

Highlights

Global	<p>The late session rebound in Wall Street came fast and furious, driving the S&P500 to its largest one-day jump since Aug15, amid a turn in global risk sentiments on hopes that US-China negotiations would improve ongoing trade tensions. Meanwhile, UST bond drifted lower amid US\$126b of auctions (with more to follow later this week) and month-end portfolio rebalancing. Fed rhetoric also saw Mester toning down her hawkishness to opine that she had recently pared her unemployment rate estimate from 4.75% to 4.5% and “given the economy’s strength, we don’t want to get behind the curve, but we also don’t want to overreact to the positive outlook and potentially curtail the expansion”. Elsewhere, US and European expulsions of Russian diplomats saw Russian assets affected. While essentially nothing substantial has changed, Asian bourses are likely to take the overnight cue from Wall Street and extend their gains today. Today’s economic data calendar is again light with only US’ Consumer confidence and Richmond Fed manufacturing index, Eurozone’s consumer confidence, and HK trade. Speakers include ECB’s Nowotny and Fed’s Bostic.</p>
US	<p>The Chicago Fed national activity index beat estimates to rise from 0.02 in Jan to 0.88 in Feb, while the Dallas Fed manufacturing activity index moderated from 37.2 in Feb to 21.4 in Mar.</p>
SG	<p>Manufacturing output remained volatile in the first two months of 2018, expanding by 4.7% mom sa in January but contracted 0.5% mom sa in February, largely due to the seasonal effects from the timing of the Chinese New Year festive season. Industrial production also slowed from 16.9% yoy in January to 8.9% yoy in February, but still averaged a robust 13.0% yoy for the first two months of 2018 compared to 7.1% yoy one year ago. Excluding biomedical, manufacturing output expanded 9.1% yoy (1.3% mom sa) in February. The top performer was again the electronics cluster with 17.4% yoy growth, which was largely driven by 26.7% in semiconductors even as other segments declined. The broadening base of manufacturing growth drivers bodes well. We upgrade our 1Q18 manufacturing growth forecast to 11.5% yoy which should underpin GDP growth at 5.1% yoy but ongoing global trade tensions may potentially dampen future manufacturing optimism.</p> <p>There is a \$2.7b re-opening of the 2% Jul’2020 2-year SGS bond and \$800m re-opening of the 1.75% Apr’2022 SGS bond today. Given the redemption of \$6.7b 5-year SGS bonds on 1 April, there should be decent demand for these two re-openings. However, complicating the external picture are the US\$294b of UST bills and bonds supply this week as well as the ongoing flight to quality amid the US-China trade tensions. Note the last three 2-year SGS bond auctions saw an average issue size of \$2.3b and fetched an average bid-cover ratio of 2.19x and an average cut-off yield of 1.22%, while the last re-opening of the 5-year SGS bond auction was back in Nov17 which saw an issue size of \$1b and fetched a bid-cover ratio of 2.31x and a cut-off yield of 1.74%.</p>
CH	<p>The sudden appreciation of RMB against the dollar and currency basket shows that market believes that China is likely to compromise to ease the trade tension. The plan highlighted by Premier Li Keqiang last week, which cover four areas including goods trade, service trade, manufacturing sector & FDI, is likely to be the guideline on how China will further open its market.</p>

