

Highlights

Global	<p>2019 started the year with a distinctly risk-off tone, prompted by disappointing manufacturing PMI data, particularly from China whose Caixin PMI had fallen into contraction territory at 49.7 (lowest since May 2017), which reinforced market concerns about slowing global growth prospects. Risk-off sentiments had sent the USD and UST bonds higher, with the 10-year UST bond yield down to 2.61% and 2-10-year yield curve flattening to below 15bps, but this did not deter the S&P500 from eking out a 0.13% increase (notwithstanding Apple's cuts to its 1Q revenue forecast citing fewer iPhone upgrades and weakness in Chinese demand). PBOC also said it will adjust the calculation of some banks' reserve ratios to expand the coverage of a previous targeted RRR cut aimed at SMEs with a credit line of less than CNY5m. Meanwhile, oil prices rose on signs of falling Saudi Arabian exports which suggested that OPEC was fulfilling their production cuts.</p> <p>Asian markets may attempt to recover some of yesterday's losses but are likely to remain cautious for now and await further cues on the US. Today's economic data calendar comprises US' manufacturing ISM data, initial jobless claims and ADP employment data, and S'pore's manufacturing and electronics PMI are likely to reflect more subdued sentiments from November prints of 51.5 and 49.9 respectively.</p>
US	<p>President Trump's meeting with Congressional leaders on the border wall funding that had contributed to the partial government shutdown for 12 days did not resolve the issue. Trump warned that the shutdown would last for "as long as it takes" and "it could be a long time or it could be quickly". Separately, Trump also said in a Cabinet meeting that US-China trade talks "is coming along very well". The deadlines for the 90-day trade truce is 2 March.</p>
CH	<p>Chinese President Xi's speech to commemorate the 40th anniversary of issuing message to compatriots in Taiwan failed to receive the warm reply from Taiwan side. Taiwanese President Tsai Ing-wen said that Taiwan has never accepted 1992 consensus and Taiwan will not accept "one country two system". The landslide comeback of KMT in local election in November has eased the tension between mainland China and Taiwan. However, the recent reply from Tsai administration to Xi's proposal may put the cross straits relationship under the spot light again. It is likely to remain one of the geopolitical risks in the region for the next two years.</p>
PMIs	<p>Eurozone's December manufacturing PMI fell for a fifth month from 51.8 in November to 51.4, while the UK saw its PMI rising from 53.6 to 54.2 amid stockpiling ahead of the Brexit deadline. In Asia, manufacturing PMIs for Taiwan (47.7 versus 48.4 previously), Malaysia (46.8 versus 48.2) and South Korea (49.8 versus 48.6) remained in contraction territory, with some softening for Philippines (53.2 versus 54.2) and Vietnam (53.8 versus 56.5), whereas Thailand (50.3 versus 49.8), Indonesia (51.2 versus 50.4) and Myanmar (52.5 versus 51.3) improved.</p>
ID	<p>The government sees that the fiscal deficit will come out at 1.76% of GDP in 2018, the lowest it has been since 2011. They also expect that the tax to GDP ratio would be at 11.5% of GDP for 2018 whilst revenue to have grown by 16.6% yoy.</p>

