

Highlights

Global	<p>A likely healthy start to the week's risk-taking appetite even with the US markets out for holiday today, as Asian bourses may take the cue from a stellar Friday session of risk-taking. Wall Street clocked fresh highs as economic optimism reignited. While the 10-year UST bond yield settled at 2.55%, the 2-year note yield pushed past the 2% handle after US' core inflation jumped more than expected by 0.3% mom in Dec (the largest one-month surge since Jan17) and was accompanied by robust retail sales data (which capped the strongest year since 2014).</p> <p>Today's economic data calendar is relatively light with only Indonesia's trade, Japan's machine tool orders and India's wholesale prices on tap. This week, watch the US earnings season (with Alcoa, Bank of America and Goldman Sachs), BOC's policy decision on Wed (where it may be the first central bank to hike in 2018 with a 25bp hike to 1.25%), Fed's Beige Book, China's 4Q17 GDP growth, BOK and BI policy decisions on Thur (likely unchanged for both), and the Friday debt ceiling deadline (where a probable continuing resolution could buy more time again).</p>
US	<p>The Treasury has been using extraordinary measures to fund itself since 8 Dec, and Treasury Secretary Mnuchin has asked Republican congressional leaders to raise the borrowing authority by end-Feb. Meanwhile, president Trump said that the WSJ misquoted him on Kim Jong Un and "I'd have a good relationship" with him.</p>
EZ	<p>German leaders have emerged from Friday marathon talks with a possibility of a grand coalition deal, but main issues on refugees, climate goals, social security and the relationship with Europe, taxes and ability to pay for new programs remain.</p>
SG	<p>Singapore banks have raised home loans by 10-30bps since the start of 2018, according to a BT report.</p>
CN	<p>There is no sign of fatigue of financial regulation tightening in China. The CBRC unveiled regulation 4 last weekend to deepen its clampdown on financial chaos to contain financial risks. The CBRC also identified eight areas of risks as its key tasks to contain in 2018. The "endless" financial regulatory tightening continued to weigh down China's bond market with 10-year China Development Bank bond yields returned to 5%.</p>
MA	<p>Note that the Ringgit climbed to its 18 month high against the dollar, with the USD/MYR falling below its psychologically important 4.0 handle. Malaysia sold 2022 Islamic government bonds at 3.823%, and clocked its higher b/c ratio since 22nd Nov at 2.58.</p>
CMD	<p>Commodity prices rallied across the board as the dollar weakened further over the weekend. Note natural gas prices surged 3.8% while crude oil prices continued its climb as well, with Brent initially crossing its critical \$70/bbl handle before closing just below it. Note Iraqi Oil Minister Jabar al-Luaibi commented that the country's oil capacity is nearing 5 million barrels per day (bpd), although he will continue to abide the production agreement made with the OPEC cartel. Elsewhere, the sustained weakness in the dollar invariably led gold prices higher, with the yellow metal rising by almost a percentage point to \$1,334.0/oz.</p>