Major Market

- **US:** Choppy market action looks to become the norm as equities continue to be whipsawed by political developments. On news that there may be a possible deal between the US and China to avert the trade tariffs, the S&P 500 recovered all the losses on Friday and then some. The S&P 500 marked gains of 2.72%, while the Dow and Nasdaq Composite surged 2.84% and 3.26% respectively. VIX stepped lower to 21.03, compared to 24.87. Meanwhile, US Treasuries faded as safe haven flows reversed. 2y and 10y benchmark yields rose 2-4 bps to 2.270% and 2.854% respectively. Overall, continue to watch for trade-related developments. We are probably not out of the woods yet on that front.
- **Singapore:** The STI continued to slide by 0.26% to close at 3412.46 yesterday even though other Asian bourses had stabilised. Expect some bargain hunting to emerge today, given Wall Street's overnight bounce, and the STI could see resistance and support at 3450 and 3400 respectively. With UST bond yields climbing by up to 4bps yesterday as investors anticipated supply concerns this week, SGS bond may also extend their slide today, especially with short-term interest rates staying elevated into the month/quarter-end.
- **Indonesia:** Finance Minister Sri Mulyani has reiterated that the country's public debt situation is not a concern. The Indonesian government aims to bring down its primary balance to zero from 2019 onwards and sees that the 2018 primary balance to be at 87.3 trillion rupiah, down from 121.5 trillion rupiah in 2017. The government also maintains a 2018 budget deficit target at 2.19% of GDP. Concerns regarding Indonesia's fiscal situation has recently emerged given the government's decision to freeze fuel and electricity prices ahead of upcoming regional elections.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-3bps higher (with the exception of the 1Y trading 2bps lower) while the longer tenors traded 2-4bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 124bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 376bps. 10Y UST yield rose 4bps to 2.85%, as fears of a growing trade war appeared to subside on the back of news that US and China hope to avert a trade war.
- **New issues:** Huaxin Pharmaceutical (HK) Co Ltd has priced a USD56mn 3-year re-tap of its USD150mn TAIHUA 6.8%'21 bond (guaranteed by Taizhou Huaxin Pharmaceutical Investment Co Ltd) at 100 + accrued interest. Agile Group Holdings Ltd has priced a USD100mn re-tap of its existing USD400mn AGILE 6.875% Perp NC5 at 100 + accrued interest, tightening from its initial price guidance of 7.056%. Car Inc has priced a CNH400mn 3NC2 bond at 6.95%, tightening from its initial price guidance of 6.95%-7%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.027	-0.46%	USD-SGD	1.3090	-0.46%
USD-JPY	105.410	0.64%	EUR-SGD	1.6289	0.25%
EUR-USD	1.2444	0.74%	JPY-SGD	1.2420	-1.13%
AUD-USD	0.7748	0.64%	GBP-SGD	1.8625	0.19%
GBP-USD	1.4229	0.69%	AUD-SGD	1.0141	0.16%
USD-MYR	3.8953	-0.59%	NZD-SGD	0.9554	0.35%
USD-CNY	6.2730	-0.68%	CHF-SGD	1.3843	-0.32%
USD-IDR	13738	-0.32%	SGD-MYR	2.9721	-0.27%
USD-VND	22808	0.06%	SGD-CNY	4.7869	-0.45%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.6975	--
2M	-0.3410	--	1M	1.8750	--
3M	-0.3290	--	2M	1.9934	--
6M	-0.2700	--	3M	2.2916	--
9M	-0.2210	--	6M	2.4497	--
12M	-0.1900	--	12M	2.6664	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	25.7%	25.7%	0.0%	0.0%	0.0%
06/13/2018	82.4%	62.8%	19.6%	0.0%	0.0%
08/01/2018	83.5%	60.0%	22.3%	1.2%	0.0%
09/26/2018	92.7%	35.7%	43.3%	13.0%	0.7%
11/08/2018	93.3%	33.4%	42.7%	15.4%	1.7%
12/19/2018	96.0%	22.8%	39.0%	26.3%	7.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.55	-0.50%	Copper (per mt)	6,547.7	-0.77%
Brent (per barrel)	70.12	-0.47%	Nickel (per mt)	12,911.5	0.00%
Heating Oil (per gallon)	2.0150	-0.17%	Aluminium (per mt)	2,036.3	-0.02%
Gasoline (per gallon)	2.0104	-1.14%			
Natural Gas (per MMBtu)	2.6180	1.04%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,434.0	0.25%
Gold (per oz)	1,360.9	0.38%	Rubber (JPY/KG)	176.5	1.15%
Silver (per oz)	16.684	0.62%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,202.60	669.40
S&P	2,658.55	70.29
Nasdaq	7,220.54	227.88
Nikkei 225	20,766.10	148.24
STI	3,412.46	-8.93
KLCI	1,859.91	-5.31
JCI	6,200.17	-10.53
Baltic Dry	1,122.00	--
VIX	21.03	-3.84

