

Highlights

Global	<p>The UK parliament's resounding rejection of PM May's Brexit deal in a 432-202 vote (unprecedented loss) has prompted a confidence vote on the latter on Wednesday. The GBP actually rebounded on news of cross-party discussions as the basis for a new agreement in a typical sell-the-rumour and buy-the-fact fashion. Market is now speculating that the UK will likely ask the EU for an extension to the 29 March deadline, and even the possibility of a second referendum. The likely implication for BOE is that any rate hike intentions will be put on ice for now. Across in the US, Fed officials reinforced the rate pause theme, with George opining that "a pause in the normalization process would give us time to assess if the economy is responding as expected with a slowing of growth to a pace that is sustainable" and Kaplan also indicating that "we're in an uncertain time...we're going to have to see how this economy unfolds". Meanwhile, the US government remains in shutdown mode, with the Trump administration ordering thousands of furloughed federal employees back to work without pay. Still, Wall Street rose overnight on the back of tech stock gains with the S&P500 back above 2,600 for the first time in more than a month, while the US Treasury yield curve steepened (with the 5-30 curve at its widest since February).</p> <p>Asian markets are likely to sieve through the Brexit noise and drift today amid a lack of fresh economic data cues - the economic data calendar is relatively sparse with only comprises the Fed's Beige Book, UK/Germany's CPI prints on tap. Fed's Kashkari is also speaking.</p>
US	<p>Producer prices fell 0.2% mom in December, more than the -0.1% expected and the first drop in a year amid plunging gasoline prices.</p>
EU	<p>ECB president Draghi opined that "a significant amount of monetary policy stimulus is still needed to support the further build-up of domestic price pressures and headline inflation developments over the medium-term", but suggested that "it's a slowdown, which is not headed toward a recession. But it could be longer than expected". This prompted market players to dampen expectations for an ECB rate hike later this year.</p>
CH	<p>In the press conference jointly host by the NDRC, MoF and PBoC, the key economic regulators said the Chinese policies will ensure a good start in the first quarter. In order to achieve a stable growth in 2019, China will continue to roll out more measures via investment, easing monetary policies and proactive fiscal policies. In Q&A, the PBoC hint that it is not concerned about the impact of easing policies on RMB stability. This suggests that RMB is unlikely to be the constraints to China's monetary easing in 2019. Meanwhile, in answer to the questions about the interest rate cut, PBoC also said that current easing measures are taking effect gradually. PBoC will assess the impact on the dynamic basis. This suggests that China is not in rush to cut interest rate soon and quantitative measures such as RRR cut will still be the preferred measures to stimulate the economy.</p>
SG	<p>NODX data for December 2018 is due tomorrow and may show a rebound of 4.2% yoy (3.3% mom sa) from November's -2.6% yoy (-4.2% mom sa) print.</p>

