

Highlights

Global	<p>News that White House economic adviser Gary Cohn has resigned amid the furore over the Trump import tariffs left investors on a slightly more nervous footing overnight, even though Trump had earlier boosted that “I could take any position in the White House and I’ll have a choice of the 10 top people having to do with that position”. Trump also reiterated that “trade wars aren’t so bad...the trade war hurts them, not us”. Meanwhile, the US Trade Representative Office is also considering clamping down on a wide range of Chinese imports and/or restrictions on Chinese investments in the US on national security risks. Elsewhere, RBA kept its key rate at a record low of 1.5% for the 17th meeting as widely anticipated yesterday, with governor Lowe reiterating the next move was likely to be “up, not down” but “inflation is likely to remain low for some time, reflecting low growth in labour costs and strong competition in retailing”.</p> <p>Expect Asian bourses to trade on a defensive tone and open softer this morning as market watchers reprice the risks of a trade war. Today’s key focus will be the BNM and BOC policy decisions (both likely static at 3.25% and 1.25% respectively). Key economic data releases include US’ Jan trade deficit, ADP employment changes and the Fed’s Beige Book, final Eurozone’s 4Q17 GDP estimates, Taiwan’s trade and CPI, and foreign reserve data across Asia. Speakers include Fed’s Kaplan, Bostic and Dudley.</p>
US	<p>Factory orders shrank 1.4% in Jan, following a revised 1.8% increase in Dec17, while factory orders excluding transportation rose 0.4% to extend earlier gains of 0.9%.</p>
SG	<p>Minister Lawrence Wong said that Singapore’s borrowing for major infrastructure projects will be selective and focused on “bankable” projects.</p>
CH	<p>The country’s bond and equity market rallied yesterday, spurred by a media report that China’s banking regulator allowed banks to set aside lower loan provision coverage ratio to minimum 120% from previously 150%. The lower coverage ratio will help unlock more profit for banking sector. However, we doubt the change was designed to boost credit growth to support economic growth. Instead, as part of the de-leverage campaign, the loan demand has returned from the off-balance sheet sector to on-balance sheet, as such, bank lending has again played a more important role. The reduction of loan provision coverage ratio will help alleviate the pressure for banks.</p>
CMD	<p>Further dollar weakness lifted commodity prices across the board. However, crude oil futures pointed south in early morning today, just as market-watchers digested the strong buildup in US crude oil inventories (+5.7 million barrels), printing the largest build since January if official data (EIA) confirms it. Palm oil prices rose marginally overnight likely on short-covering behaviour. Note that Malaysia Bursa Derivatives CPO futures market now allows producers and consumers to hedge CPO prices up to three years forward, compared to two previously. On this, Minister of Plantation Industries and Commodities, Datuk Seri Mah Siew Keong, encouraged palm oil companies and smallholders to hedge on the CPO futures market as one of the means to stabilise CPO prices, citing that the Bursa Malaysia Derivatives CPO futures contract is the most liquid futures contract and the global benchmark for CPO prices.</p>