Major Market

- **US:** Equities continued to charge higher on Friday, supported by strong retail sales and core CPI data. Consumer discretionary and energy stocks led the charge higher, with the S&P 500 gaining 0.68%. The Dow and Nasdaq Composite also rose 0.89% and 0.68%. All three major indices closed, yet again, at their record highs. VIX also higher at 10.16, compared to 9.88 previously. This week will see earnings season pick up, and also the first economic indicators from 2018 coming in.
- US Treasury yields were higher as well, with Treasuries being put under pressure by stronger core CPI numbers. The 10y yield stood at 2.546%, up 1 bps. The 2y benchmark yield traded above 2.0% for the first time after the financial crisis, before easing to close at 1.998%, up almost 2 bps. Following the run-up in UST short-end yields in line with rate hike expectations, note that the risk-free 2y yield is now higher than the average S&P 500 dividend yield.
- **China:** All December financial data missed the consensus by a wide margin. However, we do not think the latest credit data was the result of worsening demand matrix. Instead, the wider forecast error was probably the result of underestimating the impact of tighter regulatory changes. The gap between aggregate social financing growth and M2 growth widened to a record level in 2017. This shows two things. First, China's financial de-leverage has started to take effect. Second, M2 is no longer an important leading indicator for Chinese economy.
- China's trade surplus unexpectedly widened to US\$54.7 billion in December, highest since January 2016. The widening trade surplus was mainly due to unexpected import growth, which only grew by 4.5% yoy in dollar term. Export growth remained steady growing by 10.9% yoy. Total trade surplus with the US reached a record high of US\$277.97 billion in 2017. This may lead to more higher risk of trade dispute in 2018, which may in turn become one of the supporting factors to RMB.
- **Korea:** The Bank of Korea cited the appreciating KRW as a reason for falling export and import prices. Statistically, export prices fell 2.1%, the first decline in more than a year, while import prices declined 1.0% in December.
- **Singapore:** The STI added 0.22% to close at 3520.56 on Friday, and may add to gains today amid positive morning gains by Kospi. With the UST bond yields higher by 1-2bps on Friday, the SGS bond market may reverse Friday's rally today, albeit the softer path treaded by the 3-month SIBOR and SOR over the past week may suggest some support for the front-end of the SGS curve for now.
- **Thailand:** Thailand's national tripartite committee is slated to meet in two days' time (17th January) to review the country's daily minimum wage. Current daily minimum wage has stayed the same for the last five years at THB300 – THB315 per day, depending on location.
- **Hong Kong:** The Legislative Council passed an amendment bill on 11 Jan 2018 which extends the stamp duty exemption period from 6 months to 12 months for upgraders. We expect the amendment to have two implications. First, prospective upgraders may be encouraged to enter the market. Second, it may be less imminent for the second home buyers to sell their first home and in turn allow them to ask for a better price. All in all, the amendment could translate into some upward pressure to both housing transaction volume and home prices. However, such upward pressure may not be able to offset the downward risks from higher interest rates and increasing new home supply.

Adding on a high base effect, we hold onto our view that housing prices growth will decelerate in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened last Friday, with the shorter tenor trading 1bps higher while the longer tenors traded 2bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 109bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS fell 32bps to 277bps. 10y UST yield traded mixed last Friday, with yields rising 5bps to 2.59%, on the back of better than expected December core CPI data last Friday. However, the rise in yields did not sustain as yields subsequently fell back towards the end of the day to close just 1 bps higher at 2.55bps.
- **New Issues:** Geely Automobile Holdings Ltd has scheduled for investor meetings for 15 Jan for its potential USD bond issuance. The expected issue ratings are 'BBB-/NR/NR'. Bank of Communications Co Ltd and Hankook Tire Co Ltd have also scheduled for investor meetings for 15 Jan for their potential USD issuances. Export-Import Bank of India has hired banks for its potential dollar bond sale.
- **Rating Changes:** Moody's has assigned Hanwha Life Insurance Co Ltd a rating of 'A1'. The outlook is stable. The rating action reflects Hanwha Life's strong market presence as the second-largest life insurer in Korea, strong tied agency force, coupled with its improving mix and solid capitalisation. Fitch has upgraded Lembaga Perbiayaan Ekspor Indonesia's (Indoexim) issuer default rating to 'BBB' from 'BBB-'. The outlook is stable. The rating action follows Fitch's upgrade of Indonesia's sovereign rating to 'BBB' from 'BBB-' as Indoexim is 100% owned by the government of Indonesia. Fitch has placed China-based rental and services operator eHi Car Services' 'BB-' issuer default rating, and outstanding bonds and senior unsecured ratings on Rating Watch Negative. The rating action reflects reduced financial transparency and limited visibility over the company's long-term strategy following the proposed privatisation of the company. Moody's has affirmed E Mart Inc's 'Baa2' issuer rating, changing the outlook to stable from negative. The rating action reflects its improved financial leverage in 2017 and Moody's expectation that deleveraging efforts are likely to continue in 2018, due to its decrease in adjusted debt. Its 'Baa2' rating is supported by the company's leading position in Korea's hypermarket sectors as well as its stable operations as a result of its low product volatility and cyclical nature. Fitch has placed PT Bank Danamon Indonesia ('Bank Danamon') on rating watch positive on Mitsubishi UFJ Financial Group Inc's (MUFG) deal to acquire a 20% stake in Bank Danamon. The rating action reflects the likelihood of extraordinary support from MUFG if it successfully raises its stake in Bank Danamon to 40%. Rating upside for Danamon could also come from a significant improvement in its franchise which would lead to better funding and liquidity metrics.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.974	-0.96%	USD-SGD	1.3244	-0.38%
USD-JPY	111.060	-0.18%	EUR-SGD	1.6161	1.04%
EUR-USD	1.2202	1.41%	JPY-SGD	1.1916	-0.27%
AUD-USD	0.7917	0.32%	GBP-SGD	1.8176	0.99%
GBP-USD	1.3728	1.40%	AUD-SGD	1.0476	-0.14%
USD-MYR	3.9720	-0.39%	NZD-SGD	0.9595	-0.60%
USD-CNY	6.4690	-0.57%	CHF-SGD	1.3680	0.42%
USD-IDR	13353	-0.35%	SGD-MYR	2.9904	-0.03%
USD-VND	22707	0.03%	SGD-CNY	4.8707	-0.41%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5595	0.0000
3M	-0.3290	--	2M	1.6307	0.0000
6M	-0.2710	--	3M	1.7215	0.0013
9M	-0.2160	0.0010	6M	1.8877	0.0074
12M	-0.1860	0.0020	12M	2.1731	0.0091

