US\$120.7bn for December, a US\$3bn increase from the prior month.

- **Philippines:** Foreign exchange reserves rose +3.7% to \$78.5bn in Dec, the highest since May 2018, mainly due to an increase in foreign investments on a USD basis.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 1-3bps higher while the longer tenors traded 4-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 166bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 634bps. 10Y UST yields rose 3bps to close at 2.70%, as trade talks resumed between the United States and China as well as plans of the US Treasury Department to sell USD78bn in notes later this week.
- **New Issues:** New Metro Global Ltd has priced a USD300mn 1-year bond (guaranteed by Seazen Holdings Co Ltd) at 6.93%, below the final price guidance of 6.95%. Guotai Junan International Holdings Ltd has priced a USD200mn 3-year bond at T+185bps. Powerlong Real Estate Holdings Ltd has priced a USD200mn 2-year bond (subsidiary guarantors: certain non-PRC subsidiaries) at 9.5%, in line with the initial price guidance. Republic of Philippines has priced a USD1.5bn 10-year bond at T+110bps, tightening from the initial price guidance of T+130bps. Westpac Banking Corp has priced a USD2bn 5-year bond at MS+58bps, below the initial price talk of MS+60bps. Malayan Banking Bhd has mandated banks to arrange for investor meetings from 8 Jan for its potential USD Tier 2 bond issuance. Dah Sing Bank has scheduled for a group investor call and roadshow on 7 Jan for its potential USD Tier 2 bond issuance, and may price as early as tomorrow. Coastal Emerald Ltd (guaranteed by China Shandong Hi-Speed Financial Group Ltd) has scheduled an investor call on 7 Jan for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.666	-0.53%	USD-SGD	1.3562	-0.23%
USD-JPY	108.720	0.19%	EUR-SGD	1.5560	0.45%
EUR-USD	1.1474	0.69%	JPY-SGD	1.2471	-0.43%
AUD-USD	0.7148	0.49%	GBP-SGD	1.7331	0.23%
GBP-USD	1.2777	0.42%	AUD-SGD	0.9694	0.26%
USD-MYR	4.1147	-0.51%	NZD-SGD	0.9160	0.13%
USD-CNY	6.8510	-0.26%	CHF-SGD	1.3841	0.47%
USD-IDR	14080	-1.33%	SGD-MYR	3.0320	-0.24%
USD-VND	23197	-0.07%	SGD-CNY	5.0519	0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	2.3940	--
2M	-0.3360	--	1M	2.5206	--
3M	-0.3090	--	2M	2.6231	--
6M	-0.2370	--	3M	2.8039	--
9M	-0.1940	--	6M	2.8558	--
12M	-0.1190	--	12M	2.9649	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
01/30/2019	0.0%	1.6%	0.0%	1.6%	98.5%
03/20/2019	2.8%	1.5%	0.0%	1.5%	95.7%
05/01/2019	6.7%	1.4%	0.0%	1.4%	91.8%
06/19/2019	15.2%	1.3%	0.0%	1.3%	83.5%
07/31/2019	14.7%	4.1%	0.0%	4.1%	81.2%
09/18/2019	14.3%	6.3%	0.2%	6.1%	79.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.52	1.17%	Coffee (per lb)	1.028	1.13%
Brent (per barrel)	57.33	0.47%	Cotton (per lb)	0.7275	0.32%
Heating Oil (per gallon)	1.7784	0.52%	Sugar (per lb)	0.1265	6.04%
Gasoline (per gallon)	1.3408	-0.52%	Orange Juice (per lb)	1.2195	0.54%
Natural Gas (per MMBtu)	2.9440	-3.29%	Cocoa (per mt)	2,410	2.08%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1675	-0.05%
Nickel (per mt)	11,087.0	0.33%	Soybean (per bushel)	9.123	0.30%
Aluminium (per mt)	1,860.3	0.54%	Corn (per bushel)	3.8225	-0.20%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,289.9	0.32%	Crude Palm Oil (MYR/MT)	2,092.0	-1.32%
Silver (per oz)	15.756	-0.19%	Rubber (JPY/KG)	177.9	1.54%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,531.35	98.19
S&P	2,549.69	17.75
Nasdaq	6,823.47	84.61
Nikkei 225	20,038.97	477.01
STI	3,102.80	43.57
KLCI	1,679.17	9.39
JCI	6,287.22	12.68
Baltic Dry	1,260.00	--
VIX	21.40	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (+0.02)	2.54 (+0.05)
5Y	1.98 (+0.04)	2.54 (+0.04)
10Y	2.18 (+0.05)	2.70 (+0.03)
15Y	2.41 (+0.07)	--
20Y	2.47 (+0.07)	--
30Y	2.59 (+0.08)	2.99 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.10	-0.88
TED	39.74	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/07/2019 05:30	AU AiG Perf of Mfg Index	Dec	--	49.5	51.3	--
