

Highlights

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| Global | <p>Following the collapse of the Trump-Kim summit last week, all eyes are on the supposedly upcoming US-China trade deal with the Trump-Xi summit likely to follow later this month. Wall Street climbed on Friday, while the UST bond yields sold off, pushing the 10-year yield up to 2.76% and steepening the yield curve. True to form, President Trump again criticised the USD as too strong and Fed chair Powell as someone who “likes raising interest rates”. Asian markets may trade with a firmer tone to start the week. The economic calendar will be focused on manufacturing PMIs from Taiwan, South Korea and S’pore, Malaysia’s Jan trade data, and Eurozone’s PPI. China’s National People’s Congress starting tomorrow is likely to take center-stage, with market anticipating a shading down of its growth target to around 6-6.5%. Key central bank meetings to watch include RBA and BNM tomorrow with both likely to be static at 1.5% and 3.25% respectively, followed by BOC on Wednesday (also likely unchanged at 1.75%) and ECB on Thursday (also likely to be static but any hints about postponing the summer hike will be closely anticipated). Friday will bring US key nonfarm payrolls and unemployment report (forecast: 185k versus Jan’s 306k stunner, with the latter likely at 3.9% versus 4.0% previously), as well as Fed chair Powell’s speech on monetary policy normalization and review.</p> |
| US | <p>US’ personal income unexpectedly fell 0.1% in Jan, following a 1.0% increase in Dec, while spending also declined a larger than expected 0.5% (previously +0.6%), which could be attributed to the year-end correction in financial markets and the record 35-day partial government shutdown. The savings rate also surged from 6.1% to 7.6% (highest since Jan16). Meanwhile, the core PCE deflator rose 0.2% mom (1.9% yoy) in Dec, while the manufacturing ISM retreated from 56.6 in Jan to 54.2 in Feb, weighed down by softer new orders (55.5 versus 58.2), employment (52.3 versus 55.5) and prices paid (49.4 versus 49.6).</p> |
| EU | <p>Eurozone’s CPI crept higher from 1.4% in Jan to 1.5% yoy in Feb, but core CPI unexpectedly stabilised at 1.0% (previously 1.1%). This may give the ECB greater caution ahead of their meeting later this week. Note that the manufacturing PMI also saw its biggest drop in orders in nearly six years in Feb, even though the headline printed at 49.3 (versus preliminary of 49.2).</p> |
| CH | <p>The MSCI announced to increase the weight of China A shares in its index further, as expected. What’s new this time is that it will also include 27 ChiNext listed companies from May 2019 and 167 China A mid cap companies from November 2019. This exceeded market expectation. The expansion is expected to attract more than US\$60 billion new allocation from foreign investors.</p> |
| SG | <p>The Feb manufacturing and electronics PMIs may consolidate from Jan prints of 50.7 and 49.6 respectively, with the latter likely to remain in contraction territory for now.</p> |
| MY | <p>Pakatan Harapan was defeated by Barisan Nasional in the Semenyih by-election over the weekend. For this week, look out for Malaysia trade data due today and Bank Negara Malaysia’s (BNM) benchmark rate decision due tomorrow. Our expectation is for the benchmark rate to hold.</p> |

Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 advancing 0.7%. The DJIA rose 0.4%, while the Nasdaq composite jumped 0.8%.
- **Singapore:** The STI added 0.24% to close at 3220.40 on Friday and may extend gains on more positive signals from Wall Street on Friday and morning opening performances from Kospi. STI's resistance and support are tipped at 3260 and 3200 respectively. With longer dated UST bond yields climbing again by up to 4bps higher on Friday, SGS bond market again saw pressure mainly in the 5-year and 20-30 year tenors. For today, SGS bonds may again trade on a soft footing amid market hopes for a US-China trade deal soon.
- **China:** China sped up its capital market reform via unveiling the detailed regulation on the new Science and technology innovation board, to support the role of direct financing. In addition, the talk on the potential listing of Beijing Shanghai high speed railway also signals the progress of China's mixed ownership reform. China's commitment to capital market reform may further fuel the positive sentiment in China's equity market.
- **Indonesia:** Headline inflation fell further to 2.57% yoy in February (Jan 2019: 2.82% yoy) whilst core inflation remain static at 3.06% yoy (Jan 2019: 3.06% yoy). The fall was mainly driven by prices in the food category in particular increasing at a slower pace whilst price increases in the other categories were broadly stable. On a month to month basis, there was a deflation of 0.08%. Meanwhile, the government plans to launch a financial deepening program comprising tax incentives for several investment instruments to attract more long-term investors and increase activity in the country's capital market. The incentives will be available for collective investment instruments, such as infrastructure funds (DINFRA), asset-backed securities (KIK-EBA) and limited participation mutual funds (RDPT).
- **Thailand:** Thai consumer prices rose 0.73% YoY in Feb, largely led by increase in food prices although low oil prices versus a year ago continue to dampen inflationary pressures. Food prices rose +1.9% YoY; on a weighted basis, the food basket contributed 0.68% of the 0.73% rise in Thai CPI. Most of the increases came in the form of increase in meat prices, which have risen 10-12% YoY. The transport basket, however, continues to weigh on Thailand's CPI, which contracted -0.7% YoY. Going forward, the transport basket will continue to weigh on the entire basket as oil prices are likely to trade lower than a year ago, but we expect some form of stabilisation over the next three months and expect Thai CPI to return to the BoT's 1-4% target inflation range before the end of the year.
- **South Korea:** Nikkei manufacturing PMI released this morning came in at 47.2 in Feb, the record low since the series started in Mar 2016. This marks the fourth consecutive month of contracting PMIs for South Korea as the country continues to reel from soft global trade.
- **Commodities:** WTI prices closed at \$55.80 on Friday to record a -2.5% daily decline after a range of disappointing US data sparked a possible profit taking on the US benchmark. US data on Friday showed personal income and both ISM and Markit manufacturing PMIs all failing to beat estimates, resulting in a slump in oil prices. Going forward the market will keenly wait to see the amount of production cuts OPEC+ members will initiate in the coming months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened last Friday, with shorter tenors trading 1-3bps higher while the belly and the longer tenors traded 4-5bps and 5-7bps respectively. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS both tightened 6bps to 498bps. 10Y UST yields rose 4bps to 2.75%, on the back of advances in negotiations in the US-China trade talks, despite soft economic data pertaining to US manufacturing, personal income and spending.
- **New Issues:** Zhenro Properties Group Ltd has priced a USD200mn 3NC2 bond (subsidiary guarantors: certain non-PRC restricted subsidiaries of the issuer) at 9.95%, tightening from IPT of 10.5% area. Centurion Corp Ltd has priced a SGD4.0mn re-tap of its existing CENSP 5.5%'22s at 5.5%. Nuoxi Capital Ltd has scheduled investor meetings from 4 Mar for its potential USD re-tap of its existing PKFOUN 5.8%'22s (guarantor: Peking University Founder Group Co Ltd).

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 96.527 | 0.38% | USD-SGD | 1.3552 | 0.23% |
| USD-JPY | 111.890 | 0.45% | EUR-SGD | 1.5403 | 0.18% |
| EUR-USD | 1.1365 | -0.05% | JPY-SGD | 1.2109 | -0.24% |
| AUD-USD | 0.7079 | -0.21% | GBP-SGD | 1.7890 | -0.23% |
| GBP-USD | 1.3202 | -0.46% | AUD-SGD | 0.9595 | 0.03% |
| USD-MYR | 4.0743 | 0.21% | NZD-SGD | 0.9215 | 0.13% |
| USD-CNY | 6.7062 | 0.18% | CHF-SGD | 1.3561 | 0.10% |
| USD-IDR | 14120 | 0.36% | SGD-MYR | 3.0120 | -0.16% |
| USD-VND | 23201 | 0.01% | SGD-CNY | 4.9560 | 0.07% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|---------|------------|-----------|---------|
| 1M | -0.3680 | -- | O/N | 2.3849 | 0.0021 |
| 2M | -0.3360 | -- | 1M | 2.4819 | -0.0085 |
| 3M | -0.3100 | -0.0010 | 2M | 2.5614 | -0.0058 |
| 6M | -0.2300 | -0.0010 | 3M | 2.5985 | -0.0166 |
| 9M | -0.1940 | -- | 6M | 2.6821 | -0.0036 |
| 12M | -0.1080 | -- | 12M | 2.8790 | 0.0141 |

