

Highlights

Global	<p>US president Trump's plan to slap 25% of tariffs on steel and 10% on aluminium imports next week, which already prompted protests from Canada and the European Union, is likely to dampen global risk appetite today amid heightened prospects of a trade war. Wall Street closed lower amid a rerating of industrial stocks. This comes ahead of Chinese adviser Liu He's meetings with US economic adviser Gary Cohn, Trade Rep Lighthizer and Treasury Secretary Mnuchin, and the risk of Chinese retaliation is hovering at the back of investors' minds. Meanwhile, Fed chair Powell's testimony to the Senate Banking Committee flagged that "there's no evidence the economy is currently overheating...we don't see any strong evidence yet of a decisive move up in wages" and "by continuing to gradually raise interest rates over time, we're trying to balance those two things and achieve inflation moving up to target but also make sure the economy doesn't overheat".</p> <p>Asian bourses may open lower this morning, as concerns over a potential trade war, a more hawkish FOMC and Italian elections on Sunday pose headwinds to any risk-taking. Today's economic data calendar comprises US' University of Michigan sentiments, European PPI, German retail sales, Thai CPI and foreign reserves, and S'pore manufacturing and electronics PMIs. ECB's Mersch and BOE's Carney are also speaking.</p>
US	<p>Core PCE deflator rose 0.3% mom (1.5% yoy) in Jan18, matching market expectations, while the manufacturing ISM rose 1.7 points to 60.8, with prices paid and payrolls increasing to 74.2 (previously 72.7) and 59.7 (previously 54.2) respectively, while new orders fell to 64.2 (previously 65.4).</p>
PMI	<p>Asian manufacturing PMIs for Jan18 saw China's Caixin a tad improved at 51.6 (previously 51.5), together with Japan (54.1 versus 54.0), Indonesia (51.4 versus 49.9), Vietnam (53.5 versus 53.4), whereas Taiwan retreated (56.0 versus 56.) and Malaysia fell back into contraction territory (49.9 versus 50.5). That said, seasonal effects due to the CNY festive season may skew Jan-Feb readings, so we may have to wait for the March data for clarity.</p>
SG	<p>DPM Teo said the government will not accept the 9% salary increase recommended by a review committee for ministers.</p>
KR	<p>Industrial production surprised higher at 4.6% in January, up from a revised contraction of 4.6% the month before. This follows the better-than-expected export print at 4.0% in February.</p>
CMD	<p>Crude oil fell further into the week amid a lower equity market and mounting risks over higher US crude oil production. Other commodities including precious metals, base metals and crude palm oil also fell overnight, a signal that market-watchers entered a sell-off mode on news that US President Trump is to impose a 25% duties on steel imports and 10% on aluminium imports. To-date, US is the world's largest steel & aluminium importer, representing approximately 8% and 13% of global import, respectively. Especially for aluminium, key exporters including China (11.2% of global exports and being the world's largest exporter), Germany (8.4%) and UAE (7.8%) are likely to be most adversely affected. On the onset of the news, steel and aluminium prices rallied 4.35% and 0.65% overnight, respectively. Closer to Asia, crude palm oil prices fell further by 0.4% to MYR2,549/MT as profit-taking ensued from the weakness in US soyoil. Note that Malaysia is still seeking the EU to not ban palm oil in biofuels during talks this week.</p>

