

Highlights

Global	Yet another day of blood-letting in Wall Street and other risk-related assets were seen overnight. Fears of higher interest rates in developed central banks plagued risk-taking appetite lower overnight, especially with Bank of England's (BOE) comment that it is likely to raise interest rates sooner and by more than previously anticipated. Moreover, Fed's Dudley also signalled his support for a March rate hike as long as the US economy grew at an above trend pace, adding that the dot-plot chart outlook for three rate hikes still seems reasonable. Lastly, potentially adding to further discomfort to market-watchers was BOJ Hitoshi Suzuki's comment that policy-makers could raise rates or slow the purchase of risky assets if the central bank deems the costs of prolonged monetary easing outweigh the benefits. Note that BOE and BSP kept rates static, though the latter forecasts inflation pressures to rise to 4.3% (+0.9% vs Dec's forecast) in 2018, before slowing to 3.5% in the next year. For today, watch for a slew of industrial production prints out from Europe, as well as Malaysia's industrial production and China's inflation data.
US	Initial jobless claims came in better-than-expected at 221k for the week ended 3rd Feb, down from a previous 230k in the previous week.
SG	Real median monthly household income reportedly rose 2.0% in 2017 to S\$9,023, up from S\$8,846 in 2016. Elsewhere, the Gini co-efficient, which measures income inequality, remained largely unchanged at 0.459 in 2017 (0.458 in 2016).
CN	China's trade surplus shrank to US\$20.34 billion in January from US\$54.7 billion in December 2017. The larger than expected decline of trade surplus was mainly due to stronger than expected import, which surged by 36.9% yoy in dollar term. Export also reaccelerated slightly to 11.1% yoy in dollar term from 10.9% in December. The January trade data were partially distorted by festival effect as last year's Chinese New Year holiday fell on January while this year's Chinese New Year holiday falls on mid-February. Nevertheless, judging by the actual import volume and value, we think the strong import was not only the result of seasonal effect but also thanks to sustained upward economic cycle. In addition, China's Balance of Payment returned to twin surplus in 2017.
KR	BOK's latest quarterly report reiterated their view that inflation pressures will remain tame despite the positive growth outlook, and will keep monetary policy accommodative for now. Still, the policy-makers highlighted the need to judge for potential policy adjustment, based on four indicators: (1) economic recovery trend although consumption recovery may be weaker due to debt repayment burden, (2) labour market conditions, especially when the recovery is still weak compared to how growth is trending, (3) inflationary pressures, though domestic price increases will likely stay slightly under 2.0% and lastly (4) the need to monitor financial imbalances going forward.
CMD	Another day of fall was seen in the energy space, likely dragged by further let-down in risk appetite. Both WTI and Brent fell further, with Brent settling below its previously perceived support level of \$65/bbl. The fall in both WTI and Brent also brought both indicators below their 50-day moving average, suggesting that further technical sell-offs remain possible. Elsewhere, some buying into gold to \$1,319/oz (+0.33%) was seen likely as safe haven demand likely rose into end-week.