Fed Rate Hike Probability

| Meeting | Prob Hike | Prob Cut | 2-2.25% | 2.25-2.5% | 2.5-2.75% |
|------------|-----------|----------|---------|-----------|-----------|
| 03/20/2019 | 0.0% | 0.8% | 0.8% | 99.2% | 0.0% |
| 05/01/2019 | 2.1% | 0.8% | 0.8% | 97.2% | 2.1% |
| 06/19/2019 | 2.0% | 0.9% | 0.9% | 97.1% | 2.0% |
| 07/31/2019 | 4.0% | 0.9% | 0.9% | 95.1% | 4.0% |
| 09/18/2019 | 10.0% | 0.8% | 0.8% | 89.2% | 9.7% |
| 10/30/2019 | 10.0% | 1.0% | 1.0% | 89.0% | 9.7% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|--------|
| WTI (per barrel) | 55.80 | -2.48% | Coffee (per lb) | 0.970 | 1.84% |
| Brent (per barrel) | 65.07 | -1.45% | Cotton (per lb) | 0.7273 | 1.38% |
| Heating Oil (per gallon) | 2.0010 | -1.11% | Sugar (per lb) | 0.1262 | -0.86% |
| Gasoline (per gallon) | 1.7303 | 6.20% | Orange Juice (per lb) | 1.1405 | -0.22% |
| Natural Gas (per MMBtu) | 2.8590 | 1.67% | Cocoa (per mt) | 2,218 | -0.89% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | #N/A | #N/A | Wheat (per bushel) | 4.5400 | 0.33% |
| Nickel (per mt) | 13,134.5 | 1.11% | Soybean (per bushel) | 8.993 | 0.19% |
| Aluminium (per mt) | 1,900.8 | 0.32% | Corn (per bushel) | 3.6400 | 0.55% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,299.2 | -1.28% | Crude Palm Oil (MYR/MT) | 1,986.0 | 3.71% |
| Silver (per oz) | 15.169 | -2.37% | Rubber (JPY/KG) | 194.9 | 1.62% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 26,026.32 | 110.32 |
| S&P | 2,803.69 | 19.20 |
| Nasdaq | 7,595.35 | 62.82 |
| Nikkei 225 | 21,602.69 | 217.53 |
| STI | 3,220.40 | 7.71 |
| KLCI | 1,700.76 | -6.97 |
| JCI | 6,499.88 | 56.54 |
| Baltic Dry | 664.00 | 6.00 |
| VIX | 13.57 | -1.21 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 2.01 (+0.01) | 2.55 (+0.04) |
| 5Y | 2.09 (+0.03) | 2.56 (+0.04) |
| 10Y | 2.27 (+0.02) | 2.75 (+0.04) |
| 15Y | 2.51 (+0.01) | -- |
| 20Y | 2.57 (+0.02) | -- |
| 30Y | 2.69 (+0.02) | 3.12 (+0.04) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| EURIBOR-OIS | 5.05 | -0.05 |
| TED | 35.36 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|------------------|-----------------------------------------|--------|---------|----------|----------|--------|
| 03/01/2019 05:45 | NZ Building Permits MoM | Jan | -- | 16.50% | 5.10% | 5.40% |
| 03/01/2019 07:30 | JN Job-To-Applicant Ratio | Jan | 1.63 | 1.63 | 1.63 | -- |
| 03/01/2019 07:30 | JN Jobless Rate | Jan | 2.40% | 2.50% | 2.40% | -- |
| 03/01/2019 07:30 | JN Tokyo CPI YoY | Feb | 0.40% | 0.60% | 0.40% | 0.50% |
| 03/01/2019 07:30 | JN Tokyo CPI Ex-Fresh Food YoY | Feb | 1.00% | 1.10% | 1.10% | -- |
| 03/01/2019 07:50 | JN Capital Spending YoY | 4Q | 4.50% | 5.70% | 4.50% | -- |
| 03/01/2019 08:00 | SK Exports YoY | Feb | -9.50% | -11.10% | -5.80% | -5.90% |
| 03/01/2019 08:30 | JN Nikkei Japan PMI Mfg | Feb F | -- | 48.9 | 48.5 | -- |
| 03/01/2019 08:30 | ID Nikkei Indonesia PMI Mfg | Feb | -- | 50.1 | 49.9 | -- |
| 03/01/2019 08:30 | VN Nikkei Vietnam PMI Mfg | Feb | -- | 51.2 | 51.9 | -- |
| 03/01/2019 09:45 | CH Caixin China PMI Mfg | Feb | 48.5 | 49.9 | 48.3 | -- |
| 03/01/2019 10:00 | ID CPI YoY | Feb | 2.75% | 2.57% | 2.82% | -- |
| 03/01/2019 10:00 | ID CPI Core YoY | Feb | 3.06% | 3.06% | 3.06% | -- |
| 03/01/2019 11:30 | TH CPI YoY | Feb | 0.59% | 0.73% | 0.27% | -- |
| 03/01/2019 11:30 | TH CPI Core YoY | Feb | 0.70% | 0.60% | 0.69% | -- |
| 03/01/2019 13:00 | IN Nikkei India PMI Mfg | Feb | -- | 54.3 | 53.9 | -- |
