

Highlights

Global	<p>Bond bears were out again overnight as a Bloomberg news article suggesting that China may taper its UST bond purchases saw the 10-year yield spike to 2.595% (nearing its March 2017 high of 2.63%) before pulling back to close nearly unchanged at 2.55% due to a strong US\$20b note auction. Note this comes ahead of potential US-China trade tensions that may resurface this year. Currently, China holds US\$1.19t of UST bonds, but a similar warning episode in 2009 proved to be transient. Meanwhile, Wall Street retreated for the first time this year, partly amid news that there's an increasing likelihood of Trump withdrawing from NAFTA.</p> <p>Asian bourses may trade with a softer tone today amid the mixed news flows. Today's economic data calendar will focus on US' initial jobless claims and PPI, Eurozone and Malaysia's industrial production. Fed's Dudley is speaking and ECB will publish its Dec policy minutes.</p>
US	<p>US' wholesale inventories rebounded 0.8% in Nov, but the import price index saw their smallest increase in five months at 0.1% mom amid a stronger USD. Fed's Evans opined his preference for a rate hike pause and wait till mid-2018, with Bostic also chiming in to say "I am comfortable continuing with a slow removal of policy accommodation". However, Kaplan warned of the "risk of overheating" and Bullard expects "the oil price increase to feed through to inflation expectations", but "how sustainable is the oil price increase and to what extent will it stimulate US production".</p>
CN	<p>China related news shocked the global market again with the US Treasury yields rising to multi-month highs following the Bloomberg report that China may slow or even halt purchase of US Treasuries. The report shows that the official viewed the US Treasuries less attractive compared to other assets. This added to jitter regarding the demand for government bonds after the Bank of Japan trimmed its bond purchase on Tuesday. In addition, although the central bank did not admit directly that it suggested the fixing submitter not to use the counter cyclical factor (CCF) in its reply to Bloomberg on 9 January, yesterday's fixing, which is in line with market forecast without the use of CCF, confirmed that the CCF has been temporarily dropped from the fixing mechanism.</p> <p>On data, China's December inflation data is in line with market expectation. The CPI rose 1.8% yoy and PPI growth decelerated to 4.9% yoy from 5.8%.</p>
MA	<p>Note industrial production print later in the afternoon, where market consensus is pencilling growth at 4.6% y/y for November.</p>
CMD	<p>Strong crude oil prices, even being in their overbought territories as indicated by the Relative Strength Index, did not deter investors from staying bullish on the sticky liquid. Both WTI and Brent rose further overnight as US oil stocks fell more than market estimate. Importantly, the fall in US oil stocks were seen even as refinery utilisation rates dipped 1.4%, suggesting that much of the decline is stemmed from the fall in overall production levels (-290 kbpd) to 9.49 million bpd. Elsewhere closer to home, Malaysia's palm oil production fell as widely expected in December while overall exports of palm oil (including processed palm oil) rose a strong 12.2% y/y over the same period. We continue to expect Asia's crude palm oil production to fall further into early 2Q18 given seasonal factors, especially accounting for the current onset of La Nina related weather extremities.</p>

Major Market

- **US:** Equities edged lower on Wednesday. gyrations in the Treasuries market spilled into dividend stocks, putting pressure on the general market. Utilities, real estate and telecommunication stocks led declines, although financials gained on the prospect of higher long end rates. Overall, the S&P 500 shed 0.11%, while the Dow and Nasdaq Composite were lower by 0.07% and 0.14% respectively. VIX lower at 9.82, compared to 10.08 previously.
- The real excitement is in the Treasuries market, following news that the Chinese government may slow or halt purchases of US Treasuries in light of trade tensions with the US. If it comes to pass, demand for US Treasuries globally will be hit, portending an upward movement in yields. However, it remains to be seen if this is a credible threat, though historical precedence proved otherwise. Nevertheless, the 10y UST yield spiked to near 2.60%, before fading to closing effectively unchanged at 2.557%. The 2y yield also closed marginally higher at 1.972%.
- **Singapore:** The STI slid 0.12% to close at 3520.45 yesterday, and more consolidation may be in store amid weak cues from Wall Street overnight and morning slippage by Nikkei and Kospi. The UST bond yield curve ended nearly flat despite a roller-coaster ride overnight, but the SGS bond yields may continue to eke higher today amid a curve steepening bias.
- **Indonesia:** Indonesia and Singapore will start the automatic exchange of information on tax and financial accounts come September. Following the tax amnesty programme, his is the next step in reining in on tax avoidance issues. This should further boost Indonesia's tax revenues, as assets not declared under the tax amnesty programme may be surfaced and taxed at a higher rate. However, the overall effect may be not be substantial, considering the relative success of the tax amnesty programme.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter term tenors trading 2-3bps higher while the longer tenors traded 5-6bps higher. In the broader dollar space, the spread on the Bloomberg Barclays Asia USD IG Bond Index traded little changed at 1.09 while the spread on the Bloomberg Barclays Asia USD HY Bond Index fell 1.11% to 3.14. The 10Y UST yield traded little changed at 2.56%.
- **New Issues:** Bank Of Shanghai Co Ltd (keepwell provider for BOSC International (BVI) Ltd as issuer) has set final guidance for its USD500mn 3-year bond at CT3+115bps, tightening from the initial guidance of CT3+135bps area. The expected issue ratings are 'NR/A1/NR' based on an SBLC from China Construction Bank Corporation Hong Kong Branch. International Container Terminal Services Inc has also set final guidance for its USD fixed-for-life Perp NC 2022 (guaranteed by International Container Terminal Services Inc) at 5.875%, tightening from its initial guidance of 6% area. Zhongyuan Sincere Investment Co Ltd has set final guidance for its USD300mn 3-year bond (guaranteed by Zhongyuan Yuzi Investment Holdings Group Co Ltd) at CT3+175bps, tightening from initial guidance of CT3+210bps area. The expected issue ratings are 'NR/NR/A-'. Triceratops Capital Co Ltd has scheduled for investor meetings from 11 Jan for its Euro 3-year bond issuance (guaranteed by Jingjiang International Holding Co Ltd). The expected issue ratings are 'NR/A1/NR'. Sunny Optical Technology Group Co Ltd has scheduled for investor meetings from 11 Jan for its potential USD bond issuance.

