

Highlights

Global	<p>A glimmer of hope as US president Trump hinted that he could let the 1 March tariff deadline slide for a while although he is generally not inclined to, was sufficient to lift financial markets overnight. This came amid news that US Congress had also cut a deal to prevent another partial government shutdown on Friday, albeit Trump expressed displeasure at the provision of only US\$1.37b for new fencing. The US delegation led by Mnuchin and Lighthizer are due in Beijing for talks with Chinese Vice Premier Liu He tomorrow and Friday. The S&P500 closed higher, while UST bonds sold off on the renewed market optimism. Crude oil prices also rose from two-week lows as Saudi Arabia pledged to curb production cuts by another 500k barrels (more than what is required in the December deal).</p> <p>Asian markets may trade with a firmer tone this morning. First up this morning will be RBNZ's policy decision at 9am with no change for the 1.75% official cash rate tipped but governor Orr may hint at a neutral to more dovish stance. Today's economic data calendar comprises of US' CPI, Eurozone's industrial production, UK's CPI/PPI, and Taiwan's final 4Q18 GDP growth. Speakers include ECB's Lane and Villeroy, and Fed's Mester and Bostic.</p>
US	<p>US' NFIB small business optimism fell 3.2 points to 101.2 in January, but the JOLTS job openings surged 169k to a record high of 7.3m in December, led by construction, accommodation and food services which reinforced the healthy labour market picture.</p>
SG	<p>Retail sales again disappointed and contracted a larger than expected 6.0% yoy (-3.4% mom) in December, which is a deterioration from the revised 2.4% yoy (+0.1% mom sa) print in November 2018. Excluding autos retail sales also shrank 3.0% yoy compared to +0.5% yoy previously. The weakness was broad-based with all segments except for medical goods & toiletries registering on-year declines in December, but again motor vehicles contributed the largest drag at -20.7% yoy. Given the risk-off market sentiments amid the US partial government shutdown for a record 35 days and lingering US-China trade tensions, global growth forecast downgrades, and Brexit impasse amongst other headwinds, it was not entirely surprising that consumers turned cautious and chose to tighten their belts. Going ahead, domestic consumption is likely to be slightly more muted compared to last year, but as long as labour market conditions remain supported and the unemployment rate does not surge higher, a sharp decline in private consumption is not likely for now.</p>
IND	<p>The government has sold Rp25tn of bonds yesterday, which exceeded the target of Rp15tn. Incoming bids were reported at Rp66.4tn, the highest since the 16th January 2018 auction. Meanwhile, Bank Indonesia has announced that they will begin offering 3 months DNDF contracts.</p>
CMD	<p>The OPEC report yesterday showed a decline in OPEC crude production by -797k b/d, and estimated world demand to have dropped by -80k b/d. The global crude balance has now shifted from finely balanced in January at -60k b/d supply deficit to a staggering -700k b/d deficit. Saudi Arabia produced 10.2m b/d in January, lesser than its baseline output of 10.3m b/d, and has said it plans to further cut production to 9.8m b/d next month.</p>