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	88.2%	87.9%	0.3%	0.0%	0.0%
05/02/2018	88.3%	87.4%	0.9%	0.0%	0.0%
06/13/2018	95.6%	40.4%	54.6%	0.6%	0.0%
08/01/2018	95.9%	37.9%	53.6%	4.3%	0.0%
09/26/2018	97.6%	23.4%	46.9%	25.5%	1.9%

Equity and Commodity

Index	Value	Net change
DJIA	25,803.19	228.46
S&P	2,786.24	18.68
Nasdaq	7,261.06	49.28
Nikkei 225	23,653.82	-56.61
STI	3,520.56	7.88
KLCI	1,822.67	5.79
JCI	6,370.07	-16.27
Baltic Dry	1,279.00	-24.00
VIX	10.16	0.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.45 (-)	2.00 (+0.02)
5Y	1.70 (-)	2.35 (+0.02)
10Y	2.09 (-0.01)	2.55 (+0.01)
15Y	2.37 (-0.02)	--
20Y	2.43 (-0.02)	--
30Y	2.56 (-0.01)	2.85 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.55	0.80
EURIBOR-OIS	1.10	--
TED	28.45	-2.15

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.30	0.78%	Copper (per mt)	7,095.6	-0.45%
Brent (per barrel)	69.87	0.88%	Nickel (per mt)	12,683.0	0.90%
Heating Oil (per gallon)	2.0850	0.40%	Aluminium (per mt)	2,203.3	1.75%
Gasoline (per gallon)	1.8495	0.68%			
Natural Gas (per MMBtu)	3.2000	3.76%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,536.0	-1.21%
			Rubber (JPY/KG)	210.5	1.74%
Precious Metals	Futures	% chg			
Gold (per oz)	1,334.9	0.94%			
Silver (per oz)	17.141	1.03%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 09 Jan 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	212,061	172,021	40,040	Corn	-146,980	-123,031	-23,949
Nymex Crude	706,062	670,848	35,214	Soybean	-82,418	-63,627	-18,791
Sugar	22,954	-4,065	27,019	Live Cattle	101,763	105,130	-3,367
Silver	37,878	22,513	15,365	Copper	61,295	62,856	-1,561
Platinum	30,793	19,048	11,745	Palladium	27,608	27,123	485
Coffee	-32,824	-39,663	6,839	Heating Oil	67,696	66,518	1,178
Lean Hogs	68,922	62,159	6,763	Cocoa	-4,479	-5,721	1,242
RBOB Gasoline	89,478	85,610	3,868	Cotton	116,412	114,565	1,847
Natural Gas	-136,648	-140,501	3,853	Wheat	-97,428	-100,201	2,773