Major Market

- **US:** Equities continue to be buffeted by negative headlines, this time from Trump's announcement of new import tariffs on aluminium and steel imports. Moving forward, keep a close watch for further refinements in the announcement, specifically if there will be exemptions for allied countries. This would take the heat off immediate concerns of reciprocal trade barriers from most other nations. The S&P 500 slid by a further 1.33%, after clocking losses of more than 1% in the past two sessions. The Dow and Nasdaq Composite also declined 1.68% and 1.27% respectively.
- Trump's announcement added to Powell's comments that there are no immediate signs of overheating in the US economy, sparking a risk-off rally in US Treasuries. US Treasury yields fell 4-6 bps across the curve, with the 2y and 10y benchmarks standing at 2.212% and 2.808% at NY close. Note that the 10y yield is drifting away from the key 3.0% mark.
- **Singapore:** The STI extended declines by 0.12% to close at 3513.85 yesterday, and the 3500 support looks vulnerable to give way today amid the overnight Wall Street sell-off and morning slippage by Nikkei and Kospi. STI's support and resistance are tipped at 3487 and 3520. With the risk-off market tone, SGS bonds are likely to rally on the flight to quality in line with gains seen in the UST bonds as the growing spectre of a trade war.
- **Indonesia:** Headline CPI slowed to 3.18% yoy in February 2018 (Jan 2018: 3.25% yoy) as food items such as poultry, chillies and vegetables helped cool inflation. Core CPI also moderated to 2.58% yoy (Jan 2018: 2.69% yoy). Regardless, concerns of a Fed rate hike would limit the space that BI has to engage in any rate cut despite this easing in inflation. BI confirmed this too today by reiterating that there is little room to engage in any rate cut. Meanwhile, credit disbursement grew at a slower pace of 7.4%, YoY in January 2018 (Dec 2017: 8.24%) and BI continued to intervene in the FX market to support the Rupiah.
- **Macau:** Gross gaming revenue grew at its slowest pace since January 2017 by 5.7% yoy in February 2018, despite a 6.5% yoy increase in total visitor arrivals during Lunar New Year Holiday. The deceleration in growth could be attributed to high base effect. Besides, it reveals that gaming growth driven by recreational gamblers might have been weaker than that fueled by VIP demand. This year, VIP segment is succumbed to both policy risk and liquidity risk. Therefore, even though mass-market segment may be supported by improvement in tourism activities, we expect gaming growth will moderate to 10%-15% in 2018 from 19.1% in the previous year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 2bps higher for the 1-year tenor while the medium to longer tenors traded 4-6bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 114bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 344bps. 10Y UST yields fell 5bps to 2.81% as President Trump's pledge to impose stiff tariffs on foreign metals (25% duties on steel and 10% studies on aluminium) sparked fears of a potential global trade war.
- **New issues:** Fantasia Holdings Group Co Ltd has priced a USD350mn 3-year bond at 8.375%, tightening from its initial price guidance of 8.5% area. The expected issue

ratings are 'B+/B3/NR'. Franshion Brilliant Ltd has priced a CNH1.25bn 3-year bond (guaranteed by China Jinmao Holdings Group Ltd) at 5.2%, in line with its initial price guidance. The expected issue ratings are 'BBB-/NR/NR'. Bank Of China Ltd, Hong Kong Branch has priced a USD2.25bn deal across 3-tranches, with the USD1bn 3-year FRN priced at 3mL+75bps, tightening from its initial guidance of 3mL+100bps area; the USD1bn 5-year FRN priced at 3mL+85bps, tightening from its initial guidance of 3mL+110bps area and the USD250mn 10-year bond priced at CT10+125bps area, , tightening from its initial guidance of CT10+145bps area. The expected issue ratings are 'A/A1/A'. UPL Corp Ltd has priced a USD300mn 10-year bond at CT10+173bps, tightening from its initial guidance of CT10+200bps area. The expected issue ratings are 'BBB-/NR/BBB-'. Agile Group Holdings Ltd has sold an additional USD100mn senior perp bond and will form a single series with the USD300mn 6.875% senior perp bond. Chengdu Xingcheng Investment Group Co Ltd has scheduled for investor meetings from 2 Mar for its potential EUR bond issuance. The expected issue ratings are 'NR/NR/BBB+'. Toyota Industries has scheduled for investor meetings from 5 Mar for its potential USD bond issuance. The expected issue ratings are 'AA-/A1/NR'. Trafigura Group Pte Ltd has scheduled for investor meetings from 5 Mar for its potential USD 5-7 year bond. PT Bumi Serpong Damai Tbk has hired banks for its potential USD bond issuance.