Major Markets

- **US:** Wall Street ended higher on Thursday, with the S&P500 advancing 0.13%. The DJIA rose 0.08%, while the Nasdaq composite increased by 0.46%.
- Tesla shares declined 6.81% after it announced lower than expected fourth-quarter deliveries and a cut in prices.
- **Singapore:** The STI lost 0.97% on the first trading day of 2019 to close down at 3038.89 yesterday. Watch for any stabilization within the 3020-3070 range today, given that Wall Street managed to fend off overnight losses and Kospi is opening nearly flat this morning. With longer dated UST bonds leading the rally overnight, SGS bonds may also stay supported today. With the 3-month SOR easing off its late December high of 2.018% but still remaining elevated around 1.96%, it remains to be seen if the reprieve for the front-end of the yield curve will be sustained.
- **South Korea:** South Korea's exports in December decreased -1.2% YoY to cap another downbeat forecast for global trade growth this year.
- President Moon Jae-In has seen his popularity dipped in recent weeks. Multiple opinion surveys all suggest that Moon's current approval rating has declined significantly – if not at its lowest – since he took over from impeached president Park Geun-Hye. A downgrade in 2019 GDP growth from 2.9% to 2.7%; a year-long decline in consumer confidence from 110.6 in January 2018 to 97.1 in December 2018; and a seemingly lack of progress in inter-Korea relations after three historic meetings in 2018, have all hurt Moon's political standing. The KOSPI index fell -1.5% yesterday.
- **Thailand:** The Baht rallied +0.9% against the USD yesterday and has gained +2.3% against the greenback since the end of November 2018. A combination of factors, including potential future rate hikes by the Bank of Thailand and the Thai economy benefiting from the US-China trade war, is keeping the Baht on a solid footing.
- The Bank of Thailand (BoT) monetary policy committee said yesterday that monetary policy will remain accommodative this year, despite having hiked interest rates by 25bp for the first time since 2011 last month. The benchmark repo rate in Thailand at 1.75% is only 50bp higher than its all-time low. BoT also said that any tightening of interest rates will be gradual, unlike the continuous range of 25bp increases that were performed in 2011. It also forecasted 2019 GDP growth between 4% to 4.2%, the second highest in the last 6 years.
- **Philippines:** All eyes will be on the CPI data release this Friday as investors wait to see if inflation in the Filipino economy will remain at elevated levels. The Philippines has experienced an inflation rate of as high as 6.7% in October and November this year, a clear sign of over-heating in the economy.
- **Malaysia:** The manufacturing PMI reading for December 2018 is the lowest since the series began as both domestic and overseas demand weaken. Concerns about demand conditions led firms to clear their post-production inventories with the depletion being at its greatest extend since November 2016.
