

Highlights

Global	<p>Fed capitulation was the overnight market theme amidst the freezing cold weather in parts of the US, the Fed essentially conceded that it is “prepared to adjust any of the details for completing balance sheet normalization in light of economic and financial developments”, in addition to reiterating its “patient” stance as it determines what future rate adjustments may be appropriate “in light of global economic and financial developments and muted inflation pressures”. The Fed unanimously kept its Fed Funds rate static at 2.25-2.5% as widely expected and dropped the references to “roughly balanced” risks and the need for “some further gradual” increases in the Fed Funds Rate target, albeit it “continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective as the most likely outcomes”. The futures market is now pricing in only 10% probability of one rate hike by end-2019 and a 22% chance of a rate cut one year from now. Consequently, the UST bond market promptly rallied, with the 10-year yield below 2.7% handle to 2.68% and the 2-year at 2.51% which bull-steepened the yield curve on the FOMC’s dovish signals. Wall Street also rallied overnight, led by gains in Apple and Boeing, while Facebook also reported better-than-expected results.</p> <p>Expect improved global risk sentiments to lift Asian markets today, but watch for any outcomes from the ongoing US-China trade talks (note the mood appeared sombre in the photo op of the two delegations). Today’s economic calendar is busy with China’s manufacturing and non-manufacturing PMIs for January, US’ new home sales, initial jobless claims, Challenger job cuts and 4Q18 employment cost index, Eurozone and Taiwan’s 4Q18 GDP growth, German retail sales and unemployment claims, Thai trade data, and Singapore’s bank loans data for December. Speakers include Japanese PM Abe and ECB’s Coeure, Mersch and Weidmann.</p>
US	ADP employment change rose 213k in January, following a 263k surge in December, which suggests limited impact from the 35-day partial government shutdown and bodes well for Friday’s nonfarm payrolls report. However, pending home sales sank 2.2% mom in December to the weakest reading since April 2014.
EU	Eurozone’s economic sentiment index slipped to 106.2 (lowest since November 2016), while the consumer confidence, German GfK consumer confidence surprisingly improved to 10.8 (highest since May)
UK	While UK PM May back to negotiating with EC president Tusk and Irish PM Varakar, EU has said it will not reopen the Brexit agreement and the Belgian PM Michel warned that a no-deal Brexit is increasingly inevitable. Meanwhile, Juncker also opined that a disorderly Brexit is now more likely and defended the need for an Irish border backstop.
CH	The US and China started new round of high-level trade talk in Washington. The latest announcement of immediate reform such as allowing the rating agency S&P to rate China’s domestic bond is likely to build goodwill for China to achieve a general framework with the US to avoid the further tariff hike, which may also pave the way for China’s structural reforms.

Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 advancing 1.55%. The DJIA rose 1.77%, while the Nasdaq composite jumped 2.20%.
- McDonald's shares slipped 0.22% after it announced earnings lower than revenue forecasts.
- Tupperware Brands Corp shares slumped 27.43% after it reported fourth-quarter revenue below expectations.
- **Singapore:** The STI declined by another 0.42% to close at 3174.38 yesterday, but is likely to stage a comeback today amid stronger cues from Wall Street overnight amid dovish Fed signals. Note Kospi is already off to a firmer start early this morning. Expect the STI to test the 3200 handle again with resistance tipped at 3223. With the front-end of the UST bond yields collapsing by up to 6bps, the SGS bond market is likely to follow through today too.
- **Hong Kong:** Retail sales value grew marginally by 0.1% yoy in December and increased by 8.8% yoy in 2018 as a whole. Internally, we note that domestic demand has been weakening amid the correction in both stock market and property market. Local economic slowdown and external uncertainties also clouded salary prospects and dampen consumer sentiment. As such, the growth in the sales of food, alcoholic drinks and tobacco slowed down from 1.9% yoy to 1% yoy while the sales consumer durable goods dropped for the second consecutive month by 9.3% yoy. Externally, though the recent infrastructure improvement helped to bolster inbound tourism, visitor spending remained muted due to global economic slowdown, a strong HKD and the lingering uncertainty about US-China trade war. The sales of jewelry, clock and watches fell for the second consecutive month by 4.9% yoy. Moving into 2019, three factors including RMB rally, eased trade tensions and China's stimulus measures may lend some short-term support to the retail sector. Nevertheless, we expect RMB's rally to be unsustainable and the trader war risks to remain intact. As such, the outlook of the retail sector remains subdued.
- **South Korea:** The Bank of Korea welcomed the Fed's dovish stance and it expects the FOMC's latest move to help stabilise markets.
- **Malaysia:** Finance Minister Lim Guan Eng has said that the cabinet has decided "that no minister should make any announcement except for the prime minister" regarding the East Coast Rail Link (ECRL). He mentioned that the cabinet decided to adopt a statement by the Prime Minister "that the matter would still undergo negotiations". He also noted that "the cabinet has decided that negotiations between Malaysia and China on the East Coast Rail Link project should be continued privately". Meanwhile, Malaysia's trade balance widened for December to RM10.4bn as exports grew at 4.8% yoy and imports growth expanded at 1.0% yoy.
- **Thailand:** Ahead of the Mar 24 elections, the military-aligned Palang Pracharath party have nominated incumbent PM Prayut Chan-ocha as their Premier candidate. This comes as no surprise, given the party's open military alignment, and serves nothing more as an official stamp on their election proceedings.
- **Indonesia:** According to BKPM (the Investment Coordinating Board), foreign-direct investment for 4Q 2018 fell by about 11.6% yoy to Rp99t. Overall, Indonesia posted a decline of 8.8% yoy for FDI in 2018 to Rp392.7t. Most of the foreign investment in