Major Markets

- **US:** Wall Street ended higher on Tuesday, with the S&P500 advancing 1.07%. The DJIA rose 0.65%, while the Nasdaq composite surged 1.71%.
- CVS Health Corp shares declined 2.45% after it announced that Walmart will be leaving its pharmacy benefit management network.
- Delta Air Lines shares increased by 0.17% after it reported its fourth quarter earnings, which were better than expected.
- **Singapore:** The STI added 1.22% to close 3212.30 yesterday and may be emboldened to take the overnight cue from Wall Street, with resistance and support tipped at 3242 and 3198 respectively. With the steepening in the UST bond yield curve, the selling pressure that was seen in the SGS bond market yesterday may continue in the interim.
- **China:** On investment, the NDRC will speed up the investment projects in the first quarter. On fiscal policy, the MoF said it will unveil larger scale tax cut and fee reduction including corporate tax cut for small companies, further reform on VAT system, improve the tax reduction items for individuals and studying the reduction of social security contribution to reduce the burden on companies.
- **Macau:** The government expects the gaming revenue to remain roughly unchanged this year and opines that it will not be too bad if the gaming revenue posts slight year-on-year growth in 2019. We expect Macau's gaming revenue to grow by 2%-5% yoy in 2019. Infrastructure improvement could lend some support to the mass-market segment of the gambling centers. The easing trade tensions between US and China combined with a dovish Fed could also alleviate concerns about Asia's economic outlook and in turn give a slight boost to the gambling hub. As such, we still expect the gaming revenue to see positive growth this year. Nevertheless, due to the lingering uncertainties about US-China relationship, the still tightening global liquidity and the increasing signs of Chinese economic slowdown, VIP segment is set to lose momentum while mass-market segment may show limited upside. Adding on a high-base effect, gaming revenue growth is highly likely to slow down from last year's 14%. Moving ahead, whether all the six gaming licenses will be renewed during 2020-2022 will be closely monitored. This may add some uncertainty to the outlook of the gaming sector in the longer term.
- **Indonesia:** The December trade deficit narrowed to US\$1.1bn from US\$2.1bn in the prior month. The decline in exports worsened 4.6% yoy (Nov 2018: -2.8% yoy) whilst imports growth slowed to 1.2% yoy (Nov 2018: 11.8% yoy). For the entire year, Indonesia reported a trade deficit at US\$8.6bn, the first since 2014. Imports growth was also at its highest level at 20.2% yoy since 2011 when it grew at 30.8% yoy. Exports growth came out at 6.7% yoy, which was a large deceleration from 16.3% yoy in 2017. According to the Head of the Department of Statistics, this marks the largest annual trade deficit on record. Meanwhile, the government has lowered its investment in oil, gas downstream business to US\$589.89 million from \$620 million in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear steepened yesterday, with the shorter tenors (4yrs and less) trading within 1bps higher while the longer tenors traded 1-2bps higher (with the exception of the 12yr swap rate trading 0.5bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 161bps

while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 592bps. 10Y UST yields rose 1bps to close at 2.71% as market sentiments continued on the upswing on supportive performance in US stocks and oil prices and news that China plans to cut taxes to address slowing growth.

