

Highlights

Global	<p>The risk recovery story was apparent overnight as Wall Street climbed on the back of gains in utilities, industrials and real estate stocks and crude oil prices surged past US\$52 per barrel. On the US-China trade talks, President Trump suggested that “we’re negotiating and having tremendous success with China. Amid a soft 30-year UST bond auction, the yield curve steepened and the 10-year bond yield closed at 2.75%. As the US government shutdown entered its 20th day with about 800,000 federal workers will miss their paychecks today, the US Chamber of Commerce has come out to say “we’re pushing our leaders to restore responsible governing” as the shutdown is having a material impact on business. Trump is visiting the Texas border and is also considering utilising money from the February 2018 emergency funding to build a border wall, but there does not appear to be a shutdown deal in sight for now.</p> <p>Overnight cues remain positive for Asian markets today. Still, after a strong week of gains, the temptation to take some profit off the table will be there. The economic data calendar comprises US’ CPI, UK and Malaysia’s industrial production, and S’pore’s retail sales for today, as well as China’s monetary aggregates over the weekend. ECB’s Mersch is also speaking, while the UK’s Parliament is resuming a debate on the Brexit bill.</p>
US	<p>Initial jobless claims fell more than expected last week by 17k to 216k, suggesting that the labor market remains robust. Meanwhile, Fed chair Powell reiterated that “we’re in a place where we can be patient and flexible and wait and see what does evolve, and I think for the meantime we’re waiting and watching”, albeit his comments that the balance sheet “will be substantially smaller than it is now” disappointed some market hopes of a dovish message. Bullard also opined that “a significant and sustained inversion of the Treasury yield curve would be a bearish signal for the US economy” and the “FOMC should moderate its normalisation campaign”.</p>
EU	<p>December minutes show that ECB has also joined the dovish camp - policymakers were concerned that “the situation remained fragile and fluid, as risks could quickly regain prominence or new uncertainties could emerge”, and while risks are seen as being currently balanced, they are “moving to the downside”, hence “looking ahead, the suggestion was made to revisit the contribution of targeted longer-term refinancing operations to the monetary policy stance”.</p>
CH	<p>China’s inflation softened more than expected in December. CPI decelerated to 1.9% yoy from 2.2% in November while PPI collapsed 0.9% yoy from 2.7% yoy. The decline of PPI was the result of weak industrial demand. The PPI may fall to negative territory in the first half should raw material prices fall further, which may affect the industrial profit for SOEs. Meanwhile, Chinese government said it will roll out more tax benefit for manufacturing sector though it did not give the details.</p>
MY	<p>According to Bloomberg, Malaysia has hired HSBC Holdings Plc, Mizuho Financial Group Inc. and Nomura Holdings Inc for the sale of the country’s first Samurai bond in three decades, which could raise about 200 billion yen. However, Finance Minister Lim Guan Eng also said the bond’s arrangers would only be finalized next week.</p>