Indonesia for 2018 came from Singapore. Total investment including foreign and domestic rose by 4.1% yoy to Rp721.3t for 2018.

- **Commodities:**
- **Energy: Energy:** Talk about a game changer – risk-on is back on following the FOMC’s dovish stance. With talks of being “patient” on further rate hikes and them being “prepared to adjust” its balance sheet normalization, the Fed was seen as being more dovish than the market expected. Textbook rallies in stocks and rally took place, with oil receiving a boost from expectations of improved growth prospects. Short-term we expect WTI to climb to \$60 and Brent to \$68 as cyclicals gain favour – the upper end of our 1H2019 range. At the backdrop, however, there still exists the possibility of a messy Brexit and seemingly difficult US-China trade talks. We do not expect a huge rally beyond what was mentioned and still view this risk-on mode with slight caution.
- **Gold:** Textbook rally from gold after the Fed appeared to be more dovish than markets expected, with the precious metal rallying +0.6% to \$1,319 and now looks headed for \$1,350 in the short term. It has cleanly broken the \$1,300 level for more than three days and in the short term, is unlikely to fall below this strong support level. The possibilities of a messy Brexit, disappointing trade talks or even poor nonfarm payrolls this Friday are all catalysts to push gold higher. Downside risks appear limited at this stage other than profit-taking ahead of the festive season.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was higher yesterday, with the shorter tenors trading 1 bps higher while the longer tenors traded unchanged (with the exception of the 10-year, 20-year and 30-year swap rates 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 1bps to 529bps. 10Y UST yields rose 2bps in the earlier part of the trading session on the back of better-than-expected employment data on US private sector jobs. Subsequently, yields fell 6bps to close the trading session at 2.68%, with US equity rallying strongly after a policy statement by the Federal Reserve to pause its interest rate hiking scheme.
- **New Issues:** CMT MTN Pte Ltd has priced a SGD100mn 7-year bond at 3.15%. Towngas (Finance) Ltd (guarantor: The Hong Kong and China Gas Company Ltd has scheduled investor meetings from 30 Jan for its potential USD NC5-perpetual bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.340	-0.50%	USD-SGD	1.3473	-0.36%
USD-JPY	109.040	-0.33%	EUR-SGD	1.5467	0.06%
EUR-USD	1.1480	0.41%	JPY-SGD	1.2357	0.01%
AUD-USD	0.7248	1.30%	GBP-SGD	1.7673	0.04%
GBP-USD	1.3116	0.38%	AUD-SGD	0.9765	0.93%
USD-MYR	4.1062	-0.13%	NZD-SGD	0.9292	0.55%
USD-CNY	6.7165	-0.28%	CHF-SGD	1.3551	-0.33%
USD-IDR	14131	0.25%	SGD-MYR	3.0418	-0.01%
