

Highlights

Global	<p>As risk appetite continued to reel from the implications of what White House economic adviser Gary Cohn's resignation meant for the US trade agenda, White House Press Secretary Sanders did some damage control by suggesting that there are "potential carve outs for Canada and Mexico based on national security and possibly other countries as well" on a "case-by-case and country-country basis". Note president Trump tweeted that "the US is acting swiftly on Intellectual Property theft. We cannot allow this to happen as it has for many years!" which potentially suggests that IP will be the next target and China may be more significantly affected. Wall Street pared losses, while USD and the 10-year US Treasury bond yield were little changed. Elsewhere, BOC and BNM both kept their policy rates unchanged yesterday, but the BOC statement was notably dovish ("trade policy developments are an important and growing source of uncertainty for the global and Canadian outlooks" and "some continued monetary policy accommodation will likely be needed to keep the economy operating close to potential and inflation on target.")</p> <p>Expect Asian bourses to possibly see some stabilization today, recovering from yesterday's sea of red as investors turn their attention to the ECB policy meeting where upgrades to their growth and/or inflation forecasts will be parsed carefully. The economic data calendar comprises Chinese Feb trade data, US' initial jobless claims and Challenger job cuts, and German factory orders. BOC deputy governor Lane is also speaking.</p>
US	<p>The Fed's Beige book highlighted "persistent labour market tightness and brisk demand for qualified workers, as well as increased activity at staffing placement services", and "in many Districts, wage growth picked up to a moderate pace", with "moderate inflation" in most areas. Meanwhile, Fed doves also hardened their rhetoric – Bostic upgraded his expectations from two to three hikes this year (albeit "some of the developments with the trade policy has introduced some uncertainty"), while Brainard opined that "continued gradual increases in the federal funds rate are likely to remain appropriate".</p>
SG	<p>COE premiums slightly higher for categories A and B, but lower for C. Meanwhile, the S'pore government will review private-hire car regulation. With both 3-month SIBOR and SOR both hovering near 1.37%, the front-end of the SGS yield curve is likely to remain pressured in the interim.</p>
CH	<p>The country's FX reserve fell in February to US\$3.134 trillion, the first monthly decline since Jan 17. Although the foreign currency sale flows by exporters ahead of Chinese New Year may add to the buildup of FX reserve, the decline of FX reserve was probably mainly due to the rebound of broad and global equity market sell-off triggered by higher US Treasury yields.</p>
CMD	<p>Market-watchers shrugged off the lower-than-expected US crude oil inventories and implied demand, and focused largely on the rising US crude oil production in the week ended 2nd March 2018. Crude oil inventories rose a mere 2.4 million barrels, disappointing market estimate of 3.0 million barrels. However, overall production rose to a multi-decade strong of 10.37 million barrels per day (bpd), a sign that the relatively lower shale oil production costs and stable oil prices has encouraged supplies.</p>

Major Market

- **US:** Equities fluctuated according to tariff-related headlines from the White House, recovering from early losses as markets digested the latest word that exemptions may be given to certain countries and that the policy details have not been finalised. The markets are awaiting further clarity, and clinging on to hope that the tariffs will be watered down by the time of the final announcement. Overall, the major indices closed mixed, with the Dow closing lower by 0.33% and the Nasdaq Composite adding 0.33%. The S&P 500 closed marginally weaker. VIX slipped to 17.76, compared to 18.36 previously. Meanwhile, the US Treasury curve flattened marginally, with the 2y yield edging higher to 2.252%, while the 10y yield fading to 2.883%.
- On the data front, consumer debt rose \$13.9b in Jan, the least in four months, amid a sharp slowdown in revolving credit. The Jan trade deficit also widened more than expected from a revised US\$53.9b in Dec17 to US\$56.6b, driven by oil imports, while the ADP data added 235k jobs in Feb after a revised 244k in Jan.
- **Singapore:** The STI slid 1.18% to close down at 3450.69 yesterday amid market jitters over the White House economic adviser Gary Cohn's resignation, but should see risk appetite stabilise today. Morning cues from Nikkei and Kospi are positive. STI's support and resistance are tipped at 3437 and 3500 respectively. With UST bonds trading water for now, SGS bonds are likely to range trade today as well, awaiting further cues from ECB as well as trade developments out from the US.
- **China:** Looking ahead, as China's previous capital control measures have returned to neutral, we expect cross border flow to be balanced. The return of foreign currency demand may cap the accumulation of FX reserve.
- Meanwhile, Liu He said yesterday during the NPC meeting that both China and US expressed no desire for trade war during his trip to the US last week.
- **Hong Kong:** Flush liquidity pushed one-month HIBOR down further to 0.67% while rising expectations on Fed's rate hike in March drove one-month LIBOR up to its highest level since 2008 at 1.7%. As a result, the gap between one-month HIBOR and one-month LIBOR widened to a nearly ten-year high of 103bps. With major central banks to stay cautious about tightening and Mainland investors to continue tapping HK stock market amid huge needs of portfolio diversification, capital inflows may sustain in the near term. As such, the wide yield differential together with concerns about potential trade conflicts are likely to continue suppressing the HKD. After March FOMC, LIBOR may come off a bit and prevent the yield differential from further widening. We still believe that USD/HKD will not touch 7.85 until hot money starts to flow out of HK at a notable pace.
- **Malaysia:** As expected, BNM kept the OPR on hold yesterday as the central bank made mention that the current degree of monetary accommodativeness is consistent with the policy stance to ensure that the economy stays on a steady growth path. This hints that BNM is highly unlikely to engage in any further monetary tightening this year as we had also similarly expected. Meanwhile, Malaysia's foreign reserves rose to US\$103.7bn as at 28th February from US\$103.6 as of 15th February.
- **Indonesia:** Foreign reserves fell to US\$128.06bn in February (Jan 2018: US\$131.98bn) as the government repays external debt and the central bank continues to undertake intervention to stabilize the IDR. The current level of reserves though is still equivalent to 8.1 months of imports or 7.9 months of imports and the government's external debt

