

Highlights

Global	<p>Global risk appetite remained tentative overnight amid lingering market concerns about the Brexit process and China's growth. Although the UK Parliament ruled out a no-deal Brexit, they also rejected proposed amendments which leaves UK PM May headed back to Brussels to renegotiate the Irish backstop proposal and seek "legally binding changes", albeit this was swiftly ruled out by the EU minutes after the vote. S&P500 closed modestly lower amid drags from tech stocks like Twitter and Facebook, while Harley-Davidson also missed analysts' expectations and blamed US' tariffs on steel and aluminium, and Apple reported a steep decline in Greater China sales. Meanwhile, UST bonds rallied with the 10-year yield lower at 2.71% amid a strong US\$32b 7-year bond auction. US consumer confidence also fell more than expected for a third straight month to a 1.5 year low of 120.2 in January 2019, likely weighed down by the partial government shutdown and financial market volatility. On the US-China trade talks, US Treasury Secretary Mnuchin said he expected "significant progress", but recent developments in the Huawei case has cast a shadow over market optimism for a positive outcome from the talks.</p> <p>With the FOMC policy decision due early tomorrow morning, market sentiments are likely to tread somewhat hesitantly while awaiting Fed chair Powell's press conference where he may shed some light on the intended rate trajectory and balance sheet unwinding process from here. Today's economic calendar comprises US' ADP employment change, pending home sales and mortgage applications, Eurozone's consumer confidence, German GfK consumer confidence, Malaysia's trade data and HK retail sales.</p>
US	<p>The expectations gauge in the Conference Board consumer confidence index fell from 97.7 to 87.3, but the present conditions gauge was little changed at 169.6 versus 169.9 previously), which suggested that possible noise from the US partial government shutdown could have been a big contributing factor.</p>
CH	<p>Demand for local government bond issuance eased slightly after the Ministry of Finance allowed the minimum spread above government bond to be set slightly lower from previous 40bps to 25bps. In addition, the NDRC said it will continue to support car sales with subsidy to stabilize the domestic demand as car sales has been the most important component for China's retail sales.</p>
SG	<p>The \$2.9b of new 5-year notes, of which MAS took \$200m, fetched a bid-cover ratio of 2.08x (or 2.23x excluding the \$200m) and a cut-off yield of 2.06. Given that MAS had sold \$6b of 84-day bills at 2% yesterday and \$2.7b of 365-day bills at 2.06% the previous day, the front end of the yield curve is currently very flat and offering very little pick-up out to the belly of the curve. As such, fixed income investors are likely to extend duration to the longer tenors (such as the 15-20 year tenors) for the yield pick-up. There are two other 5-year bond re-openings scheduled for 1 April and 1 August this year. The next will be a 30-year re-opening on 1 March, with the size announcement on 19 February and auction on 26 February.</p>

