

Highlights

Global	<p>Risk sentiment further improved last night as the 10 year US Treasury yields climbed to 2.73% and stocks rallied on Wall Street. This came in the backdrop for some positive news regarding the US China trade talks as President Trump tweeted that things are “going very well” after the two countries wrapped up meetings. Regardless, some reports suggest that the two sides are still weren’t closing in on a deal. Meanwhile, uncertainty still prevails regarding the US government shutdown as both sides still can’t reach agreement on funding for the border wall though it appears unlikely at this point that Trump would use his address scheduled on Tuesday night Washington time to invoke emergency powers. On the Brexit front, more concerns emerged whether Theresa May would be able to get a deal through after the House of Commons voted by 303 – 296 to restrict to UK Prime Minister’s tax-varying powers should the UK leave the EU without a deal. On the oil front, there some respite as crude climbed above \$50 possibly amid optimism of progress in the trade talks aside investors being more confident that OPEC may shrink output. Asian markets may open stronger today taking a lead from the US markets yesterday. The World Bank also cut its 2019 growth forecast to 2.9% from 3.0% as they expect trade activity to slow and rising interest rates to sap momentum. Key data releases include Germany trade data, EC jobs data and BOC rate decision.</p>
US	<p>House Speaker Nancy Pelosi and Senate Democratic leader Chuck Schumer would be expected to deliver a televised response to Trump’s speech. According to Bloomberg, the President at the same time has also invited leaders from both parties in the House and Senate for a meeting on Wednesday. Trump and his Vice President Mike Pence are also intending to attend a Senate GOP lunch on Capitol Hill Wednesday.</p>
CH	<p>China’s interbank liquidity became very flush after China announced the first universal cut since April 2016. The overnight interbank lending rate between banks fell to 1.38% yesterday, down from 2.48% at the end of 2018. Meanwhile, 7 day repo rate between banks also fell to 2.21%, lowest since June 2015. China’s bond market rallied on the back of flush liquidity. Market is monitoring how low of the interbank lending rate the PBoC will tolerant. Should PBoC remain quiet to allow the interbank rate to drift lower, it may confirm market’s expectation that China’s monetary policy has turned more stimulative amid the rising downside risk for Chinese economy.</p>
MY	<p>Foreign ownership of Malaysian government and corporate bonds and bills has reportedly fallen by 1.2% in December from a month earlier. Meanwhile, Finance Minister Lim Guan Eng has said that he will “have to check the records” regarding the Wall Street Journal report that China offered to help deter probes into 1MDB in exchange for infrastructure projects</p>
CMD	<p>Energy: WTI up +2.6% as US-CH trade talks show signs of optimism. WTI trading around \$50 currently and any further positive sentiment should see it break above \$50 convincingly.</p> <p>Agriculture: Palm climbs to a two-week high and briefly tested the resistance of 2200 MYR/mt on weaker output in southern Peninsular Malaysia.</p> <p>Gold: Declined slightly by -0.3%, looking to dip further but requires a stronger catalyst in the form of positive-concluded trade talks to edge prices down significantly.</p>

Major Markets

- **US:** Wall Street ended higher on Tuesday, with the S&P500 advancing 0.97%. The DJIA increased by 1.09%, while the Nasdaq composite soared by 1.08%.
- Boeing shares jumped 3.79% after it announced its fourth-quarter commercial airplane deliveries which exceeded expectations.
- Apple shares rose 1.91% after its Chief Executive Tim Cook emphasized that it has “never been better”.
- **Singapore:** The STI closed higher by 0.65% to 3,122.94 on Tuesday with Jardine Cycle & Carriage Ltd (+0.39%) and United Overseas Bank Ltd (+0.22%) leading gains, while Jardine Matheson Holdings Ltd (-0.62%) and Jardine Strategic Holdings Ltd (-0.24%) registered losses.
- **South Korea:** Unemployment rate for Dec at 3.8%, same as Nov and slightly better than expectations of 3.9%. Release is deemed within expectations and is not expected to impact markets.
- **Indonesia:** The government has sold Rp8t worth of Islamic bonds in their first sukuk auction yesterday with bids reportedly coming in at Rp17.8t. Meanwhile, Finance Minister Sri Mulyani has stated “there is downside risk that can make us unable to reach 5.3%” with regards to 2019 growth rate.
- **Thailand:** The Bank of Thailand has discussed lowering its range of inflation target, but any policy enactment is unlikely to occur this year amid political and economic uncertainty. Lowering the inflation target means the BoT will keep rates lower for longer, a plus for economic growth but a drag for the baht.
- Officials have halted preparations for the Feb 24 general elections. There is still no official word on whether the elections will take place or has been postponed, with Prime Minister Prayut Chan-Ocha refusing to confirm either.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 5-8bps higher while the longer tenors traded 8-9bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 163bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 22bps to 612bps. 10Y UST yields rose 4bps to close at 2.73%, rising for the third consecutive day as trade talks between the United States and China continued for an unscheduled third day boosting optimism in markets for risky assets. The US Treasury Department also sold USD38bn 3-year notes to a relatively soft demand yesterday, with plans to sell a further USD24bn 10-year notes today. The ongoing partial US government shutdown, however, still weighed in negatively on market sentiments.
- **New Issues:** China SCE Group Holdings Ltd has priced a USD500mn 2-year bond at 8.75%, tightening from the guidance of 9.125%. Zhenro Properties Group Ltd has priced a USD200mn 363-day bond at 10.75%, tighter than IPT of 11.125%. Coastal Emerald Ltd has priced a USD550mn 363-day bond (guarantor: China Shandong Hi-Speed Financial Group Ltd) at 5.95%, below the IPT of 6% area. Dah Sing Bank Ltd priced a USD225mn 10NC5 Tier 2 bond at T+255bps, tightening from the IPT of T+280bps area. BoCom Leasing Management Hong Kong Company Ltd has scheduled for investor meetings from 11 Jan for its potential USD bond issuance. Rizal

