

Highlights

Global	<p>Global risk appetite remained somewhat nervous on lingering US trade protectionism concerns, with Wall Street and USD declining whilst US Treasury bonds gained further. Larry Kudlow, who has been appointed by president Trump as economic advisor, signalled a strong USD and a tougher China stance, on top of advising the FOMC to not “overdo” rate hikes as “growth is not inflationary. Just let it rip”. On pursuing “phase two” of the tax reform, he said the Trump administration would seek to make tax cuts for individuals permanent, and include a lower capital gains rate. US lacklustre retail sales also fell for a third straight month by 0.1% mom in Feb, albeit the Jan data was revised up from -0.3% to -0.1% mom, and the Federal Reserve Bank of Atlanta also downgraded its 1Q18 GDP growth forecast from 2.5% to a more sluggish 1.9%. Expect Asian bourses to trade with a softer tone this morning. The economic data calendar comprises of US’ initial jobless claims, Philadelphia Fed business, import price index, Empire manufacturing and NAHB housing market index, and trade data from Indonesia and India. Speakers include ECB’s Lautenschlaeger and RBA’s Debelle.</p>
US	<p>US PPI printed at a muted 0.2% mom (2.8% yoy) in Feb, down from 0.4% mom (2.7% yoy) in Jan. Core PPI also rose a more subdued 0.2% mom in Feb, reinforcing yesterday’s CPI data that inflationary pressures are modest and would allow the FOMC to gradually hike rates rather than accelerate.</p>
EZ	<p>ECB president Draghi suggested that the EUR recent gains were not all warranted by economic fundamentals and “adjustments to our policy will remain predictable, and they will proceed at a measured pace” as “we still need to see further evidence that inflation dynamics are moving in the right direction”. EUR dipped after ECB’s reiteration of “monetary policy will remain patient, persistent and prudent”.</p>
SG	<p>The latest MAS survey of professional forecasters highlighted that 2018 growth forecast has been upgraded from 3% in Dec17 to 3.2%, with stronger private consumption (3.1% vs 2.2% previously), but with still subdued and unchanged inflation forecasts at 1.0% (headline) and 1.6% (core) respectively, and the USDSGD and the 3-month SIBOR forecasts at 1.29 and 1.65% respectively. 2019 growth is tipped at 2.8%, with headline and core CPI at 1.5% and 1.8% respectively. Interestingly, 88% of the current survey respondents cited trade protectionism as a key downside risk (up from 40% a quarter ago), followed by a China slowdown (reduced from 67% to 53%) and financial sector uncertainty (risen from 7% to 18%). Our 2018 and 2019 GDP growth forecasts remain at 3% and with headline and core inflation forecasts at 0.8% and 1.5% this year, and 1.5% and 2.0% for next year.</p>
CMD	<p>In the midst of uncertainties over US-led policies that could affect trade and economic stability, market-watchers tuned in to the recent March’s OPEC Oil Report to sift out potential good news. In consolation, world oil demand is revised higher to 98.63 million barrels per day (bpd), up by 1.6 million bpd from 2017. Importantly, oil demand outlook has been upgraded in both OECD and non-OECD regions, reflecting their higher-than-expected demand numbers in 1Q18. However, global supply growth is likely to outpace demand this year, should OPEC’s projections come to pass: non-OPEC supply is expected to grow by 1.66 million bpd (vs global demand growth of 1.6 million bpd), reflecting the stronger supply trend from the US, Europe and China.</p>

Major Market

- **US:** Equities ended in the red once again as Trump is seen to be slowly ratcheting up the tempo on trade issues, this time with a challenge on India's export subsidy system. Weaker than expected retail sales figures also dampened the mood. Overall, the S&P 500 lost 0.57%, while the Dow and Nasdaq Composite also declined 1.00% and 0.19% respectively. VIX rose to 17.23, compared to 16.35 previously. Long end US Treasury yields continue to fade as investors reassess inflation expectations following the recent weakness on the data front. The 10y benchmark yield continued its retreat from the 3.0% handle, slipping to 2.817%. The 2y yield closed marginally firmer at 2.258%.
- **EZ:** German Chancellor Merkel warned that Europe may not get exemption from the US on recent tariffs, but would not shy from responding if talks fail.
- **New Zealand:** 4Q17 GDP growth was 0.6% qoq (2.9% yoy), the same as 3Q17, but missed market expectations of 0.8% qoq. Dry weather had weighed on milk production, although business services and retail sales picked up.
- **Singapore:** The STI retreated 0.40% to close down at 3539.41 yesterday and may extend declines today amid weak cues from Wall Street overnight and the morning sell-off in Nikkei and Kospi. STI may see a range of 3500-3540 today. With the ongoing bull-flattening trend in the UST bond yield curve, expect SGS bonds to similarly extend gains as well, led by the longer-dated bonds.
- **China:** The country kicked off 2018 with a strong start. The key economic activities indicators in the first two months beat market expectation. Industrial production and fixed asset investment accelerated to 7.2% yoy and 7.9% yoy from 6.6% and 7.2% in 2017 respectively. Retail sales growth remained steady up by 9.7% yoy in the first two months. On investment, the slowdown of infrastructure investment was partially offset by strong private investment, which accelerated to 8.1% yoy from 6% in 2017. We expect China's infrastructure investment to slow further in the coming months. As such, whether the rebound of fixed asset investment growth is sustainable depends on the outlook of private investment.
- **Thailand:** CDC chairman Meechai Ruchupan has warned of further delays in election if the controversy over two organic bills on electing MPs and selecting senators is not settled by the Constitution Court. Elsewhere, Thai central bank governor Veerathai commented that benign inflation pressures are allowing Thailand to keep rates near record low, and overall economic growth has exceeded central bank's expectations.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 2-4bps lower while the longer tenors traded 4-6bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 117bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 357bps. 10Y UST yields fell 3bps to 2.82% as markets turned cautious over rising diplomatic tensions between Britain and Russia were coupled with US's weak economic data as well concerns over its political and trade issues.
- **New issues:** Korea Expressway Corp has priced a CNH1.3bn 3-year bond at 4.73%, in line with its initial price guidance. Korea Water Resources Corp has scheduled for