Major Markets

- **US:** Wall Street ended mixed on Tuesday, with the S&P500 slipping 0.15%. The DJIA advanced 0.21%, while the Nasdaq composite declined 0.81%.
- 3M Co. shares gained 1.94% after it announced better than expected fourth-quarter results.
- Harley-Davidson Inc. shares slumped 5.05% after it reported fourth-quarter sales below expectations.
- **Singapore:** The STI slipped 0.37% to close at 3187.69 yesterday and may continue to consolidate within the 3170-3230 range for now, albeit overnight cues from the Dow and morning open for the Kospi area mildly positive. With the new 5-year SGS bond auction out of the way, the SGS bond market may track the UST bond market's overnight gains and extend gains today.
- **South Korea:** The Business Survey Manufacturing – Business Condition index has deteriorated to 65 for Feb 2019, the lowest since April 2009 during the GFC. This adds to the growing list of warning signals for the global economy as South Korea serves as a weathervane for global trade flows.
- **Malaysia:** Prime Minister Mahathir Mohamad has said that both Economic Affairs Minister Azmin Ali and Finance Minister Lim Guan Eng “are right” regarding their statements on the East Coast Rail Link (ECRL). However, he also said that “timing was wrong” regarding when their statements were made. Earlier, Azmin Ali had said that the project had been terminated whilst Lim Guan Eng was shocked about Azmin's statement and refused to confirm whether the project was off. Mahathir did also say that the ECRL project would “impoverish” Malaysia as the country is “already burdened with a heavy debt”.
- **Indonesia:** Ministry of Finance awarded Rp23.2t in conventional bonds yesterday, exceeding the target Rp15t. The government received bids in the total Rp48.6t. Most of the bids were concentrated in the 5 year tenors. Following the auction, bond prices as a whole moved little.
- **Commodities:**
- **Energy:** The US has slapped sanctions on Venezuela oil and the Venezuelan central bank, effectively crippling the current regime's sources to USD funding. We do not think that the Venezuelan crisis will materially impact oil prices for several reasons. Firstly, although possessing one of the largest oil reserves in the world, Venezuela's production has been on a long decline and now only produces 3.7% of OPEC production, down from 7% in its heyday. Secondly, there are many willing buyers of Venezuelan oil outside of the US, chief among which are India and China. The rebound in oil prices we see yesterday was probably a speculative rally but overall the general sideways trend remains intact and we do not see this as indicative of any risk-on/off signal.
- **Gold:** Gold continues its rally and has now broken clean from its \$1,300/oz level. Continued risk-off sentiment from sections of the market, as well as talks that the Fed might end its asset-reduction programme earlier than expected, are driving the precious metal higher. Gold is most likely waiting for the FOMC press conference for further directions but given it has moved ahead of the actual Fed talk, we are cautious of a buy-the-rumour-sell-the-fact behaviour later this week when the Fed actually makes its speech. Any downside, however, ought to find support at the \$1,300/oz mark.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was higher yesterday, with the shorter tenor swap rates trading 1 bps higher while the longer tenors traded unchanged (with the exception of the 12-year swap rate trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 153bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 528bps. 10Y UST yields fell 3bps to close the trading session at 2.71% on the back anticipated strong demand for the USD78bn new issue as it coincides with Federal Reserve Chairman Jerome Powell's prior remarks suggesting a pause in the central bank's interest rate hikes. Data showing US consumer confidence at its lowest since July 2017 also weighed in negatively on market sentiments.
- **New Issues:** LLPL Capital Pte Ltd has priced a USD775mn 20-year bond (guarantor: PT Lestari Banten Energi) at 6.875%, tightening from IPT of 7.25% area. The Siam Commercial Bank PCL, Cayman Islands Branch has priced a USD500mn 5-year bond at CT5+137.5bps (tightening from IPT of CT+170bps area) and a USD500mn 10-year bond at CT10+167.5bps (tightening from IPT of CT+200bps area). Studio City Finance Ltd has priced a USD600mn 5NC2 bond at 7.25%, tightening from IPT of 7.5%. Granda Century Ltd has priced a USD235mn re-tap of its existing SNAGRP 7.5%'21s at 8.375%, in line with IPT. Oil India Ltd has priced a USD550mn 10-year bond at CT10+250bps, tightening from IPT of CT+275bps area. Champion Sincerity Holdings Ltd has priced a USD100mn perpetual bond (guarantor: Greentown China Holdings Ltd) at 7.75%. Suntec REIT MTN Pte Ltd has priced a SGD100mn 6-year bond at 3.355%, in line with IPT.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.821	0.08%	USD-SGD	1.3521	-0.05%
USD-JPY	109.400	0.05%	EUR-SGD	1.5457	-0.02%
EUR-USD	1.1433	0.04%	JPY-SGD	1.2356	-0.13%
AUD-USD	0.7155	-0.15%	GBP-SGD	1.7666	-0.78%
GBP-USD	1.3066	-0.74%	AUD-SGD	0.9675	-0.20%
USD-MYR	4.1115	-0.01%	NZD-SGD	0.9241	--
USD-CNY	6.7354	-0.15%	CHF-SGD	1.3596	-0.30%
USD-IDR	14096	0.17%	SGD-MYR	3.0422	0.19%
USD-VND	23198	0.01%	SGD-CNY	4.9813	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3849	--
2M	-0.3360	--	1M	2.5018	--
3M	-0.3070	--	2M	2.6461	--
6M	-0.2370	--	3M	2.7505	--
9M	-0.1940	--	6M	2.8299	--
12M	-0.1120	--	12M	3.0300	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
01/30/2019	0.5%	0.0%	99.5%	0.5%	0.0%
03/20/2019	1.5%	0.0%	98.5%	1.5%	0.0%
05/01/2019	5.6%	0.0%	94.4%	5.5%	0.1%
06/19/2019	18.7%	0.0%	81.3%	17.9%	0.8%
07/31/2019	20.3%	0.0%	79.7%	19.1%	1.2%
09/18/2019	22.1%	0.0%	77.9%	20.5%	1.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.31	2.54%	Coffee (per lb)	1.026	-0.05%
Brent (per barrel)	61.32	2.32%	Cotton (per lb)	0.7415	0.41%
Heating Oil (per gallon)	1.8975	3.25%	Sugar (per lb)	0.1269	-0.78%
Gasoline (per gallon)	1.3509	1.34%	Orange Juice (per lb)	1.1745	-0.76%
Natural Gas (per MMBtu)	2.9500	1.34%	Cocoa (per mt)	2,215	-1.56%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1325	-1.06%
Nickel (per mt)	12,066.0	2.52%	Soybean (per bushel)	9.190	-0.46%
Aluminium (per mt)	1,882.3	1.39%	Corn (per bushel)	3.7725	-0.66%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,308.9	0.45%	Crude Palm Oil (MYR/MT)	2,194.0	-1.26%
Silver (per oz)	15.839	0.47%	Rubber (JPY/KG)	186.6	-5.04%