Major Market

- **US:** The market turmoil resumed on Thursday after two sessions of relative calm. The S&P 500 tumbled 3.75% on the day, closing more than 10% below its peak of 2872.87 marked on 26 January 2018. This moves the S&P 500 into correction territory. The story is similar for the Dow and Nasdaq Composite, after they slipped 4.15% and 3.90% respectively. A diverse range of culprits, from algo traders to higher UST yields to retail players, were said to be culpable for this decline. However, it would be difficult to argue that this correction was not due. Keep a close watch on whether the gyrations escalate into a deeper seated fear, and if it spreads to other asset classes. VIX spiked higher again to 33.46, compared to 27.73 previously.
- Meanwhile, US Treasury yields were mostly softer, reversing earlier increases. The 10y yield hit 2.882%, before turning to close at 2.824%. The 2y yield also shed 2 bps to 2.103%. Overall, the curve continued to steepen from the long end. Shifting expectations on inflation continues to work its way through the markets. In this context, US CPI data next Wednesday should be closely watched.
- **SG:** The STI Index gained 32.13 points or 0.95% to close at 3,415.9. The gains were supported by financials as all three local banks, DBS Group Holdings (+5.32%), United Overseas Bank Ltd (+1.14%) and Oversea-Chinese Banking Corp Ltd (+0.99%), rose. The index may trade cautiously today on the back of a plunge in its US counterparts overnight.
- **China:** China's import of crude oil by volume rose by 19.4% yoy in January to 40.64 million tons, highest in record. As a result, import of crude oil by value jumped 44.7% yoy to US\$18.77 billion. Meanwhile, imports of electronic integrated circuit surged 59.9% yoy in January to US\$25.09 billion. Although the surging year-on-year growth was due to seasonal effect, the absolute number itself was the third highest in record. As such, data shows that the growth momentum may be extended into 1Q18.
- China's current account surplus widened to US\$62.2 billion in 4Q 2017, up from US\$40.5 billion in 3Q 2017. For the whole year of 2017, current account surplus as % of GDP slipped to 1.4% from 1.9% in 2016. Non-reserve capital account, however, returned to deficit of US\$29.6 billion in 4Q2017, first quarterly deficit in 2017. However, for 2017, China's non-reserve capital account recorded surplus of US\$82.5 billion, first annual surplus since 2013.
- **Malaysia:** Foreign holdings of Malaysian government bonds rose by 2.5% to RM187.6bn in Jan 2018 (Dec 2017: RM182.9bn).
- **Indonesia:** Bank Indonesia has described the sharp Rupiah depreciation to cross 13,600 against the USD on Thursday as normal dynamism. The central bank mentioned that market players were adjusting to an expected increase next month of the benchmark interest rate of The Federal Reserve. Meanwhile, the index of residential property price increased by 3.5% yoy in 4Q17.