investor meetings from 19-22 Mar for its potential USD bond issuance. Lenovo Group Ltd has scheduled for investor meetings from 15 Mar for its potential USD bond issuance. DBS Group Holdings Ltd has scheduled for investor meetings on 19 Mar for its potential EUR benchmark 10NC5 Tier 2 bond issuance.

- **Rating changes:** For the time being, we will be ceasing coverage of rating changes. Please refer to the respective websites of S&P, Moody's and Fitch for further information.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.704	0.04%	USD-SGD	1.3093	-0.21%
USD-JPY	106.320	-0.24%	EUR-SGD	1.6191	-0.40%
EUR-USD	1.2368	-0.18%	JPY-SGD	1.2314	0.02%
AUD-USD	0.7877	0.22%	GBP-SGD	1.8279	-0.22%
GBP-USD	1.3962	--	AUD-SGD	1.0314	0.01%
USD-MYR	3.9060	0.22%	NZD-SGD	0.9599	-0.12%
USD-CNY	6.3180	-0.06%	CHF-SGD	1.3855	-0.32%
USD-IDR	13734	-0.13%	SGD-MYR	2.9785	0.31%
USD-VND	22759	0.00%	SGD-CNY	4.8224	-0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.4450	--
2M	-0.3410	--	1M	1.7766	--
3M	-0.3270	--	2M	1.8904	--
6M	-0.2710	--	3M	2.1245	--
9M	-0.2230	--	6M	2.3043	--
12M	-0.1910	--	12M	2.5776	--

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%	84.0%	16.0%	0.0%	0.0%
05/02/2018	100.0%	78.6%	20.4%	1.0%	0.0%
06/13/2018	100.0%	23.9%	60.9%	14.5%	0.7%
08/01/2018	100.0%	20.9%	56.3%	20.2%	2.4%
09/26/2018	100.0%	9.3%	36.6%	40.3%	12.3%
11/08/2018	100.0%	8.0%	32.9%	39.8%	16.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	60.96	0.41%	Copper (per mt)	6,963.3	0.65%
Brent (per barrel)	64.89	0.39%	Nickel (per mt)	13,782.5	-0.34%
Heating Oil (per gallon)	1.8871	0.70%	Aluminium (per mt)	2,071.5	-0.65%
Gasoline (per gallon)	1.9243	2.01%			
Natural Gas (per MMBtu)	2.7310	-1.97%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,440.0	1.12%
			Rubber (JPY/KG)	194.7	1.25%
Precious Metals	Futures	% chg			
Gold (per oz)	1,325.6	-0.11%			
Silver (per oz)	16.537	-0.54%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,758.12	-248.91
S&P	2,749.48	-15.83
Nasdaq	7,496.81	-14.20
Nikkei 225	21,777.29	-190.81
STI	3,539.41	-14.32
KLCI	1,857.06	-6.97
JCI	6,382.62	-30.22
Baltic Dry	1,192.00	--
VIX	17.23	0.88

