

Highlights

Global	<p>Wall Street retreated while UST bonds gained overnight as global risk appetite subsided in the wake of the IMF's growth forecast downgrades for the global economy to 3.5% for 2019 (previously 3.7%) and a FT report said that the US administration had turned down a Chinese offer to hold preparatory trade talks with two Chinese vice-ministers Wang Shouwen and Liao Min due to a lack of progress on IP issues and structural reforms, albeit this was later denied by economic adviser Kudlow who also opined that "enforcement is absolutely crucial to the success of these talks". Separately, US lawmakers will also be holding separate votes on plans to end the government shutdown. The prolonged government shutdown has heightened concerns if business would delay capex and consumers to tighten their belts and impact US GDP growth.</p> <p>Asian markets are likely to open with a soft tone this morning amid renewed concerns about the global growth prospects and US-China trade tensions. One key market focus today will be the BOJ policy meeting which is unlikely to yield any surprises in terms of any policy shifts. The economic calendar comprises of US' mortgage applications, Eurozone's consumer confidence, and S'pore's December CPI and COE tender results. BOE's Broadbent is also speaking.</p>
US	Existing home sales fell more than expected by 6.4% mom to a three-year low of 4.99m annual rate, and the median sales price rose 2.9% yoy (the least since February 2012) to \$253.6k as inventory also rose.
EU	Germany's ZEW investor confidence rebounded for the third straight month to -15.0 in January, but this was attributed by the ZEW president to the earlier anticipation of potentially negative factors like Brexit and China slowdown. Market players are awaiting for ECB president Draghi's economic assessment pending the ECB policy decision on Thursday.
CH	China's National Development and Reform Commission said it will continue to lower entry barrier for foreign investors to access to China's domestic sectors including service, agriculture, mining, manufacturing, telecom and healthcare sectors etc. Meanwhile, China's deputy head of security regulator expects China's growth to slow down to 6% in 2019.
SG	The Dec18 headline inflation is tipped at 0.3% yoy (0.0% mom), with core inflation at 1.8% yoy, which will be similar to Nov18 readings of 0.3% yoy (0.2% mom nsa) and 1.7% respectively. Meanwhile, Finance minister Heng Swee Keat warned of "very negative" outcomes if there is no US-China deal. UST bond yields higher by up to 5bps on Friday with the front to belly of the curve seeing the most damage. This is likely to set a negative tone today for the SGS market which already saw selling pressure on Friday. Note there is a new 5-year SGS bond auction whose issue size will be announced on 22 January.
CMD	WTI down -2% as the benchmark crude price returned to our 1H2019 forecast of \$53. Despite the aligned efforts by OPEC to cut their supplies, worries over the global economy as well as a glut in gasoline are keeping crude from rallying at the moment. 1:1 crack spread chart still shows refiners' margin at a 8-year seasonal low. Sep-Dec WTI spreads have turned negative again after spending just one session in slight backwardation – all point to crude price weakness at the moment.

Major Markets

- **US:** Wall Street ended lower on Wednesday, with the S&P500 declining 1.42%. The DJIA fell 1.22%, while the Nasdaq composite skidded 1.91%.
- Johnson & Johnson shares fell 1.45% after the company narrowly beat Q4 targets.
- eBay shares rallied 6.13% after Elliot Management claimed to lay out a plan for eBay that could result in a valuation of \$55 to \$63 a share by the end of 2020.

- **Singapore:** The STI slipped for a second session by 0.86% to close at 3192.71 yesterday and may tread a more consolidative tone today as well within a range of 3160-3200 amid weak overnight cues from Wall Street and morning slippage from Kospi.

- **Hong Kong:** Inflation slowed down further from 2.6% in November to 2.5% in December. For the two-most heavily weighted items, food inflation decelerated to the lowest since Jan 2018 at 2.9% while housing inflation retraced lower to 2.9%. Due to high base effect and winter sale, the clothing price index dropped for the second consecutive month by 1.5% yoy. On the flip side, the increased charges for package tour during year-end holidays drove the inflation of miscellaneous services to a 10-month high at 3.4%. However, with seasonality abating, inflation is expected to slow down gradually due to several reasons. First, as housing rentals retreated on property market correction, housing inflation may weaken further. Second, due to the softening global demand, commodity prices may remain under pressure and in turn contain the inflationary risks of HK. Third, inflation pressure could also wane as domestic economic slowdown and stock market correction may weigh on domestic demand. In conclusion, we expect overall CPI growth to weaken from 2.6% yoy in 4Q18 to 2.3% yoy in 1Q19.

