

Highlights

Global	<p>Global risk appetite sustained overnight as reflected in the rally in Wall Street and crude oil prices. Notably, FOMC minutes reinforced Fed chair Powell's cautious and patient message, with members judging "a relatively limited amount of additional tightening likely would be appropriate", whilst a few of the seven non-voting members had opposed the fourth rate hike in December 2018. Meanwhile, the USTR also reported that the recent US-China trade talks discussed "ways to achieve fairness, reciprocity and balance in trade relations" and the need for a mechanism for verification and enforcement, as well China's pledge to buy a buy "a substantial amount" of agricultural, energy and manufactured goods and services. Over in China, PBOC governor Yi Gang's comments that "the support has increased to reflect counter-cyclical adjustments" and a package of tax cuts for SMEs was announced yesterday.</p> <p>Given the prolonged US government shutdown and a lack of clarity on the US-China trade negotiations, Asian markets may tread cautiously today. The economic data calendar comprises China's CPI and PPI, and US' initial jobless claims. Speakers include Fed's Powell, Bullard, Evans, Kashkari and Clarida, and ECB's Villeroy.</p>
US	<p>Fed's Rosengren flagged that "recent data from China's economy, the potential for increased trade tensions, and heightened volatility all counsel for policy to be both flexible and patient" and "there should be no particular bias toward raising or lowering rates until the data more clearly indicate the path for domestic and international economic growth". He also reiterated that "my own view is that the economic outlook is actually brighter than the outlook one might infer from recent financial-market movements" and "there are many reasons to believe the consumer is still engaged and willing to spend". Separately, Evans also echoed that "because inflation is not showing any meaningful sign of heading above 2% in a way that would be inconsistent with our symmetric inflation objective, I feel we have good capacity to wait".</p>
CH	<p>PBoC announced to start its first TMLF operation in the second half January to support banks' lending to small business. Meanwhile, China's State Council unveiled more tax cut for small and micro business including subsidy to corporate income tax and higher threshold for value added tax. The new tax incentive is expected to bring down the tax burden for small business by CNY200 billion.</p>
UK	<p>BOE governor Carney also opined that the central bank will be "prudent not passive" after Brexit and warned of the risk of a further decline in the pound if markets judge that the "nature of that partnership" between UK and the EU is being weakened. Meanwhile, PM May is considering a Brexit Plan B following Wednesday's defeat in the House of Commons for the timetable of next steps if Parliament rejects her Brexit deal on 15 January.</p>
S G	<p>COE premiums rose for categories A, B and E in the latest tender.</p>

Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 advancing 0.41%. The DJIA increased by 0.39%, while the Nasdaq composite soared by 0.87%.
- Chesapeake Energy shares jumped 13% after it announced its fourth-quarter production outlook that was above expectations.
- Apple shares rose 1.7% after the Chief Executive described the ecosystem of the company as “never been stronger”.
- **Canada:** Bank of Canada kept its interest rates unchanged at 1.75% as expected and cut its 2019 growth forecast to 1.7% (-0.4% points), but hinted that rates still need to rise “over time” as it remains below the neutral rate of 2.5-3.5%, but there is “a degree of ambiguity into the timing”.
- **Singapore:** The STI added another 1.12% to close at 3158.07 yesterday, but morning cues from Nikkei and Kospi suggest that momentum may be subsiding amid the lack of fresh catalysts and investors are awaiting the earnings season. Given the upside is capped in the near-term, the STI may consolidate between 3110-3161. The UST bond yield curve steepened overnight amid the cautious FOMC minutes, the upcoming Saudi Arabia deal pricing and the 30-year UST bond sale, and this may lend further impetus to yesterday’s steepening in the SGS bond market.
- **North Korea:** North Korea leader Kim Jong-Un has concluded his official visit with China President Xi Jinping in a public show of unity. Talks between the US and North Korea over the latter’s nuclear arsenal have stalled since their historic meeting in Singapore and Kim could be looking to use China as leverage to force the US hands in easing sanctions.
- **Commodities:**
- **Energy:** WTI up +5.1% to return to bull territory on positive US-China talks, dovish FOMC minutes and Saudi Arabia’s commitment to reduce output. WTI has now gained 23% since hitting a low of \$42.53 on Christmas eve.
- **Agriculture:** Corn, beans and cotton started the day on a weak note but ended the session strongly on the string of positive news. Daily gains are negligible but expect positive sentiment to kickstart more buying today.
- **Gold:** Ended the day higher with gains of +0.6%, with heavy buying starting 9pm SGT to reverse the day’s losses.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 1bps higher across most tenors (with the exception of the 4-year and 5-year swap rates trading 2bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 161bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 600bps. 10Y UST yields rose 2bps earlier in the day as optimism from the potential trade deal between the United States and China continued to reduce safe haven demand. In the later part of the day, yields fell 4 bps to close at 2.71%, after minutes from the Fed’s December meeting indicated a dovish stance adopted by the Fed, and also due to the strong demand for the USD24bn supply in 10-year notes yesterday. Later today, the US Treasury Department will be selling USD16bn in 30-year bonds and Fed Chairman Jerome Powell is due to speak regarding the interest rate hikes.