Major Market

- **US:** Overnight, equities were firmer on hopes that trade tensions would moderate. With that optimism, the S&P 500 rose 0.26%, while the Nasdaq Composite gained 0.56%. The Dow was also marginally higher. VIX slipped to 18.36, from 18.73 previously. However, hopes on that front may be dashed after the resignation of Gary Cohn afterhours, in opposition to trade policies. Equity futures are lower in the Asian morning. It does appear that trade issues will continue to be at the forefront for a while longer. Watch for further volatility as a result.
- Meanwhile, the US Treasury curve is marginally firmer, with the front end underperforming. The 2y yield added more than 1 bps to 2.250%, while the 10y yield is slightly higher at 2.886%. However, yields also slipped lower in early Asian trading as risk aversion spiked alongside the Cohn resignation news.
- **Singapore:** The STI rose 1.55% to close up at 3491.92 yesterday, but the 3500 handle appears out of reach for now amid the news of Gary Cohn's resignation even though Wall Street closed up overnight. STI's support and resistance are tipped at 3470 and 3500 respectively. SGS bonds are likely to trade lower today in line with UST bonds, with selling led by the shorter-dated tenors. MAS sold \$5.2b 84-day and \$1.8b 28-day bills at 1.6% and 1.45% respectively.
- **China:** The country's currency regulator updated its assessment framework on bank's foreign currency business removing the assessment criteria on the ratio of sale of goods export and total foreign currency receivable, a sign that China is less concerned about capital outflows.
- **Malaysia:** The Monetary Policy Committee is to meet today with little expectation of any major developments to come out of the meeting. BNM just hiked the rate back in January from 3.00% to 3.25% and appears more focused on monitoring economic developments at this point.
- **Indonesia:** The government announced that it will freeze the prices of electricity, RON-88 gasoline and diesel until next year. This would also mean that the subsidy for diesel would be increased to IDR700 – 1,000/litre from IDR500 currently, pending parliamentary approval. This decision comes at a period when provincial elections campaigns are already underway and the IDR is experiencing high volatility. Finance Minister Sri Mulyani has reiterated that the government deficit will still hit a budget deficit of 2.19% of GDP in 2018 despite the higher energy subsidy. Meanwhile, consumer confidence index fell to 122.5 in February 2018 (Jan 2018: 126.1) as consumers were less optimistic about economic conditions and expected a decline in job availability. The newly nominated BI governor Perry Warjiyo is expected to take over in May after the current governor steps down and once Warjiyo has cleared a fit-and-proper-person test with parliament.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-3bps higher while the longer tenors traded 3bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 114bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 330bps. 10Y UST yield rose 1bps to 2.89%, as fears of potential trade wars eased.