- **Macau:** Inflation decelerated further to 2.94% in December from 3.12% in November. For the two most heavily-weighted items, the food inflation edged down to 2.79% while the housing inflation slowed down to 2.37%. In contrast, amid the effect of Christmas holiday, the higher charges for package tours drove up the inflation of Recreation & Culture to 2.42% from 1.92%. As seasonality abates, we expect overall CPI growth to slow down due to several reasons. Firstly, with weakening global demand dragging down commodity prices, the imported inflation may be limited. Secondly, given the uncertain economic outlook, the softening consumer sentiments could also weigh on inflation. Thirdly, the impact of rising parking meter rates on inflation may wane gradually. Therefore, we expect overall CPI growth to moderate from 3% in 2018 to 2.4% in 2019.

- **Malaysia:** Foreign reserves rose to US\$101.7bn as of 15th January 2019 from US\$101.4bn as of 31st December 2018. Meanwhile, a report by the Straits Times has claimed that the Malaysian government has cancelled the deal with the existing contractor - China Communications Construction Company (CCCC), for the construction of the East Coast Railway Link (ECRL). The Straits Times said that the government laid down a maximum cost of RM40 billion (half the estimated project cost of RM81bn) and asked for more local products and services to be included in the works but the CCCC could not meet these requirements, resulting in negotiations coming to an end. The paper also mentioned that the government will be seeking a new contractor.

- **Indonesia:** According to Bloomberg, Finance Minister Sri Mulyani Indrawati has told reporters that the slowing pace of the Fed rate hikes has given Indonesia some breathing space. She also believes that the “Fed will be more patient”. She also expects

that 2019 GDP growth will be 5.3 – 5.4% and inflation at 3.5% whilst investment growth would be at 7%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading flat to within 1bps higher, while the longer tenors traded 0-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 575bps respectively. 10Y UST yields fell 4bps to close the trading session at 2.74% on the back of concerns over slowing global growth and signs of trade tensions between the US and China.
- **New Issues:** AC Energy Finance International Ltd has priced a USD225mn 5-year bond (guarantor: AC Energy Inc) at 4.875%, tightening from IPT of 5.125% area. Central China Real Estate Ltd has priced a USD200mn 363-day bond (subsidiary guarantors: certain of company's restricted subsidiaries outside the PRC) at 7.325%, tightening from IPT of 7.625% area. Johnson Electric Holdings Ltd has priced a USD300mn 5.5-year bond at CT+165bps, tightening from IPT of CT+195bps area. Mongolian Mortgage Corporation HFC LLC has priced a USD250mn 3-year bond (guarantor: MIK Holding JSC) at 9.75%, tightening from IPT of low 10% area. Suhyup Bank has priced a USD300mn 5-year bond at CT+110bps, tightening from IPT of CT+140bps area. China Evergrande Group has priced a USD1.1bn re-tap of its EVERRE 7.0%'20s, USD875mn re-tap of its EVERRE 6.25%'21s and USD1.025bn re-tap of its EVERRE 8.25%'22s at 8.25%, 9.5% and 10.5% respectively. Studio City Finance has scheduled for investor meetings from 23 Jan for its potential USD bond issuance. Oil India Ltd has scheduled investor meetings from 24 Jan for its potential USD 10-year bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.303	-0.03%	USD-SGD	1.3599	0.04%
USD-JPY	109.370	-0.27%	EUR-SGD	1.5448	-0.01%
EUR-USD	1.1360	-0.04%	JPY-SGD	1.2437	0.35%
AUD-USD	0.7124	-0.49%	GBP-SGD	1.7617	0.53%
GBP-USD	1.2954	0.48%	AUD-SGD	0.9686	-0.45%
USD-MYR	4.1320	0.46%	NZD-SGD	0.9184	0.36%
USD-CNY	6.8080	0.15%	CHF-SGD	1.3634	0.04%
USD-IDR	14220	-0.06%	SGD-MYR	3.0368	0.36%
USD-VND	23189	-0.05%	SGD-CNY	5.0052	0.16%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3839	--
2M	-0.3360	--	1M	2.5123	--
3M	-0.3080	--	2M	2.6344	--
6M	-0.2360	--	3M	2.7724	--
9M	-0.1940	--	6M	2.8548	--
12M	-0.1150	--	12M	3.0399	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
01/30/2019	0.50%	0.00%	99.50%	0.50%	0.00%
03/20/2019	0.50%	0.00%	99.50%	0.50%	0.00%
05/01/2019	5.70%	0.00%	94.30%	5.60%	0.00%
06/19/2019	19.70%	0.00%	80.30%	18.80%	0.90%
07/31/2019	20.50%	0.00%	79.50%	19.40%	1.00%
09/18/2019	22.50%	0.00%	77.50%	20.90%	1.50%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.57	-2.29%	Coffee (per lb)	1.034	-1.52%
Brent (per barrel)	61.50	-1.98%	Cotton (per lb)	0.7313	-1.03%
Heating Oil (per gallon)	1.9011	-0.78%	Sugar (per lb)	0.1293	-0.77%
Gasoline (per gallon)	1.4015	-3.53%	Orange Juice (per lb)	1.1920	-0.54%
Natural Gas (per MMBtu)	3.0400	-12.69%	Cocoa (per mt)	2,246	-2.64%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.2125	0.68%
Nickel (per mt)	11,753.0	--	Soybean (per bushel)	9.093	-0.82%
Aluminium (per mt)	1,850.5	--	Corn (per bushel)	3.7900	-0.72%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,283.4	0.06%	Crude Palm Oil (MYR/MT)	2,163.0	0.98%
Silver (per oz)	15.325	-0.48%	Rubber (JPY/KG)	205.5	2.09%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,404.48	-301.87
S&P	2,632.90	-37.81
Nasdaq	7,020.36	-136.87
Nikkei 225	20,622.91	-96.42
STI	3,192.71	-27.85
KLCI	1,702.12	9.90
JCI	6,468.56	17.73
Baltic Dry	1,092.00	--
VIX	20.80	3.00