- **Thailand:** Outstanding public debt rose to 41.76% of GDP at end December to THB6.37 trillion, according to the Public Debt Management Office.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 6bps higher across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 109bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded tightened 2bps to 345bps. 10Y UST yield rose to a high of 2.88% before closing at 2.82%. 10Y UST yield rose on the back of better than expected results for initial jobless claims. Albeit not hiking rates, markets still reacted to BOE announcement of a probability of hiking rates faster and more frequently than expected to keep inflation in check. However, the rise in yield did not sustain for long as the later-afternoon rout in the equities market sent volatility roaring back, with the VIX surging more than 20%. This resulted in yields falling towards the latter part of the day. Overall, 10Y UST yield fell 1.2bps to 2.82%.
- **New Issues:** Fantasia Holdings Group Co Ltd has priced a USD300mn 2019 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 7.25%, tightening from its initial guidance of 7.5%. Golden Energy and Resources Ltd has priced a USD150mn 5NC3 bond at 9.375%, tightening from its initial guidance of 9.5% area. The expected issue ratings are 'NR/B1/B+'. Sinochem Offshore Capital Co Ltd has priced a CNH1.0bn unsecured notes (guaranteed by Sinochem Hong Kong (Group) Co Ltd) at 4.4%, in line with its initial guidance of 4.4%. The expected issue ratings are 'NR/A3/NR'. China National Petroleum Corp Ltd has completed the issuance of CNY20bn exchangeable bonds at 1.40%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	90.229	-0.03%	USD-SGD	1.3312	0.45%
USD-JPY	108.740	-0.54%	EUR-SGD	1.6303	0.31%
EUR-USD	1.2247	-0.14%	JPY-SGD	1.2241	0.99%
AUD-USD	0.7781	-0.54%	GBP-SGD	1.8521	0.67%
GBP-USD	1.3913	0.23%	AUD-SGD	1.0358	-0.10%
USD-MYR	3.9268	0.46%	NZD-SGD	0.9609	0.18%
USD-CNY	6.3298	0.83%	CHF-SGD	1.4219	1.29%
USD-IDR	13605	0.37%	SGD-MYR	2.9543	-0.35%
USD-VND	22695	-0.02%	SGD-CNY	4.7567	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4388	--
2M	-0.3410	--	1M	1.5793	--
3M	-0.3290	--	2M	1.6724	--
6M	-0.2780	--	3M	1.7999	--
9M	-0.2220	--	6M	2.0044	--
12M	-0.1910	--	12M	2.2859	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	86.6%	86.6%	0.0%	0.0%	0.0%
05/02/2018	87.6%	81.4%	6.1%	0.0%	0.0%
06/13/2018	94.7%	41.8%	49.4%	3.5%	0.0%
08/01/2018	95.3%	37.7%	48.6%	8.6%	0.4%
09/26/2018	97.6%	21.6%	43.3%	28.1%	4.4%
11/08/2018	97.6%	21.3%	43.0%	28.3%	4.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	61.15	-1.04%	Copper (per mt)	6,794.6	-0.18%
Brent (per barrel)	64.81	-1.07%	Nickel (per mt)	13,103.5	-0.22%
Heating Oil (per gallon)	1.9213	-0.52%	Aluminium (per mt)	2,178.5	0.62%
Gasoline (per gallon)	1.7650	-0.06%			
Natural Gas (per MMBtu)	2.6970	-0.19%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,495.0	0.40%
Gold (per oz)	1,319.0	0.33%	Rubber (JPY/KG)	192.3	-1.64%
Silver (per oz)	16.341	0.63%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,860.46	-1032.89
S&P	2,581.00	-100.66
Nasdaq	6,777.16	-274.82
Nikkei 225	21,890.86	245.49
STI	3,415.90	32.13
KLCI	1,839.44	2.76
JCI	6,544.63	9.77
Baltic Dry	1,097.00	--
VIX	33.46	5.73

