

Highlights

Global	<p>Market sentiment is likely to remain restrained ahead of tomorrow's US presidential inauguration, albeit UST bonds were spooked by a strong inflation print of +0.3% mom (forecast: 0.2%) and Fed chair Yellen's reiteration that "the economy is near maximum employment and inflation is moving toward our goal" and "it makes sense to gradually reduce the level of monetary policy support". She also noted that "I and most of my colleagues" were in favour of hiking interest rates "a few times a year" through end-2019. For today, ECB, BNM and BI rhetoric are likely to dominate the news chatter, albeit they are likely be static on policy rates. The economic data calendar comprises of US' initial jobless claims, Philadelphia Fed and housing starts.</p>
US	<p>China's holdings of UST bonds fell for a sixth straight month by US\$66.4b to US\$1.05t in Nov, marking the largest decline since Dec 2011, while Japan's holdings also slipped for the fourth consecutive month by US\$23.3b to US\$1.11t. The NAHB housing market index slipped more than a revised 69 in Dec to 67 in Jan. Industrial production rebounded from -0.0% in Nov to +0.8% in Dec, and drove capacity utilization to 75.5%. The Fed Beige Book highlighted the economy continued to expand at a modest pace, with a turnaround in manufacturing sales, tightening labour markets and somewhat intensifying pricing pressures.</p> <p>Meanwhile, Fed's Kaplan flagged that "of the imports from Mexico to the United States, 40 percent of the content is US content...if we didn't have this relationship, these jobs would likely be lost". This comes in contrast to Trump's anti-Mexico stance. Kaplan also noted that "we are gradually making progress on our inflation objective" and "I do think it would healthy sometime this year to have a discussion and debate about the Fed's balance sheet".</p>
CA	<p>Bank of Canada kept its policy rate unchanged at 0.5% as expected and tipped "significant uncertainties" from the US, including a shift towards protectionist global trade policies. Governor Poloz opined that "should any of those downside risks materialize and put our inflation target at risk then we would have the room to maneuver...a rate cut remains on the table and it would remain on the table as long as those downside risks were still present". The bank also upgraded its 2016 and 2017 GDP growth citing solid consumption, exports and government spending, and a largely complete commodity price correction.</p>
CH	<p>China reacted to the emerging risk of protectionism with an open mind. The State Council approved detailed plans to relax restrictions on foreign investment. This echoed President Xi Jinping's remarks in Davos that "pursuing protectionism is just like locking oneself in a dark room: wind and rain might be kept outside but so are light and air."</p>
Commodities	<p>There is always two sides to a coin; on one hand, market-watchers had cheered on OPEC's surprise decision to cut oil production by 1.2 million barrels per day (bpd), with non-OPEC countries following suit with their own cut of 0.6 million bpd just two weeks later. On the other hand, the oil bears will always be the harbingers of OPEC's cheating behaviour, US rise in oil production, and the relative higher oil inventories of late. For now, these bearish indicators were enough to bring oil prices lower overnight - WTI fell 2.7% and Brent followed at -2.8%.</p>