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

Equity and Commodity

Index	Value	Net change
DJIA	24,579.96	51.74
S&P	2,640.00	-3.85
Nasdaq	7,028.29	-57.39
Nikkei 225	20,664.64	15.64
STI	3,187.69	-11.81
KLCI	1,690.41	-7.09
JCI	6,436.48	-22.23
Baltic Dry	852.00	--
VIX	19.13	0.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.03 (--)	2.57 (-0.02)
5Y	2.06 (-0.03)	2.55 (-0.04)
10Y	2.20 (-0.01)	2.71 (-0.03)
15Y	2.47 (-0.02)	--
20Y	2.53 (-0.02)	--
30Y	2.64 (-0.03)	3.04 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.40	--
TED	36.98	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/29/2019 05:45	NZ Trade Balance NZD	Dec	150m	264m	-861m	-955m
01/29/2019 05:45	NZ Exports NZD	Dec	5.50b	5.48b	4.94b	4.91b
01/29/2019 05:45	NZ Imports NZD	Dec	5.30b	5.22b	5.80b	5.86b
01/29/2019 05:45	NZ Trade Balance 12 Mth YTD NZD	Dec	-5812m	-5858m	-5423m	-5508m
01/29/2019 08:30	AU NAB Business Conditions	Dec	--	2	11	--
01/29/2019 08:30	AU NAB Business Confidence	Dec	--	3	3	--
01/29/2019 10:05	VN Retail Sales YTD YoY	Jan	--	12.20%	11.70%	--
01/29/2019 10:05	VN Exports YTD YoY	Jan	5.50%	-1.30%	13.80%	--
01/29/2019 10:05	VN CPI YoY	Jan	2.80%	2.56%	2.98%	--
01/29/2019 10:05	VN Imports YTD YoY	Jan	6.60%	3.10%	11.50%	--
01/29/2019 15:45	FR Consumer Confidence	Jan	88	91	87	86
01/29/2019 17:00	IT PPI MoM	Dec	--	-0.60%	-0.80%	-0.70%
01/29/2019 17:00	IT PPI YoY	Dec	--	5.20%	5.70%	5.80%
01/29/2019 22:00	US S&P CoreLogic CS 20-City YoY NSA	Nov	4.89%	4.68%	5.03%	5.02%
01/29/2019 22:00	US S&P CoreLogic CS 20-City NSA Index	Nov	--	213.66	213.89	213.87
01/29/2019 22:00	US S&P CoreLogic CS US HPI YoY NSA	Nov	--	5.19%	5.48%	5.33%
01/29/2019 22:00	US S&P CoreLogic CS US HPI NSA Index	Nov	--	205.85	206.03	205.74
01/29/2019 23:00	US Conf. Board Consumer Confidence	Jan	124	120.2	128.1	126.6
01/30/2019 05:00	SK Business Survey Manufacturing	Feb	--	65	71	--
01/30/2019 05:00	SK Business Survey Non-Manufacturing	Feb	--	70	72	--
01/30/2019 07:50	JN Retail Trade YoY	Dec	1.00%	1.30%	1.40%	--
01/30/2019 07:50	JN Retail Sales MoM	Dec P	0.40%	0.90%	-1.00%	-1.10%
01/30/2019 07:50	JN Dept. Store, Supermarket Sales	Dec	-1.10%	-1.00%	-2.20%	--
01/30/2019 08:30	AU CPI QoQ	4Q	0.40%	--	0.40%	--
01/30/2019 08:30	AU CPI YoY	4Q	1.70%	--	1.90%	--
01/30/2019 08:30	AU CPI Trimmed Mean QoQ	4Q	0.40%	--	0.40%	--