Major Markets

- **US:** Wall Street ended higher on Thursday, with the S&P500 advancing 0.45%. The DJIA increased by 0.51%, while the Nasdaq composite soared by 0.42%.
- American Airlines shares declined 4.1% after it lowered 2018 earnings-per-share estimates from consensus \$4.62 to between \$4.40 and \$4.60.
- L Brands shares fell 4.4% after it reported that December same-store sales were flat compared with the year-earlier period.
- **Singapore:** The STI rallied for its fifth straight session by 0.81% to close at 3183.51 yesterday, and while the 3200 handle looks within sniffing distance given Wall Street's overnight gains and a firmer open by Kospi this morning. Nevertheless, watch for any potential profit-taking ahead of the weekend since the STI has risen some 4% for the year-to-date. With a steeper UST bond yield curve, the SGS bond market may take the US' lead and unwind yesterday's gains.
- Retail sales may have shrunk 2.8% yoy (+0.5% mom sa) in November, versus 0.5% yoy (-0.4% mom sa) in October.
- **China:** The deceleration of CPI is mainly the result of weaker non-food inflation. Non-food inflation fell by 0.2% mom in December, down for the second consecutive months. The decline of non-food price was mainly due to the correction of transportation costs, which fell by 1% mom in November and 1.9% mom in December, as a result of falling oil prices. Food prices rebounded by 1.1% mom in December partly driven by the recovery of pork prices due to recent outbreak of disease.
- The sharp decline of PPI is mainly due to two reasons including the drop of raw material prices due to weaker industrial demand and high base effect. Given the PPI has a high correlation with China's industrial profit, we think China's industrial profit may slow down further in the coming months. With high base effect kicks in in the beginning of the year, China's PPI may decelerate further. The probability of negative reading cannot be ruled out.
- **South Korea:** Customs data show that South Korea's exports fell -7.5% YoY in the first ten days of January.
- **Thailand:** Governor Veerathai Santiprabhob says the central bank is ready to act if economic growth slows down sharply, presumably by lowering interest rates to spur exports and lending. It forecasts Thailand GDP growth at 4% in 2019, no change from its earlier forecast of 4-4.2%.
- **Malaysia:** Lim Guan Eng had said back in November that the planned 10-year yen bond offer will be guaranteed by Japan Bank of International Cooperation with the coupon rate set at 0.65%. Mahathir had also earlier said in November that proceeds from the issuance would be used to repay "costly loans" whilst also noting that there may be "other loans" from Japan that will carry low interest rates. Industrial production and manufacturing sales data due later.
- **Indonesia:** The government has announced that the review to open up more sectors to 100 percent foreign ownership and hence, ease rules for a range of sectors on the negative investment list has been completed. Edy Putra Irawady, special staff for the Coordinating Minister for Economic Affairs has said that "it's just waiting for the president to sign a president regulation to formalize the new list". Meanwhile, the

government is planning to almost double the sale of sovereign bonds to retail investors in 2019 to Rp80t as the government works to reduce reliance on foreign funds.

- **Commodities:**
- **Energy:** Oil continues its rebound, with both WTI and Brent gaining +0.4% each.
- **Gold:** Gold dropped -0.5% as markets continue to rotate funds out from safe-haven assets. This is supported by the gain in Treasury yields and yen's decline.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 1-3bps lower while the longer tenors traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 162bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 597bps. 10Y UST yields fell 3bps earlier in the day along with weakening stocks prices as concrete details failed to materialise out of the ongoing US China trade deal. In the later part of the day, yields rose 7 bps to close at 2.74%, after the US Treasury Department auctioned USD16bn in 30-year bonds in a reopening and remarks by Fed Chairman Powell on reducing the size of the US central bank's portfolio of bonds owned.
- **New Issues:** Shanghai Commercial Bank Ltd has priced a USD300mn 10NC5 bond (issue: USD Basel III Compliant Tier 2 Subordinated Notes) at T+250bps, tightening from IPT of T+275bps. Indian Oil Corp has priced a USD900mn 5-year bond at T+222.5bps, tightening from IPT of T+250bps. Sunac China Holdings Ltd has priced a USD600mn 2-year bond at 8.375%, tightening from IPT of 8.875%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.539	0.34%	USD-SGD	1.3526	-0.05%
USD-JPY	108.430	0.24%	EUR-SGD	1.5555	-0.45%
EUR-USD	1.1500	-0.37%	JPY-SGD	1.2475	-0.28%
AUD-USD	0.7185	0.21%	GBP-SGD	1.7242	-0.37%
GBP-USD	1.2747	-0.33%	AUD-SGD	0.9720	0.18%
USD-MYR	4.0990	-0.37%	NZD-SGD	0.9171	-0.17%
USD-CNY	6.7885	-0.40%	CHF-SGD	1.3739	-1.08%
USD-IDR	14053	-0.51%	SGD-MYR	3.0293	-0.08%
USD-VND	23184	-0.05%	SGD-CNY	5.0199	-0.47%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3640	--	O/N	2.3908	--
2M	-0.3360	--	1M	2.5188	--
3M	-0.3080	--	2M	2.6529	--
6M	-0.2360	--	3M	2.7989	--
9M	-0.1940	--	6M	2.8698	--
12M	-0.1180	--	12M	3.0390	--