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/12/2018 03:00	US Monthly Budget Statement	Dec	-\$26.0b	-\$23.2b	-\$27.3b	--
01/12/2018 05:45	NZ Building Permits MoM	Nov	--	10.80%	-9.60%	-10.40%
01/12/2018 07:50	JN BoP Current Account Balance	Nov	¥1836.1b	¥1347.3b	¥2176.4b	--
01/12/2018 07:50	JN Trade Balance BoP Basis	Nov	¥310.6b	¥181.0b	¥430.2b	--
01/12/2018 07:50	JN Japan Buying Foreign Bonds	Jan-05	--	¥173.0b	--	--
01/12/2018 07:50	JN Japan Buying Foreign Stocks	Jan-05	--	¥217.1b	--	--
01/12/2018 07:50	JN Foreign Buying Japan Bonds	Jan-05	--	-¥128.3b	--	--
01/12/2018 07:50	JN Foreign Buying Japan Stocks	Jan-05	--	¥597.9b	--	--
01/12/2018 07:50	JN Bank Lending Incl Trusts YoY	Dec	--	2.50%	2.70%	--
01/12/2018 07:50	JN Bank Lending Ex-Trusts YoY	Dec	--	2.40%	2.70%	--
01/12/2018 11:03	CH Trade Balance	Dec	\$37.00b	\$54.69b	\$40.21b	\$38.98b
01/12/2018 11:03	CH Exports YoY	Dec	10.80%	10.90%	12.30%	11.50%
01/12/2018 11:03	CH Imports YoY	Dec	15.10%	4.50%	17.70%	17.60%
01/12/2018 13:00	SI Retail Sales YoY	Nov	1.10%	5.30%	-0.10%	-0.20%
01/12/2018 15:30	TH Foreign Reserves	Jan-05	--	\$204.0b	\$202.6b	--
01/12/2018 15:45	FR CPI EU Harmonized YoY	Dec F	1.30%	1.20%	1.30%	--
01/12/2018 15:45	FR CPI YoY	Dec F	1.20%	1.20%	1.20%	--
01/12/2018 15:45	FR CPI Ex-Tobacco Index	Dec	101.8	101.76	101.47	--
01/12/2018 16:00	CH New Yuan Loans CNY	Dec	1000.0b	584.4b	1120.0b	--
01/12/2018 16:00	CH Money Supply M2 YoY	Dec	9.20%	8.20%	9.10%	--
01/12/2018 16:01	CH Money Supply M1 YoY	Dec	12.60%	11.80%	12.70%	--
01/12/2018 17:00	IT Industrial Production MoM	Nov	0.60%	0.00%	0.50%	0.60%
01/12/2018 20:08	IN CPI YoY	Dec	5.10%	5.21%	4.88%	--
01/12/2018 20:08	IN Industrial Production YoY	Nov	4.40%	8.40%	2.20%	--
01/12/2018 21:30	US CPI MoM	Dec	0.10%	0.10%	0.40%	--
01/12/2018 21:30	US CPI Ex Food and Energy MoM	Dec	0.20%	0.30%	0.10%	--
01/12/2018 21:30	US Retail Sales Advance MoM	Dec	0.50%	0.40%	0.80%	0.90%
01/12/2018 21:30	US Retail Sales Ex Auto MoM	Dec	0.30%	0.40%	1.00%	1.30%
01/12/2018 21:30	US Retail Sales Ex Auto and Gas	Dec	0.40%	0.40%	0.80%	1.20%
01/12/2018 23:00	US Business Inventories	Nov	0.40%	0.40%	-0.10%	0.00%
01/15/2018 05:00	SK Import Price Index YoY	Dec	--	-1.00%	3.90%	4.00%
01/15/2018 05:00	SK Export Price Index YoY	Dec	--	-2.10%	2.30%	2.50%
01/15/2018 05:45	NZ Food Prices MoM	Dec	--	-0.80%	-0.40%	--
01/15/2018 07:50	JN Money Stock M2 YoY	Dec	4.00%	--	4.00%	--
01/15/2018 07:50	JN Money Stock M3 YoY	Dec	3.40%	--	3.40%	--
01/15/2018 08:00	AU Melbourne Institute Inflation MoM	Dec	--	--	0.20%	--
01/15/2018 08:01	UK Rightmove House Prices MoM	Jan	--	--	-2.60%	--
01/15/2018 12:00	ID Imports YoY	Dec	18.00%	--	19.62%	--
01/15/2018 12:00	ID Exports YoY	Dec	13.70%	--	13.18%	--
01/15/2018 12:00	ID Trade Balance	Dec	\$678m	--	\$127m	--
01/15/2018 14:00	JN Machine Tool Orders YoY	Dec P	--	--	46.80%	--
01/15/2018 14:30	IN Wholesale Prices YoY	Dec	4.00%	--	3.93%	--
01/15/2018 18:00	EC Trade Balance SA	Nov	22.3b	--	19.0b	--
01/15/2018	PH Overseas Remittances YoY	Nov	10.00%	--	8.40%	--
01/15/2018	PH Overseas Workers Remittances	Nov	\$2450m	--	\$2099m	--
01/15/2018 01/16	IN Exports YoY	Dec	--	--	30.60%	--
01/15/2018 01/16	IN Imports YoY	Dec	--	--	19.60%	--
01/15/2018 01/19	NZ REINZ House Sales YoY	Dec	--	--	-8.90%	--

Source: Bloomberg

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