| 03/01/2019 13:00 | JN Vehicle Sales YoY | Feb | -- | 1.30% | 2.30% | -- |
| 03/01/2019 13:30 | AU Commodity Index SDR YoY | Feb | -- | 9.10% | 6.90% | 6.50% |
| 03/01/2019 13:30 | AU Commodity Index AUD | Feb | -- | 129.7 | 124.5 | 124 |
| 03/01/2019 15:00 | GE Retail Sales MoM | Jan | 2.00% | 3.30% | -4.30% | -3.10% |
| 03/01/2019 15:00 | GE Retail Sales YoY | Jan | 1.20% | 2.60% | -2.10% | -1.60% |
| 03/01/2019 15:30 | TH Foreign Reserves | Feb-22 | -- | \$212.0b | \$209.5b | -- |
| 03/01/2019 15:37 | KZ CPI YoY | Feb | -- | 4.80% | 5.20% | -- |
| 03/01/2019 16:41 | MU Hotel Occupancy Rate | Jan | -- | 93 | 94.7 | -- |
| 03/01/2019 16:45 | IT Markit/ADACI Italy Manufacturing PMI | Feb | 47.2 | 47.7 | 47.8 | -- |
| 03/01/2019 16:50 | FR Markit France Manufacturing PMI | Feb F | 51.4 | 51.5 | 51.4 | -- |
| 03/01/2019 16:55 | GE Markit/BME Germany Manufacturing PMI | Feb F | 47.6 | 47.6 | 47.6 | -- |
| 03/01/2019 16:55 | GE Unemployment Change (000's) | Feb | -5k | -21k | -2k | -4k |
| 03/01/2019 16:55 | GE Unemployment Claims Rate SA | Feb | 5.00% | 5.00% | 5.00% | -- |
| 03/01/2019 17:00 | EC Markit Eurozone Manufacturing PMI | Feb F | 49.2 | 49.3 | 49.2 | -- |
| 03/01/2019 17:30 | UK Mortgage Approvals | Jan | 63.4k | 66.8k | 63.8k | 64.5k |
| 03/01/2019 17:30 | UK Markit UK PMI Manufacturing SA | Feb | 52 | 52 | 52.8 | 52.6 |
| 03/01/2019 18:00 | EC Unemployment Rate | Jan | 7.90% | 7.80% | 7.90% | 7.80% |
| 03/01/2019 18:00 | EC CPI Core YoY | Feb A | 1.10% | 1.00% | 1.10% | -- |
| 03/01/2019 18:00 | EC CPI Estimate YoY | Feb | 1.50% | 1.50% | 1.40% | -- |
| 03/01/2019 21:30 | CA Quarterly GDP Annualized | 4Q | 1.00% | 0.40% | 2.00% | -- |
| 03/01/2019 21:30 | CA GDP MoM | Dec | 0.00% | -0.10% | -0.10% | -- |
| 03/01/2019 21:30 | US Personal Income | Dec | 0.40% | 1.00% | 0.20% | 0.30% |
| 03/01/2019 21:30 | US Personal Income | Jan | 0.30% | -0.10% | -- | 1.00% |
| 03/01/2019 21:30 | US Personal Spending | Dec | -0.30% | -0.50% | 0.40% | 0.60% |
| 03/01/2019 21:30 | US PCE Core MoM | Dec | 0.20% | 0.20% | 0.10% | 0.20% |
| 03/01/2019 22:30 | CA Markit Canada Manufacturing PMI | Feb | -- | 52.6 | 53 | -- |
| 03/01/2019 22:45 | US Markit US Manufacturing PMI | Feb F | 53.7 | 53 | 53.7 | -- |
| 03/01/2019 23:00 | US ISM Manufacturing | Feb | 55.8 | 54.2 | 56.6 | -- |
| 03/01/2019 23:00 | US ISM Prices Paid | Feb | 51.8 | 49.4 | 49.6 | -- |
| 03/01/2019 23:00 | US U. of Mich. Sentiment | Feb F | 95.9 | 93.8 | 95.5 | -- |
| 03/01/2019 | PK CPI YoY | Feb | 8.12% | -- | 7.20% | -- |
| 03/04/2019 07:50 | JN Monetary Base YoY | Feb | -- | -- | 4.70% | -- |
| 03/04/2019 08:00 | AU Melbourne Institute Inflation MoM | Feb | -- | -- | -0.10% | -- |
| 03/04/2019 08:30 | AU Building Approvals MoM | Jan | 1.00% | -- | -8.40% | -- |
| 03/04/2019 08:30 | AU Building Approvals YoY | Jan | -28.90% | -- | -22.50% | -- |
| 03/04/2019 08:30 | TA Nikkei Taiwan PMI Mfg | Feb | -- | -- | 47.5 | -- |
| 03/04/2019 08:30 | SK Nikkei South Korea PMI Mfg | Feb | -- | -- | 48.3 | -- |
| 03/04/2019 17:30 | UK Markit/CIPS UK Construction PMI | Feb | 50.5 | -- | 50.6 | -- |
| 03/04/2019 21:00 | SI Purchasing Managers Index | Feb | 50.4 | -- | 50.7 | -- |
| 03/04/2019 23:00 | US Construction Spending MoM | Dec | 0.20% | -- | 0.80% | -- |
| 03/01/2019 03/04 | SL Exports YoY | Dec | -- | -- | 4.10% | -- |

Source: Bloomberg

| OCBC Treasury Research | |
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