

Highlights

Global	<p>After a very volatile week last week, Asian markets are probably hoping for a more stable trading tone in the CNY-shortened holiday week, following the US deal to raise the budget ceiling by US\$300b for 2 years. Overall, investors are still trying to catch their breath after the roller-coaster ride in global equity, bond and commodity markets (oil is back below US\$60 per barrel), with US inflation data and spending plans on tap with implications for the deficit and UST issuance after the 10-year UST bond yield closed near where it started the week at 2.85%. The start of the Winter Olympics in Pyeongchang also saw Kim Jong Un's sister Kim Yo Jong delivering an invitation to South Korean president Moon Jae-in to a summit, which may help alleviate Korean geopolitical tensions in the near-term.</p> <p>Today's economic data calendar is relatively light with only S'pore's Retail Sales (likely to have grown 4.4% yoy and shrunk 1.7 mom sa in Dec after printing 5.3% yoy and 5.1% mom sa in Nov17), India's CPI and Industrial Production. Scheduled speakers include BOE's Vlieghe and McCafferty and RBA's Ellis. Other central bank policy meetings to watch this week are BOT (likely no change at 1.5% on 14 Feb) and BI (also likely static at 4.25% on 15 Feb).</p>
US	Fed rhetoric suggests no knee-jerk concern about last week's market volatility, with Kaplan opining the recent selloff as a "market event" that could be "healthy". Meanwhile, wholesale inventories rose 0.4% mom in Dec17.
CN	Both China's CPI and PPI moderated in January, in line with market expectation. CPI moderated to 1.5% yoy from 1.8% yoy while PPI moderated to 4.3% yoy from 4.9% yoy. The moderation was mainly due to seasonal effect as this year's Chinese New Year falls in February, one month later than last year's Chinese New Year holiday. On month-on-month reading, CPI, however, accelerated to 0.6% mom due to higher food prices. We expect January to be the last month for China's CPI to stay sub 2% in 2018 as low base effect is likely to drive CPI higher even with few additional price shocks. CPI is expected to test above 2.5% yoy in February due to the Chinese New Year and is expected to stay above 2% in the coming months.
JP	Reports that Japanese PM Abe plans to nominate BOJ governor Kuroda for another term is seen as providing policy continuity amidst the exit debate and JPY strength.
MA	Growth of the industrial production index slowed to 2.9%, YoY in Dec 2017 (Nov 2017: 5.0%). The slower growth was mainly driven by a decline in the crude oil and natural gas indexes.
CMD	WTI fell \$60/bbl, posting its biggest fall in more than two years, while Brent fell in tandem. In all, crude oil prices fell by more than 3.0% over the weekend, a behaviour also seen in other growth-related commodities like copper, nickel and aluminium. In our view, the profit-taking is likely stemmed from an onslaught of technical selling, with both crude oil benchmarks edging below its critical 50-day moving average and erasing all of their gains enjoyed since the start of 2018. Catching a falling knife appears to be unadvisable at this point, although the selling momentum could take some breather into the trading day ahead on the back of a relatively better risk appetite, seen from the uptick in Wall Street.

Major Market

- **US:** Equities continued to be volatile on Friday, reversing an early drop to close higher. The tech sector led gains, where ten of eleven S&P 500 sectors saw gains. Only the energy sector ended in the red, dragged by the weakness in crude prices. Overall, the S&P 500 added 1.38% while the Dow and Nasdaq Composite gained 1.49% and 1.44% respectively. Equities ended the worst week since Jan 2016, with the S&P 500 slipping 5.2% for the week. Volatility may be expected again this week, but the key would be to watch for a spreading of the jitters into other asset classes. VIX slipped to 29.06, compared to 33.46 previously.
- Meanwhile, the US Treasury yield curve continues to steepen. The 2y benchmark yield slipped 3 bps to 2.075%, with the front end of the curve still seeing spillover risk-off sentiments. The 10y added almost 3 bps to 2.852%, closing the week almost at the same level as it started. CPI inflation data will be key to watch this week, as investors digest the rapid up move in the long end yields.
- **Singapore:** The STI sank 1.13% to close at 3377.24 on Friday amid the sea of red ink for Asian bourses, but more positive Friday Wall Street cues and morning gains in Kospi may lend the STI some support today. STI support and resistance are at 3341 and 3388 respectively. With the UST bond yield curve steepening again by 6bps, SGS bonds may follow today, especially with the 30-year re-opening size to be announced on 19 Feb.
- **China:** The moderation of PPI is mainly due to high base effect, which is expected to cap PPI in the coming months. We expect PPI to stay below 5% yoy in the next few months despite volatile commodity prices. We think the current inflation data have limited impact on China's monetary policy decision. Nevertheless, given CPI is likely to trend higher on base effect, we think market should pay closer attention to China's inflation data from the second quarter to gauge whether there is any potential price shock.
- **Indonesia:** The current account (CA) deficit widened to 2.2% of GDP in 4Q 2017 (3Q 2017: 1.7%). The increase was due to higher imports of goods related to production activities. For the entire 2017, the CA deficit was at 1.7% of GDP. The balance of payment as a whole for 2017 posted an \$11.6bn surplus, which was lower than the \$12.1bn reported in 2016. There were increases in the capital and financial accounts surpluses due to an increase in direct and portfolio investments.
- **Macau:** The government has launched three cooling measures to tame the housing market. This may have two implications. First, homeowners will be encouraged to lease their properties while increase in first-home buyers will lower the rental housing demand. Therefore, housing rents are likely to be suppressed. Second, apart from curbing investment demand, the cooling measure will reduce supply in the secondary market. Adding that new supply of public and private housing is set to increase moderately, an expected increase in first-home buyers may keep the property price elevated. Still, potential interest rate increase and stock market correction may moderate the housing market growth.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-flattened last Friday, with swap rates for the shorter tenors trading 4-5bps higher while the longer tenors traded 4bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 112bps while the Bloomberg Barclays Asia USD HY Bond Index