The expected issue ratings are 'NR/Baa2/NR'. Hankook Tire Co Ltd has scheduled for investor meetings from 15 Jan for its potential USD bond issuance. Yes Bank Ltd is said to raise USD500mn in a dollar-denominated bond sale.

- **Rating Changes:** Moody's has assigned Sunny Optical Technology Group Ltd 'Baa2' for its senior unsecured rating. The outlook is stable. The rating action reflects Moody's expectation that Sunny Optical will complete the bond issuance upon satisfactory terms and conditions, coupled with the company's strong positioning as a global optical component specialist with growing and diversifying end markets and applications. Fitch has assigned Jiaxing City Development Investment Group's (JCDI) senior unsecured notes a final rating of 'BBB-'. The outlook is stable. The rating action follows the creditworthiness of Jiaxing municipality in Eastern China which the ratings of JCDI are credit-linked to, given its strategic importance to the Jiaxing government. Fitch however acknowledged that JCDI's creditworthiness is constrained by a weaker debt profile. Fitch has assigned Power Grid Corporation Of India Ltd (POWERGRID) a rating of 'BBB-' for its issuer default rating. The outlook is stable. The rating action reflects POWERGRID's strong market positioning as it owns and operates around 85% of India's inter-regional and inter-state electricity transmission network assets.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.332	-0.21%	USD-SGD	1.3343	-0.10%
USD-JPY	111.440	-1.07%	EUR-SGD	1.5941	-0.01%
EUR-USD	1.1948	0.09%	JPY-SGD	1.1973	1.00%
AUD-USD	0.7843	0.24%	GBP-SGD	1.8023	-0.34%
GBP-USD	1.3507	-0.24%	AUD-SGD	1.0464	0.12%
USD-MYR	4.0048	-0.12%	NZD-SGD	0.9604	0.40%
USD-CNY	6.5082	-0.33%	CHF-SGD	1.3640	0.41%
USD-IDR	13425	-0.10%	SGD-MYR	3.0006	-0.09%
USD-VND	22698	0.00%	SGD-CNY	4.8832	-0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5538	--
3M	-0.3290	--	2M	1.6250	--
6M	-0.2710	--	3M	1.7046	--
9M	-0.2190	--	6M	1.8652	--
12M	-0.1870	--	12M	2.1463	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.3%	0.3%	0.0%	0.0%	0.0%
03/21/2018	82.0%	81.7%	0.3%	0.0%	0.0%
05/02/2018	82.5%	80.0%	2.6%	0.0%	0.0%
06/13/2018	93.8%	39.7%	52.4%	1.7%	0.0%
08/01/2018	94.2%	37.4%	51.5%	5.2%	0.1%
09/26/2018	96.6%	24.1%	45.6%	24.6%	2.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.57	0.97%	Copper (per mt)	7,133.0	0.61%
Brent (per barrel)	69.20	0.55%	Nickel (per mt)	12,879.5	1.89%
Heating Oil (per gallon)	2.0807	0.70%	Aluminium (per mt)	2,170.5	1.52%
Gasoline (per gallon)	1.8327	-0.19%			
Natural Gas (per MMBtu)	2.9060	-0.58%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,622.0	0.96%
			Rubber (JPY/KG)	207.4	0.73%
Precious Metals	Futures	% chg			
Gold (per oz)	1,319.3	0.43%			
Silver (per oz)	17.035	0.15%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,369.13	-16.67
S&P	2,748.23	-3.06
Nasdaq	7,153.57	-10.01
Nikkei 225	23,788.20	-61.79
STI	3,520.45	-4.20
KLCI	1,822.92	-4.03
JCI	6,371.17	-1.97
Baltic Dry	1,395.00	--
VIX	9.82	-0.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.51 (-0.01)	1.97 (--)
5Y	1.74 (+0.04)	2.33 (--)
10Y	2.14 (+0.05)	2.56 (--)