- **New Issues:** Bocom Leasing Management Hong Kong Company Ltd. has priced a USD1.5bn 2 tranche deal with the USD800mn 3-year tranche priced at 3Y FXD+172.5bps (tightening from IPT of T+195bps area) and the USD700mn 5-year tranche priced at 5Y+200bps (tightening from IPT of T+225bps area) (keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.). China Aoyuan Group Ltd. has priced a USD500mn 3NC2 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 8.5%, tightening from IPT of 8.8% area. Yuzhou Properties Company Limited has priced a USD500mn 3-year bond (guaranteed by certain Restricted Subsidiaries of the Issuer outside of the PRC) at 8.625%, tightening from IPT of 9.0% area. Zhenro Properties Group Limited has priced a USD150mn retap of its existing USD250mn ZHPRHK 10.5% '20s (guaranteed by certain non-PRC restricted subsidiaries of the Issuer) at 10.625% (or 99.822), tightening from IPT of 11.125% area. Hanwha Total Petrochemical Co., Ltd. has priced a USD400mn 5-year bond at CT+140bps, tightening from IPT of CT5+165bps area. Alam Synergy Pte. Ltd has priced a USD175mn 2.25NC1.25 bond (guaranteed by parent PT Alam Sutera Realty Tbk) at 11.7% (11.5% coupon at 99.654 reoffer price), tightening from IPT of 12% area. Johnson Electric has scheduled for investor meetings in Hong Kong and Singapore over Jan 16-17 for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.039	0.45%	USD-SGD	1.3566	0.23%
USD-JPY	108.680	0.48%	EUR-SGD	1.5483	-0.28%
EUR-USD	1.1413	-0.49%	JPY-SGD	1.2478	-0.32%
AUD-USD	0.7201	0.06%	GBP-SGD	1.7444	0.18%
GBP-USD	1.2861	-0.02%	AUD-SGD	0.9770	0.30%
USD-MYR	4.1062	0.13%	NZD-SGD	0.9248	0.13%
USD-CNY	6.7610	-0.10%	CHF-SGD	1.3733	-0.47%
USD-IDR	14090	-0.25%	SGD-MYR	3.0317	0.15%
USD-VND	23190	-0.01%	SGD-CNY	4.9908	-0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3901	--
2M	-0.3360	--	1M	2.5101	--
3M	-0.3080	--	2M	2.6370	--
6M	-0.2360	--	3M	2.7789	--
9M	-0.1940	--	6M	2.8534	--
12M	-0.1180	--	12M	3.0109	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
01/30/2019	0.0%	1.6%	1.6%	98.5%	0.0%
03/20/2019	2.8%	1.5%	1.5%	95.7%	2.8%
05/01/2019	9.7%	1.4%	1.4%	88.9%	9.5%
06/19/2019	19.1%	1.3%	1.3%	79.7%	17.9%
07/31/2019	18.7%	2.6%	2.6%	78.6%	17.6%
09/18/2019	19.8%	2.6%	2.6%	77.6%	18.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.11	3.17%	Coffee (per lb)	1.013	-1.41%
Brent (per barrel)	60.64	2.80%	Cotton (per lb)	0.7236	-0.86%
Heating Oil (per gallon)	1.8722	1.06%	Sugar (per lb)	0.1316	3.22%
Gasoline (per gallon)	1.4114	3.49%	Orange Juice (per lb)	1.2140	0.54%
Natural Gas (per MMBtu)	3.5010	-2.51%	Cocoa (per mt)	2,274	-2.86%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1100	-0.63%
Nickel (per mt)	11,354.5	--	Soybean (per bushel)	8.933	0.28%
Aluminium (per mt)	1,799.0	--	Corn (per bushel)	3.7125	-1.92%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,288.4	-0.22%	Crude Palm Oil (MYR/MT)	2,130.0	3.30%
Silver (per oz)	15.620	-0.42%	Rubber (JPY/KG)	188.0	0.11%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,065.59	155.75
S&P	2,610.30	27.69
Nasdaq	7,023.83	117.92
Nikkei 225	20,555.29	195.59
STI	3,212.30	38.84
KLCI	1,679.42	3.26
JCI	6,408.78	72.67
Baltic Dry	1,147.00	--
VIX	18.60	-0.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.89 (+0.01)	2.53 (--)
5Y	1.97 (+0.02)	2.53 (+0.01)
10Y	2.18 (+0.03)	2.71 (+0.01)
15Y	2.42 (+0.03)	--
20Y	2.47 (+0.03)	--
30Y	2.58 (+0.02)	3.07 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.23	1.03
TED	36.74	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/15/2019 05:00	SK Export Price Index YoY	Dec	--	-0.60%	0.30%	0.00%
01/15/2019 05:00	SK Import Price Index YoY	Dec	--	3.20%	6.00%	6.10%
01/15/2019 05:45	NZ Food Prices MoM	Dec	--	-0.20%	-0.60%	--