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Major Markets

- **US:** Equities were mixed on Wednesday as the S&P 500 and Nasdaq added 0.18% and 0.31%, while the Dow was held back by a decline in Goldman Sachs post-earnings, and shed 0.11%. Overall, the broader market was positive on CPI data release, and Yellen's comments that the economy is nearing the Fed's employment and inflation objectives. After-hours saw Netflix gain strongly as their new subscribers topped estimates. This should set a positive tone for tech stocks on Thursday's trading. VIX rose 5.1% to close at 12.48. Meanwhile, US Treasury yields rose strongly from recent lows on Yellen's comments on rate hike expectations. 2- and 10-year benchmark yields rose 7-11 bps to 1.22% and 2.43% respectively.
- **Singapore:** The STI retreated 0.42% yesterday to close at 3000.22 yesterday but may attempt to stay above the 3000 support given more upbeat US data cues and a more hawkish FOMC according to Yellen. Both Kospi and Nikkei are opening firmer this morning. With the overnight steepening of the UST bond yield curve amid healthy US inflation data, SGS bonds may trade lower today. Keep an eye on the issue size announcement for the 2-year SGS re-opening.
- **China:** The new rules will ease the investment barrier for service industry, manufacturing sector and mining industry. For service sector, foreign investment curbs on banking, security companies, asset management, futures, insurance and insurance brokers will be eased. In addition, restrictions on accounting, audit, architect design and rating agency will also be eased while China will gradually ease restrictions on telecom, internet, culture, education and transportation sectors. Meanwhile, foreign investors will also be allowed to participate in infrastructure investment in form of franchise investment. China will continue to improve fair treatment for foreign investors. For example, the minimum registered capital for foreign investment will be eliminated. The same land policy will be applied to domestic and foreign investors. Incentives will be given to foreign investors on use of industrial land for as low as of 70% price. On funding, China will create a supportive environment to improve the efficiency of capital usage and ease funding for foreign investors. China will promote two-way flows to attract MNCs to set their regional headquarters, purchasing centres and settlement centres in China. In addition, foreign investors will have the same channels as the local companies to raise money via equity financing, bond financing as well as foreign debt. Last but not least, China will also give foreign investors tax discounts to invest in less developed areas such as Central China, West China and the North East region of China.
- **Hong Kong:** According to the 2017 Policy Address, the expected supply of private residential units is 45% higher than the figure at the beginning of the current-term Government. The rise in housing supply in the coming 3 to 4 years combined with higher interest rates is likely to ease the upward risks on housing prices. Also, the housing cooling measures are expected to further reduce housing transactions. However, as the supply of public housing units still lags, this could limit the magnitude of correction in housing prices. In the coming decade, the supply of public housing is expected to account for only about 61% of total supply. Therefore, the housing market will remain distorted with a majority of lower-income households being unable to purchase a home as private homes are unaffordable and public homes are unavailable. Elsewhere, the government will support re-industrialization, innovation and technology, convention and exhibition, and the "Belt and Road Initiative" through land and labor resources, and additional investments. Finally, to support the elderly, the government plans to provide more service vouchers, increase community investment, relax the asset limits for the Old Age Living Allowance and lower the eligibility age for the Elderly Health Care Vouchers.
- **Indonesia:** Bank Indonesia is due to announce its monetary policy decision today. We expect it to keep its 7-day reverse repo rate on hold at 4.75%. Despite the fact that Rupiah has been commendably stable, we believe that BI will refrain from cutting rate now in view of global

uncertainties.

