

Highlights

Global	<p>Wall Street closed higher on Friday amid more positive earnings results and market hopes that the Fed would end its balance sheet unwinding earlier than expected. US president Trump also conceded to re-open the US government (which has been shut for a record 35 days) until 15 February without any guarantee for his wall funding, albeit he warned that “if we don’t get a fair deal from Congress the government will either shut down on Feb 15 again or I will use the powers afforded to me under the laws and the Constitution of the United States to address this emergency”. The US treasury bond market retreated, with the 10-year yield ending higher at 2.75%, despite the WSJ report on the Fed potentially holding a larger balance sheet than initially expected. Key events this week include FOMC policy decision on 29-30 January (while no change in the Fed Funds rate amid the current patient stance, the signalling of greater flexibility on the balance sheet unwinding process and any changes to the future rate trajectory beyond 1Q19 will be key), the US-China trade talks between Lighthizer and Liu He on Wednesday-Thursday, the UK Parliament’s vote on amendments to Brexit legislation tomorrow and the revised Brexit deal on Wednesday, as well as manufacturing PMI prints from Europe and Asia, and the US’ January readings for nonfarm payrolls and unemployment rate (market consensus is eyeing 165k and 3.9% respectively). In addition, watch for US earnings results from tech giants like Apple, Microsoft, Facebook, Alibaba etc. Given the more upbeat mood from the US government re-opening and hopes that the FOMC will halt its balance sheet unwinding earlier than expected are likely to buoy Asian markets this morning, but the test of the pudding will be across the many event risks for the rest of the week. The economic calendar for today is relatively lightweight with US’ Chicago Fed and Dallas Fed manufacturing activities, HK trade data and China’s industrial profits for December 2018. Speakers include ECB’s Draghi, BOE’s Carney, Broadbent, Ramsden and Place.</p>
CH	<p>PBoC withdrew the short end liquidity via the suspension of open market operation but instead injecting long term liquidity via the TMLF and revised dynamic assessment on targeted reserve requirement ratio. On issuance side, the Chinese local governments have issued close to CNY130 billion local government bond year to date with about CNY300 billion more in the pipeline this week. Nevertheless, the strong demand for local government bonds (40-50 times oversubscription on average) thanks to easing monetary policy shows that supply concern is unlikely to weigh down on bond sentiment.</p>
SG	<p>Industrial production contracted more than expected by 5.6% mom sa (+2.7% yoy) in December 2018, following a revised 3.1% mom sa (7.6% yoy) reading in November. The key driver was pharmaceuticals (+41.2% yoy), followed by transport engineering (+23.7% yoy), whereas the electronics cluster contracted 6.8% yoy amid widespread weakness in the other clusters. Excluding the volatile biomedical manufacturing sector, industrial output actually fell 1.8% yoy in December. For the full year of 2018, industrial production grew 7.2% yoy, and manufacturing momentum looks set to moderate further in the coming months.</p>

Major Markets

- **US:** With the US government shutdown last week, there was no key economic data releases to report for Friday.
- Wall Street ended higher on Friday, with the S&P500 advancing 0.85%. The DJIA rose 0.75%, while the Nasdaq composite increased 1.29%.
- Intel shares skidded 5.47% after it announced a revenue miss and a weak outlook.
- Starbucks shares added 3.63% after its management expressed optimism around its China business.

- **Singapore:** The STI added 0.36% to close at 3202.25 on Friday and may attempt to continue to trade above the 3200 handle in the short term but note that morning openings from Nikkei and Kospi are somewhat mixed notwithstanding Wall Street's firmer close on Friday. STI's support and resistance are tipped at 3170 and 3230 respectively. SGS bonds may take the cue from UST bond market and sell off today as well. MAS will auction \$2.9b of the new 5-year SGS bond, with MAS taking \$200m, on 29 January.

