

Highlights

Global	<p>US president Trump dropped the bombshell that he would not meet with Chinese leader Xi Jinping before the 1 March deadline for the 90-day trade truce left markets in risk-off territory as the spectre of US raising tariffs to 25% then came back into play. Wall Street closed lower, with the flight to safety benefiting UST bonds and the USD. Note the 3-month LIBOR fell by 4.06bps to 2.697% in the largest drop since May 2009, while US\$50b of 4-week T-bills and US\$35b of 8-week T-bills were both auctioned at 2.385% and the probability for a Fed rate hike this year fell to below 4%. On the central bank front, RBI unexpectedly cut interest rates yesterday for the first time in 17 months under its new chief Shaktikanta Das, while BOE was static but trimmed its 2019 growth forecast to 1.2% amid Brexit uncertainties. BSP kept its key rate unchanged at 4.75% for a second straight meeting but pared its 2019 inflation forecasts closer to the mid-point of its 2-4% target range at 3.07% (previously 3.18%). With China markets still closed for holidays, the rest of the Asian markets that have re-opened are likely to trade with a risk-off tone today as market players re-grapple with the likelihood of US-China resuming their trade war at the end of the 90-day truce period. Today's economic data calendar comprises German trade data for December, French and Italian industrial production, Singapore's COE tender results and Thailand's foreign reserves data.</p>
US	<p>Initial jobless claims declined by 19k to 234k, while consumer credit retreated sharply from a revised US\$22.408b in November to US\$16.554b in December as credit card spending softened. Meanwhile, the US Ambassador to the EU has warned of the risk of US countermeasures if any Western countries "do business with the Chinese" and "blindly" embrace Chinese technology such as in 5G contracts. President Trump is also expected to sign an executive order banning Chinese telecom equipment from US wireless networks next week, according to Politico reports.</p>
EU	<p>Germany's industrial production unexpectedly fell 0.4% mom sa (-3.9% yoy) in December, albeit the November data was revised higher from -1.9% mom sa to -1.3% mom sa, and feeding concerns about the rebound as the data came after the earlier factory orders also dropped for a second month by 1.6% in December.</p>
UK	<p>With European Commission president Juncker telling UK PM May that he did not want to reopen the Brexit deal and no plans currently for an emergency EU summit before the scheduled leaders meeting on 21-22 March, market concerns are rising that a no-deal Brexit on the 29 March deadline will inflict significant economic damage. The BOE's inflation report had flagged the "fog of Brexit" but nevertheless suggested one more 25bp hike to return inflation to close to its 2% target even though market currently believes there is less than a 50% probability of a rate hike by year-end.</p>
ID	<p>The country's foreign reserves fell to US\$120.1bn in January from US\$120.7bn in the prior month. The central bank has said in a statement that this was due to external debt repayment.</p>