repayments. Meanwhile, Moody's has made mention that the decision of the government to freeze the power and fuel prices until next year could hurt the country's credit rating. The rating agency said that the decision if implemented would represent a reversal of reform measures taken in the past and highlights underlying institutional strength challenges. It also said that the gasoline prices won't have a direct impact on its fiscal position but the freeze on electricity prices could affect its balance sheet.

- **Thailand:** The Stock Exchange of Thailand has introduced a "C" caution sign effective from 2nd July as a tag on a security when its financial status and business operation changed regressively. The caution sign is aimed as a reminder for investors to study these securities carefully before making an investment. Note that investors would also need to trade these securities through their cash balance account.
- **Commodities:** In line with the higher production levels, the EIA upgraded its 4Q18 oil production forecast to 11.17 million bpd, up from 11.04 million bpd. Also note that the US oil rig counts have risen for six consecutive weeks, touching its 800 handle in the same period and highest since April 2015. Elsewhere, gold prices fell further, dragged by the US Beige Book.

Bond Market Updates

- **Market Commentary:** The SGD curve saw shorter tenor swap rates trading 2-3bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 115bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 18bps to 312bps. 10Y UST yield traded little changed at 2.88% yesterday.
- **New issues:** ARA Asset Management Ltd has priced a SGD300mn Perp NC5 bond at 5.65%, tightening from its initial guidance of 6% . CNAC (HK) Finbridge Company Ltd has priced a USD4.95bn deal across five-tranches, with the USD1bn 3-year FXD priced at CT3+182.5bps, tightening from its initial guidance of CT3+200bps area; the USD1.3bn 5-year FXD priced at CT5+202.5bps, tightening from its initial guidance of CT5+220bps area; the USD800mn 7-year FXD priced at CT7+220bps, tightening from its initial guidance of CT7+235bps area ; the USD1.75bn 10-year FXD priced at CT10+235bps, tightening from its initial guidance of CT10+250bps area and the USD100mn 30-year FXD priced at 5.5%, in line with its initial guidance of 5.5%. The expected issue ratings are 'BBB-/NR/A-'. Hyundai Capital America has priced a USD800mn deal across two-tranches, with the USD550mn 3-year FXD priced at CT3+105bps, tightening from its initial guidance of CT3+120bps area and the USD250mn 3-year FRN priced at 3mL+82bps, in line with its initial guidance of 3mL+82bps area. Thai Oil Treasury Centre Company Ltd has scheduled for investor meetings from 8 Mar for its potential USD bond issuance (guaranteed by Thai Oil Public Company Ltd). Huasing International Holdings Co Ltd has scheduled for investor meetings from 8 Mar for its potential USD bond issuance (guaranteed by Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd). The expected issue ratings are 'BBB-/NR/BBB'. Indonesia has scheduled for investor meetings from 12-13 Mar for its potential USD bond issuance. Pakistan is said to mull its USD1bn Eurobond issuance. Philippines has hired banks for its panda bond issuance.
- **Rating changes:** Moody's has affirmed Export-Import Bank of Thailand's (EXIM Thailand) long-term foreign currency issuer rating of 'Baa1' and upgraded the bank's baseline credit assessment to 'ba2' from 'ba3'. The rating outlook is stable. The rating