01/15/2019 07:50	JN Money Stock M2 YoY	Dec	2.40%	2.40%	2.30%	--
01/15/2019 07:50	JN Money Stock M3 YoY	Dec	2.10%	2.10%	2.10%	--
01/15/2019 12:00	ID Exports YoY	Dec	1.03%	-4.62%	-3.28%	-2.80%
01/15/2019 12:00	ID Imports YoY	Dec	7.72%	1.16%	11.68%	11.83%
01/15/2019 12:00	ID Trade Balance	Dec	-\$1115m	-\$1102m	-\$2050m	-\$1996m
01/15/2019 12:30	JN Bankruptcies YoY	Dec	--	-10.63%	6.05%	--
01/15/2019 13:34	PH Overseas Remittances YoY	Nov	8.30%	2.80%	8.70%	--
01/15/2019 13:34	PH Overseas Workers Remittances	Nov	\$2500m	\$2326m	\$2474m	--
01/15/2019 14:00	JN Machine Tool Orders YoY	Dec P	--	-18.30%	-17.00%	--
01/15/2019 15:45	FR CPI EU Harmonized MoM	Dec F	0.10%	0.10%	0.10%	--
01/15/2019 15:45	FR CPI EU Harmonized YoY	Dec F	1.90%	1.90%	1.90%	--
01/15/2019 15:45	FR CPI MoM	Dec F	0.00%	0.00%	0.00%	--
01/15/2019 15:45	FR CPI YoY	Dec F	1.60%	1.60%	1.60%	--
01/15/2019 15:45	FR CPI Ex-Tobacco Index	Dec	103.16	103.16	103.14	--
01/15/2019 15:45	FR Budget Balance YTD	Nov	--	-95.6b	-87.0b	--
01/15/2019 16:00	CH Money Supply M1 YoY	Dec	1.60%	1.50%	1.50%	--
01/15/2019 16:00	CH Money Supply M2 YoY	Dec	8.10%	8.10%	8.00%	--
01/15/2019 16:00	CH New Yuan Loans CNY	Dec	825.0b	1080.0b	1250.0b	--
01/15/2019 16:00	CH Money Supply M0 YoY	Dec	3.00%	3.60%	2.80%	--
01/15/2019 20:30	IN Exports YoY	Dec	--	0.30%	0.80%	--
01/15/2019 20:30	IN Imports YoY	Dec	--	-2.40%	4.30%	--
01/15/2019 21:30	US Empire Manufacturing	Jan	10	3.9	10.9	11.5
01/15/2019 21:30	US PPI Final Demand MoM	Dec	-0.10%	-0.20%	0.10%	--
01/15/2019 21:30	US PPI Ex Food and Energy MoM	Dec	0.20%	-0.10%	0.30%	--
01/15/2019 21:30	US PPI Final Demand YoY	Dec	2.50%	2.50%	2.50%	--
01/15/2019 21:30	US PPI Ex Food and Energy YoY	Dec	2.90%	2.70%	2.70%	--
01/16/2019 00:00	NZ QV House Prices YoY	Dec	--	3.20%	3.50%	--
01/16/2019 07:30	AU Westpac Consumer Conf SA MoM	Jan	--	-4.70%	0.10%	--
01/16/2019 07:50	JN Core Machine Orders MoM	Nov	3.00%	--	7.60%	--
01/16/2019 07:50	JN Core Machine Orders YoY	Nov	0.20%	--	4.50%	--
01/16/2019 07:50	JN PPI YoY	Dec	1.80%	--	2.30%	--
01/16/2019 07:50	JN PPI MoM	Dec	-0.30%	--	-0.30%	--
01/16/2019 12:30	JN Tertiary Industry Index MoM	Nov	-0.60%	--	1.90%	--
01/16/2019 15:00	GE CPI MoM	Dec F	0.10%	--	0.10%	--
01/16/2019 15:00	GE CPI YoY	Dec F	1.70%	--	1.70%	--
01/16/2019 15:00	GE CPI EU Harmonized MoM	Dec F	0.30%	--	0.30%	--
01/16/2019 15:00	GE CPI EU Harmonized YoY	Dec F	1.70%	--	1.70%	--
01/16/2019 15:00	EC EU27 New Car Registrations	Dec	--	--	-8.00%	--
01/16/2019 17:00	IT Industrial Sales MoM	Nov	--	--	-0.50%	--
01/16/2019 17:00	IT Industrial Orders NSA YoY	Nov	--	--	2.00%	--
01/16/2019 17:00	IT Industrial Orders MoM	Nov	--	--	-0.30%	--
01/16/2019 17:30	UK CPI MoM	Dec	0.20%	--	0.20%	--
01/16/2019 17:30	UK CPI YoY	Dec	2.10%	--	2.30%	--
01/16/2019 17:30	UK CPI Core YoY	Dec	1.80%	--	1.80%	--
01/16/2019 17:30	UK Retail Price Index	Dec	286	--	284.6	--
01/16/2019 17:30	UK RPI MoM	Dec	0.50%	--	0.00%	--
01/16/2019 17:30	UK RPI YoY	Dec	2.90%	--	3.20%	--
01/16/2019 17:30	UK RPI Ex Mort Int.Payments (YoY)	Dec	2.80%	--	3.10%	--
01/16/2019 17:30	UK PPI Input NSA YoY	Dec	3.70%	--	5.60%	--
01/16/2019 17:30	UK PPI Output NSA MoM	Dec	0.00%	--	0.20%	--
01/16/2019 17:30	UK PPI Output NSA YoY	Dec	2.90%	--	3.10%	--
01/16/2019 17:30	UK PPI Output Core NSA YoY	Dec	2.40%	--	2.40%	--
01/16/2019 18:00	IT CPI EU Harmonized YoY	Dec F	1.20%	--	1.20%	--
01/16/2019 20:00	US MBA Mortgage Applications	Jan-11	--	--	23.50%	--
01/16/2019 21:30	US Import Price Index MoM	Dec	-1.30%	--	-1.60%	--
01/16/2019 21:30	US Import Price Index YoY	Dec	-0.80%	--	0.70%	--
01/16/2019 23:00	US NAHB Housing Market Index	Jan	56	--	56	--

Source: Bloomberg

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