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	5.3%	0.0%	0.0%	94.7%	5.3%
05/01/2019	13.1%	0.0%	0.0%	86.9%	12.7%
06/19/2019	22.2%	0.0%	0.0%	77.8%	20.4%
07/31/2019	22.1%	0.6%	0.6%	77.4%	20.3%
09/18/2019	22.0%	0.9%	0.9%	77.1%	20.2%

Equity and Commodity

Index	Value	Net change
DJIA	24,001.92	122.80
S&P	2,596.64	11.68
Nasdaq	6,986.07	28.99
Nikkei 225	20,163.80	-263.26
STI	3,183.51	25.44
KLCI	1,678.88	11.05
JCI	6,328.71	56.48
Baltic Dry	1,238.00	--
VIX	19.50	-0.48

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-0.02)	2.58 (+0.02)
5Y	1.99 (-0.03)	2.57 (+0.02)
10Y	2.22 (-0.05)	2.74 (+0.03)
15Y	2.47 (-0.04)	--
20Y	2.53 (-0.04)	--
30Y	2.66 (-0.04)	3.06 (+0.06)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.20	-0.95
TED	36.35	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.59	0.44%	Coffee (per lb)	1.043	-1.00%
Brent (per barrel)	61.68	0.39%	Cotton (per lb)	0.7285	-0.38%
Heating Oil (per gallon)	1.9061	1.35%	Sugar (per lb)	0.1267	-1.55%
Gasoline (per gallon)	1.4307	0.37%	Orange Juice (per lb)	1.2070	-2.31%
Natural Gas (per MMBtu)	2.9690	-0.50%	Cocoa (per mt)	2,369	0.77%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1375	-1.20%
Nickel (per mt)	11,184.0	--	Soybean (per bushel)	8.955	-1.76%
Aluminium (per mt)	1,831.3	--	Corn (per bushel)	3.7625	-1.51%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,287.4	-0.36%	Crude Palm Oil (MYR/MT)	2,087.0	-0.81%
Silver (per oz)	15.643	-0.58%	Rubber (JPY/KG)	183.3	-1.93%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/10/2019 07:50	JN Japan Buying Foreign Bonds	Jan-04	--	¥1004.3b	--	--
01/10/2019 07:50	JN Japan Buying Foreign Stocks	Jan-04	--	¥24.6b	--	--
01/10/2019 07:50	JN Foreign Buying Japan Bonds	Jan-04	--	¥72.4b	--	--
01/10/2019 07:50	JN Foreign Buying Japan Stocks	Jan-04	--	¥248.5b	--	--
01/10/2019 09:00	PH Exports YoY	Nov	5.50%	-0.30%	3.30%	5.50%
01/10/2019 09:00	PH Imports YoY	Nov	13.30%	6.80%	21.40%	--
01/10/2019 09:00	PH Trade Balance	Nov	-\$4050m	-\$3901m	-\$4210m	-\$4081m
01/10/2019 09:30	CH CPI YoY	Dec	2.10%	1.90%	2.20%	--
01/10/2019 09:30	CH PPI YoY	Dec	1.60%	0.90%	2.70%	--
01/10/2019 13:00	JN Leading Index CI	Nov P	99.6	99.3	99.6	--
01/10/2019 15:45	FR Industrial Production MoM	Nov	0.00%	-1.30%	1.20%	1.30%
01/10/2019 15:45	FR Industrial Production YoY	Nov	-0.20%	-2.10%	-0.70%	-0.60%
01/10/2019 15:45	FR Manufacturing Production MoM	Nov	0.40%	-1.40%	1.40%	--
01/10/2019 15:45	FR Manufacturing Production YoY	Nov	--	-2.20%	-1.30%	-1.10%
01/10/2019 17:08	IT Retail Sales MoM	Nov	--	0.70%	0.10%	0.20%
01/10/2019 17:12	IT Retail Sales YoY	Nov	--	1.60%	1.50%	1.60%
01/10/2019 19:16	PK Exports YoY	Dec	--	4.50%	-6.30%	-6.30%