- **Malaysia:** Bank Negara will be announcing its overnight policy rate decision today, whereby we expect it to keep the rate on hold at 3.0%, as it adopts a wait-and-see attitude to see how the global and domestic factors play out.
- **Thailand:** Confidence in the industrial sector rose for its fourth straight month in December to its highest print in 22 months, according to the latest survey by the Federation of Thai Industries (FTI).
- **Commodities:** We do not deny that there are indeed many factors that may give rise to lower oil prices into the coming year. We know however, is that crude oil has been, and always been, a growth-related commodity. With the prospect of sustained economic growth traction especially in the US, very strong Chinese and Indian crude oil demand seen in 2016, and the eventual rebalancing fundamentals into the second half of this year, crude oil has potential to breach its \$60/bbl handle in 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates rising 1-3bps across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 198bps, while the yield on JACI HY Corporates rose 1bps to 6.77%. 10y UST yield spiked 10bps yesterday to 2.41% after U.S Fed Chair Yellen expressed that she is expected to raise rates “a few times a year” through the end of 2019. In addition, US CPI data showed a fifth monthly advance, bolstering arguments that inflation is taking hold.
- **New Issues:** Republic of Philippines priced a USD2bn 25-year bond at 3.70%, tightening from initial guidance of 3.95%. The expected issue ratings are ‘BBB/Baa2/BBB-’. The Export-Import Bank of Korea priced a USD1.5bn 3-tranche debt offering, a USD500mn 3-year piece at CT3+70bps, tightening from initial guidance of CT3+85bps, a USD500mn 5-year piece at CT5+92.5bps, tightening from initial guidance of CT5+110bps, and a USD500mn 5-year piece at 3mL+87.5bps. The expected issue ratings are ‘AA/Aa2/AA-’. ANZ New Zealand priced a USD1bn 2-tranche debt offering, a USD700mn 5-year piece at CT5+105bps, tightening from initial guidance of CT5+120bps, and a USD300mn 5-year piece at 3mL+100bps. The expected issue ratings are ‘AA-/Aa3/AA-’. Yuzhou Properties Co. Ltd. priced a USD350mn 5NC3 bond at 6.1%, tightening from initial guidance of 6.5%. The expected issue ratings are ‘NR/B1/BB-’. China Finance 2017 Co. priced a USD1.5bn NC5 perp at 4.70% (guaranteed by China Huarong International Holdings Ltd.) tightening from initial guidance of 4.75%. The expected issue rating is ‘NR/Baa1/A-’. United Photovoltaics Group Ltd. priced a USD250mn 3-year bond at 8.25%, tightening from initial guidance of 9.13%. The expected issue rating is ‘NR/B1/NR’. Reward International Investment Ltd. priced a USD200mn 3-year bond (guaranteed by Reward Science and Technology Industry Group Co.) at 7.50%, tightening from initial guidance of high 7% area. The expected issue rating is ‘B+/B1/NR’. Asahi Mutual Life priced a USD350mn NC5 perp at 7.25%, tightening from initial guidance of 7.75%. The expected issue ratings are ‘NR/NR/BB-’. Central Plaza Development Ltd. priced a USD400mn 3-year bond (guaranteed by International Financial Center Property Ltd.) at CT3+252.5bps, tightening from initial guidance of CT3+285bps. The expected issue ratings are ‘NR/NR/BBB’. Beijing Properties Holdings Ltd. will hold a non-deal investor roadshow from 23 – 24 January for potential USD bond issue.
- **Rating Changes:** Moody’s changed Sunac China Holdings Limited’s outlook to negative from stable for its ‘B2’ corporate family and ‘B3’ senior unsecured ratings. In addition, Moody’s affirmed the two ratings. The rating action follows Sunac’s announcement that it had entered into sales-and-purchase for a stake in Leshi Group, and reflects Moody’s concern that Sunac has increased its business risk because it has no experience in Leshi’s business.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.930	0.60%	USD-SGD	1.4296	1.00%
USD-JPY	114.650	1.80%	EUR-SGD	1.5196	0.21%
EUR-USD	1.0630	-0.77%	JPY-SGD	1.2468	-0.81%
AUD-USD	0.7505	-0.82%	GBP-SGD	1.7529	-0.24%
GBP-USD	1.2261	-1.23%	AUD-SGD	1.0729	0.18%
USD-MYR	4.4443	-0.41%	NZD-SGD	1.0181	-0.32%
USD-CNY	6.8496	0.07%	CHF-SGD	1.4190	0.40%
USD-IDR	13347	0.11%	SGD-MYR	3.1269	-0.48%
USD-VND	22543	--	SGD-CNY	4.8175	-0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.6900	--
2M	-0.3390	--	1M	0.7694	--
3M	-0.3290	--	2M	0.8378	--
6M	-0.2390	--	3M	1.0248	--
9M	-0.1530	--	6M	1.3324	--
12M	-0.0980	--	12M	1.7023	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.18	-1.40	3.84
Italy	-0.10	-1.10	1.96
Ireland	-0.39	3.00	0.96
Greece	7.34	-1.30	7.09
Spain	-0.29	-0.90	1.45
Russia	2.48	-0.50	4.32

Equity and Commodity

Index	Value	Net change
DJIA	19,804.72	-22.05
S&P	2,271.89	4.00
Nasdaq	5,555.65	16.93
Nikkei 225	18,894.37	80.84
STI	3,000.22	-12.55
KLCI	1,665.02	1.99
JCI	5,294.78	27.85
Baltic Dry	952.00	30.00
VIX	12.48	0.61