- **Rating changes:** Moody's has upgraded the senior unsecured ratings of Barrick Gold Corporation and all the rated subsidiaries to 'Baa2' from 'Baa3'. The outlook is stable. The rating action reflects Barrick's aggressive deleveraging with the expectation that debt will be further reduced so that adjusted leverage will remain well below 2x even as production declines. Moody's has assigned a 'B3' rating to the proposed senior unsecured US dollar bond to be issued by Fantasia Holdings Group Co Ltd. Moody's has also affirmed the company's 'B2' corporate family rating and the 'B3' senior unsecured ratings. The outlook is stable. The rating action reflects Moody's expectation that the new bond proceeds will address the repayment of the existing outstanding USD note due in 2Q2018 and its liquidity position will remain adequate over the next 12 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.324	-0.32%	USD-SGD	1.3230	-0.14%
USD-JPY	106.240	-0.41%	EUR-SGD	1.6230	0.46%
EUR-USD	1.2267	0.60%	JPY-SGD	1.2452	0.27%
AUD-USD	0.7756	-0.08%	GBP-SGD	1.8225	-0.03%
GBP-USD	1.3776	0.12%	AUD-SGD	1.0261	-0.21%
USD-MYR	3.9285	0.29%	NZD-SGD	0.9589	0.37%
USD-CNY	6.3582	0.43%	CHF-SGD	1.4047	0.15%
USD-IDR	13748	-0.02%	SGD-MYR	2.9610	0.01%
USD-VND	22743	-0.07%	SGD-CNY	4.7899	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	0/N	1.4425	--
2M	-0.3410	--	1M	1.6701	--
3M	-0.3270	--	2M	1.8140	--
6M	-0.2700	--	3M	2.0172	--
9M	-0.2220	--	6M	2.2238	--
12M	-0.1910	--	12M	2.5022	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
03/21/2018	100.0%	90.0%	10.0%	0.0%	0.0%
05/02/2018	100.0%	86.2%	13.4%	0.4%	0.0%
06/13/2018	100.0%	22.6%	67.0%	10.0%	0.3%
08/01/2018	100.0%	20.8%	63.4%	14.7%	1.1%
09/26/2018	100.0%	9.2%	39.6%	41.8%	8.7%
11/08/2018	100.0%	8.2%	36.3%	41.6%	12.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	60.99	-1.05%	Copper (per mt)	6,885.0	-0.30%
Brent (per barrel)	63.83	-2.96%	Nickel (per mt)	13,420.0	-2.42%
Heating Oil (per gallon)	1.8855	-1.47%	Aluminium (per mt)	2,143.3	0.65%
Gasoline (per gallon)	1.8964	7.89%			
Natural Gas (per MMBtu)	2.6980	1.16%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,549.0	-0.39%
			Rubber (JPY/KG)	192.5	-0.67%
Precious Metals	Futures	% chg			
Gold (per oz)	1,305.2	-0.96%			
Silver (per oz)	16.276	-0.80%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,608.98	-420.22
S&P	2,677.67	-36.16
Nasdaq	7,180.56	-92.45
Nikkei 225	21,724.47	-343.77
STI	3,513.85	-4.09
KLCI	1,860.86	4.66
JCI	6,606.05	8.84
Baltic Dry	1,192.00	--
VIX	22.47	2.62