Major Markets

- **US:** Wall Street ended lower on Thursday, with the S&P500 declining 0.94%. The DJIA fell 0.87%, while the Nasdaq composite tumbled 1.18%.
- **Singapore:** The STI gained 0.50% to close at 3200.64 yesterday but looks set to succumb to de-risking pressures today amid the sea of red ink seen overnight in Wall Street and European bourses after news that Trump will not meet Xi before the truce deadline. STI support is tipped at 3171 with topside still capped at 3200. With UST bond yields lower by 4-5bps led by the belly of the curve amid the flight back to quality and a solid 30-year bond auction, SGS bonds are likely to see a more biddish tone today as well. MAS had sold \$2.2b 28-day bills at 1.95% a US\$5.8b 84-day bills at 2%.
- **Commodities:**
 - Energy:** Crude tumbled yesterday, with WTI falling -2.5% and Brent down -1.7%. Trade talks fear have resurfaced as President Trump said a meeting with China President Xi is “unlikely” before the end of the 90-day truce on 1 March. WTI has so far failed to break the \$55/bbl handle decisively and have been hovering around our 1Q forecasts of \$53.
 - Gold:** Gold was up about +0.3% as risk-off is back on the table. The lack of clarity on the trade tensions has caused market jittery and investors are piling into safe havens in seeking volatility refuge. We maintain our forecasts of gold possibly attempting the \$1,350/oz level in 1Q before showing hints of retracement.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 1bps lower while the longer tenors traded 2bps lower (with the exception of the 12-year swap rate trading 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 14bps to 475bps. 10Y UST yields fell for a third consecutive day, falling 4bps to close the trading session at a one-week low of 2.66%, on the back of safe haven demand as the European Commission and Bank of England issued economic growth warnings and fresh concerns emerged regarding the US-China trade negotiations.
- **New Issues:** There were no new issuances over 7th February.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.507	0.12%	USD-SGD	1.3564	0.04%
USD-JPY	109.820	-0.14%	EUR-SGD	1.5384	-0.14%
EUR-USD	1.1341	-0.18%	JPY-SGD	1.2355	0.22%
AUD-USD	0.7101	-0.06%	GBP-SGD	1.7568	0.19%
GBP-USD	1.2952	0.15%	AUD-SGD	0.9633	--
USD-MYR	4.0715	-0.53%	NZD-SGD	0.9157	-0.34%
USD-CNY	6.7454	--	CHF-SGD	1.3533	0.04%
USD-IDR	13973	0.38%	SGD-MYR	3.0032	-0.66%
USD-VND	23205	--	SGD-CNY	4.9755	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3670	--	O/N	2.3833	--
2M	-0.3360	--	1M	2.5126	--
3M	-0.3080	--	2M	2.6093	--
6M	-0.2340	--	3M	2.7376	--
9M	-0.1940	--	6M	2.7763	--
12M	-0.1080	--	12M	2.9620	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
03/20/2019	0.0%	2.0%	2.0%	98.0%	0.0%
05/01/2019	0.0%	6.0%	5.9%	94.0%	0.0%
06/19/2019	4.7%	5.7%	5.6%	89.6%	4.7%
07/31/2019	4.8%	5.7%	5.6%	89.5%	4.8%
09/18/2019	4.8%	5.7%	5.6%	89.5%	4.8%
10/30/2019	4.7%	7.5%	7.3%	87.7%	4.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.64	-2.54%	Coffee (per lb)	1.043	-1.14%
Brent (per barrel)	61.63	-1.69%	Cotton (per lb)	0.7281	-1.15%
Heating Oil (per gallon)	1.9005	-0.61%	Sugar (per lb)	0.1273	-1.32%
Gasoline (per gallon)	1.4258	-2.28%	Orange Juice (per lb)	1.1985	-0.50%
Natural Gas (per MMBtu)	2.5510	-4.17%	Cocoa (per mt)	2,221	-1.60%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1325	-2.42%
Nickel (per mt)	12,872.5	--	Soybean (per bushel)	9.133	-0.92%
Aluminium (per mt)	1,890.0	--	Corn (per bushel)	3.7650	-0.92%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,309.4	-0.01%	Crude Palm Oil (MYR/MT)	2,216.0	0.41%
Silver (per oz)	15.713	0.08%	Rubber (JPY/KG)	189.3	-0.26%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,169.53	-220.77
S&P	2,706.05	-25.56
Nasdaq	7,288.35	-86.93
Nikkei 225	20,751.28	-122.78
STI	3,200.64	16.08
KLCI	1,693.39	9.78
JCI	6,536.46	-11.42
Baltic Dry	629.00	--
VIX	16.37	0.99