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.77 (-0.02)	2.26 (--)
5Y	2.05 (-0.04)	2.61 (-0.01)
10Y	2.41 (-0.03)	2.82 (-0.03)
15Y	2.72 (-0.04)	--
20Y	2.75 (-0.04)	--
30Y	2.90 (-0.04)	3.06 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	45.77	0.74
EURIBOR-OIS	3.10	0.04
TED	42.66	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/14/2018 04:00	NZ REINZ House Sales YoY	Feb	--	1.20%	2.70%	--
03/14/2018 05:00	SK Import Price Index YoY	Feb	--	0.40%	-2.40%	-2.40%
03/14/2018 05:00	SK Export Price Index YoY	Feb	--	-1.30%	-3.50%	-3.70%
03/14/2018 05:45	NZ BoP Current Account Balance NZD	4Q	-2.450b	-2.770b	-4.679b	-4.679b
03/14/2018 05:45	NZ Current Account GDP Ratio YTD	4Q	-2.60%	-2.70%	-2.60%	-2.50%
03/14/2018 07:00	SK Unemployment rate SA	Feb	3.70%	3.60%	3.60%	--
03/14/2018 07:30	AU Westpac Consumer Conf SA MoM	Mar	--	0.20%	-2.30%	--
03/14/2018 07:50	JN Core Machine Orders MoM	Jan	5.20%	8.20%	-11.90%	-9.30%
03/14/2018 10:00	CH Retail Sales YTD YoY	Feb	9.80%	9.70%	10.20%	--
03/14/2018 10:00	CH Industrial Production YTD YoY	Feb	6.20%	7.20%	6.60%	--
03/14/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Feb	7.00%	7.90%	7.20%	--
03/14/2018 14:30	IN Wholesale Prices YoY	Feb	2.50%	2.48%	2.84%	--
03/14/2018 15:00	GE CPI YoY	Feb F	1.40%	1.40%	1.40%	--
03/14/2018 15:00	GE CPI EU Harmonized YoY	Feb F	1.20%	1.20%	1.20%	--
03/14/2018 17:00	IT Retail Sales MoM	Jan	--	-0.50%	-0.30%	-0.90%
03/14/2018 18:00	EC Industrial Production SA MoM	Jan	-0.50%	-1.00%	0.40%	--
03/14/2018 18:00	EC Employment YoY	4Q	--	1.60%	1.70%	--
03/14/2018 19:00	US MBA Mortgage Applications	Mar-09	--	0.90%	0.30%	--
03/14/2018 20:30	CA Teranet/National Bank HPI MoM	Feb	--	-0.10%	0.30%	--
03/14/2018 20:30	US Retail Sales Advance MoM	Feb	0.30%	-0.10%	-0.30%	-0.10%
03/14/2018 20:30	US Retail Sales Ex Auto and Gas	Feb	0.30%	0.30%	-0.20%	-0.10%
03/14/2018 20:30	US PPI Final Demand MoM	Feb	0.10%	0.20%	0.40%	--
03/14/2018 20:30	US PPI Ex Food and Energy MoM	Feb	0.20%	0.20%	0.40%	--
03/14/2018 22:00	US Business Inventories	Jan	0.60%	0.60%	0.40%	0.60%
03/15/2018 05:45	NZ GDP SA QoQ	4Q	0.80%	0.60%	0.60%	--
03/15/2018 07:50	JN Japan Buying Foreign Bonds	Mar-09	--	--	¥1188.5b	--
03/15/2018 07:50	JN Japan Buying Foreign Stocks	Mar-09	--	--	¥201.5b	--
03/15/2018 07:50	JN Foreign Buying Japan Bonds	Mar-09	--	--	¥1264.8b	--
03/15/2018 07:50	JN Foreign Buying Japan Stocks	Mar-09	--	--	¥463.4b	--
03/15/2018 08:30	AU RBA FX Transactions Market	Feb	--	--	A\$529m	--
03/15/2018 12:00	JN Tokyo Condominium Sales YoY	Feb	--	--	39.70%	--
03/15/2018 12:00	ID Imports YoY	Feb	26.00%	--	26.44%	--
03/15/2018 12:00	ID Exports YoY	Feb	12.40%	--	7.86%	--
03/15/2018 12:00	ID Trade Balance	Feb	-\$124m	--	-\$677m	--
03/15/2018 15:00	EC EU27 New Car Registrations	Feb	--	--	7.10%	--
03/15/2018 15:45	FR CPI EU Harmonized YoY	Feb F	1.30%	--	1.30%	--
03/15/2018 15:45	FR CPI YoY	Feb F	1.20%	--	1.20%	--
03/15/2018 15:45	FR CPI Ex-Tobacco Index	Feb	101.6	--	101.67	--
03/15/2018 20:30	US Empire Manufacturing	Mar	15	--	13.1	--
03/15/2018 20:30	US Import Price Index MoM	Feb	0.20%	--	1.00%	--
03/15/2018 20:30	US Initial Jobless Claims	Mar-10	228k	--	231k	--
03/15/2018 20:30	US Continuing Claims	Mar-03	1903k	--	1870k	--
03/15/2018 20:30	US Philadelphia Fed Business Outlook	Mar	23	--	25.8	--
03/15/2018 21:45	US Bloomberg Consumer Comfort	Mar-11	--	--	56.8	--
03/15/2018 22:00	US NAHB Housing Market Index	Mar	72	--	72	--
03/15/2018	IN Exports YoY	Feb	--	--	9.10%	--
03/15/2018	IN Imports YoY	Feb	--	--	26.10%	--
03/15/2018	PH Overseas Workers Remittances	Jan	--	--	\$2741m	--
03/15/2018	PH Overseas Remittances YoY	Jan	5.00%	--	7.10%	--
03/15/2018 03/28	IN BoP Current Account Balance	4Q	-\$16.70b	--	-\$7.20b	--

Source: Bloomberg

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