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.67 (+0.01)	2.21 (-0.04)
5Y	2.00 (-0.02)	2.58 (-0.06)
10Y	2.36 (-0.03)	2.81 (-0.05)
15Y	2.68 (-0.02)	--
20Y	2.72 (-0.02)	--
30Y	2.87 (-0.02)	3.08 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	39.79	0.68
EURIBOR-OIS	3.04	0.08
TED	37.82	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/01/2018 07:50	JN Japan Buying Foreign Bonds	Feb-23	--	¥201.3b	¥553.1b	¥512.6b
03/01/2018 07:50	JN Capital Spending YoY	4Q	3.00%	4.30%	4.20%	--
03/01/2018 08:00	SK Exports YoY	Feb	0.50%	4.00%	22.20%	--
03/01/2018 08:00	SK Trade Balance	Feb	\$2391m	\$3311m	\$3721m	--
03/01/2018 08:00	SK Imports YoY	Feb	12.00%	14.80%	20.90%	--
03/01/2018 08:30	JN Nikkei Japan PMI Mfg	Feb F	--	54.1	54	--
03/01/2018 08:30	TA Nikkei Taiwan PMI Mfg	Feb	--	56	56.9	--
03/01/2018 08:30	VN Nikkei Vietnam PMI Mfg	Feb	--	53.5	53.4	--
03/01/2018 08:30	ID Nikkei Indonesia PMI Mfg	Feb	--	51.4	49.9	--
03/01/2018 09:45	CH Caixin China PMI Mfg	Feb	51.3	51.6	51.5	--
03/01/2018 12:00	ID CPI Core YoY	Feb	2.60%	2.58%	2.69%	--
03/01/2018 12:00	ID CPI YoY	Feb	3.28%	3.18%	3.25%	--
03/01/2018 13:00	JN Vehicle Sales YoY	Feb	--	-4.90%	-5.70%	--
03/01/2018 15:00	UK Nationwide House PX MoM	Feb	0.10%	-0.30%	0.60%	0.80%
03/01/2018 16:00	TA Export Orders YoY	Jan	16.10%	19.70%	17.50%	--
03/01/2018 16:32	MU Hotel Occupancy Rate	Jan	--	90.3	92.5	--
03/01/2018 16:45	IT Markit Italy Manufacturing PMI	Feb	58	56.8	59	--
03/01/2018 16:50	FR Markit France Manufacturing PMI	Feb F	56.1	55.9	56.1	--
03/01/2018 16:55	GE Markit Germany Manufacturing PMI	Feb F	60.3	60.6	60.3	--
03/01/2018 17:00	EC Markit Eurozone Manufacturing PMI	Feb F	58.5	58.6	58.5	--
03/01/2018 17:30	UK Mortgage Approvals	Jan	62.0k	67.5k	61.0k	61.7k
03/01/2018 17:30	UK Money Supply M4 MoM	Jan	--	1.50%	-0.60%	--
03/01/2018 17:30	UK Markit UK PMI Manufacturing SA	Feb	55	55.2	55.3	--
03/01/2018 18:00	EC Unemployment Rate	Jan	8.60%	8.60%	8.70%	8.60%
03/01/2018 21:30	CA Current Account Balance	4Q	-\$17.65b	-\$16.35b	-\$19.35b	-\$18.59b
03/01/2018 21:30	US Personal Income	Jan	0.30%	0.40%	0.40%	--
03/01/2018 21:30	US Personal Spending	Jan	0.20%	0.20%	0.40%	--
03/01/2018 21:30	US PCE Deflator YoY	Jan	1.70%	1.70%	1.70%	--
03/01/2018 21:30	US PCE Core MoM	Jan	0.30%	0.30%	0.20%	--
03/01/2018 21:30	US PCE Core YoY	Jan	1.50%	1.50%	1.50%	--
03/01/2018 21:30	US Initial Jobless Claims	Feb-24	225k	210k	222k	220k
03/01/2018 21:30	US Continuing Claims	Feb-17	1925k	1931k	1875k	1874k
03/01/2018 22:30	CA Markit Canada Manufacturing PMI	Feb	--	55.6	55.9	--
03/01/2018 22:45	US Bloomberg Consumer Comfort	Feb-25	--	56.2	56.6	--
03/01/2018 22:45	US Markit US Manufacturing PMI	Feb F	55.9	55.3	55.9	--
03/01/2018 23:00	US Construction Spending MoM	Jan	0.30%	0.00%	0.70%	0.80%
03/01/2018 23:00	US ISM Manufacturing	Feb	58.7	60.8	59.1	--
03/01/2018 23:00	US ISM Prices Paid	Feb	70	74.2	72.7	--
03/02/2018 05:45	NZ Building Permits MoM	Jan	--	0.20%	-9.60%	-9.50%
03/02/2018 07:00	SK Industrial Production YoY	Jan	1.70%	4.60%	-6.00%	-4.60%
03/02/2018 07:30	JN Jobless Rate	Jan	2.80%	--	2.80%	--
03/02/2018 07:30	JN Tokyo CPI YoY	Feb	1.40%	--	1.30%	--
03/02/2018 07:50	JN Monetary Base YoY	Feb	--	--	9.70%	--
03/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Feb	--	--	50.7	--
03/02/2018 11:30	TH CPI YoY	Feb	0.70%	--	0.68%	--
03/02/2018 11:30	TH CPI Core YoY	Feb	0.60%	--	0.58%	--
03/02/2018 15:30	TH Foreign Reserves	Feb-23	--	--	\$213.4b	--
03/02/2018 16:30	HK Retail Sales Value YoY	Jan	5.20%	--	5.80%	--
03/02/2018 17:00	IT GDP WDA QoQ	4Q F	0.30%	--	0.30%	--
03/02/2018 17:30	UK Markit UK Construction PMI	Feb	50.5	--	50.2	--
03/02/2018 21:00	SI Electronics Sector Index	Feb	--	--	52.9	--
03/02/2018 21:00	SI Purchasing Managers Index	Feb	53.1	--	53.1	--
03/02/2018 21:30	CA GDP MoM	Dec	0.10%	--	0.40%	--
03/02/2018 21:30	CA Quarterly GDP Annualized	4Q	2.00%	--	1.70%	--
03/02/2018 23:00	US U. of Mich. Sentiment	Feb F	99.5	--	99.9	--
03/01/2018 03/02	US Wards Total Vehicle Sales	Feb	17.20m	16.96m	17.07m	--

Source: Bloomberg

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