01/10/2019 21:30	CA New Housing Price Index MoM	Nov	0.00%	0.00%	0.00%	--
01/10/2019 21:30	US Initial Jobless Claims	Jan-05	226k	216k	231k	233k
01/10/2019 21:30	US Continuing Claims	Dec-29	1740k	1722k	1740k	1750k
01/10/2019 21:30	CA Building Permits MoM	Nov	-0.50%	2.60%	-0.20%	-0.40%
01/10/2019 22:45	US Bloomberg Consumer Comfort	Jan-06	--	58.5	59.6	--
01/10/2019 01/13	VN Domestic Vehicle Sales YoY	Dec	--	--	35.50%	--
01/10/2019 01/15	NZ REINZ House Sales YoY	Dec	--	--	2.60%	--
01/10/2019 01/15	CH Money Supply M2 YoY	Dec	8.10%	--	8.00%	--
01/10/2019 01/15	CH New Yuan Loans CNY	Dec	850.0b	--	1250.0b	--
01/11/2019 05:30	AU AiG Perf of Construction Index	Dec	--	42.6	44.5	--
01/11/2019 05:45	NZ Building Permits MoM	Nov	--	-2.00%	1.50%	1.40%
01/11/2019 07:30	JN Household Spending YoY	Nov	-0.10%	-0.60%	-0.30%	--
01/11/2019 07:50	JN BoP Current Account Balance	Nov P	¥566.3b	--	¥1309.9b	--
01/11/2019 07:50	JN Trade Balance BoP Basis	Nov P	¥612.6b	--	¥321.7b	--
01/11/2019 08:30	AU Retail Sales MoM	Nov	0.30%	--	0.30%	--
01/11/2019 12:00	MA Industrial Production YoY	Nov	2.30%	--	4.20%	--
01/11/2019 13:00	SI Retail Sales SA MoM	Nov	0.60%	--	-0.40%	--
01/11/2019 13:00	SI Retail Sales YoY	Nov	-2.40%	--	0.10%	--
01/11/2019 15:30	FR Bank of France Ind. Sentiment	Dec	100	--	101	--
01/11/2019 15:30	TH Foreign Reserves	Jan-04	--	--	\$205.0b	--
01/11/2019 17:00	IT Industrial Production MoM	Nov	-0.30%	--	0.10%	--
01/11/2019 17:00	IT Industrial Production WDA YoY	Nov	0.40%	--	1.00%	--
01/11/2019 17:00	IT Industrial Production NSA YoY	Nov	--	--	4.20%	--
01/11/2019 17:30	UK Visible Trade Balance GBP/Mn	Nov	-£11400m	--	-£11873m	--
01/11/2019 17:30	UK Trade Balance Non EU GBP/Mn	Nov	-£3775m	--	-£4251m	--
01/11/2019 17:30	UK Trade Balance	Nov	-£2800m	--	-£3300m	--
01/11/2019 17:30	UK Industrial Production MoM	Nov	0.20%	--	-0.60%	--
01/11/2019 17:30	UK Industrial Production YoY	Nov	-0.70%	--	-0.80%	--
01/11/2019 17:30	UK Manufacturing Production MoM	Nov	0.40%	--	-0.90%	--
01/11/2019 17:30	UK Manufacturing Production YoY	Nov	-0.70%	--	-1.00%	--
01/11/2019 17:30	UK Index of Services 3M/3M	Nov	0.20%	--	0.30%	--
01/11/2019 20:00	IN Industrial Production YoY	Nov	3.60%	--	8.10%	--
01/11/2019 21:30	US CPI MoM	Dec	-0.10%	--	0.00%	--
01/11/2019 21:30	US CPI Ex Food and Energy MoM	Dec	0.20%	--	0.20%	--
01/11/2019 21:30	US CPI YoY	Dec	1.90%	--	2.20%	--
01/11/2019 21:30	US CPI Ex Food and Energy YoY	Dec	2.20%	--	2.20%	--
01/11/2019 21:30	US CPI Core Index SA	Dec	259.987	--	259.481	--
01/11/2019 01/15	KZ Industrial Production YoY	Dec	--	--	2.30%	--

Source: Bloomberg

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