

Highlights

Global	With the 2+% bounce in Wall Street overnight as bargain hunters emerged, Asian markets are likely to heave a sigh of relief this morning. RBA kept its cash rate unchanged at 1.5% for a record 16th meeting, citing “notwithstanding the improving labour market, wage growth remains low. This is likely to continue for a while yet”. Governor Lower reiterated “further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual”. Today’s focus will be RBI policy decision, while the economic calendar includes US’ mortgage applications, UK’ Halifax house prices, German industrial production, Taiwan and Malaysian trade data, and S’pore COE premiums. Fed’s Kaplan, Evans and Dudley are speaking.
US	US’ trade deficit widened 5.3% in Dec17 to a larger than expected US\$53.1b (widest since Oct08), as imports climbed 6.7% to a record US\$2.9t. Bilateral trade deficits with China and Mexico rose 8.1% and 10% to a record US\$375.2b and US\$71.1b respectively last year. Meanwhile, the JOLTS job openings unexpectedly fell to a 7-month low of 5.81m in Dec.
SG	S’pore and Malaysia have agreed to establish a new stock exchange trading link by year-end. Meanwhile, DPM Tharman said there was no strong case yet to ban cryptocurrency trading in S’pore.
KR	Latest BOK minutes show board members’ call for a rate hold given (1) the time needed for inflation to touch the 2.0% target, while (2) an accommodative policy stance is needed as export growth spillover to domestic demand and job market is limited.
ID	IMF sees a “positive” outlook for Indonesia’s economy. The international organization forecasts Indonesia’s economy to grow at 5.3% in 2018. Growth is to be driven by a pick-up in investment and credit and higher commodity prices. Inflation is also expected to be at 3.5% in 2018. The IMF also forecasts GDP to be at 5.6% over the medium term as a result of strong domestic demand and the output gap closing in 2020. The organization did highlight downside risks to the economy such as global financial volatility, slowing growth in other major economies, shortfalls in tax revenue and larger fiscal financing requirements.
MA	Malaysia’s foreign reserves marginally rose to \$103.7bn as at 30th January 2018 from \$103.0bn as at 15th January 2018. Current foreign reserves amount to 7.2 months of retained imports and 1.1 times the short-term external debt.
CMD	Commodity prices continue to see a sea of red as market volatility and risk-off sentiments persisted. The sell-off was undeterred even with the recent upgraded price outlook by the US Energy Information Administration (EIA) for WTI and Brent to average \$58.28/bbl and \$62.39/bbl, respectively. Note that EIA also lifted its oil production outlook to an average 10.6 million barrels per day (bpd) and 11.2 million bpd in 2018 and 2019, respectively, suggesting that supplies into the year ahead will likely grow further.