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.14 (--)	1.22 (+0.07)
5Y	1.77 (+0.03)	1.94 (+0.12)
10Y	2.32 (+0.03)	2.43 (+0.1)
15Y	2.64 (+0.02)	--
20Y	2.73 (+0.03)	--
30Y	2.73 (+0.02)	3.01 (+0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.00	0.28
EURIBOR-OIS	2.40	--
TED	49.18	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.08	-2.67%	Coffee (per lb)	1.492	-0.47%
Brent (per barrel)	53.92	-2.79%	Cotton (per lb)	0.7226	0.21%
Heating Oil (per gallon)	1.6092	-2.39%	Sugar (per lb)	0.2098	1.21%
Gasoline (per gallon)	1.5487	-3.23%	Orange Juice (per lb)	1.6975	-2.22%
Natural Gas (per MMBtu)	3.3020	-3.22%	Cocoa (per mt)	2,233	-0.09%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,769.0	0.26%	Wheat (per bushel)	4.3100	-0.58%
Nickel (per mt)	10,140.0	0.14%	Soybean (per bushel)	10.750	0.54%
Aluminium (per mt)	1,831.0	2.08%	Corn (per bushel)	3.6500	-0.14%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,212.1	-0.07%	Crude Palm Oil (MYR/MT)	3,243.0	-0.37%
Silver (per oz)	17.274	0.73%	Rubber (JPY/KG)	303.2	-1.24%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
01/18/2017	07:30	AU Westpac Consmr Conf SA MoM	Jan	--	0.10%	-3.90%	--
01/18/2017	10:00	NZ Non Resident Bond Holdings	Dec	--	63.20%	63.60%	--
01/18/2017	12:00	MA CPI YoY	Dec	1.90%	1.80%	1.80%	--
01/18/2017	15:00	GE CPI YoY	Dec F	1.70%	1.70%	1.70%	--
01/18/2017	15:00	GE CPI MoM	Dec F	0.70%	0.70%	0.70%	--
01/18/2017	15:00	GE CPI EU Harmonized MoM	Dec F	1.00%	1.00%	1.00%	--
01/18/2017	15:00	GE CPI EU Harmonized YoY	Dec F	1.70%	1.70%	1.70%	--
01/18/2017	16:00	SI Automobile COE Open Bid Cat B	Jan-18	--	52807	53106	--
01/18/2017	16:00	SI Automobile COE Open Bid Cat A	Jan-18	--	50889	50101	--
01/18/2017	17:30	UK Claimant Count Rate	Dec	2.30%	2.30%	2.30%	--
01/18/2017	17:30	UK Jobless Claims Change	Dec	5.0k	-10.1k	2.4k	1.3k
01/18/2017	17:30	UK ILO Unemployment Rate 3Mths	Nov	4.80%	4.80%	4.80%	--
01/18/2017	18:00	EC CPI MoM	Dec	0.50%	0.50%	-0.10%	-0.10%
01/18/2017	18:00	EC CPI YoY	Dec F	1.10%	1.10%	1.10%	--
01/18/2017	18:00	EC CPI Core YoY	Dec F	0.90%	0.90%	0.90%	--
01/18/2017	20:00	US MBA Mortgage Applications	Jan-13	--	0.80%	5.80%	--
01/18/2017	21:30	US CPI MoM	Dec	0.30%	0.30%	0.20%	--
01/18/2017	21:30	US CPI Ex Food and Energy MoM	Dec	0.20%	0.20%	0.20%	--
01/18/2017	21:30	US CPI YoY	Dec	2.10%	2.10%	1.70%	--
01/18/2017	21:30	US CPI Ex Food and Energy YoY	Dec	2.20%	2.20%	2.10%	--
01/18/2017	21:30	US CPI Core Index SA	Dec	249.753	249.93	249.357	--
01/18/2017	21:30	US CPI Index NSA	Dec	241.508	241.432	241.353	--