- **New Issues:** RKPF Overseas 2019 (B) Ltd Ltd has priced a USD400mn 2-year, 3-month bond (parent guarantor: Road King Infrastructure Ltd) at 7.75%, tightening from IPT of 8.25%. ENN Clean Energy International Investment Ltd (parent guarantor: ENN Ecological Holdings Co Ltd) has scheduled for investor meetings from 10 Jan for its potential USD bond issuance. Shanghai Commercial Bank Ltd has mandated banks for its potential USD Tier 2 subordinated bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.219	-0.71%	USD-SGD	1.3533	-0.35%
USD-JPY	108.170	-0.53%	EUR-SGD	1.5625	0.55%
EUR-USD	1.1543	0.89%	JPY-SGD	1.2510	0.18%
AUD-USD	0.7170	0.42%	GBP-SGD	1.7306	0.20%
GBP-USD	1.2789	0.57%	AUD-SGD	0.9703	0.06%
USD-MYR	4.1143	-0.09%	NZD-SGD	0.9187	0.62%
USD-CNY	6.8160	-0.54%	CHF-SGD	1.3889	0.36%
USD-IDR	14125	-0.16%	SGD-MYR	3.0317	-0.03%
USD-VND	23196	-0.03%	SGD-CNY	5.0434	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	2.3913	--
2M	-0.3360	--	1M	2.5155	--
3M	-0.3080	--	2M	2.6464	--
6M	-0.2360	--	3M	2.7825	--
9M	-0.1940	--	6M	2.8526	--
12M	-0.1180	--	12M	3.0161	--

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%	0.5%	0.5%	99.5%	0.0%
03/20/2019	2.9%	0.5%	0.5%	96.6%	2.9%
05/01/2019	8.9%	0.5%	0.5%	90.6%	8.7%
06/19/2019	15.9%	0.4%	0.4%	83.7%	15.0%
07/31/2019	15.9%	0.4%	0.4%	83.6%	15.1%
09/18/2019	15.5%	3.1%	3.1%	81.4%	14.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.36	5.18%	Coffee (per lb)	1.053	0.24%
Brent (per barrel)	61.44	4.63%	Cotton (per lb)	0.7313	2.04%
Heating Oil (per gallon)	1.8808	2.94%	Sugar (per lb)	0.1287	0.86%
Gasoline (per gallon)	1.4254	4.61%	Orange Juice (per lb)	1.2355	1.02%
Natural Gas (per MMBtu)	2.9840	0.57%	Cocoa (per mt)	2,351	-1.30%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.2000	0.43%
Nickel (per mt)	11,113.5	--	Soybean (per bushel)	9.115	0.58%
Aluminium (per mt)	1,842.3	--	Corn (per bushel)	3.8200	0.53%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,292.0	0.47%	Crude Palm Oil (MYR/MT)	2,104.0	-0.24%
Silver (per oz)	15.735	0.14%	Rubber (JPY/KG)	186.9	3.03%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,879.12	91.67
S&P	2,584.96	10.55
Nasdaq	6,957.08	60.08
Nikkei 225	20,427.06	223.02
STI	3,158.07	35.13
KLCI	1,667.83	-4.93
JCI	6,272.24	9.39
Baltic Dry	1,262.00	--
VIX	19.98	-0.49