Major Market

- **US:** In a day of reversal, equities snapped back on Tuesday after two days of losses. Dip buyers ascended to pick up selected names at better valuations. Economic fundamentals remained healthy despite the gyrations, and investors may have viewed this dip as a long-warranted correction. Tech and consumer discretionary stocks led the rebound. Overall, the S&P 500 recovered 1.74%, while the Dow and Nasdaq Composite added 2.33% and 2.13% respectively. VIX slipped to 29.98, compared to 37.32 previously. Meanwhile, US Treasury yields were firmer across the board. 2y and 10y yields added 8-10 bps to 2.105% and 2.802% respectively.
- **SG:** The STI slumped 2.2% to close at 3406.38 yesterday amid the sea of red ink that Asian bourses were wallowing in, but may stabilise today given positive overnight Wall Street cues and morning gains in Kospi. STI support and resistance are at 3400 and 3450 respectively. With the stabilisation of global risk appetite, UST bond yields rose again by up to 10bps, and SGS bonds may also back up as risk aversion subsides.
- **Hong Kong:** Secondary housing price index refreshed its record high for the fourteenth consecutive month. Meanwhile, housing transactions rebounded for the second straight month by 60.4% yoy in January 2018. Nevertheless, approved new mortgage loans dropped for the fourth consecutive month by 14.4% yoy in Dec17, partially due to surge in one-month HIBOR in late 2017. This indicates that affluent investors who do not rely on bank loans might have made major contribution to recent housing market frenzy. Transaction volume of private homes priced at or above HK\$10 million rose for the second consecutive month by 88% yoy in Jan18. In addition, less affluent buyers might have entered the market with the help of property developers who offer mortgage loans with high loan-to-value ratio. Transaction of private flats priced between HK\$5 million and HK\$10 million rose by 86% yoy. Wealth effect from stock market further fuelled the panic buying spree. However, such kind of housing demand is expected to shrink in the coming year. First, global monetary tightening is likely to cause stock market correction and reduce wealth effect. Second, mortgage loans (with reference to prime rate) offered by property developers will become less attractive as prime rate hike cycle is expected to begin this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 2-4bps lower for the shorter tenors while the longer tenors traded 5-6bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 110bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 348bps. 10Y UST yields rose 9.6bps to 2.804%, as equities strongly rebounded, with VIX falling from its high of 37.32 to below 30.
- **New Issues:** Sunshine 100 China Holdings Ltd has priced a USD165mn re-tap (guaranteed by certain non-PRC subsidiaries of the issuer) of its SUNCH 8.5%'20s at 8.5%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.585	0.03%	USD-SGD	1.3189	-0.21%
USD-JPY	109.560	0.43%	EUR-SGD	1.6325	-0.12%
EUR-USD	1.2377	0.08%	JPY-SGD	1.2038	-0.65%
AUD-USD	0.7906	0.36%	GBP-SGD	1.8399	-0.28%
GBP-USD	1.3949	-0.07%	AUD-SGD	1.0428	0.14%
USD-MYR	3.9165	0.42%	NZD-SGD	0.9685	0.86%
USD-CNY	6.2907	-0.03%	CHF-SGD	1.4095	-0.65%
USD-IDR	13540	0.15%	SGD-MYR	2.9650	0.15%
USD-VND	22705	--	SGD-CNY	4.7573	-0.37%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4394	--
2M	-0.3410	--	1M	1.5801	--
3M	-0.3290	--	2M	1.6733	--
6M	-0.2780	--	3M	1.7935	--
9M	-0.2220	--	6M	2.0008	--
12M	-0.1910	--	12M	2.2931	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	80.4%	80.4%	0.0%	0.0%	0.0%
05/02/2018	81.8%	76.1%	5.7%	0.0%	0.0%
06/13/2018	94.4%	36.1%	54.3%	3.9%	0.0%
08/01/2018	95.2%	31.8%	51.7%	11.1%	0.6%
09/26/2018	97.1%	21.1%	43.8%	27.2%	4.7%
11/08/2018	97.6%	18.1%	40.1%	29.9%	8.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.39	-1.18%	Copper (per mt)	7,030.5	-0.99%
Brent (per barrel)	66.86	-1.12%	Nickel (per mt)	13,344.5	-2.65%
Heating Oil (per gallon)	1.9851	-1.71%	Aluminium (per mt)	2,174.8	-1.72%
Gasoline (per gallon)	1.8052	-2.24%			
Natural Gas (per MMBtu)	2.7590	0.44%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,470.0	-0.76%
