

Highlights

Global	A strong session for Wall Street last night, with Nasdaq at a record high, suggested that investors' risk appetite remained positive for the new year. Asian bourses and FX are likely to take the cue and open firmer this morning as well, while government bonds take a step back. Across Asia, the manufacturing PMI prints edged higher for Taiwan, Vietnam, India and China's Caixin, but slipped for South Korea, Malaysia and Indonesia (all back into contraction territory <50) which could potentially be a warning sign of slowing momentum in 1Q and be a harbinger for Singapore's manufacturing and electronics PMI readings due later today. Today's economic data releases include US' manufacturing ISM, mortgage applications and construction spending, HK retail sales and Thai CPI. The 13 Dec FOMC minutes are also on tap, so watch if it sheds any more light on the intended dots graph for 2018 post-Yellen.
US	President Trump claimed that his pressure had a "big impact" on North Korean leader Kim Jong Un's offer to open talks with Seoul on 9 Jan.
CN	RMB broke 6.50 key level in the first trading day of 2018 after the fixing was set at a slightly stronger than expected level of 6.5079. This suggests that China is comfortable with the current USDCNY movement. Should dollar weaken further in the coming days, the USDCNY is likely to test 6.45.
KR	Seoul reportedly proposed high-level talks with Pyongyang on 9th January 2018, after DPRK leader Kim Jong Un commented his country's likely participation in the Winter Olympics.
SG	The Dec readings for manufacturing and electronics PMI which are due today may consolidate from the Nov prints of 52.9 and 53.5 respectively, but are likely to remain in expansion territory (>50) for now.
ID	Headline inflation picked up to 3.61% yoy in December, beating the consensus estimate of 3.35% yoy. Food prices, growing at 2.26% mom, contributed significantly to the higher headline figure. However, core inflation remained in the doldrums, printing 2.95% yoy, the lowest since 2014. Overall, this set of inflation prints should not materially change Bank Indonesia's (BI's) stance heading into 2018. We expect them to hold rates unchanged for 1Q18.
TH	Inflation prints are slated to be out later this morning. Headline domestic prices have been accelerating for five consecutive months into November, and December's print could potentially see Thailand's CPI crossing its 1% threshold for the first time since Feb 2017.
CMD	Strong palm oil shipments from Malaysia were seen in December, rising 6.7% m/m underpinned by strong European and Indian demand. Coupled with a strong uptick in trading volumes on the first trading day of 2018, palm oil futures surged 1.2% to MYR2,532/MT. Profit-taking was seen in the energy space, Moody's commented that the current \$60/bbl handle is "as good as it gets" as prices could be weighed by rising US shale oil production and eroding compliance with OPEC-led output cuts.

Major Market

- **US:** Equities rebounded on the first trading day of 2018, led by tech and energy stocks. The Nasdaq Composite surged 1.50% to close above the 7000 handle, while the S&P 500 and Dow added 0.83% and 0.42% respectively. Overall, the optimism appeared to be carried over from 2017, though investors should continue to keep a close watch on the 1-2 trading days that follow to get a sense of the general sentiment. VIX slumped to 9.77. Meanwhile, the US Treasury curve continued to bear steepen, taking the lead from a gilt sell-off after weak UK PMI figures. The long-end Treasuries underperformed. The 10y benchmark yield added 6 bps to 2.463%, while the 2y added 3 bps to 1.919%.
- **Singapore:** The STI clocked 0.8% gains to close up at 3430.30 yesterday and may extend its winning streak this morning amid strong overnight cues by Wall Street and a firmer tone in Kospi this morning. The bear steepening pressure in UST bonds and EGBs, partly attributable to a record US\$160b in T-bill auctions and ECB's Coeure who opined that there is a "reasonable chance" that the October extension of the asset purchase program could be the final one unless inflation disappoints on the downside, may also tempt SGS bonds to follow suit today.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mixed yesterday, with swap curves trading 1-2bps lower across most tenors. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded 4bps lower to 66bps yesterday. 10y UST yields rose 6bps to 2.46% as PMI data in the US came in higher than expected.
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- **Rating Changes:** There are no major rating changes in Asia over 2 Jan 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.872	-0.40%	USD-SGD	1.3293	-0.50%
USD-JPY	112.290	-0.30%	EUR-SGD	1.6030	-0.18%
EUR-USD	1.2059	0.39%	JPY-SGD	1.1837	-0.28%
AUD-USD	0.7830	0.32%	GBP-SGD	1.8062	0.06%
GBP-USD	1.3590	0.64%	AUD-SGD	1.0408	-0.22%
USD-MYR	4.0195	-0.67%	NZD-SGD	0.9443	-0.55%
USD-CNY	6.4930	-0.21%	CHF-SGD	1.3681	-0.20%
USD-IDR	13514	-0.30%	SGD-MYR	3.0219	-0.26%
USD-VND	22709	0.05%	SGD-CNY	4.8827	0.28%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	1.4288	--
2M	-0.3400	--	1M	1.5643	--
3M	-0.3290	--	2M	1.6219	--
6M	-0.2710	--	3M	1.6943	--
9M	-0.2170	--	6M	1.8371	--
12M	-0.1860	--	12M	2.1070	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.0%	99.3%	0.0%	0.0%	0.0%
03/21/2018	69.1%	30.7%	69.1%	0.0%	0.0%
05/02/2018	70.6%	29.2%	67.2%	3.4%	0.0%
06/13/2018	87.4%	12.5%	45.3%	40.1%	2.0%
08/01/2018	88.5%	11.4%	42.4%	40.6%	5.4%
09/26/2018	92.9%	7.0%	30.5%	41.3%	18.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	60.37	-0.08%	Copper (per mt)	7,226.7	-0.68%
Brent (per barrel)	66.57	-0.45%	Nickel (per mt)	12,568.5	-1.14%
Heating Oil (per gallon)	2.0584	-0.82%	Aluminium (per mt)	2,253.8	-0.20%
Gasoline (per gallon)	1.7631	-2.01%			
Natural Gas (per MMBtu)	3.0560	3.49%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,532.0	1.16%
			Rubber (JPY/KG)	207.0	0.00%
Precious Metals	Futures	% chg			
Gold (per oz)	1,316.1	0.52%			
Silver (per oz)	17.206	0.36%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,824.01	104.79
S&P	2,695.81	22.20
Nasdaq	7,006.90	103.51
Nikkei 225	22,764.94	--
STI	3,430.30	27.38
KLCI	1,782.70	-14.11
JCI	6,339.24	-16.42
Baltic Dry	1,366.00	--
VIX	9.77	-1.27