15Y	2.42 (+0.02)	--
20Y	2.49 (+0.04)	--
30Y	2.60 (+0.04)	2.90 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.22	-0.69
EURIBOR-OIS	1.99	0.55
TED	28.77	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
01/10/2018 07:00	SK Unemployment rate SA	Dec	3.70%	3.60%	3.70%	--
01/10/2018 09:00	PH Exports YoY	Nov	9.00%	1.60%	6.60%	--
01/10/2018 09:00	PH Imports YoY	Nov	9.70%	18.50%	13.10%	--
01/10/2018 09:00	PH Trade Balance	Nov	-\$2687m	-\$3781m	-\$2845m	--
01/10/2018 09:30	CH PPI YoY	Dec	4.80%	4.90%	5.80%	--
01/10/2018 09:30	CH CPI YoY	Dec	1.90%	1.80%	1.70%	--
01/10/2018 13:50	VN Domestic Vehicle Sales YoY	Dec	--	-14.90%	-17.60%	--
01/10/2018 15:45	FR Industrial Production MoM	Nov	-0.50%	-0.50%	1.90%	1.70%
01/10/2018 15:45	FR Manufacturing Production MoM	Nov	-1.40%	-1.00%	2.70%	2.50%
01/10/2018 17:30	UK Industrial Production MoM	Nov	0.40%	0.40%	0.00%	0.20%
01/10/2018 17:30	UK Manufacturing Production MoM	Nov	0.30%	0.40%	0.10%	0.30%
01/10/2018 17:30	UK Visible Trade Balance GBP/Mn	Nov	£10,950	£12,231	£10,781	£11,677
01/10/2018 17:30	UK Trade Balance	Nov	£1,500	£2,804	£1,405	£2,270
01/10/2018 20:00	US MBA Mortgage Applications	Jan-05	--	8.30%	0.70%	-1.60%
01/10/2018 20:03	UK NIESR GDP Estimate	Dec	0.50%	0.60%	0.50%	0.60%
01/10/2018 21:30	CA Building Permits MoM	Nov	-1.00%	-7.70%	3.50%	4.40%
01/10/2018 21:30	US Import Price Index MoM	Dec	0.40%	0.10%	0.70%	0.80%
01/10/2018 23:00	US Wholesale Inventories MoM	Nov F	0.70%	0.80%	0.70%	--
01/11/2018 00:00	NZ QV House Prices YoY	Dec	--	6.60%	6.40%	--
01/11/2018 07:50	JN Official Reserve Assets	Dec	--	--	\$1261.2b	--
01/11/2018 08:30	AU Retail Sales MoM	Nov	0.40%	--	0.50%	--
01/11/2018 12:00	MA Industrial Production YoY	Nov	4.60%	--	3.40%	--
01/11/2018 13:00	JN Leading Index Cl	Nov P	108.6	--	106.5	--
01/11/2018 13:00	JN Coincident Index	Nov P	117.9	--	116.4	--
01/11/2018 15:30	FR Bank of France Ind. Sentiment	Dec	107	--	106	--
01/11/2018 17:00	IT Retail Sales MoM	Nov	1.00%	--	-1.00%	--
01/11/2018 18:00	EC Industrial Production SA MoM	Nov	0.80%	--	0.20%	--
01/11/2018 20:30	EC ECB Monetary Policy Meeting Minutes	Dec				
01/11/2018 21:30	CA New Housing Price Index MoM	Nov	0.20%	--	0.10%	--
01/11/2018 21:30	US PPI Final Demand MoM	Dec	0.20%	--	0.40%	--
01/11/2018 21:30	US PPI Ex Food and Energy MoM	Dec	0.20%	--	0.30%	--
01/11/2018 21:30	US Initial Jobless Claims	Jan-06	245k	--	250k	--
01/11/2018 21:30	US Continuing Claims	Dec-30	1920k	--	1914k	--
01/11/2018 22:45	US Bloomberg Consumer Comfort	Jan-07	--	--	51.8	--
01/10/2018 01:15	CH Money Supply M1 YoY	Dec	12.60%	--	12.70%	--
01/10/2018 01:15	CH Money Supply M2 YoY	Dec	9.20%	--	9.10%	--
01/10/2018 01:15	CH Aggregate Financing CNY	Dec	1500.0b	--	1600.0b	1598.2b
01/10/2018 01:15	CH New Yuan Loans CNY	Dec	1000.0b	--	1120.0b	--
01/10/2018 01:15	CH Money Supply M0 YoY	Dec	5.90%	--	5.70%	--
01/11/2018 01:18	NZ REINZ House Sales YoY	Dec	--	--	-8.90%	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research 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	Credit Research Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

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