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.56 (+0.02)	2.10 (-0.02)
5Y	1.92 (+0.03)	2.54 (-0.02)
10Y	2.23 (+0.03)	2.82 (-0.01)
15Y	2.55 (+0.03)	--
20Y	2.59 (+0.04)	--
30Y	2.71 (+0.04)	3.13 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.39	-1.07
EURIBOR-OIS	2.10	-0.68
TED	28.35	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
02/08/2018 04:00	NZ RBNZ Official Cash Rate	Feb-08 1.75%	1.75%	1.75%	--
02/08/2018 07:50	JN BoP Current Account Balance	Dec ¥1056.9b	¥797.2b	¥1347.3b	--
02/08/2018 07:50	JN Trade Balance BoP Basis	Dec ¥520.4b	¥538.9b	¥181.0b	--
02/08/2018 07:50	JN Japan Buying Foreign Bonds	Feb-02 --	¥866.6b	¥41.1b	¥16.4b
02/08/2018 07:50	JN Foreign Buying Japan Bonds	Feb-02 --	¥353.1b	¥253.6b	¥253.8b
02/08/2018 07:50	JN Foreign Buying Japan Stocks	Feb-02 --	¥126.7b	¥300.5b	¥171.8b
02/08/2018 08:01	UK RICS House Price Balance	Jan 5%	8%	8%	--
02/08/2018 08:30	AU NAB Business Confidence	4Q --	6	7	8
02/08/2018 11:41	CH Trade Balance	Jan \$54.65b	\$20.34b	\$54.69b	--
02/08/2018 11:41	CH Exports YoY	Jan 10.70%	11.10%	10.90%	--
02/08/2018 11:41	CH Imports YoY	Jan 10.60%	36.90%	4.50%	--
02/08/2018 15:00	GE Trade Balance	Dec 21.0b	18.2b	23.7b	--
02/08/2018 15:00	GE Current Account Balance	Dec 28.0b	27.8b	25.4b	--
02/08/2018 15:00	GE Exports SA MoM	Dec -1.00%	0.30%	4.10%	--
02/08/2018 15:00	GE Imports SA MoM	Dec -0.70%	1.40%	2.30%	2.20%
02/08/2018 15:30	FR Bank of France Ind. Sentiment	Jan 110	105	110	107
02/08/2018 16:00	PH BSP Overnight Borrowing Rate	Feb-08 3.00%	3.00%	3.00%	--
02/08/2018 20:00	UK Bank of England Bank Rate	Feb-08 0.50%	0.50%	0.50%	--
02/08/2018 20:00	UK BOE Asset Purchase Target	Feb 435b	435b	435b	--
02/08/2018 21:15	CA Housing Starts	Jan 210.0k	216.2k	217.0k	216.3k
02/08/2018 21:30	CA New Housing Price Index MoM	Dec 0.10%	0.00%	0.10%	--
02/08/2018 21:30	US Initial Jobless Claims	Feb-03 232k	221k	230k	--
02/08/2018 21:30	US Continuing Claims	Jan-27 1940k	1923k	1953k	1956k
02/08/2018 22:45	US Bloomberg Consumer Comfort	Feb-04 --	54.4	54.6	--
02/09/2018 00:00	NZ QV House Prices YoY	Jan --	6.40%	6.60%	--
02/09/2018 07:50	JN Money Stock M2 YoY	Jan 3.60%	--	3.60%	--
02/09/2018 07:50	JN Money Stock M3 YoY	Jan 3.10%	--	3.10%	--
02/09/2018 08:30	AU Home Loans MoM	Dec -1.00%	--	2.10%	--
02/09/2018 08:30	AU Owner-Occupier Loan Value MoM	Dec --	--	2.70%	--
02/09/2018 09:00	PH Trade Balance	Dec -\$3000m	--	-\$3781m	--
02/09/2018 09:00	PH Imports YoY	Dec 12.50%	--	18.50%	--
02/09/2018 09:00	PH Exports YoY	Dec 4.50%	--	1.60%	--
02/09/2018 09:30	CH PPI YoY	Jan 4.30%	--	4.90%	--
02/09/2018 09:30	CH CPI YoY	Jan 1.50%	--	1.80%	--
02/09/2018 12:00	MA Industrial Production YoY	Dec 4.60%	--	5.00%	--
02/09/2018 12:30	JN Tertiary Industry Index MoM	Dec 0.20%	--	1.10%	--
02/09/2018 15:30	TH Foreign Reserves	Feb-02 --	--	\$213.8b	--
02/09/2018 15:45	FR Industrial Production MoM	Dec 0.10%	--	-0.50%	--
02/09/2018 15:45	FR Manufacturing Production MoM	Dec -0.50%	--	-1.00%	--
02/09/2018 17:00	IT Industrial Production MoM	Dec 0.80%	--	0.00%	--
02/09/2018 17:30	UK Industrial Production MoM	Dec -0.90%	--	0.40%	--
02/09/2018 17:30	UK Manufacturing Production MoM	Dec 0.30%	--	0.40%	--
02/09/2018 17:30	UK Visible Trade Balance GBP/Mn	Dec -£11,550	--	-£12,231	--
02/09/2018 17:30	UK Trade Balance	Dec -£2,400	--	-£2,804	--
02/09/2018 20:00	UK NIESR GDP Estimate	Jan 0.50%	--	0.60%	--
02/09/2018 21:30	CA Net Change in Employment	Jan 10.0k	--	78.6k	64.8k
02/09/2018 21:30	CA Unemployment Rate	Jan 5.80%	--	5.70%	5.80%
02/09/2018 23:00	US Wholesale Inventories MoM	Dec F 0.20%	--	0.20%	--
02/08/2018 02/13	VN Domestic Vehicle Sales YoY	Jan --	--	-14.90%	--

Source: Bloomberg

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