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.98 (-0.01)	2.48 (-0.04)
5Y	2.01 (-0.01)	2.46 (-0.04)
10Y	2.17 (-0.02)	2.66 (-0.04)
15Y	2.41 (-0.02)	--
20Y	2.48 (-0.01)	--
30Y	2.60 (-0.02)	2.99 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.33	-0.02
TED	35.36	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/07/2019 05:30	AU AiG Perf of Construction Index	Jan	--	43.1	42.6	--
02/07/2019 05:45	NZ Unemployment Rate	4Q	4.10%	4.30%	3.90%	4.00%
02/07/2019 05:45	NZ Employment Change QoQ	4Q	0.30%	0.10%	1.10%	1.00%
02/07/2019 05:45	NZ Employment Change YoY	4Q	2.60%	2.30%	2.80%	--
02/07/2019 07:50	JN Japan Buying Foreign Bonds	Feb-01	--	¥915.3b	¥102.6b	¥104.1b
02/07/2019 07:50	JN Foreign Buying Japan Bonds	Feb-01	--	¥638.3b	¥604.3b	¥603.3b
02/07/2019 07:50	JN Foreign Buying Japan Stocks	Feb-01	--	¥123.8b	¥166.6b	¥164.9b
02/07/2019 08:30	AU NAB Business Confidence	4Q	--	1	3	--
02/07/2019 13:00	JN Leading Index CI	Dec P	97.9	97.9	99.1	--
02/07/2019 13:30	AU Foreign Reserves	Jan	--	A\$61.3b	A\$76.3b	--
02/07/2019 14:15	IN RBI Repurchase Rate	Feb-07	6.50%	6.25%	6.50%	--
02/07/2019 14:15	IN RBI Reverse Repo Rate	Feb-07	6.25%	6.00%	6.25%	--
02/07/2019 14:15	IN RBI Cash Reserve Ratio	Feb-07	4.00%	4.00%	4.00%	--
02/07/2019 15:00	GE Industrial Production SA MoM	Dec	0.80%	-0.40%	-1.90%	-1.30%
02/07/2019 15:00	GE Industrial Production WDA YoY	Dec	-3.40%	-3.90%	-4.70%	-4.00%
02/07/2019 15:07	ID Foreign Reserves	Jan	--	\$120.10b	\$120.65b	--
02/07/2019 15:45	FR Trade Balance	Dec	-4617m	-4653m	-5099m	-4808m
02/07/2019 16:00	PH BSP Overnight Borrowing Rate	Feb-07	4.75%	4.75%	4.75%	--
02/07/2019 16:30	UK Halifax House Prices MoM	Jan	-0.70%	-2.90%	2.20%	2.50%
02/07/2019 16:30	UK Halifax House Price 3Mths/Year	Jan	1.50%	0.80%	1.30%	--
02/07/2019 17:00	IT Retail Sales MoM	Dec	-0.20%	-0.70%	0.70%	0.60%
02/07/2019 17:00	IT Retail Sales YoY	Dec	0.80%	-0.60%	1.60%	1.70%
02/07/2019 17:00	SI Foreign Reserves	Jan	--	\$293.89b	\$287.67b	--
02/07/2019 17:24	PH Foreign Reserves	Jan	--	\$82.1b	\$78.5b	\$79.2b
02/07/2019 20:00	UK Bank of England Bank Rate	Feb-07	0.75%	0.75%	0.75%	--
02/07/2019 20:00	UK BOE Asset Purchase Target	Feb	435b	435b	435b	--
02/07/2019 21:30	US Initial Jobless Claims	Feb-02	221k	234k	253k	--
02/07/2019 21:30	US Continuing Claims	Jan-26	1733k	1736k	1782k	1778k
02/07/2019 22:45	US Bloomberg Consumer Comfort	Feb-03	--	58.2	57.4	--
02/08/2019 04:00	US Consumer Credit	Dec	\$17.000b	\$16.554b	\$22.149b	\$22.408b
02/08/2019 05:00	SK Foreign Reserves	Jan	--	\$405.51b	\$403.69b	--
02/08/2019 07:30	JN Household Spending YoY	Dec	0.80%	0.10%	-0.60%	--
02/08/2019 07:30	JN Labor Cash Earnings YoY	Dec	1.70%	1.80%	2.00%	1.70%
02/08/2019 07:50	JN BoP Current Account Balance	Dec	¥469.3b	--	¥757.2b	--
02/08/2019 07:50	JN Trade Balance BoP Basis	Dec P	¥132.4b	--	¥559.1b	--
02/08/2019 07:50	JN BoP Current Account Adjusted	Dec P	¥1501.6b	--	¥1438.7b	--
02/08/2019 08:30	HK Nikkei Hong Kong PMI	Jan	--	--	48	--
02/08/2019 15:00	GE Trade Balance	Dec	16.5b	--	20.5b	20.4b
02/08/2019 15:00	GE Current Account Balance	Dec	23.3b	--	21.4b	--
02/08/2019 15:00	GE Exports SA MoM	Dec	0.40%	--	-0.40%	-0.30%
02/08/2019 15:00	GE Imports SA MoM	Dec	0.50%	--	-1.60%	-1.30%
02/08/2019 15:30	TH Foreign Reserves	Feb-01	--	--	\$208.3b	--
02/08/2019 15:45	FR Industrial Production MoM	Dec	0.60%	--	-1.30%	--
02/08/2019 15:45	FR Industrial Production YoY	Dec	-1.40%	--	-2.10%	--
02/08/2019 15:45	FR Manufacturing Production MoM	Dec	1.10%	--	-1.40%	--
02/08/2019 15:45	FR Manufacturing Production YoY	Dec	-1.20%	--	-2.20%	--
02/08/2019 16:00	SI Automobile COE Open Bid Cat A	Feb-08	--	--	26170	--
02/08/2019 16:00	SI Automobile COE Open Bid Cat B	Feb-08	--	--	33989	--
02/08/2019 16:00	SI Automobile COE Open Bid Cat E	Feb-08	--	--	33689	--
02/08/2019 17:00	IT Industrial Production MoM	Dec	0.40%	--	-1.60%	--
02/08/2019 17:00	IT Industrial Production WDA YoY	Dec	-2.70%	--	-2.60%	--
02/08/2019 17:00	IT Industrial Production NSA YoY	Dec	-3.30%	--	-2.60%	--
02/08/2019 21:15	CA Housing Starts	Jan	205.0k	--	213.4k	--
02/08/2019 21:30	CA Net Change in Employment	Jan	5.0k	--	9.3k	7.8k
02/08/2019 21:30	CA Unemployment Rate	Jan	5.70%	--	5.60%	--
02/08/2019	KZ International Reserves	Jan	--	--	30.9b	--
02/08/2019	ID BoP Current Account Balance	4Q	-\$8614m	--	-\$8846m	--
02/06/2019 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	35.70%	--

Source: Bloomberg

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