- **Indonesia:** Headline CPI reading for December 2018 came out at 3.13% yoy, a slight decrease from the previous month at 3.23% yoy. On other items, according to Bloomberg, Bank Indonesia Governor Perry Warjiyo has mentioned that the central bank will review policies in export, tourism and small and medium enterprise sectors to

support growth this year. The manufacturing PMI reading for December 2018 saw a slight acceleration to 51.2.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 1-2bps higher while the longer tenors traded 1-2bps lower (with the exception of the 7-year and 20-year swap rates trading little change). 10Y UST yields fell 6bps to close at 2.62%, hitting an 11-month low, on the back of renewed fears over slowing global growth which had also dragged performance in Asian and European stock markets earlier. The continued partial shutdown of the US government also weighed negatively on market sentiments.
- **New Issues:** Korea Midland Power Co Ltd has scheduled for investor meetings from 7 Jan for its potential USD green bond issuance. Hanwha Total Petrochemical Co Ltd has scheduled for investor meetings from 7 Jan for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.819	0.76%	USD-SGD	1.3665	0.24%
USD-JPY	108.880	-0.78%	EUR-SGD	1.5502	-0.81%
EUR-USD	1.1344	-1.06%	JPY-SGD	1.2550	1.01%
AUD-USD	0.6985	-0.96%	GBP-SGD	1.7227	-0.80%
GBP-USD	1.2607	-1.04%	AUD-SGD	0.9545	-0.72%
USD-MYR	4.1370	0.08%	NZD-SGD	0.9093	-0.70%
USD-CNY	6.8620	-0.24%	CHF-SGD	1.3801	-0.63%
USD-IDR	14458	0.47%	SGD-MYR	3.0362	0.05%
USD-VND	23210	0.15%	SGD-CNY	5.0253	-0.42%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	2.3783	--
2M	-0.3360	--	1M	2.5027	--
3M	-0.3090	--	2M	2.6138	--
6M	-0.2370	--	3M	2.8076	--
9M	-0.1940	--	6M	2.8756	--
12M	-0.1170	--	12M	3.0054	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
01/30/2019	0.0%	1.6%	1.6%	98.5%	0.0%
03/20/2019	0.0%	1.6%	1.6%	98.5%	0.0%
05/01/2019	4.1%	1.5%	1.5%	94.4%	4.1%
06/19/2019	5.7%	1.5%	1.5%	92.8%	5.7%
07/31/2019	5.6%	3.2%	3.2%	91.2%	5.5%
09/18/2019	7.0%	3.2%	3.1%	89.8%	6.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.54	2.49%	Coffee (per lb)	0.995	-2.31%
Brent (per barrel)	54.91	2.06%	Cotton (per lb)	0.7084	-1.88%
Heating Oil (per gallon)	1.7006	1.18%	Sugar (per lb)	0.1193	-0.83%
Gasoline (per gallon)	1.3256	0.14%	Orange Juice (per lb)	1.2240	-2.20%
Natural Gas (per MMBtu)	2.9580	0.61%	Cocoa (per mt)	2,394	-0.91%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,782.7	-0.30%	Wheat (per bushel)	5.0675	0.70%
Nickel (per mt)	10,622.5	--	Soybean (per bushel)	8.948	1.39%
Aluminium (per mt)	1,822.8	--	Corn (per bushel)	3.7575	0.20%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,284.1	0.22%	Crude Palm Oil (MYR/MT)	2,070.0	3.29%
Silver (per oz)	15.649	0.70%	Rubber (JPY/KG)	171.1	0.00%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,346.24	18.78
S&P	2,510.03	3.18
Nasdaq	6,665.94	30.66
Nikkei 225	20,014.77	--
STI	3,038.89	-29.87
KLCI	1,668.11	-22.47
JCI	6,181.18	-13.32
Baltic Dry	1,271.00	--
VIX	23.22	-2.20