Major Markets

- **US:** Wall Street ended higher on Tuesday, with the S&P500 advancing 1.29%. The DJIA rose 1.49%, while the Nasdaq composite increased 1.46%.
- **United Kingdom:** BOE governor Carney warned that a no-deal Brexit would hit living standards and a drop in the GBP would not solve the economic problems. He opined that the potential shock would serve as an “acid test” for other countries.
- **Singapore:** The STI declined 0.16% to close at 3201.15 yesterday, but may trade with a more upbeat tone today. Taking the cue from Wall Street’s gains overnight, STI may see support at 3200 and resistance at 3230. With UST bond yields edging up to 3-4bps higher and the yield curve steepening overnight, SGS bonds are likely to follow suit today and extend yesterday’s selloff.
- **Malaysia:** Foreign reserves rose to US\$102.1bn as of 31st January 2019 from US\$101.7bn as of 15th January 2019. Imports were sufficient to finance 7.4 months of retained imports one times the short-term external debt.
- **South Korea:** Minutes from the BoK showed that South Korea faced increasing external uncertainties while the economy faces low consumer inflation. Most agreed that any changes in monetary policy accommodation should be taken cautiously and requires further monitoring of both the domestic economic health as well as policy normalization by the Fed. Data this morning also showed South Korea’s adjusted unemployment rate in January hitting a high of 4.4%, the highest since January 2010 and second highest since March 2001. A trade resolution between US and China becomes increasingly important for the export-oriented South Korea economy, which is suffering from an uncertain business climate globally resulting from the trade tensions. The pressure is mounting on the BoK to ease interest rates, especially if South Korean data continues to show contraction in manufacturing and export activities.
- **Thailand:** Princess Ubolratana Rajakanya said she is sorry that her sincere intention to work for the country created unnecessary problems. The party that nominated her, the Thaksin-linked Thai Raksa Chart party, are currently facing investigation and may be banned from the elections altogether. Thaksin’s main political vehicle, the Pheu Thai party, has distanced themselves from the Thai Raksa Chart party, saying that “no matter what happens to other parties, our goal is to win this election for a chance to form the government that can solve these (economic) problems.”
- **Commodities:** The tentative deal reached in US Congress that should avert another shutdown (tending President Trump’s sign-off) and President Trump saying he may extend the 90-day truce all added to crude’s bullishness yesterday. WTI rose as high to \$54.05 yesterday (+3.1%) before closing at \$53.10 (+1.3%), while Brent rose to \$63.34 (+3.0%) before retracing to \$62.42 (+1.5%). If Saudi Arabia keeps to its promise of cutting production to 9.8m b/d, this will be bullish for oil and we expect WTI to test \$60 under that scenario.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 1-2bps higher while the longer tenors traded 2-3bps higher (with the exception of the 12-year swap rate trading only 1bps higher) . The Bloomberg Barclays

Asia USD IG Bond Index average OAS tightened 1bps to 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 518bps. 10Y UST yields rose 4bps to close the trading session at 2.69%, after a tentative agreement was made by US lawmakers to avoid another government shutdown, boosting stock markets and reducing safe-haven demand. Optimism that a deal will materialise out of the ongoing US-China trade talks also weighed in positively on market sentiments. Investors await the expected release of inflation data later in the day for further signals regarding the interest rate policy going forward.

- **New Issues:** Sunac China Holdings Ltd has priced a USD800mn 3NC2 bond (subsidiary guarantors: certain of company's restricted subsidiaries outside the PRC) at 7.875%, tightening from IPT of 8.125% area. Perusahaan Penerbit SBSN Indonesia III (obligor: The Government of the Republic of Indonesia represented by the Ministry of Finance) is expected to price a USD750mn 5.5-year Sukuk bond at 3.9% and a USD1.25bn 10-year Sukuk bond at 4.45%, tightening from IPT of 4.2% and 4.7% area respectively. Korea Development Bank has priced a USD1bn deal across 2 tranches, with the USD500mn 3-year bond at CT3+65bps (tightening from IPT of CT3+90bps area) and the USD500mn 5-year bond at CT5+85bps (tightening from IPT of CT5+110bps area). Bank of New Zealand has priced a USD750mn 5-year bond at CT5+108bps, tightening from IPT of CT5+125bps area. RHB Bank Berhad has priced a USD300mn 5-year bond at CT5+128bps, tightening from IPT of CT5+155bps area. Century Sunshine Group Holdings Ltd may price a USD 1.5-year bond (subsidiary guarantors: certain of the company's restricted subsidiaries outside the PRC) at 14%. China Construction Bank Corporation has scheduled investor meetings from 14 Feb for its potential USD 10NC5 Tier 2 bond issuance. Airport Authority (wholly owned by the Government of Hong Kong) has mandated banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.709	-0.36%	USD-SGD	1.3562	-0.35%
USD-JPY	110.480	0.09%	EUR-SGD	1.5360	0.09%
EUR-USD	1.1326	0.44%	JPY-SGD	1.2274	-0.45%
AUD-USD	0.7095	0.47%	GBP-SGD	1.7485	-0.04%
GBP-USD	1.2892	0.29%	AUD-SGD	0.9622	0.11%
USD-MYR	4.0775	0.12%	NZD-SGD	0.9136	-0.28%
USD-CNY	6.7740	-0.27%	CHF-SGD	1.3473	-0.63%
USD-IDR	14069	0.22%	SGD-MYR	3.0005	0.08%
USD-VND	23209	-0.01%	SGD-CNY	4.9886	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3863	--
2M	-0.3360	--	1M	2.4979	--
3M	-0.3080	--	2M	2.5855	--
6M	-0.2320	--	3M	2.6880	--
9M	-0.1940	--	6M	2.7336	--
12M	-0.1090	--	12M	2.9243	--