action reflects EXIM Thailand's full government ownership and its important policy role in providing financial services to Thai exporters as well as Thailand's track record of support financial institutions. Moody's has affirmed Beijing Capital Land's (BCG) 'Ba3' corporate family rating. The outlook has been revised to stable from negative. The rating outlook reflects Moody's expectations of sustained improvement to credit metrics based on better gross profit margins, revenue growth and prudent debt management over the next 12-18 months. Moody's has revised its outlook on Beijing Capital Group Co Ltd's 'Baa3' issuer rating to stable from negative. The rating action reflect Moody's expectation that the company will deleverage over the next 12-18 months. Moody's has downgraded its rating for Lippo Malls Indonesia Retail Trust (LMIRT) to 'Ba1' from 'Baa3'. It has also withdrawn the 'Baa3' issuer rating and assigned it with a 'Ba1' corporate family rating. The outlook is negative. The rating action reflects a weakening of LMIRT's financial metrics and its significant exposure to the key entities within the Lippo group, whose credit quality are deteriorating. Fitch has published Qingdao China Prosperity State-owned Capital Operation (Group) Co Ltd's (QCPS) long-term foreign and local-currency issuer default ratings of 'BBB'. It has also assigned QCPS's proposed senior unsecured USD notes with an expected rating of 'BBB'. The outlook is stable. The rating action reflects QCPS's rating being credit-linked to Fitch's assessment of the creditworthiness of Qingdao Municipality in China. The link reflects stronger level of control and oversight by the Qingdao government, coupled with QCPS's strategic importance to its sponsor which results in a high likelihood of extraordinary support.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.637	0.02%	USD-SGD	1.3141	-0.15%
USD-JPY	106.070	-0.06%	EUR-SGD	1.6309	-0.10%
EUR-USD	1.2411	0.06%	JPY-SGD	1.2389	-0.12%
AUD-USD	0.7825	-0.05%	GBP-SGD	1.8263	-0.08%
GBP-USD	1.3896	0.06%	AUD-SGD	1.0283	-0.19%
USD-MYR	3.9048	0.03%	NZD-SGD	0.9574	-0.26%
USD-CNY	6.3254	0.17%	CHF-SGD	1.3928	-0.45%
USD-IDR	13760	-0.12%	SGD-MYR	2.9678	0.33%
USD-VND	22765	0.02%	SGD-CNY	4.8090	0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.4469	--
2M	-0.3410	--	1M	1.7113	--
3M	-0.3270	--	2M	1.8419	--
6M	-0.2710	--	3M	2.0473	--
9M	-0.2220	--	6M	2.2405	--
12M	-0.1910	--	12M	2.5120	--