- **China:** PBoC launched a new facility, Central Bank Bills Swap (CBS), to support banks' demand for the issuance of perpetual bonds, which will help replenish banks' capital to allow banks increase their funding support to the real economy. The new initiative to solve the breakdown of funding transmission mechanism and the surge of issuance of local government bonds gave markets hope that the Chinese economy may find the bottom soon.

- **Malaysia:** Finance Minister Lim Guan Eng has said that an announcement on the East Coast Rail Link (ECRL) will come this week. However, news outlet Sin Chew Daily has reported that the government has decided to terminate the East Coast Rail Link after the matter had been discussed during a cabinet meeting. The report by Sin Chew had also said that the government is discussing compensation with Chinese firm China Communications and Construction Company (CCCC), the contractor for the project. Malaysiakini has also claimed that one minister has confirmed with them that the cabinet had discussed the matter, and said the matter would be handled by the Finance Ministry. Meanwhile, Barisan Nasional heavily defeated Pakatan Harapan in the Cameron Highlands by-election.

- **Indonesia:** Bank Indonesia (BI) has announced that a new rule will be issued soon on special accounts for export earnings as part of their effort to encourage exporters to keep their forex earnings onshore and ease the tax incentive mechanism. Meanwhile, Coordinating Economic Minister Darmin Nasution has said that the government is looking to relax export procedures such as easing survey requirements for exports. On other items, according to the Director of Government Debt Securities at the Ministry of Finance, Loto Srinaita Ginting, the government plans to conduct private placements more selectively in order to meet the investment instruments needs for the repatriated funds of the tax amnesty. She also mentioned that investors will be asked to purchase government securities through regular auctions.

- **Commodities:**
- **Energy:** Both WTI and Brent were up about 1% on Friday but recorded losses of -0.2% and -1.7% for the week. Markets are taking a breather after both benchmarks have risen 26% and 22% since their respective Christmas lows. On Friday in Davos, US shale companies claimed that their growth will slow eventually while the Venezuelan

crisis continues to play out. These two factors probably contributed to Friday's slight rally but the mid to longer term picture remains bleak. Current crack spreads have reached their lowest in at least eight years due to a glut of gasoline inventories, capping the limit on how much further crude prices can climb.

- **Gold:** The precious metal rallied +1.9% on Friday, breaking past the \$1,300/oz level, after a Wall Street Journal report stated that the Fed may be looking to end its balance sheet reduction programme earlier than expected. The dollar index sunk -0.8%, adding to the allure of gold. With the FOMC conducting a press conference this Thursday, gold will likely hold above the \$1,300 level till then as the market awaits further clues from the Fed.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates trading within 1bps lower across most tenors (with the exception of the 6-month and 12-year swap rates trading 4bps and 3bps lower respectively). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 152bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 19bps to 534bps. 10Y UST yields rose 4bps to close the trading session at 2.76% on the back of upbeat corporate earnings as well as reports from the Federal Reserve regarding a possibility of maintaining a larger portfolio of treasury securities than expected.
- **New Issues:** Champion Sincerity Holdings Ltd has priced a USD400mn NC3-perpetual bond (guarantor: Greentown China Holdings Ltd) at 8.125%, tightening from IPT of 8.625%. Chongqin Banan Economic Park Development & Construction Co has priced a SGD150mn 34-month bond at 4.35%, in line with IPT.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.794	-0.84%	USD-SGD	1.3533	-0.57%
USD-JPY	109.550	-0.08%	EUR-SGD	1.5444	0.38%
EUR-USD	1.1406	0.90%	JPY-SGD	1.2356	-0.45%
AUD-USD	0.7179	1.20%	GBP-SGD	1.7868	0.49%
GBP-USD	1.3196	0.99%	AUD-SGD	0.9716	0.63%
USD-MYR	4.1257	-0.47%	NZD-SGD	0.9258	0.60%
USD-CNY	6.7483	-0.59%	CHF-SGD	1.3621	-0.29%
USD-IDR	14093	-0.54%	SGD-MYR	3.0348	-0.34%
USD-VND	23197	--	SGD-CNY	4.9854	-0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	-0.0010	O/N	2.3848	0.0002
2M	-0.3360	--	1M	2.5000	-0.0019
3M	-0.3070	-0.0010	2M	2.6464	0.0214
6M	-0.2370	-0.0010	3M	2.7516	-0.0131
9M	-0.1940	--	6M	2.8323	-0.0179
12M	-0.1140	0.0010	12M	3.0315	0.0024