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%	1.0%	1.0%	99.0%	0.0%
05/01/2019	0.0%	3.0%	3.0%	97.0%	0.0%
06/19/2019	3.7%	2.9%	2.9%	93.4%	3.7%
07/31/2019	3.7%	3.6%	3.6%	92.7%	3.7%
09/18/2019	4.2%	3.6%	3.6%	92.2%	4.2%
10/30/2019	4.2%	4.1%	4.0%	91.8%	4.1%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.10	1.32%	Coffee (per lb)	1.005	0.25%
Brent (per barrel)	62.42	1.48%	Cotton (per lb)	0.6978	-1.09%
Heating Oil (per gallon)	1.9072	0.79%	Sugar (per lb)	0.1285	1.42%
Gasoline (per gallon)	1.4272	0.56%	Orange Juice (per lb)	1.1890	0.46%
Natural Gas (per MMBtu)	2.6880	1.74%	Cocoa (per mt)	2,227	0.13%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.2000	0.34%
Nickel (per mt)	12,415.5	--	Soybean (per bushel)	9.175	1.38%
Aluminium (per mt)	1,860.8	--	Corn (per bushel)	3.7825	1.48%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,309.2	0.17%	Crude Palm Oil (MYR/MT)	2,181.0	-0.64%
Silver (per oz)	15.690	--	Rubber (JPY/KG)	184.7	-1.76%