01/30/2019 08:30	AU CPI Trimmed Mean YoY	4Q	1.80%	--	1.80%	--
01/30/2019 08:30	AU CPI Weighted Median QoQ	4Q	0.50%	--	0.30%	--
01/30/2019 08:30	AU CPI Weighted Median YoY	4Q	1.70%	--	1.70%	--
01/30/2019 10:00	SK Department Store Sales YoY	Dec	--	--	--	-3.90%
01/30/2019 10:00	SK Discount Store Sales YoY	Dec	--	--	--	-2.80%
01/30/2019 14:30	FR GDP QoQ	4Q A	0.20%	--	0.30%	--
01/30/2019 14:30	FR GDP YoY	4Q A	0.90%	--	1.40%	--
01/30/2019 15:00	GE Import Price Index MoM	Dec	-0.80%	--	-1.00%	--
01/30/2019 15:00	GE Import Price Index YoY	Dec	2.10%	--	3.10%	--
01/30/2019 15:00	GE GfK Consumer Confidence	Feb	10.3	--	10.4	--
01/30/2019 15:45	FR PPI MoM	Dec	--	--	0.40%	--
01/30/2019 15:45	FR PPI YoY	Dec	--	--	2.60%	--
01/30/2019 16:30	HK Retail Sales Value YoY	Dec	1.40%	--	1.40%	--
01/30/2019 16:30	HK Retail Sales Volume YoY	Dec	2.50%	--	1.20%	--
01/30/2019 17:00	IT Consumer Confidence Index	Jan	112.8	--	113.1	--
01/30/2019 17:00	IT Manufacturing Confidence	Jan	103	--	103.6	--
01/30/2019 17:00	IT Economic Sentiment	Jan	--	--	99.8	--
01/30/2019 17:00	MA Trade Balance MYR	Dec	7.20b	--	7.55b	--
01/30/2019 17:00	MA Exports YoY	Dec	1.30%	--	1.60%	--
01/30/2019 17:00	MA Imports YoY	Dec	1.30%	--	5.00%	--
01/30/2019 17:30	UK Net Lending Sec. on Dwellings	Dec	3.6b	--	3.5b	--
01/30/2019 17:30	UK Mortgage Approvals	Dec	63.1k	--	63.7k	--
01/30/2019 17:30	UK Money Supply M4 MoM	Dec	--	--	0.00%	--
01/30/2019 17:30	UK M4 Money Supply YoY	Dec	--	--	0.80%	--
01/30/2019 18:00	EC Economic Confidence	Jan	106.8	--	107.3	--
01/30/2019 18:00	EC Business Climate Indicator	Jan	0.77	--	0.82	--
01/30/2019 18:00	EC Industrial Confidence	Jan	0.5	--	1.1	--
01/30/2019 18:00	EC Consumer Confidence	Jan F	-7.9	--	-7.9	--
01/30/2019 20:00	US MBA Mortgage Applications	Jan-25	--	--	-2.70%	--
01/30/2019 21:00	GE CPI MoM	Jan P	-0.80%	--	0.10%	--
01/30/2019 21:00	GE CPI YoY	Jan P	1.60%	--	1.70%	--
01/30/2019 21:00	GE CPI EU Harmonized MoM	Jan P	-1.00%	--	0.30%	--
01/30/2019 21:00	GE CPI EU Harmonized YoY	Jan P	1.80%	--	1.70%	--
01/30/2019 21:15	US ADP Employment Change	Jan	181k	--	271k	--
01/30/2019 23:00	US Pending Home Sales MoM	Dec	0.50%	--	-0.70%	--
01/30/2019	MU Hotel Occupancy Rate	Dec	--	--	93.9	--

Source: Bloomberg

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