USD-VND	23204	0.03%	SGD-CNY	4.9673	-0.28%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3844	--
2M	-0.3360	--	1M	2.4989	--
3M	-0.3060	--	2M	2.6336	--
6M	-0.2370	--	3M	2.7444	--
9M	-0.1940	--	6M	2.8234	--
12M	-0.1090	--	12M	3.0238	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
03/20/2019	1.00%	0.00%	99.00%	1.00%	0.00%
05/01/2019	0.90%	2.00%	97.00%	0.90%	0.00%
06/19/2019	9.30%	1.90%	88.90%	9.20%	0.10%
07/31/2019	9.10%	3.20%	87.70%	9.00%	0.10%
09/18/2019	11.10%	3.10%	85.70%	10.80%	0.30%
10/30/2019	10.90%	5.10%	84.00%	10.60%	0.30%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	54.23	1.73%	Coffee (per lb)	1.021	-0.49%
Brent (per barrel)	61.65	0.54%	Cotton (per lb)	0.7436	0.28%
Heating Oil (per gallon)	1.8984	0.05%	Sugar (per lb)	0.1253	-1.26%
Gasoline (per gallon)	1.3823	2.32%	Orange Juice (per lb)	1.1700	-0.38%
Natural Gas (per MMBtu)	2.8540	-3.25%	Cocoa (per mt)	2,176	-1.76%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.1675	0.68%
Nickel (per mt)	12,066.0	--	Soybean (per bushel)	9.210	0.22%
Aluminium (per mt)	1,882.3	--	Corn (per bushel)	3.8125	1.06%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,309.9	0.08%	Crude Palm Oil (MYR/MT)	2,204.0	0.46%
Silver (per oz)	15.927	0.56%	Rubber (JPY/KG)	183.7	-1.55%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,014.86	434.90
S&P	2,681.05	41.05
Nasdaq	7,183.08	154.79
Nikkei 225	20,556.54	-108.10
STI	3,174.38	-13.31
KLCI	1,684.11	-6.30
JCI	6,464.19	27.71
Baltic Dry	797.00	--
VIX	17.66	-1.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.02 (--)	2.51 (-0.06)
5Y	2.04 (-0.02)	2.48 (-0.06)
10Y	2.20 (--)	2.68 (-0.03)
15Y	2.46 (-0.01)	--
20Y	2.52 (-0.01)	--
30Y	2.64 (--)	3.03 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.47	-0.03
TED	33.71	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/30/2019 07:50	JN Retail Trade YoY	Dec	1.00%	1.30%	1.40%	--
01/30/2019 08:30	AU CPI QoQ	4Q	0.40%	0.50%	0.40%	--
01/30/2019 08:30	AU CPI YoY	4Q	1.70%	1.80%	1.90%	--
01/30/2019 10:53	MU Hotel Occupancy Rate	Dec	--	94.7	93.9	--
01/30/2019 14:30	FR GDP QoQ	4Q A	0.20%	0.30%	0.30%	--
01/30/2019 14:30	FR GDP YoY	4Q A	0.90%	0.90%	1.40%	1.30%
01/30/2019 15:00	GE GfK Consumer Confidence	Feb	10.3	10.8	10.4	10.5
01/30/2019 16:30	HK Retail Sales Value YoY	Dec	1.40%	0.10%	1.40%	--
01/30/2019 17:00	IT Consumer Confidence Index	Jan	112.8	114	113.1	113.2
01/30/2019 17:00	IT Manufacturing Confidence	Jan	103	102.1	103.6	103.4
01/30/2019 17:00	IT Economic Sentiment	Jan	--	99.2	99.8	99.7
01/30/2019 17:00	MA Trade Balance MYR	Dec	7.20b	10.43b	7.55b	7.84b
01/30/2019 17:30	UK Mortgage Approvals	Dec	63.1k	63.8k	63.7k	64.0k
01/30/2019 18:00	EC Consumer Confidence	Jan F	-7.9	-7.9	-7.9	--
01/30/2019 20:00	US MBA Mortgage Applications	Jan-25	--	-3.00%	-2.70%	--