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.00 (-)	2.59 (-0.03)
5Y	2.07 (-)	2.58 (-0.05)
10Y	2.23 (-)	2.74 (-0.05)
15Y	2.49 (+0.01)	--
20Y	2.54 (+0.01)	--
30Y	2.66 (+0.02)	3.06 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.20	-1.18
TED	37.89	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/22/2019 05:00	SK PPI YoY	Dec	--	1.00%	1.60%	1.50%
01/22/2019 07:00	SK GDP SA QoQ	4Q P	0.60%	1.00%	0.60%	--
01/22/2019 07:00	SK GDP YoY	4Q P	2.70%	3.10%	2.00%	--
01/22/2019 12:00	JN Tokyo Condominium Sales YoY	Dec	--	15.20%	2.80%	--
01/22/2019 13:00	JN Supermarket Sales YoY	Dec	--	-0.70%	-2.50%	--
01/22/2019 15:00	MA Foreign Reserves	Jan-15	--	\$101.7b	\$101.4b	--
01/22/2019 16:00	TA Unemployment Rate	Dec	3.70%	3.70%	3.69%	--
01/22/2019 16:30	HK CPI Composite YoY	Dec	2.50%	2.50%	2.60%	--
01/22/2019 17:30	UK Claimant Count Rate	Dec	--	2.80%	2.80%	--
01/22/2019 17:30	UK Jobless Claims Change	Dec	--	20.8k	21.9k	24.8k
01/22/2019 17:30	UK Average Weekly Earnings 3M/YoY	Nov	3.30%	3.40%	3.30%	--
01/22/2019 17:30	UK Weekly Earnings ex Bonus 3M/YoY	Nov	3.30%	3.30%	3.30%	--
01/22/2019 17:30	UK ILO Unemployment Rate 3Mths	Nov	4.10%	4.00%	4.10%	--
01/22/2019 17:30	UK Public Finances (PSNCR)	Dec	--	21.3b	4.4b	2.7b
01/22/2019 17:30	UK Public Sector Net Borrowing	Dec	1.1b	2.1b	6.3b	--
01/22/2019 17:30	UK PSNB ex Banking Groups	Dec	1.9b	3.0b	7.2b	7.1b
01/22/2019 18:00	GE ZEW Survey Current Situation	Jan	43	27.6	45.3	--
01/22/2019 18:00	GE ZEW Survey Expectations	Jan	-18.5	-15	-17.5	--
01/22/2019 18:00	EC ZEW Survey Expectations	Jan	--	-20.9	-21	--
01/22/2019 21:30	CA Wholesale Trade Sales MoM	Nov	-0.30%	-1.00%	1.00%	0.70%
01/22/2019 21:30	CA Manufacturing Sales MoM	Nov	-1.00%	-1.40%	-0.10%	--
01/22/2019 23:00	US Existing Home Sales	Dec	5.24m	4.99m	5.32m	5.33m
01/22/2019 23:00	US Existing Home Sales MoM	Dec	-1.50%	-6.40%	1.90%	2.10%
01/22/2019	MU CPI Composite YoY	Dec	--	2.94%	3.12%	--
01/23/2019 05:45	NZ CPI QoQ	4Q	0.00%	0.10%	0.90%	--
01/23/2019 05:45	NZ CPI YoY	4Q	1.80%	1.90%	1.90%	--