average OAS traded widened 15bps to 360bps. 10Y UST yields rose 3bps to 2.85% last Friday, driven by signs of inflation amid an improving global backdrop and speculation on whether the Federal Reserve and other major central banks would act quicker to raise interest rates.

- **Rating Changes:** Moody's has affirmed the long-term local and foreign currency bank deposit ratings of Central Bank of India (CBI) and Indian Overseas Bank (IOB) at 'Ba3', as well as IOB's senior unsecured debt at 'Ba3'. The outlook has been revised to positive from stable. The rating action reflects Moody's view on the expected evolution of the banks' balance sheets, including a stabilisation in asset quality, a moderate improvement in profitability metrics, and stable funding and liquidity positions. According to the recapitalisation plan announced in October 2017, the government has committed to infuse INR1.53 trillion into the public sector banks by March 2019.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	90.442	0.24%	USD-SGD	1.3277	-0.26%
USD-JPY	108.800	0.06%	EUR-SGD	1.6265	-0.23%
EUR-USD	1.2252	0.04%	JPY-SGD	1.2211	-0.25%
AUD-USD	0.7813	0.41%	GBP-SGD	1.8368	-0.83%
GBP-USD	1.3827	-0.62%	AUD-SGD	1.0373	0.14%
USD-MYR	3.9395	0.32%	NZD-SGD	0.9632	0.24%
USD-CNY	6.3032	-0.42%	CHF-SGD	1.4141	-0.55%
USD-IDR	13628	0.17%	SGD-MYR	2.9595	0.18%
USD-VND	22703	0.04%	SGD-CNY	4.7432	-0.28%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	-0.0010	O/N	1.4400	0.0012
2M	-0.3410	--	1M	1.5832	0.0024
3M	-0.3290	--	2M	1.6889	0.0056
6M	-0.2780	--	3M	1.8200	0.0095
9M	-0.2220	-0.0010	6M	2.0383	0.0120
12M	-0.1910	--	12M	2.3135	0.0154

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	87.4%	82.2%	5.2%	0.0%	0.0%
06/13/2018	94.4%	43.8%	47.7%	2.9%	0.0%
08/01/2018	95.0%	39.6%	47.3%	7.8%	0.3%
09/26/2018	96.7%	27.5%	44.6%	21.6%	2.9%
11/08/2018	97.2%	23.8%	42.0%	25.1%	5.8%

Equity and Commodity

Index	Value	Net change
DJIA	24,190.90	330.44
S&P	2,619.55	38.55
Nasdaq	6,874.49	97.33
Nikkei 225	21,382.62	-508.24
STI	3,377.24	-38.66
KLCI	1,819.82	-19.62
JCI	6,505.52	-39.11
Baltic Dry	1,125.00	19.00
VIX	29.06	-4.40

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.59 (+0.03)	2.07 (-0.03)
5Y	1.93 (+0.02)	2.54 (+0.01)
10Y	2.25 (+0.02)	2.85 (+0.03)
15Y	2.57 (+0.02)	--
20Y	2.62 (+0.02)	--
30Y	2.72 (+0.02)	3.16 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.56	1.53
EURIBOR-OIS	2.80	0.70
TED	26.55	-1.84