Commercial Banking Corporation has mandated banks for its potential shorter-dated USD senior unsecured bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.903	0.25%	USD-SGD	1.3581	0.14%
USD-JPY	108.750	0.03%	EUR-SGD	1.5540	-0.13%
EUR-USD	1.1441	-0.29%	JPY-SGD	1.2488	0.14%
AUD-USD	0.7140	-0.11%	GBP-SGD	1.7271	-0.35%
GBP-USD	1.2717	-0.47%	AUD-SGD	0.9697	0.03%
USD-MYR	4.1182	0.09%	NZD-SGD	0.9130	-0.33%
USD-CNY	6.8532	0.03%	CHF-SGD	1.3839	-0.01%
USD-IDR	14148	0.48%	SGD-MYR	3.0326	0.02%
USD-VND	23203	0.03%	SGD-CNY	5.0436	-0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	2.3928	--
2M	-0.3360	--	1M	2.5111	--
3M	-0.3100	--	2M	2.6339	--
6M	-0.2360	--	3M	2.7968	--
9M	-0.1940	--	6M	2.8488	--
12M	-0.1190	--	12M	2.9948	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
01/30/2019	0.5%	0.0%	0.0%	99.5%	0.5%
03/20/2019	9.1%	0.0%	0.0%	90.9%	9.1%
05/01/2019	14.7%	0.0%	0.0%	85.3%	14.1%
06/19/2019	27.4%	0.0%	0.0%	72.6%	24.7%
07/31/2019	27.1%	0.7%	0.7%	72.1%	24.4%
09/18/2019	27.7%	0.7%	0.7%	71.6%	24.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.78	2.60%	Coffee (per lb)	1.051	2.24%
Brent (per barrel)	58.72	2.42%	Cotton (per lb)	0.7167	-1.48%
Heating Oil (per gallon)	1.8270	2.73%	Sugar (per lb)	0.1276	0.87%
Gasoline (per gallon)	1.3626	1.63%	Orange Juice (per lb)	1.2230	0.29%
Natural Gas (per MMBtu)	2.9670	0.78%	Cocoa (per mt)	2,382	-1.16%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1775	0.19%
Nickel (per mt)	11,087.0	--	Soybean (per bushel)	9.063	-0.66%
Aluminium (per mt)	1,860.3	--	Corn (per bushel)	3.8000	-0.59%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,285.9	-0.31%	Crude Palm Oil (MYR/MT)	2,109.0	0.81%
Silver (per oz)	15.713	-0.27%	Rubber (JPY/KG)	181.4	1.97%

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

Equity and Commodity

Index	Value	Net change
DJIA	23,787.45	256.10
S&P	2,574.41	24.72
Nasdaq	6,897.00	73.53
Nikkei 225	20,204.04	165.07
STI	3,122.94	20.14
KLCI	1,672.76	-6.41
JCI	6,262.85	-24.38
Baltic Dry	1,247.00	--
VIX	20.47	-0.93