- **New issues:** China Minsheng Banking Corp Ltd/Hong Kong has priced a USD1bn deal across two-tranches with the USD 3-year FXD priced at CT3+115bps, tightening from its initial guidance of CT3+140bps area and the USD 5-year FRN priced at 3mL+105bps, tightening from its initial guidance of 3mL+130bps area. Dianjian International Finance Ltd has priced a USD300mn Perp NC5 bond (guaranteed by Power Construction Corp of China) at 4.60%, tightening from its initial guidance of 4.875%. The expected issue ratings are 'NR/Baa1/BBB+'. Coastal Emerald Ltd has priced a USD200mn tap of its 363-day bond (guaranteed by China Shandong Hi-Speed Financial Group Ltd, keepwell provider: Shandong Hi-speed Group Co Ltd) at 4%. RCS Trust has priced a SGD275mn 7-year bond at 3.2%, in line with its initial guidance of 3.2%. Housing & Development Board has priced a SGD600mn 5-year bond at 2.303%. The expected issue ratings are 'NR/Aaa/NR'. Asciano Finance Ltd has scheduled for investor meetings from 8 Mar for its potential USD 10-year bond issuance (guaranteed by Asciano Ltd and certain other subsidiaries of Asciano). The expected issue ratings are 'BBB-/Baa3/BBB-'. Vicinity Centres has scheduled for investor meetings from 12 Mar for its potential USD/EUR bond issuance. Shinhan Bank has scheduled for investor meetings from 12-14 Mar for its potential USD bond issuance. Axis Bank Ltd has hired 10 arrangers for its potential USD bond issuance.
- **Rating changes:** S&P has downgraded the long-term corporate credit and senior unsecured debt ratings for Ricoh Co Ltd and the long-term corporate rating on Ricoh Finance Corp to 'BBB+' from 'A-'. The outlooks are stable. The rating action reflects S&P's view that Ricoh is likely to stage a weaker recovery in profitability than S&P had assumed despite its restructuring efforts. S&P has placed AXA Group's 'AA' long-term issuer credit rating and placed its 'A+' long term rating on AXA Bank Belgium on CreditWatch with negative implications. The rating action reflects S&P's view that AXA's plan to acquire XL Group Ltd could materially weaken AXA's capital adequacy, as per their definition, if AXA fails to successfully deconsolidate its U.S life and AM operations in the coming years. Fitch has placed the ratings of XLIT Ltd on Rating Watch Positive. The rating action follows the announcement that XL has entered into an agreement to be acquired by AXA SA at a purchase price 1.5x XL's book value as of 31 Dec 2017 and a 33% premium to XL's common share price on 2 Mar 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	89.618	-0.51%	USD-SGD	1.3161	-0.17%
USD-JPY	106.130	-0.07%	EUR-SGD	1.6326	0.39%
EUR-USD	1.2404	0.55%	JPY-SGD	1.2404	-0.07%
AUD-USD	0.7829	0.82%	GBP-SGD	1.8277	0.10%
GBP-USD	1.3888	0.28%	AUD-SGD	1.0303	0.64%
USD-MYR	3.9035	-0.08%	NZD-SGD	0.9599	0.77%
USD-CNY	6.3145	-0.55%	CHF-SGD	1.3991	-0.26%
USD-IDR	13776	0.10%	SGD-MYR	2.9581	-0.09%
USD-VND	22761	0.00%	SGD-CNY	4.7983	-0.29%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4475	--
2M	-0.3410	--	1M	1.7017	--
3M	-0.3270	--	2M	1.8306	--
6M	-0.2720	--	3M	2.0349	--
9M	-0.2230	--	6M	2.2293	--
12M	-0.1910	--	12M	2.4979	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	100.0%	86.0%	14.0%	0.0%	0.0%
05/02/2018	100.0%	82.3%	17.1%	0.6%	0.0%
06/13/2018	100.0%	20.0%	66.5%	13.1%	0.5%
08/01/2018	100.0%	17.9%	61.7%	18.6%	1.8%
09/26/2018	100.0%	7.9%	37.3%	42.6%	11.1%
11/08/2018	100.0%	6.9%	33.3%	41.9%	15.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.60	0.05%	Copper (per mt)	6,964.4	0.99%
Brent (per barrel)	65.79	0.38%	Nickel (per mt)	13,631.5	1.83%
Heating Oil (per gallon)	1.9033	0.35%	Aluminium (per mt)	2,135.5	-0.12%
Gasoline (per gallon)	1.9331	-0.09%			
Natural Gas (per MMBtu)	2.7490	1.66%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,478.0	0.61%
Gold (per oz)	1,335.2	1.16%	Rubber (JPY/KG)	194.0	0.05%
Silver (per oz)	16.784	2.27%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,884.12	9.36
S&P	2,728.12	7.18
Nasdaq	7,372.01	41.30
Nikkei 225	21,417.76	375.67
STI	3,491.92	53.31
KLCI	1,848.37	5.75
JCI	6,500.11	-50.48
Baltic Dry	1,210.00	--
VIX	18.36	-0.37