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (-)	1.92 (+0.04)
5Y	1.68 (-)	2.25 (+0.04)
10Y	2.00 (-)	2.46 (+0.06)
15Y	2.36 (-)	--
20Y	2.38 (-)	--
30Y	2.44 (-)	2.81 (+0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.07	-0.26
EURIBOR-OIS	1.10	1.90
TED	31.86	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/02/2018 06:30	AU AiG Perf of Mfg Index	Dec	--	56.2	57.3	--
01/02/2018 07:00	AU CoreLogic House Px MoM	Dec	--	-0.40%	-0.10%	--
01/02/2018 08:00	SI GDP YoY	4Q A	2.60%	3.10%	5.20%	5.40%
01/02/2018 08:00	SI Annual GDP	2017	--	3.50%	2.00%	--
01/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Dec	--	49.9	51.2	--
01/02/2018 08:30	TA Nikkei Taiwan PMI Mfg	Dec	--	56.6	56.3	--
01/02/2018 08:30	VN Nikkei Vietnam PMI Mfg	Dec	--	52.5	51.4	--
01/02/2018 08:30	MA Nikkei Malaysia PMI	Dec	--	49.9	52	--
01/02/2018 08:30	ID Nikkei Indonesia PMI Mfg	Dec	--	49.3	50.4	--
01/02/2018 09:45	CH Caixin China PMI Mfg	Dec	50.7	51.5	50.8	--
01/02/2018 11:00	ID CPI YoY	Dec	3.35%	3.61%	3.30%	--
01/02/2018 13:00	IN Nikkei India PMI Mfg	Dec	--	54.7	52.6	--
01/02/2018 13:30	AU Commodity Index SDR YoY	Dec	--	-5.90%	-3.30%	-4.00%
01/02/2018 16:45	IT Markit Italy Manufacturing PMI	Dec	58.5	57.4	58.3	--
01/02/2018 16:50	FR Markit France Manufacturing PMI	Dec F	59.3	58.8	59.3	--
01/02/2018 16:55	GE Markit Germany Manufacturing PMI	Dec F	63.3	63.3	63.3	--
01/02/2018 17:00	EC Markit Eurozone Manufacturing PMI	Dec F	60.6	60.6	60.6	--
01/02/2018 17:30	UK Markit UK PMI Manufacturing SA	Dec	57.9	56.3	58.2	--
01/02/2018 20:00	CA MLI Leading Indicator MoM	Nov	--	0.50%	0.40%	0.30%
01/02/2018 22:30	CA Markit Canada Manufacturing PMI	Dec	--	54.7	54.4	--
01/02/2018 22:45	US Markit US Manufacturing PMI	Dec F	55	55.1	55	--
01/03/2018 00:47	IT Budget Balance	Dec	--	14.9b	-5.5b	--
01/03/2018 01:00	IT New Car Registrations YoY	Dec	--	-3.17%	6.79%	--
01/03/2018 08:30	TH Nikkei Thailand PMI Mfg	Dec	--	--	50	--
01/03/2018 11:30	TH CPI YoY	Dec	0.99%	--	0.99%	--
01/03/2018 14:30	TH Business Sentiment Index	Dec	--	--	51.3	--
01/03/2018 16:30	HK Retail Sales Value YoY	Nov	4.20%	--	3.90%	--
01/03/2018 16:55	GE Unemployment Change (000's)	Dec	-13k	--	-18k	--
01/03/2018 16:55	GE Unemployment Claims Rate SA	Dec	5.50%	--	5.60%	--
01/03/2018 17:00	GE CPI Brandenburg MoM	Dec	--	--	0.40%	--
01/03/2018 17:30	UK Markit/CIPS UK Construction PMI	Dec	53	--	53.1	--
01/03/2018 20:00	US MBA Mortgage Applications	Dec-29	--	--	-4.90%	--
01/03/2018 21:00	SI Electronics Sector Index	Dec	--	--	53.5	--
01/03/2018 21:00	SI Purchasing Managers Index	Dec	--	--	52.9	--
01/03/2018 23:00	US Construction Spending MoM	Nov	0.50%	--	1.40%	--
01/03/2018 23:00	US ISM Manufacturing	Dec	58.2	--	58.2	--
01/03/2018 23:00	US ISM Prices Paid	Dec	64.5	--	65.5	--
01/03/2018 01/04	US Wards Total Vehicle Sales	Dec	17.50m	--	17.35m	17.40m
01/03/2018 01/04	US Wards Domestic Vehicle Sales	Dec	13.35m	--	13.38m	13.46m

Source: Bloomberg

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