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
01/30/2019	1.0%	0.0%	99.0%	1.0%	0.0%
03/20/2019	3.9%	0.0%	96.1%	3.8%	0.0%
05/01/2019	9.8%	0.0%	90.2%	9.6%	0.3%
06/19/2019	23.6%	0.0%	76.4%	21.9%	1.7%
07/31/2019	26.3%	0.0%	73.7%	23.8%	2.4%
09/18/2019	29.6%	0.0%	70.4%	26.0%	3.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.69	1.05%	Coffee (per lb)	1.068	1.42%
Brent (per barrel)	61.64	0.90%	Cotton (per lb)	0.7413	1.35%
Heating Oil (per gallon)	1.8919	0.33%	Sugar (per lb)	0.1244	-4.16%
Gasoline (per gallon)	1.3894	0.13%	Orange Juice (per lb)	1.1940	0.21%
Natural Gas (per MMBtu)	3.1780	2.55%	Cocoa (per mt)	2,225	-1.37%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.2000	-0.29%
Nickel (per mt)	11,912.0	1.65%	Soybean (per bushel)	9.253	1.01%
Aluminium (per mt)	1,912.8	1.49%	Corn (per bushel)	3.8025	0.86%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,298.1	1.43%	Crude Palm Oil (MYR/MT)	2,190.0	-0.45%
Silver (per oz)	15.699	2.61%	Rubber (JPY/KG)	199.5	4.45%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,737.20	183.96
S&P	2,664.76	22.43
Nasdaq	7,164.86	91.40
Nikkei 225	20,773.56	198.93
STI	3,202.25	11.52
KLCI	1,701.03	7.44
JCI	6,482.84	16.19
Baltic Dry	905.00	-34.00
VIX	17.42	-1.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.02 (-)	2.61 (+0.04)
5Y	2.06 (-)	2.60 (+0.05)
10Y	2.21 (-)	2.76 (+0.04)
15Y	2.48 (-)	--
20Y	2.54 (-)	--
30Y	2.66 (-)	3.07 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.45	-0.12
TED	41.17	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/25/2019 00:00	US Kansas City Fed Manf. Activity	Jan	3	5	3	6
01/25/2019 05:00	SK Consumer Confidence	Jan	--	97.5	97.2	96.9
01/25/2019 07:30	JN Tokyo CPI YoY	Jan	0.20%	0.40%	0.30%	0.40%
01/25/2019 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jan	0.90%	1.10%	0.90%	--
01/25/2019 13:00	SI Industrial Production SA MoM	Dec	-4.90%	-5.60%	2.80%	3.10%
01/25/2019 13:00	SI Industrial Production YoY	Dec	4.00%	2.70%	7.60%	--
01/25/2019 15:27	KZ Money Supply M3 MoM	Dec	--	4.60%	0.80%	0.80%
01/25/2019 15:30	TH Foreign Reserves	Jan-18	--	\$207.3b	\$207.3b	--
01/25/2019 15:30	TH Forward Contracts	Jan-18	--	\$32.0b	\$32.7b	--
01/25/2019 17:00	GE IFO Business Climate	Jan	100.7	99.1	101	--
01/25/2019 17:00	GE IFO Expectations	Jan	97.1	94.2	97.3	--
01/25/2019 17:00	GE IFO Current Assessment	Jan	104.2	104.3	104.7	104.9
01/25/2019 17:30	UK UK Finance Loans for Housing	Dec	38800	38779	39403	39205
01/25/2019 19:00	UK CBI Retailing Reported Sales	Jan	3	0	-13	--