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.89 (+0.01)	2.27 (+0.02)
5Y	2.17 (+0.04)	2.64 (+0.04)
10Y	2.41 (+0.04)	2.85 (+0.04)
15Y	2.69 (+0.03)	--
20Y	2.74 (+0.03)	--
30Y	2.89 (+0.03)	3.09 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	58.75	1.59
EURIBOR-OIS	2.10	--
TED	57.61	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/26/2018 05:45	NZ Trade Balance NZD	Feb	-100m	217m	-566m	-655m
03/26/2018 05:45	NZ Exports NZD	Feb	4.56b	4.46b	4.31b	4.29b
03/26/2018 05:45	NZ Imports NZD	Feb	4.63b	4.24b	4.87b	4.94b
03/26/2018 05:45	NZ Trade Balance 12 Mth YTD NZD	Feb	-3225m	-3019m	-3218m	-3279m
03/26/2018 13:00	SI Industrial Production YoY	Feb	4.20%	8.90%	17.90%	16.90%
03/26/2018 14:45	FR GDP QoQ	4Q F	0.60%	0.70%	0.60%	--
03/26/2018 16:30	UK UK Finance Loans for Housing	Feb	39000	38120	40117	40031
03/26/2018 20:30	US Chicago Fed Nat Activity Index	Feb	0.15	0.88	0.12	0.02
03/26/2018 22:00	CA Bloomberg Nanos Confidence	Mar-23	--	56.2	56.2	--
03/26/2018 22:30	US Dallas Fed Manf. Activity	Mar	33.5	21.4	37.2	--
03/27/2018 05:00	SK Consumer Confidence	Mar	--	108.1	108.2	--
03/27/2018 07:50	JN PPI Services YoY	Feb	0.70%	--	0.70%	--
03/27/2018 14:00	GE Import Price Index MoM	Feb	-0.30%	--	0.50%	--
03/27/2018 16:00	EC M3 Money Supply YoY	Feb	4.60%	--	4.60%	--
03/27/2018 16:00	IT Manufacturing Confidence	Mar	109.9	--	110.6	--
03/27/2018 16:00	IT Consumer Confidence Index	Mar	115	--	115.6	--
03/27/2018 16:00	IT Economic Sentiment	Mar	--	--	108.7	--
03/27/2018 16:00	TA Monitoring Indicator	Feb	--	--	20	--
03/27/2018 16:20	TA Bounced Check Ratio	Feb	--	--	0.15%	--
03/27/2018 16:30	HK Exports YoY	Feb	7.00%	--	18.10%	18.10%
03/27/2018 16:30	HK Imports YoY	Feb	2.30%	--	23.80%	23.80%
03/27/2018 16:30	HK Trade Balance HKD	Feb	-40.0b	--	-31.9b	--
03/27/2018 17:00	EC Economic Confidence	Mar	113.3	--	114.1	--
03/27/2018 17:00	EC Business Climate Indicator	Mar	1.36	--	1.48	--
03/27/2018 17:00	EC Industrial Confidence	Mar	6.9	--	8	--
03/27/2018 17:00	EC Services Confidence	Mar	16.5	--	17.5	--
03/27/2018 17:00	EC Consumer Confidence	Mar F	0.1	--	0.1	--
03/27/2018 21:00	US S&P CoreLogic CS 20-City NSA Index	Jan	--	--	204.45	--
03/27/2018 21:00	US S&P CoreLogic CS 20-City YoY NSA	Jan	6.15%	--	6.30%	--
03/27/2018 21:00	US S&P CoreLogic CS US HPI NSA Index	Jan	--	--	196.23	--
03/27/2018 21:00	US S&P CoreLogic CS US HPI YoY NSA	Jan	--	--	6.27%	--
03/27/2018 22:00	US Richmond Fed Manufact. Index	Mar	22	--	28	--
03/27/2018 22:00	US Conf. Board Consumer Confidence	Mar	131	--	130.8	--
03/27/2018 22:00	US Conf. Board Present Situation	Mar	--	--	162.4	--
03/27/2018 22:00	US Conf. Board Expectations	Mar	--	--	109.7	--
03/27/2018	MU Unemployment Rate	Feb	--	--	1.80%	--
03/26/2018 03/28	CH Foreign Direct Investment YoY CNY	Feb	--	--	0.30%	--

Source: Bloomberg

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