01/30/2019 21:00	GE CPI MoM	Jan P	-0.80%	-0.80%	0.10%	--
01/30/2019 21:00	GE CPI YoY	Jan P	1.60%	1.40%	1.70%	--
01/30/2019 21:00	GE CPI EU Harmonized MoM	Jan P	-1.00%	-1.00%	0.30%	--
01/30/2019 21:00	GE CPI EU Harmonized YoY	Jan P	1.80%	1.70%	1.70%	--
01/30/2019 21:15	US ADP Employment Change	Jan	181k	213k	271k	263k
01/30/2019 23:00	US Pending Home Sales MoM	Dec	0.50%	-2.20%	-0.70%	-0.90%
01/31/2019 03:00	US FOMC Rate Decision (Upper Bound)	Jan-30	2.50%	2.50%	2.50%	--
01/31/2019 07:00	SK Industrial Production YoY	Dec	1.50%	1.60%	0.10%	1.10%
01/31/2019 07:50	JN Industrial Production MoM	Dec P	-0.50%	--	-1.00%	--
01/31/2019 07:50	JN Industrial Production YoY	Dec P	-2.30%	--	1.50%	--
01/31/2019 07:50	JN Foreign Buying Japan Stocks	Jan-25	--	--	¥66.7b	--
01/31/2019 08:01	UK GfK Consumer Confidence	Jan	-15	--	-14	--
01/31/2019 08:30	AU Private Sector Credit MoM	Dec	0.30%	--	0.30%	--
01/31/2019 08:30	AU Private Sector Credit YoY	Dec	4.40%	--	4.40%	--
01/31/2019 09:00	CH Manufacturing PMI	Jan	49.3	--	49.4	--
01/31/2019 10:30	SI Unemployment rate SA	4Q	2.10%	--	2.10%	--
01/31/2019 13:00	JN Housing Starts YoY	Dec	2.00%	--	-0.60%	--
01/31/2019 15:00	GE Retail Sales MoM	Dec	-0.60%	--	1.40%	1.60%
01/31/2019 15:00	GE Retail Sales YoY	Dec	1.50%	--	1.10%	--
01/31/2019 15:00	UK Nationwide House PX MoM	Jan	0.20%	--	-0.70%	--
01/31/2019 15:00	UK Nationwide House Px NSA YoY	Jan	0.00%	--	0.50%	--
01/31/2019 15:30	TH BoP Current Account Balance	Dec	\$3478m	--	\$1632m	--
01/31/2019 15:30	TH Exports YoY	Dec	--	--	0.20%	--
01/31/2019 15:45	FR CPI EU Harmonized MoM	Jan P	-0.60%	--	0.10%	--
01/31/2019 15:45	FR CPI EU Harmonized YoY	Jan P	1.40%	--	1.90%	--
01/31/2019 15:45	FR CPI MoM	Jan P	-0.60%	--	0.00%	--
01/31/2019 15:45	FR CPI YoY	Jan P	1.20%	--	1.60%	--
01/31/2019 16:00	TA GDP YoY	4Q P	2.10%	--	2.27%	--
01/31/2019 16:55	GE Unemployment Change (000's)	Jan	-10k	--	-14k	--
01/31/2019 16:55	GE Unemployment Claims Rate SA	Jan	5.00%	--	5.00%	--
01/31/2019 17:00	IT Unemployment Rate	Dec P	10.60%	--	10.50%	--
01/31/2019 18:00	EC Unemployment Rate	Dec	7.90%	--	7.90%	--
01/31/2019 18:00	EC GDP SA QoQ	4Q A	0.20%	--	0.20%	--
01/31/2019 18:00	EC GDP SA YoY	4Q A	1.20%	--	1.60%	--
01/31/2019 18:00	IT GDP WDA YoY	4Q P	0.30%	--	0.70%	--
01/31/2019 18:00	IT GDP WDA QoQ	4Q P	-0.10%	--	-0.10%	--
01/31/2019 21:30	US Employment Cost Index	4Q	0.80%	--	0.80%	--
01/31/2019 21:30	CA GDP MoM	Nov	-0.10%	--	0.30%	--
01/31/2019 21:30	US Initial Jobless Claims	Jan-26	215k	--	199k	--
01/31/2019 21:30	US Continuing Claims	Jan-19	1721k	--	1713k	--
01/31/2019 22:45	US Chicago Purchasing Manager	Jan	61.5	--	65.4	63.8
01/31/2019 23:00	US New Home Sales	Nov	570k	--	544k	--

Source: Bloomberg

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