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%	7.6%	36.4%	43.4%	11.5%
11/08/2018	100.0%	6.6%	32.5%	42.5%	15.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	61.15	-2.32%	Copper (per mt)	6,913.7	-0.73%
Brent (per barrel)	64.34	-2.20%	Nickel (per mt)	13,539.5	-0.67%
Heating Oil (per gallon)	1.8746	-1.51%	Aluminium (per mt)	2,082.5	-2.48%
Gasoline (per gallon)	1.9103	-1.18%			
Natural Gas (per MMBtu)	2.7770	1.02%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,443.0	-1.41%
			Rubber (JPY/KG)	191.8	-1.13%
Precious Metals	Futures	% chg			
Gold (per oz)	1,327.6	-0.57%			
Silver (per oz)	16.494	-1.73%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,801.36	-82.76
S&P	2,726.80	-1.32
Nasdaq	7,396.65	24.64
Nikkei 225	21,252.72	-165.04
STI	3,450.69	-41.23
KLCI	1,837.90	-10.47
JCI	6,368.27	-131.84
Baltic Dry	1,212.00	--
VIX	17.76	-0.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.71 (+0.03)	2.25 (-)
5Y	2.04 (+0.04)	2.65 (-0.01)
10Y	2.38 (+0.03)	2.88 (-)
15Y	2.68 (+0.02)	--
20Y	2.70 (+0.02)	--
30Y	2.85 (+0.02)	3.15 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.44	0.85
EURIBOR-OIS	3.03	-0.05
TED	39.54	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/07/2018 00:00	NZ QV House Prices YoY	Feb	--	6.50%	6.40%	--
03/07/2018 08:30	AU GDP SA QoQ	4Q	0.50%	0.40%	0.60%	0.70%
03/07/2018 13:00	JN Leading Index CI	Jan P	106.5	104.8	107.4	106.6
03/07/2018 13:30	AU Foreign Reserves	Feb	--	A\$70.8b	A\$65.3b	--
03/07/2018 14:42	PH Foreign Reserves	Feb	--	\$80.6b	\$81.2b	--
03/07/2018 15:00	MA BNM Overnight Policy Rate	Mar-07	3.25%	3.25%	3.25%	--
03/07/2018 15:00	MA Foreign Reserves	Feb-28	--	\$103.7b	\$103.6b	--
03/07/2018 15:45	FR Trade Balance	Jan	-4450m	-5560m	-3468m	-3401m
03/07/2018 16:00	SI Automobile COE Open Bid Cat A	Mar-07	--	38830	36810	--
03/07/2018 16:00	SI Automobile COE Open Bid Cat B	Mar-07	--	39001	39000	--
03/07/2018 16:00	TA CPI YoY	Feb	2.00%	2.19%	0.88%	0.89%
03/07/2018 16:00	TA Trade Balance	Feb	\$3.70b	\$2.92b	\$2.42b	--
03/07/2018 16:00	TA Exports YoY	Feb	3.70%	-1.20%	15.30%	--
03/07/2018 16:00	TA Imports YoY	Feb	4.90%	0.90%	23.30%	--
03/07/2018 16:05	CH Foreign Reserves	Feb	\$3160.0b	\$3134.48b	\$3161.46b	--
03/07/2018 16:30	UK Halifax House Prices MoM	Feb	0.40%	0.40%	-0.60%	-0.50%
03/07/2018 16:57	HK Foreign Reserves	Feb	--	\$443.5b	\$441.5b	--
03/07/2018 17:00	SI Foreign Reserves	Feb	--	\$282.78b	\$282.38b	--
03/07/2018 18:00	EC Household Cons QoQ	4Q	0.30%	0.20%	0.30%	--
03/07/2018 18:00	EC GDP SA YoY	4Q F	2.70%	2.70%	2.70%	--
03/07/2018 18:20	ID Foreign Reserves	Feb	--	\$128.06b	\$131.98b	--
03/07/2018 20:00	US MBA Mortgage Applications	Mar-02	--	0.30%	2.70%	--
03/07/2018 21:15	US ADP Employment Change	Feb	200k	235k	234k	244k
03/07/2018 21:30	CA Labor Productivity QoQ	4Q	0.10%	0.20%	-0.60%	-0.50%
03/07/2018 21:30	CA Int'l Merchandise Trade	Jan	-2.50b	-1.91b	-3.19b	-3.05b
03/07/2018 21:30	US Trade Balance	Jan	-\$55.0b	-\$56.6b	-\$53.1b	-\$53.9b
03/07/2018 23:00	CA Bank of Canada Rate Decision	Mar-07	1.25%	1.25%	1.25%	--
03/08/2018 07:50	JN BoP Current Account Balance	Jan	¥437.4b	--	¥797.2b	--
03/08/2018 07:50	JN Trade Balance BoP Basis	Jan	¥695.5b	--	¥538.9b	--
03/08/2018 07:50	JN Japan Buying Foreign Bonds	Mar-02	--	--	¥201.3b	--
03/08/2018 07:50	JN Foreign Buying Japan Bonds	Mar-02	--	--	¥20.6b	--
03/08/2018 07:50	JN Foreign Buying Japan Stocks	Mar-02	--	--	¥53.6b	--
03/08/2018 07:50	JN GDP SA QoQ	4Q F	0.20%	--	0.10%	--
03/08/2018 07:50	JN GDP Nominal SA QoQ	4Q F	0.10%	--	0.00%	--
03/08/2018 07:50	JN GDP Deflator YoY	4Q F	0.00%	--	0.00%	--
03/08/2018 08:01	UK RICS House Price Balance	Feb	7%	--	8%	--
03/08/2018 08:30	AU Trade Balance	Jan	A\$160m	--	-A\$1358m	--
03/08/2018 15:00	GE Factory Orders MoM	Jan	-1.80%	--	3.80%	--
03/08/2018 15:30	FR Bank of France Ind. Sentiment	Feb	104	--	105	--
03/08/2018 20:45	EC ECB Main Refinancing Rate	Mar-08	0.00%	--	0.00%	--
03/08/2018 20:45	EC ECB Marginal Lending Facility	Mar-08	0.25%	--	0.25%	--
03/08/2018 20:45	EC ECB Deposit Facility Rate	Mar-08	-0.40%	--	-0.40%	--
03/08/2018 21:15	CA Housing Starts	Feb	215.0k	--	216.2k	--
03/08/2018 21:30	CA New Housing Price Index MoM	Jan	0.10%	--	0.00%	--
03/08/2018 21:30	CA Building Permits MoM	Jan	-1.50%	--	4.80%	--
03/08/2018 21:30	US Initial Jobless Claims	Mar-03	220k	--	210k	--
03/08/2018 21:30	US Continuing Claims	Feb-24	1919k	--	1931k	--
03/08/2018 22:45	US Bloomberg Consumer Comfort	Mar-04	--	--	56.2	--
03/08/2018	CH Trade Balance	Feb	-\$5.70b	--	\$20.34b	\$20.35b
03/08/2018	CH Exports YoY	Feb	11.00%	--	11.10%	--
03/08/2018	CH Imports YoY	Feb	8.00%	--	36.90%	36.80%
03/07/2018 03/13	VN Domestic Vehicle Sales YoY	Feb	--	--	29.40%	--

Source: Bloomberg

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