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (+0.02)	2.25 (+0.01)
5Y	2.00 (+0.03)	2.65 (+0.01)
10Y	2.35 (+0.03)	2.89 (+0.01)
15Y	2.66 (+0.03)	--
20Y	2.67 (+0.04)	--
30Y	2.83 (+0.04)	3.15 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.59	0.22
EURIBOR-OIS	3.08	0.11
TED	38.04	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/06/2018 05:00	SK Foreign Reserves	Feb	--	\$394.80b	\$395.75b
03/06/2018 07:00	SK BoP Current Account Balance	Jan	--	\$2680.4m	\$4092.3m
03/06/2018 07:00	SK BoP Goods Balance	Jan	--	\$8109m	\$8212m
03/06/2018 07:00	SK CPI YoY	Feb	1.20%	1.40%	1.00%
03/06/2018 08:30	AU BoP Current Account Balance	4Q	-A\$12.2b	-A\$14.0b	-A\$9.1b
03/06/2018 08:30	AU Retail Sales MoM	Jan	0.40%	0.10%	-0.50%
03/06/2018 09:00	PH CPI YoY 2006=100	Feb	4.20%	4.50%	4.00%
03/06/2018 11:30	AU RBA Cash Rate Target	Mar-06	1.50%	1.50%	1.50%
03/06/2018 16:30	GE Markit Germany Construction PMI	Feb	--	52.7	59.8
03/06/2018 17:10	IT Markit Italy Retail PMI	Feb	--	50.4	47.3
03/06/2018 17:10	FR Markit France Retail PMI	Feb	--	51.8	51
03/06/2018 17:10	GE Markit Germany Retail PMI	Feb	--	53.8	53
03/06/2018 17:10	EC Markit Eurozone Retail PMI	Feb	--	52.3	50.8
03/06/2018 19:12	ID Consumer Confidence Index	Feb	--	122.5	126.1
03/06/2018 23:00	CA Ivey Purchasing Managers Index SA	Feb	--	59.6	55.2
03/06/2018 23:00	US Factory Orders	Jan	-1.40%	-1.40%	1.70%
03/06/2018 23:00	US Durable Goods Orders	Jan F	-3.60%	-3.60%	-3.70%
03/06/2018 23:00	US Durables Ex Transportation	Jan F	--	-0.30%	-0.30%
03/06/2018 23:00	US Cap Goods Orders Nondef Ex Air	Jan F	--	-0.30%	-0.20%
03/06/2018 23:00	US Cap Goods Ship Nondef Ex Air	Jan F	--	-0.10%	0.10%
03/07/2018 00:00	NZ QV House Prices YoY	Feb	--	6.50%	6.40%
03/07/2018 05:30	AU AiG Perf of Construction Index	Feb	--	56	54.3
03/07/2018 07:50	JN Official Reserve Assets	Feb	--	--	\$1268.5b
03/07/2018 08:30	AU GDP SA QoQ	4Q	0.50%	--	0.60%
03/07/2018 09:00	PH Unemployment Rate	Jan	--	--	5.00%
03/07/2018 13:00	JN Leading Index CI	Jan P	106.5	--	107.4
03/07/2018 13:00	JN Coincident Index	Jan P	115.3	--	120.2
03/07/2018 13:30	AU Foreign Reserves	Feb	--	--	A\$65.3b
03/07/2018 15:00	MA BNM Overnight Policy Rate	Mar-07	3.25%	--	3.25%
03/07/2018 15:00	MA Foreign Reserves	Feb-28	--	--	\$103.6b
03/07/2018 15:45	FR Trade Balance	Jan	-4450m	--	-3468m
03/07/2018 16:00	TA CPI YoY	Feb	2.00%	--	0.88%
03/07/2018 16:00	TA WPI YoY	Feb	--	--	-0.74%
03/07/2018 16:00	SI Automobile COE Open Bid Cat A	Mar-07	--	--	36810
03/07/2018 16:00	SI Automobile COE Open Bid Cat B	Mar-07	--	--	39000
03/07/2018 16:00	SI Automobile COE Open Bid Cat E	Mar-07	--	--	38801
03/07/2018 16:00	TA Trade Balance	Feb	\$3.70b	--	\$2.42b
03/07/2018 16:00	TA Exports YoY	Feb	3.70%	--	15.30%
03/07/2018 16:00	TA Imports YoY	Feb	4.90%	--	23.30%
03/07/2018 16:30	UK Halifax House Prices MoM	Feb	0.40%	--	-0.60%
03/07/2018 17:00	SI Foreign Reserves	Feb	--	--	\$282.38b
03/07/2018 18:00	EC Household Cons QoQ	4Q	0.30%	--	0.30%
03/07/2018 18:00	EC GDP SA QoQ	4Q F	0.60%	--	0.60%
03/07/2018 20:00	US MBA Mortgage Applications	Mar-02	--	--	2.70%
03/07/2018 21:15	US ADP Employment Change	Feb	200k	--	234k
03/07/2018 21:30	CA Labor Productivity QoQ	4Q	0.10%	--	-0.60%
03/07/2018 21:30	CA Int'l Merchandise Trade	Jan	-2.50b	--	-3.19b
03/07/2018 21:30	US Nonfarm Productivity	4Q F	-0.10%	--	-0.10%
03/07/2018 21:30	US Unit Labor Costs	4Q F	2.10%	--	2.00%
03/07/2018 21:30	US Trade Balance	Jan	-\$55.0b	--	-\$53.1b
03/07/2018 23:00	CA Bank of Canada Rate Decision	Mar-07	1.25%	--	1.25%
03/07/2018	CH Foreign Reserves	Feb	\$3160.0b	--	\$3161.46b
03/07/2018	HK Foreign Reserves	Feb	--	--	\$441.5b
03/07/2018	ID Foreign Reserves	Feb	--	--	\$131.98b
03/07/2018	PH Foreign Reserves	Feb	--	--	\$81.2b
03/06/2018 03/13	VN Domestic Vehicle Sales YoY	Feb	--	--	29.40%

Source: Bloomberg

OCBC Treasury Research	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).