01/28/2019 07:50	JN PPI Services YoY	Dec	1.20%	--	1.20%	--
01/28/2019 09:30	CH Industrial Profits YoY	Dec	--	--	-1.80%	--
01/28/2019 16:30	HK Exports YoY	Dec	-1.70%	--	-0.80%	--
01/28/2019 16:30	HK Imports YoY	Dec	-2.20%	--	0.50%	--
01/28/2019 16:30	HK Trade Balance HKD	Dec	-57.2b	--	-45.0b	--
01/28/2019 17:00	EC M3 Money Supply YoY	Dec	3.80%	--	3.70%	--
01/28/2019 21:30	US Chicago Fed Nat Activity Index	Dec	--	--	0.22	--
01/28/2019 23:00	CA Bloomberg Nanos Confidence	Jan-25	--	--	54.5	--
01/28/2019 23:30	US Dallas Fed Manf. Activity	Jan	-2.7	--	-5.1	--
01/28/2019	MU Unemployment Rate	Dec	--	--	1.70%	--
01/28/2019 01/29	VN Industrial Production YoY	Jan	--	--	11.40%	--
01/28/2019 01/29	VN Retail Sales YTD YoY	Jan	--	--	11.70%	--
01/28/2019 01/29	VN Exports YTD YoY	Jan	5.50%	--	13.80%	--
01/28/2019 01/29	VN CPI YoY	Jan	2.80%	--	2.98%	--
01/28/2019 01/29	VN Imports YTD YoY	Jan	6.60%	--	11.50%	--
01/28/2019 02/05	US Wholesale Inventories MoM	Nov P	0.50%	--	0.80%	--
01/28/2019 02/05	US New Home Sales	Nov	567k	--	544k	--
01/28/2019 02/05	US New Home Sales MoM	Nov	4.20%	--	-8.90%	--
01/28/2019 02/05	US Construction Spending MoM	Nov	0.20%	--	-0.10%	--
01/28/2019 02/05	US Factory Orders	Nov	0.30%	--	-2.10%	--
01/28/2019 02/05	US Factory Orders Ex Trans	Nov F	--	--	0.30%	--
01/28/2019 02/05	US Durable Goods Orders	Nov F	0.80%	--	0.80%	--
01/28/2019 02/05	US Durables Ex Transportation	Nov F	--	--	-0.30%	--
01/28/2019 02/05	US Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.60%	--
01/28/2019 02/05	US Cap Goods Ship Nondef Ex Air	Nov F	--	--	-0.10%	--
01/28/2019 02/05	US Trade Balance	Nov	-\$54.0b	--	-\$55.5b	--
01/28/2019 02/05	US Monthly Budget Statement	Dec	-\$10.0b	--	-\$204.9b	--
01/28/2019 02/05	US Retail Sales Advance MoM	Dec	0.10%	--	0.20%	--
01/28/2019 02/05	US Retail Sales Ex Auto MoM	Dec	0.00%	--	0.20%	--
01/28/2019 02/05	US Retail Sales Ex Auto and Gas	Dec	0.40%	--	0.50%	--
01/28/2019 02/05	US Retail Sales Control Group	Dec	0.40%	--	0.90%	--
01/28/2019 02/05	US Business Inventories	Nov	0.30%	--	0.60%	--
01/28/2019 02/05	US Net Long-term TIC Flows	Nov	--	--	\$31.3b	--
01/28/2019 02/05	US Total Net TIC Flows	Nov	--	--	\$42.0b	--
01/28/2019 02/05	US Housing Starts	Dec	1253k	--	1256k	--
01/28/2019 02/05	US Building Permits	Dec	1290k	--	1328k	--
01/28/2019 02/05	US Housing Starts MoM	Dec	-0.50%	--	3.20%	--
01/28/2019 02/05	US Building Permits MoM	Dec	-2.90%	--	5.00%	--

Source: Bloomberg

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