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (+0.01)	2.55 (-0.03)
5Y	2.02 (+0.02)	2.55 (-0.03)
10Y	2.28 (+0.04)	2.71 (-0.02)
15Y	2.51 (+0.04)	--
20Y	2.57 (+0.04)	--
30Y	2.69 (+0.04)	3.00 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.15	0.02
TED	34.44	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/09/2019 04:00	US Consumer Credit	Nov	\$17.500b	\$22.149b	\$25.384b	\$24.980b
01/09/2019 05:30	AU AiG Perf of Services Index	Dec	--	52.1	55.1	--
01/09/2019 07:00	SK Unemployment rate SA	Dec	3.90%	3.80%	3.80%	--
01/09/2019 08:00	NZ ANZ Commodity Price	Dec	--	-0.20%	-0.60%	-0.50%
01/09/2019 08:00	JN Labor Cash Earnings YoY	Nov	1.20%	2.00%	1.50%	--
01/09/2019 08:30	AU Building Approvals MoM	Nov	-0.30%	-9.10%	-1.50%	-1.40%
01/09/2019 08:30	AU Building Approvals YoY	Nov	-24.80%	-32.80%	-13.40%	-13.10%
01/09/2019 08:30	AU Job vacancies	Nov	--	1.30%	0.60%	1.10%
01/09/2019 15:00	GE Trade Balance	Nov	18.6b	20.5b	18.3b	18.9b
01/09/2019 15:00	GE Current Account Balance	Nov	24.8b	21.4b	15.9b	18.9b
01/09/2019 15:00	GE Exports SA MoM	Nov	-0.50%	-0.40%	0.70%	0.90%
01/09/2019 15:00	GE Imports SA MoM	Nov	0.00%	-1.60%	1.30%	0.80%
01/09/2019 15:45	FR Consumer Confidence	Dec	90	87	92	91
01/09/2019 16:00	SI Automobile COE Open Bid Cat A	Jan-09	--	25920	25501	--
01/09/2019 16:00	SI Automobile COE Open Bid Cat E	Jan-09	--	32909	31809	--
01/09/2019 16:00	SI Automobile COE Open Bid Cat B	Jan-09	--	32200	31001	--
01/09/2019 17:00	IT Unemployment Rate	Nov P	10.50%	10.50%	10.60%	--
01/09/2019 18:00	EC Unemployment Rate	Nov	8.10%	7.90%	8.10%	8.00%
01/09/2019 20:00	US MBA Mortgage Applications	Jan-04	--	23.50%	-8.50%	--
01/09/2019 21:15	CA Housing Starts	Dec	205.5k	213.4k	215.9k	224.3k
01/09/2019 23:00	CA Bank of Canada Rate Decision	Jan-09	1.75%	1.75%	1.75%	--
01/10/2019 03:00	US FOMC Meeting Minutes	Dec-19	--	--	--	--
01/10/2019 07:50	JN Official Reserve Assets	Dec	--	--	\$1258.3b	--
01/10/2019 07:50	JN Japan Buying Foreign Bonds	Jan-04	--	--	--	--
01/10/2019 07:50	JN Japan Buying Foreign Stocks	Jan-04	--	--	--	--
01/10/2019 07:50	JN Foreign Buying Japan Bonds	Jan-04	--	--	--	--
01/10/2019 07:50	JN Foreign Buying Japan Stocks	Jan-04	--	--	--	--
01/10/2019 08:01	UK BRC Sales Like-For-Like YoY	Dec	-0.30%	--	-0.50%	--
01/10/2019 09:00	PH Exports YoY	Nov	5.50%	--	3.30%	--
01/10/2019 09:00	PH Exports	Nov	--	--	\$6108.1m	--
01/10/2019 09:00	PH Imports YoY	Nov	13.30%	--	21.40%	--
01/10/2019 09:00	PH Imports	Nov	--	--	\$10320.0m	--
01/10/2019 09:00	PH Trade Balance	Nov	-\$4050m	--	-\$4210m	--
01/10/2019 09:30	CH CPI YoY	Dec	2.10%	--	2.20%	--
01/10/2019 09:30	CH PPI YoY	Dec	1.60%	--	2.70%	--
01/10/2019 11:00	SK Money Supply M2 SA MoM	Nov	--	--	0.90%	--
01/10/2019 11:00	SK Bank Lending To Household Total	Dec	--	--	KR822.2t	--
01/10/2019 13:00	JN Leading Index CI	Nov P	99.6	--	99.6	--
01/10/2019 13:00	JN Coincident Index	Nov P	103	--	104.9	--
01/10/2019 15:45	FR Industrial Production MoM	Nov	0.00%	--	1.20%	--
01/10/2019 15:45	FR Industrial Production YoY	Nov	-0.20%	--	-0.70%	--
01/10/2019 15:45	FR Manufacturing Production MoM	Nov	0.40%	--	1.40%	--
01/10/2019 15:45	FR Manufacturing Production YoY	Nov	--	--	-1.30%	--
01/10/2019 17:00	IT Retail Sales MoM	Nov	--	--	0.10%	--
01/10/2019 17:00	IT Retail Sales YoY	Nov	--	--	1.50%	--
01/10/2019 21:30	US Initial Jobless Claims	Jan-05	226k	--	231k	--
01/10/2019 21:30	CA New Housing Price Index MoM	Nov	0.00%	--	0.00%	--
01/10/2019 21:30	CA New Housing Price Index YoY	Nov	0.00%	--	0.10%	--
01/10/2019 21:30	CA Building Permits MoM	Nov	-0.50%	--	-0.20%	--
01/10/2019 21:30	US Continuing Claims	Dec-29	1740k	--	1740k	--
01/10/2019 22:45	US Bloomberg Consumer Comfort	Jan-06	--	--	59.6	--
01/10/2019 01/15	CH Money Supply M1 YoY	Dec	1.60%	--	1.50%	--
01/10/2019 01/15	CH Money Supply M0 YoY	Dec	3.00%	--	2.80%	--
01/10/2019 01/15	PK Exports YoY	Dec	--	--	-6.40%	-6.30%
01/10/2019 01/15	PK Imports YoY	Dec	--	--	-2.80%	--
01/10/2019 01/15	KZ Industrial Production YoY	Dec	--	--	2.30%	--
01/10/2019 01/13	VN Domestic Vehicle Sales YoY	Dec	--	--	35.50%	--
01/10/2019 01/15	NZ REINZ House Sales YoY	Dec	--	--	2.60%	--
01/10/2019 01/15	CH Money Supply M2 YoY	Dec	8.10%	--	8.00%	--
01/10/2019 01/15	CH New Yuan Loans CNY	Dec	850.0b	--	1250.0b	--

Source: Bloomberg

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