01/18/2017	22:15	US Industrial Production MoM	Dec	0.60%	0.80%	-0.40%	-0.70%
01/18/2017	22:15	US Capacity Utilization	Dec	75.40%	75.50%	75.00%	74.90%
01/18/2017	23:00	CA Bank of Canada Rate Decision	Jan-18	0.50%	0.50%	0.50%	--
01/18/2017	23:00	US NAHB Housing Market Index	Jan	69	67	70	69
01/18/2017	01/23	ID Local Auto Sales	Dec	--	--	99935	--
01/19/2017	05:00	US Total Net TIC Flows	Nov	--	\$23.7b	\$18.8b	\$20.6b
01/19/2017	05:00	US Net Long-term TIC Flows	Nov	--	\$30.8b	\$9.4b	\$9.3b
01/19/2017	05:00	SK PPI YoY	Dec	--	1.80%	0.70%	--
01/19/2017	05:30	NZ BusinessNZ Manufacturing PMI	Dec	--	54.5	54.4	54.5
01/19/2017	05:45	NZ Building Permits MoM	Nov	--	-9.20%	2.60%	2.00%
01/19/2017	07:50	JN Foreign Buying Japan Bonds	Jan-13	--	--	¥626.1b	--
01/19/2017	07:50	JN Foreign Buying Japan Stocks	Jan-13	--	--	¥346.8b	--
01/19/2017	08:01	UK RICS House Price Balance	Dec	30%	--	30%	--
01/19/2017	08:30	AU Employment Change	Dec	10.0k	--	39.1k	--
01/19/2017	08:30	AU Unemployment Rate	Dec	5.70%	--	5.70%	--
01/19/2017	08:30	AU Full Time Employment Change	Dec	--	--	39.3k	--
01/19/2017	08:30	AU Participation Rate	Dec	64.60%	--	64.60%	--
01/19/2017	12:00	JN Tokyo Condominium Sales YoY	Dec	--	--	-22.70%	--
01/19/2017	14:00	JN Machine Tool Orders YoY	Dec F	--	--	4.40%	--
01/19/2017	15:00	MA BNM Overnight Policy Rate	Jan-19	3.00%	--	3.00%	--
01/19/2017	16:30	HK Unemployment Rate SA	Dec	3.30%	--	3.30%	--
01/19/2017	17:00	EC ECB Current Account SA	Nov	--	--	28.4b	--
01/19/2017	17:30	IT Current Account Balance	Nov	--	--	6086m	--
01/19/2017	20:45	EC ECB Main Refinancing Rate	Jan-19	0.00%	--	0.00%	--
01/19/2017	20:45	EC ECB Marginal Lending Facility	Jan-19	0.25%	--	0.25%	--
01/19/2017	20:45	EC ECB Deposit Facility Rate	Jan-19	-0.40%	--	-0.40%	--
01/19/2017	21:30	CA Int'l Securities Transactions	Nov	--	--	15.75b	--
01/19/2017	21:30	CA Manufacturing Sales MoM	Nov	1.00%	--	-0.80%	--
01/19/2017	21:30	US Housing Starts	Dec	1188k	--	1090k	--
01/19/2017	21:30	US Building Permits	Dec	1225k	--	1201k	1212k
01/19/2017	21:30	US Initial Jobless Claims	Jan-14	252k	--	247k	--
01/19/2017	21:30	US Continuing Claims	Jan-07	2075k	--	2087k	--
01/19/2017	21:30	US Philadelphia Fed Biz Outlook	Jan	15.3	--	21.5	19.7
01/19/2017		HK Composite Interest Rate	Dec	--	--	0.26%	--
01/19/2017		PH BoP Overall	Dec	--	--	-\$1671m	--
01/19/2017	01/31	PH Budget Balance PHP	Dec	--	--	-19.1b	--
01/19/2017		ID Bank Indo 7D Reverse Repo	Jan-19	4.75%	--	4.75%	--

Source: Bloomberg

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