			Rubber (JPY/KG)	193.7	-1.53%
Precious Metals	Futures	% chg			
Gold (per oz)	1,329.5	-0.52%			
Silver (per oz)	16.580	-0.55%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,912.77	567.02
S&P	2,695.14	46.20
Nasdaq	7,115.88	148.36
Nikkei 225	21,610.24	-1071.84
STI	3,406.38	-76.55
KLCI	1,812.45	-40.62
JCI	6,478.54	-111.13
Baltic Dry	1,082.00	--
VIX	29.98	-7.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.55 (-0.03)	2.11 (+0.08)
5Y	1.92 (-0.03)	2.54 (+0.1)
10Y	2.25 (-0.07)	2.80 (+0.1)
15Y	2.56 (-0.04)	--
20Y	2.60 (-0.04)	--
30Y	2.71 (-0.04)	3.07 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.64	2.54
EURIBOR-OIS	2.50	--
TED	34.59	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/06/2018 08:30	AU Trade Balance	Dec	A\$200m	-\$1358m	-\$628m	A\$36m
02/06/2018 08:30	AU Retail Sales MoM	Dec	-0.20%	-0.50%	1.20%	1.30%
02/06/2018 09:00	PH CPI YoY	Jan	3.50%	4.00%	3.30%	--
02/06/2018 11:30	AU RBA Cash Rate Target	Feb-06	1.50%	1.50%	1.50%	--
02/06/2018 15:00	GE Factory Orders MoM	Dec	0.70%	3.80%	-0.40%	-0.10%
02/06/2018 15:00	MA Foreign Reserves	Jan-30	--	\$103.7b	\$103.0b	--
02/06/2018 15:45	FR Budget Balance YTD	Dec	--	-67.8b	-84.7b	--
02/06/2018 16:00	TA CPI YoY	Jan	1.00%	0.88%	1.21%	1.22%
02/06/2018 16:00	TA WPI YoY	Jan	--	-0.74%	0.24%	0.31%
02/06/2018 16:30	GE Markit Germany Construction PMI	Jan	--	59.8	53.7	--
02/06/2018 17:10	IT Markit Italy Retail PMI	Jan	--	47.3	49.5	--
02/06/2018 17:10	FR Markit France Retail PMI	Jan	--	51	53	--
02/06/2018 17:10	GE Markit Germany Retail PMI	Jan	--	53	55.1	--
02/06/2018 17:10	EC Markit Eurozone Retail PMI	Jan	--	50.8	53	--
02/06/2018 21:30	CA Int'l Merchandise Trade	Dec	-2.32b	-3.19b	-2.54b	-2.71b
02/06/2018 21:30	US Trade Balance	Dec	-\$52.1b	-\$53.1b	-\$50.5b	-\$50.4b
02/06/2018 23:00	CA Ivey Purchasing Managers Index SA	Jan	--	55.2	60.4	--
02/07/2018 05:45	NZ Unemployment Rate	4Q	4.70%	4.50%	4.60%	--
02/07/2018 05:45	NZ Employment Change QoQ	4Q	0.40%	0.50%	2.20%	--
02/07/2018 05:45	NZ Pvt Wages Inc Overtime QoQ	4Q	0.50%	0.40%	0.70%	--
02/07/2018 05:45	NZ Pvt Wages Ex Overtime QoQ	4Q	0.50%	0.40%	0.70%	--
02/07/2018 05:45	NZ Average Hourly Earnings QoQ	4Q	0.50%	0.80%	1.20%	--
02/07/2018 06:30	AU AiG Perf of Construction Index	Jan	--	54.3	52.8	--
02/07/2018 07:50	JN Official Reserve Assets	Jan	--	--	\$1264.3b	--
02/07/2018 08:00	JN Labor Cash Earnings YoY	Dec	0.50%	--	0.90%	--
02/07/2018 13:00	JN Leading Index CI	Dec P	108.1	--	108.3	--
02/07/2018 13:00	JN Coincident Index	Dec P	120.5	--	117.9	--
02/07/2018 13:30	AU Foreign Reserves	Jan	--	--	A\$85.4b	--
02/07/2018 15:00	GE Industrial Production SA MoM	Dec	-0.70%	--	3.40%	--
02/07/2018 15:00	MA Trade Balance MYR	Dec	9.31b	--	9.95b	--
02/07/2018 15:00	MA Imports YoY	Dec	13.60%	--	15.20%	--
02/07/2018 15:00	MA Exports YoY	Dec	12.70%	--	14.40%	--
02/07/2018 15:45	FR Trade Balance	Dec	-4854m	--	-5692m	--
02/07/2018 16:00	SI Automobile COE Open Bid Cat A	Feb-07	--	--	36890	--
02/07/2018 16:00	SI Automobile COE Open Bid Cat B	Feb-07	--	--	42661	--
02/07/2018 16:00	SI Automobile COE Open Bid Cat E	Feb-07	--	--	44000	--
02/07/2018 16:00	TA Trade Balance	Jan	\$4.90b	--	\$6.13b	--
02/07/2018 16:00	TA Exports YoY	Jan	18.10%	--	14.80%	--
02/07/2018 16:00	TA Imports YoY	Jan	14.50%	--	12.20%	--
02/07/2018 16:30	UK Halifax House Prices MoM	Jan	0.20%	--	-0.60%	--
02/07/2018 17:00	IN RBI Repurchase Rate	Feb-07	6.00%	--	6.00%	--
02/07/2018 17:00	IN RBI Reverse Repo Rate	Feb-07	5.75%	--	5.75%	--
02/07/2018 17:00	IN RBI Cash Reserve Ratio	Feb-07	4.00%	--	4.00%	--
02/07/2018 17:00	SI Foreign Reserves	Jan	--	--	\$279.90b	--
02/07/2018 17:00	IT Retail Sales MoM	Dec	-0.20%	--	1.10%	--
02/07/2018 20:00	US MBA Mortgage Applications	Feb-02	--	--	-2.60%	--
02/07/2018 21:30	CA Building Permits MoM	Dec	2.00%	--	-7.70%	--
02/07/2018	CH Foreign Reserves	Jan	\$3170.0b	--	\$3139.9b	--
02/07/2018	HK Foreign Reserves	Jan	--	--	\$431.3b	--
02/07/2018	ID Foreign Reserves	Jan	--	--	\$130.20b	--
02/07/2018	PH Foreign Reserves	Jan	--	--	\$81.5b	--
02/06/2018 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	-14.90%	--

Source: Bloomberg

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