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.91 (+0.01)	2.59 (+0.04)
5Y	2.00 (+0.01)	2.58 (+0.04)
10Y	2.24 (+0.06)	2.73 (+0.03)
15Y	2.47 (+0.06)	--
20Y	2.53 (+0.06)	--
30Y	2.65 (+0.06)	3.01 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.93	0.93
TED	39.30	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/08/2019 06:30	AU ANZ Roy Morgan Weekly Consumer	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 Net Foreign Assets IDR	Dec	--	1708.6t	1643.6t	--
01/08/2019 07:44	ID Foreign Reserves	Dec	--	\$120.65b	\$117.20b	--
01/08/2019 08:30	AU Trade Balance	Nov	A\$2175m	A\$1925m	A\$2316m	A\$2013m
01/08/2019 08:30	AU ANZ Job Advertisements MoM	Dec	--	0.00%	-0.30%	-0.40%
01/08/2019 12:16	PH Bank Lending YoY	Nov	--	15.40%	17.90%	--
01/08/2019 12:16	PH Bank Lending Net of RRP's YoY	Nov	--	16.80%	18.10%	--
01/08/2019 12:16	PH Money Supply M3 SRF YoY	Nov	--	8.40%	8.20%	8.30%
01/08/2019 13:30	AU Foreign Reserves	Dec	--	A\$76.3b	A\$66.0b	--
01/08/2019 14:25	JN Consumer Confidence Index	Dec	42.8	42.7	42.9	--
01/08/2019 15:00	GE Industrial Production SA MoM	Nov	0.30%	-1.90%	-0.50%	-0.80%
01/08/2019 15:00	GE Industrial Production WDA YoY	Nov	-0.80%	-4.70%	1.60%	0.50%
01/08/2019 15:45	FR Trade Balance	Nov	-4946m	-5099m	-4052m	-4055m
01/08/2019 15:45	FR Current Account Balance	Nov	--	-2.8b	-0.7b	-0.3b
01/08/2019 16:00	TA CPI YoY	Dec	0.20%	-0.05%	0.31%	0.30%
01/08/2019 16:00	TA CPI Core YoY	Dec	0.50%	0.52%	0.67%	0.66%
01/08/2019 16:00	TA WPI YoY	Dec	--	0.83%	3.25%	3.03%
01/08/2019 16:30	UK Halifax House Prices MoM	Dec	0.50%	2.20%	-1.40%	-1.20%
01/08/2019 16:30	UK Halifax House Price 3Mths/Year	Dec	0.40%	1.30%	0.30%	--
01/08/2019 18:00	EC Consumer Confidence	Dec F	-6.2	-6.2	-6.2	--
01/08/2019 18:00	EC Economic Confidence	Dec	108.2	107.3	109.5	--
01/08/2019 18:00	EC Business Climate Indicator	Dec	1	0.82	1.09	1.04
01/08/2019 18:00	EC Industrial Confidence	Dec	3	1.1	3.4	--
01/08/2019 18:00	EC Services Confidence	Dec	12.3	12	13.3	13.4
01/08/2019 19:00	US NFIB Small Business Optimism	Dec	103	104.4	104.8	--
01/08/2019 21:30	CA Int'l Merchandise Trade	Nov	-2.15b	-2.06b	-1.17b	-0.85b
01/08/2019 21:30	US Trade balance data postponed by government shutdown					
01/08/2019 23:00	US JOLTS Job Openings	Nov	7050	6888	7079	7131
01/08/2019	IT Bank of Italy Report on Balance-Sheet Aggregates					
01/09/2019 04:00	US Consumer Credit	Nov	\$17.500b	\$22.149b	\$25.384b	\$24.980b
01/09/2019 05:00	NZ ANZ Job Advertisements MoM	Dec	--	-3.50%	-0.10%	0.50%
01/09/2019 05:30	AU AiG Perf of Services Index	Dec	--	52.1	55.1	--
01/09/2019 07:00	SK Unemployment rate SA	Dec	3.90%	3.80%	3.80%	--
01/09/2019 08:00	NZ ANZ Commodity Price	Dec	--	--	-0.60%	--
01/09/2019 08:00	JN Labor Cash Earnings YoY	Nov	1.20%	--	1.50%	--
01/09/2019 08:00	JN Real Cash Earnings YoY	Nov	0.40%	--	-0.10%	--
01/09/2019 08:30	AU Building Approvals MoM	Nov	-0.30%	--	-1.50%	--
01/09/2019 08:30	AU Building Approvals YoY	Nov	-24.80%	--	-13.40%	--
01/09/2019 08:30	AU Job vacancies	Nov	--	--	0.60%	--
01/09/2019 12:00	SK Bloomberg Jan. South Korea Economic Survey					
01/09/2019 15:00	GE Trade Balance	Nov	18.6b	--	18.3b	18.9b
01/09/2019 15:00	GE Current Account Balance	Nov	24.8b	--	15.9b	--
01/09/2019 15:00	GE Exports SA MoM	Nov	-0.50%	--	0.70%	0.90%
01/09/2019 15:00	GE Imports SA MoM	Nov	0.00%	--	1.30%	0.80%
01/09/2019 15:45	FR Consumer Confidence	Dec	90	--	92	--
01/09/2019 16:00	SI Automobile COE Open Bid Cat A	Jan-09	--	--	25501	--
01/09/2019 16:00	SI Automobile COE Open Bid Cat E	Jan-09	--	--	31809	--
01/09/2019 16:00	SI Automobile COE Open Bid Cat B	Jan-09	--	--	31001	--
01/09/2019 17:00	IT Unemployment Rate	Nov P	10.50%	--	10.60%	--
01/09/2019 17:30	UK Unit Labor Costs YoY	3Q	--	--	2.00%	--
01/09/2019 18:00	EC Unemployment Rate	Nov	8.10%	--	8.10%	--
01/09/2019 20:00	US MBA Mortgage Applications	Jan-04	--	--	-8.50%	--
01/09/2019 21:15	CA Housing Starts	Dec	205.5k	--	215.9k	216.0k
01/09/2019 23:00	CA Bank of Canada Rate Decision	Jan-09	1.75%	--	1.75%	--

Source: Bloomberg

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