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

Equity and Commodity

Index	Value	Net change
DJIA	25,425.76	372.65
S&P	2,744.73	34.93
Nasdaq	7,414.62	106.71
Nikkei 225	20,864.21	531.04
STI	3,201.15	-5.12
KLCI	1,687.41	-1.15
JCI	6,426.33	-68.68
Baltic Dry	595.00	--
VIX	15.43	-0.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.98 (--)	2.51 (+0.02)
5Y	2.04 (+0.02)	2.50 (+0.03)
10Y	2.18 (+0.02)	2.69 (+0.03)
15Y	2.43 (+0.02)	--
20Y	2.49 (+0.02)	--
30Y	2.63 (+0.02)	3.02 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.30	-0.03
TED	35.36	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/12/2019 07:50	JN Money Stock M2 YoY	Jan	2.40%	2.40%	2.40%	--
02/12/2019 07:50	JN Money Stock M3 YoY	Jan	2.10%	2.10%	2.10%	--
02/12/2019 08:30	AU Home Loans MoM	Dec	-2.00%	-6.10%	-0.90%	--
02/12/2019 08:30	AU Owner-Occupier Loan Value MoM	Dec	--	-5.30%	-1.40%	-1.90%
02/12/2019 08:30	AU NAB Business Conditions	Jan	--	7	2	3
02/12/2019 08:30	AU NAB Business Confidence	Jan	--	4	3	--
02/12/2019 09:00	PH Exports YoY	Dec	2.80%	-12.30%	-0.30%	--
02/12/2019 09:00	PH Exports	Dec	--	\$4720.9m	\$5568.8m	--
02/12/2019 09:00	PH Imports YoY	Dec	5.00%	-9.40%	6.80%	--
02/12/2019 09:00	PH Trade Balance	Dec	-\$4060m	-\$3750m	-\$3901m	--
02/12/2019 10:00	NZ 2Yr Inflation Expectation	1Q	--	2.02%	2.03%	--
02/12/2019 12:30	JN Tertiary Industry Index MoM	Dec	-0.10%	-0.30%	-0.30%	-0.40%
02/12/2019 13:00	SI Retail Sales SA MoM	Dec	0.00%	-3.40%	0.20%	0.10%
02/12/2019 13:00	SI Retail Sales YoY	Dec	-3.60%	-6.00%	-3.00%	-2.40%
02/12/2019 14:00	JN Machine Tool Orders YoY	Jan P	--	-18.80%	-18.30%	--
02/12/2019 15:00	MA Foreign Reserves	Jan-31	--	\$102.1b	\$101.7b	--
02/12/2019 16:00	TA CPI YoY	Jan	0.33%	0.20%	-0.05%	-0.06%
02/12/2019 16:00	TA WPI YoY	Jan	--	0.75%	0.83%	0.77%
02/12/2019 16:20	TA Foreign Reserves	Jan	--	\$463.04b	\$461.78b	--
02/12/2019 19:00	US NFIB Small Business Optimism	Jan	103	101.2	104.4	104.4
02/12/2019 20:00	IN CPI YoY	Jan	2.50%	2.05%	2.19%	2.11%
02/12/2019 20:00	IN Industrial Production YoY	Dec	1.60%	2.40%	0.50%	0.30%
02/13/2019 00:00	NZ QV House Prices YoY	Jan	--	2.90%	3.20%	--
02/13/2019 07:00	SK Unemployment rate SA	Jan	3.80%	4.40%	3.80%	--
02/13/2019 07:30	AU Westpac Consumer Conf Index	Feb	--	--	99.6	--
02/13/2019 07:30	AU Westpac Consumer Conf SA MoM	Feb	--	--	-4.70%	--
02/13/2019 07:50	JN PPI YoY	Jan	1.00%	--	1.50%	--
02/13/2019 07:50	JN PPI MoM	Jan	-0.20%	--	-0.60%	--
02/13/2019 09:00	NZ RBNZ Official Cash Rate	Feb-13	1.75%	--	1.75%	--
02/13/2019 16:00	TA GDP YoY	4Q F	1.80%	--	1.76%	--
02/13/2019 17:30	UK CPI MoM	Jan	-0.70%	--	0.20%	--
02/13/2019 17:30	UK CPI YoY	Jan	1.90%	--	2.10%	--
02/13/2019 17:30	UK CPI Core YoY	Jan	1.90%	--	1.90%	--
02/13/2019 17:30	UK Retail Price Index	Jan	283.2	--	285.6	--
02/13/2019 17:30	UK RPI MoM	Jan	-0.80%	--	0.40%	--
02/13/2019 17:30	UK RPI YoY	Jan	2.60%	--	2.70%	--
02/13/2019 17:30	UK RPI Ex Mort Int.Payments (YoY)	Jan	2.60%	--	2.70%	--
02/13/2019 17:30	UK PPI Input NSA MoM	Jan	0.20%	--	-1.00%	--
02/13/2019 17:30	UK PPI Input NSA YoY	Jan	3.80%	--	3.70%	--
02/13/2019 17:30	UK PPI Output NSA MoM	Jan	0.00%	--	-0.30%	--
02/13/2019 17:30	UK PPI Output NSA YoY	Jan	2.20%	--	2.50%	--
02/13/2019 17:30	UK PPI Output Core NSA MoM	Jan	0.20%	--	0.20%	--
02/13/2019 17:30	UK PPI Output Core NSA YoY	Jan	2.30%	--	2.50%	--
02/13/2019 18:00	EC Industrial Production SA MoM	Dec	-0.40%	--	-1.70%	--
02/13/2019 18:00	EC Industrial Production WDA YoY	Dec	-3.30%	--	-3.30%	--
02/13/2019 20:00	US MBA Mortgage Applications	Feb-08	--	--	-2.50%	--
02/13/2019 21:30	CA Teranet/National Bank HPI MoM	Jan	--	--	-0.30%	--
02/13/2019 21:30	CA Teranet/National Bank HPI YoY	Jan	--	--	2.50%	--
02/13/2019 21:30	US CPI MoM	Jan	0.10%	--	-0.10%	0.00%
02/13/2019 21:30	US CPI Ex Food and Energy MoM	Jan	0.20%	--	0.20%	--
02/13/2019 21:30	US CPI YoY	Jan	1.50%	--	1.90%	--
02/13/2019 21:30	US CPI Ex Food and Energy YoY	Jan	2.10%	--	2.20%	--
02/13/2019 21:30	US CPI Core Index SA	Jan	260.603	--	260.027	260.078
02/13/2019 21:30	US CPI Index NSA	Jan	251.625	--	251.233	--
02/12/2019 02/20	SL Exports YoY	Dec	--	--	4.10%	--
02/13/2019 02/15	KZ Industrial Production YoY	Jan	--	--	0.10%	--
02/12/2019 02/15	CH Money Supply M0 YoY	Jan	8.40%	--	3.60%	--
02/12/2019 02/15	CH Money Supply M1 YoY	Jan	1.80%	--	1.50%	--
02/12/2019 02/15	CH New Yuan Loans CNY	Jan	3000.0b	--	1080.0b	--
02/12/2019 02/15	CH Money Supply M2 YoY	Jan	8.20%	--	8.10%	--
02/12/2019 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	35.70%	--

Source: Bloomberg

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