01/07/2019 07:50	JN Loans & Discounts Corp YoY	Nov	--	3.66%	3.30%	--
01/07/2019 07:50	JN Monetary Base YoY	Dec	5.80%	4.80%	6.10%	--
01/07/2019 07:50	JN Monetary Base End of period	Dec	¥505.8t	¥504.2t	¥501.6t	--
01/07/2019 08:30	JN Nikkei Japan PMI Composite	Dec	--	52	52.4	--
01/07/2019 08:30	JN Nikkei Japan PMI Services	Dec	--	51	52.3	--
01/07/2019 13:00	JN Vehicle Sales YoY	Dec	--	-4.40%	8.30%	--
01/07/2019 15:00	GE Retail Sales MoM	Nov	0.40%	1.40%	-0.30%	0.10%
01/07/2019 15:00	GE Retail Sales YoY	Nov	-0.40%	1.10%	5.00%	5.20%
01/07/2019 15:00	GE Factory Orders MoM	Nov	-0.10%	-1.00%	0.30%	0.20%
01/07/2019 15:00	GE Factory Orders WDA YoY	Nov	-2.70%	-4.30%	-2.70%	-3.00%
01/07/2019 15:00	MA Foreign Reserves	Dec-31	--	\$101.4b	\$101.4b	--
			\$3071.73			
01/07/2019 16:00	CH Foreign Reserves	Dec	b	\$3072.71b	\$3061.70b	--
01/07/2019 16:00	TA Exports YoY	Dec	-5.10%	-3.00%	-3.40%	--
01/07/2019 16:00	TA Imports YoY	Dec	-0.30%	2.20%	1.10%	--
01/07/2019 16:00	TA Trade Balance	Dec	\$4.70b	\$4.71b	\$4.65b	--
01/07/2019 16:10	PH Foreign Reserves	Dec	--	\$78.5b	\$75.5b	\$75.7b
01/07/2019 16:30	HK Foreign Reserves	Dec	--	\$424.6b	\$423.2b	--
01/07/2019 16:30	GE Markit Germany Construction PMI	Dec	--	53.3	51.3	--
01/07/2019 17:00	UK New Car Registrations YoY	Dec	--	-5.50%	-3.00%	--
01/07/2019 17:00	SI Foreign Reserves	Dec	--	\$287.67b	\$289.52b	--
01/07/2019 17:00	IT Deficit to GDP YTD	3Q	--	1.90%	1.90%	2.00%
01/07/2019 17:30	EC Sentix Investor Confidence	Jan	-2	-1.5	-0.3	--
01/07/2019 17:51	ID Consumer Confidence Index	Dec	--	127	122.7	--
01/07/2019 18:00	EC Retail Sales MoM	Nov	0.20%	0.60%	0.30%	0.60%
01/07/2019 18:00	EC Retail Sales YoY	Nov	0.40%	1.10%	1.70%	2.30%
01/07/2019 23:00	CA Bloomberg Nanos Confidence	Jan-04	--	55.5	55.1	--
01/07/2019 23:00	CA Ivey Purchasing Managers Index SA	Dec	--	59.7	57.2	--
01/07/2019 23:00	US ISM Non-Manufacturing Index	Dec	58.5	57.6	60.7	--
	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan-06	--	115.2	117.8	--
01/08/2019 06:30	AU Confidence Index	Jan-06	--	115.2	117.8	--
01/08/2019 07:00	SK BoP Current Account Balance	Nov	--	\$5063.4m	\$9190.3m	--
01/08/2019 07:00	SK BoP Goods Balance	Nov	--	\$7974m	\$10997m	--
01/08/2019 07:44	ID Foreign Reserves	Dec	--	\$120.70b	\$117.20b	--
01/08/2019 08:30	AU Trade Balance	Nov	A\$2175m	--	A\$2316m	--
01/08/2019 08:30	AU ANZ Job Advertisements MoM	Dec	--	--	-0.30%	--
01/08/2019 13:00	JN Consumer Confidence Index	Dec	42.8	--	42.9	--
01/08/2019 13:30	AU Foreign Reserves	Dec	--	--	A\$66.0b	--
01/08/2019 15:00	GE Industrial Production SA MoM	Nov	0.30%	--	-0.50%	--
01/08/2019 15:00	GE Industrial Production WDA YoY	Nov	-0.80%	--	1.60%	--
01/08/2019 15:45	FR Trade Balance	Nov	-4946m	--	-4052m	--
01/08/2019 16:00	TA CPI YoY	Dec	0.20%	--	0.31%	--
01/08/2019 16:00	TA WPI YoY	Dec	--	--	3.25%	--
01/08/2019 16:30	UK Halifax House Prices MoM	Dec	0.50%	--	-1.40%	--
01/08/2019 16:30	UK Halifax House Price 3Mths/Year	Dec	0.40%	--	0.30%	--
01/08/2019 18:00	EC Consumer Confidence	Dec F	-6.2	--	-6.2	--
01/08/2019 18:00	EC Economic Confidence	Dec	108.2	--	109.5	--
01/08/2019 18:00	EC Business Climate Indicator	Dec	1	--	1.09	--
01/08/2019 18:00	EC Industrial Confidence	Dec	3	--	3.4	--
01/08/2019 18:00	EC Services Confidence	Dec	12.3	--	13.3	--
01/08/2019 19:00	US NFIB Small Business Optimism	Dec	103	--	104.8	--
01/08/2019 21:30	CA Int'l Merchandise Trade	Nov	-2.15b	--	-1.17b	--
01/08/2019 23:00	US JOLTS Job Openings	Nov	7050	--	7079	--
01/08/2019	PH Bank Lending YoY	Nov	--	--	17.90%	--
01/08/2019	PH Bank Lending Net of RRP's YoY	Nov	--	--	18.10%	--
01/08/2019	PH Money Supply M3 SRF YoY	Nov	--	--	8.20%	--
01/08/2019	ID Net Foreign Assets IDR	Dec	--	--	1643.6t	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

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 Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).