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.87 (-0.01)	2.47 (-0.02)
5Y	1.90 (--)	2.46 (-0.05)
10Y	2.05 (--)	2.62 (-0.06)
15Y	2.27 (--)	--
20Y	2.32 (+0.01)	--
30Y	2.45 (+0.01)	2.95 (-0.06)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.83	1.73
TED	45.27	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/02/2019 06:00	AU CBA Australia PMI Mfg	Dec F	--	54	53.7	--
01/02/2019 07:00	AU CoreLogic House Px MoM	Dec	--	-1.30%	-0.90%	--
01/02/2019 08:00	SI GDP SAAR QoQ	4Q A	3.60%	1.60%	3.00%	3.50%
01/02/2019 08:00	SI GDP YoY	4Q A	2.50%	2.20%	2.20%	2.30%
01/02/2019 08:30	TA Nikkei Taiwan PMI Mfg	Dec	--	47.7	48.4	--
01/02/2019 08:30	MA Nikkei Malaysia PMI	Dec	--	46.8	48.2	--
01/02/2019 08:30	TH Nikkei Thailand PMI Mfg	Dec	--	50.3	49.8	--
01/02/2019 08:30	PH Nikkei Philippines PMI Mfg	Dec	--	53.2	54.2	--
01/02/2019 08:30	SK Nikkei South Korea PMI Mfg	Dec	--	49.8	48.6	--
01/02/2019 08:30	ID Nikkei Indonesia PMI Mfg	Dec	--	51.2	50.4	--
01/02/2019 08:30	VN Nikkei Vietnam PMI Mfg	Dec	--	53.8	56.5	--
01/02/2019 08:32	SI URA Private Home Prices QoQ	4Q P	--	-0.10%	0.50%	--
01/02/2019 09:45	CH Caixin China PMI Mfg	Dec	50.2	49.7	50.2	--
01/02/2019 11:30	TH CPI YoY	Dec	0.94%	0.36%	0.94%	--
01/02/2019 11:30	TH CPI NSA MoM	Dec	-0.14%	-0.65%	-0.22%	--
01/02/2019 11:30	TH CPI Core YoY	Dec	0.70%	0.68%	0.69%	--
01/02/2019 12:00	ID CPI NSA MoM	Dec	0.53%	0.62%	0.27%	--
01/02/2019 12:00	ID CPI Core YoY	Dec	3.07%	3.07%	3.03%	--
01/02/2019 12:00	ID CPI YoY	Dec	3.01%	3.13%	3.23%	--
01/02/2019 13:00	IN Nikkei India PMI Mfg	Dec	--	53.2	54	--
01/02/2019 13:30	AU Commodity Index AUD	Dec	--	121.2	122.1	120.5
01/02/2019 13:30	AU Commodity Index SDR YoY	Dec	--	10.50%	14.90%	13.40%
01/02/2019 15:30	TH Business Sentiment Index	Dec	--	49.5	53.1	--
01/02/2019 16:45	IT Markit/ADACI Italy Manufacturing PMI	Dec	48.4	49.2	48.6	--
01/02/2019 16:50	FR Markit France Manufacturing PMI	Dec F	49.7	49.7	49.7	--
01/02/2019 16:55	GE Markit/BME Germany Manufacturing PMI	Dec F	51.5	51.5	51.5	--
01/02/2019 17:00	EC Markit Eurozone Manufacturing PMI	Dec F	51.4	51.4	51.4	--
01/02/2019 17:30	UK Markit UK PMI Manufacturing SA	Dec	52.5	54.2	53.1	53.6
01/02/2019 21:30	CA MLI Leading Indicator MoM	Nov	--	-0.10%	-0.10%	-0.20%
01/02/2019 22:30	CA Markit Canada Manufacturing PMI	Dec	--	53.6	54.9	--
01/02/2019 22:45	US Markit US Manufacturing PMI	Dec F	53.9	53.8	53.9	--
01/03/2019 01:00	IT New Car Registrations YoY	Dec	--	1.96%	-6.31%	-6.18%
01/03/2019 02:38	IT Budget Balance	Dec	--	12.2b	-3.9b	--
01/03/2019 16:30	HK Retail Sales Volume YoY	Nov	4.60%	--	5.20%	--
01/03/2019 16:30	HK Retail Sales Value YoY	Nov	4.50%	--	5.90%	--
01/03/2019 17:00	EC M3 Money Supply YoY	Nov	3.80%	--	3.90%	--
01/03/2019 17:00	GE CPI Brandenburg MoM	Dec	--	--	-0.10%	--
01/03/2019 17:00	GE CPI Brandenburg YoY	Dec	--	--	1.80%	--
01/03/2019 17:30	UK Markit/CIPS UK Construction PMI	Dec	52.9	--	53.4	--
01/03/2019 20:00	US MBA Mortgage Applications	Dec-28	--	--	--	--
01/03/2019 20:30	US Challenger Job Cuts YoY	Dec	--	--	51.50%	--
01/03/2019 21:00	SI Purchasing Managers Index	Dec	--	--	51.5	--
01/03/2019 21:00	SI Electronics Sector Index	Dec	--	--	49.9	--
01/03/2019 21:15	US ADP Employment Change	Dec	180k	--	179k	--
01/03/2019 21:30	US Initial Jobless Claims	Dec-29	220k	--	216k	--
01/03/2019 21:30	US Continuing Claims	Dec-22	1689k	--	1701k	--
01/03/2019 22:45	US Bloomberg Consumer Comfort	Dec-30	--	--	59.4	--
01/03/2019 23:00	US Construction spending data postponed by govt shutdown					
01/03/2019 23:00	US ISM Manufacturing	Dec	57.5	--	59.3	--
01/03/2019 23:00	US ISM Employment	Dec	--	--	58.4	--
01/03/2019 23:00	US ISM Prices Paid	Dec	57.7	--	60.7	--
01/03/2019 23:00	US ISM New Orders	Dec	--	--	62.1	--
01/03/2019 01/04	US Wards Total Vehicle Sales	Dec	17.24m	--	17.40m	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Terence Wu TerenceWu@ocbc.com Alan Lau AlanLau@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com Seow Zhi Qi ZhiQiSeow@ocbc.com

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