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	59.20	-3.19%	Copper (per mt)	6,687.7	-1.57%
Brent (per barrel)	62.79	-3.12%	Nickel (per mt)	12,931.5	-1.31%
Heating Oil (per gallon)	1.8551	-3.45%	Aluminium (per mt)	2,124.3	-2.49%
Gasoline (per gallon)	1.7002	-3.67%			
Natural Gas (per MMBtu)	2.5840	-4.19%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,514.0	0.76%
Gold (per oz)	1,315.7	-0.25%	Rubber (JPY/KG)	189.2	-1.61%
Silver (per oz)	16.139	-1.24%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 06 Feb 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	-1,351	-42,152	40,801	Natural Gas	-56,843	-18,772	-38,071
Sugar	-103,275	-114,032	10,757	Gold	208,171	225,787	-17,616
Soybean	-3,250	-12,845	9,595	Silver	15,718	31,877	-16,159
Cocoa	18,094	10,342	7,752	Cotton	93,741	109,899	-16,158
Live Cattle	117,242	110,636	6,606	Lean Hogs	45,691	61,188	-15,497
Wheat	-61,099	-65,114	4,015	Heating Oil	49,592	57,353	-7,761
RBOB Gasoline	89,791	89,607	184	Nymex Crude	777,453	784,290	-6,837
Copper	52,040	52,909	-869	Palladium	19,756	23,901	-4,145
Platinum	43,780	45,438	-1,658	Coffee	-45,589	-42,539	-3,050

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
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%	3.40%	3.60%	--
02/09/2018 07:50	JN Money Stock M3 YoY	Jan	3.10%	2.90%	3.10%	--
02/09/2018 08:30	AU Home Loans MoM	Dec	-1.00%	-2.30%	2.10%	1.60%
02/09/2018 08:30	AU Investment Lending	Dec	--	-2.60%	1.50%	1.00%
02/09/2018 08:30	AU Owner-Occupier Loan Value MoM	Dec	--	-1.00%	2.70%	2.60%
02/09/2018 08:30	AU RBA Statement on Monetary Policy					
02/09/2018 09:00	PH Trade Balance	Dec	-\$3000m	-\$4017m	-\$3781m	-\$3845m
02/09/2018 09:00	PH Imports YoY	Dec	12.50%	17.60%	18.50%	20.10%
02/09/2018 09:00	PH Exports YoY	Dec	4.50%	-4.90%	1.60%	2.70%
02/09/2018 09:30	CH PPI YoY	Jan	4.30%	4.30%	4.90%	--
02/09/2018 09:30	CH CPI YoY	Jan	1.50%	1.50%	1.80%	--
02/09/2018 12:00	MA Industrial Production YoY	Dec	4.60%	2.90%	5.00%	--
02/09/2018 12:30	JN Tertiary Industry Index MoM	Dec	0.20%	-0.20%	1.10%	--
02/09/2018 15:30	TH Foreign Reserves	Feb-02	--	\$214.4b	\$213.8b	--
02/09/2018 15:45	FR Industrial Production MoM	Dec	0.10%	0.50%	-0.50%	-0.30%
02/09/2018 15:45	FR Manufacturing Production MoM	Dec	-0.50%	0.30%	-1.00%	-0.80%
02/09/2018 17:00	IT Industrial Production MoM	Dec	0.80%	1.60%	0.00%	0.20%
02/09/2018 17:30	UK Industrial Production MoM	Dec	-0.90%	-1.30%	0.40%	0.30%
02/09/2018 17:30	UK Manufacturing Production MoM	Dec	0.30%	0.30%	0.40%	0.20%
02/09/2018 17:30	UK Visible Trade Balance GBP/Mn	Dec	£11,550	£13,576	£12,231	£12,456
02/09/2018 17:30	UK Trade Balance	Dec	£2,400	£4,896	£2,804	£3,652
02/09/2018 20:00	UK NIESR GDP Estimate	Jan	0.50%	0.50%	0.60%	0.50%
02/09/2018 21:30	CA Net Change in Employment	Jan	10.0k	-88.0k	78.6k	64.8k
02/09/2018 21:30	CA Unemployment Rate	Jan	5.80%	5.90%	5.70%	5.80%
02/09/2018 21:30	CA Full Time Employment Change	Jan	--	49	23.7	23.2
02/09/2018 21:30	CA Part Time Employment Change	Jan	--	-137	54.9	41.6
02/09/2018 21:30	CA Participation Rate	Jan	--	65.5	65.8	--
02/09/2018 23:00	US Wholesale Inventories MoM	Dec F	0.20%	0.40%	0.20%	--
02/09/2018	ID BoP Current Account Balance	4Q	--	-\$5800m	-\$4337m	--
02/12/2018 13:00	SI Retail Sales YoY	Dec	4.80%	--	5.30%	--
02/12/2018 20:00	IN CPI YoY	Jan	5.10%	--	5.21%	--
02/12/2018 20:00	IN Industrial Production YoY	Dec	6.10%	--	8.40%	--
02/09/2018 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	-14.90%	--
02/12/2018 02/16	PH Budget Balance PHP	Dec	--	--	-8.6b	--
02/10/2018 02/15	CH New Yuan Loans CNY	Jan	2050.0b	--	584.4b	--
02/10/2018 02/15	CH Money Supply M0 YoY	Jan	4.20%	--	3.40%	--
02/10/2018 02/15	CH Money Supply M1 YoY	Jan	13.50%	--	11.80%	--
02/10/2018 02/15	CH Money Supply M2 YoY	Jan	8.20%	--	8.20%	--

Source: Bloomberg

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