01/23/2019 07:30	AU Westpac Leading Index MoM	Dec	--	-0.21%	-0.09%	--
01/23/2019 07:50	JN Trade Balance	Dec	¥42.3b	--	¥737.3b	¥737.7b
01/23/2019 07:50	JN Trade Balance Adjusted	Dec	¥290.7b	--	¥492.2b	--
01/23/2019 07:50	JN Exports YoY	Dec	-1.80%	--	0.10%	--
01/23/2019 07:50	JN Imports YoY	Dec	4.00%	--	12.50%	--
01/23/2019 08:00	AU Skilled Vacancies MoM	Dec	--	--	-0.10%	--
01/23/2019 12:30	JN All Industry Activity Index MoM	Nov	-0.40%	--	1.90%	--
01/23/2019 13:00	SI CPI NSA MoM	Dec	0.00%	--	0.20%	--
01/23/2019 13:00	SI CPI YoY	Dec	0.30%	--	0.30%	--
01/23/2019 13:30	JN Tokyo Dept Store Sales YoY	Dec	--	--	0.20%	--
01/23/2019 13:30	JN Nationwide Dept Sales YoY	Dec	--	--	-0.60%	--
01/23/2019 14:00	JN Machine Tool Orders YoY	Dec F	--	--	-18.30%	--
01/23/2019 15:45	FR Manufacturing Confidence	Jan	103	--	104	--
01/23/2019 15:45	FR Production Outlook Indicator	Jan	-9	--	-10	--
01/23/2019 15:45	FR Own-Company Production Outlook	Jan	--	--	11	--
01/23/2019 15:45	FR Business Survey Overall Demand	Jan	--	--	2	--
01/23/2019 16:00	TA Industrial Production YoY	Dec	0.35%	--	2.09%	--
01/23/2019 16:00	SI Automobile COE Open Bid Cat A	Jan-23	--	--	25920	--
01/23/2019 16:00	SI Automobile COE Open Bid Cat E	Jan-23	--	--	32909	--
01/23/2019 16:00	SI Automobile COE Open Bid Cat B	Jan-23	--	--	32200	--
01/23/2019 19:00	UK CBI Trends Total Orders	Jan	5	--	8	--
01/23/2019 19:00	UK CBI Business Optimism	Jan	-25	--	-16	--
01/23/2019 20:00	US MBA Mortgage Applications	Jan-18	--	--	13.50%	--
01/23/2019 21:30	CA Retail Sales MoM	Nov	-0.60%	--	0.30%	--
01/23/2019 21:30	CA Retail Sales Ex Auto MoM	Nov	-0.40%	--	0.00%	--
01/23/2019 22:00	US FHFA House Price Index MoM	Nov	0.30%	--	0.30%	--
01/23/2019 23:00	US Richmond Fed Manufact. Index	Jan	-2	--	-8	--
01/23/2019 23:00	EC Consumer Confidence	Jan A	-6.5	--	-6.2	--
01/23/2019	JN BOJ Policy Balance Rate	Jan-23	-0.10%	--	-0.10%	--
01/23/2019	MU Visitor Arrivals	Dec	--	--	3266t	--
01/21/2019 01/24	TH Car Sales	Dec	--	--	94643	--

Source: Bloomberg

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