

Highlights

Global	<p>Equity markets are off to a roaring start, with the Dow Jones Industrial Average crossing 25,000 for the first time amid a better than expected ADP report, which left market watchers anticipating tonight's key US' nonfarm payrolls (NFP) and unemployment report. Both UST bonds and USD edged lower. Even a snowstorm on the US East Coast failed to dampen investor optimism, but aided oil prices higher. Tapping into the risk-on mode, Argentina sold US\$9b debt yesterday.</p> <p>Asian bourses are likely to extend gains this morning, but watch for any profit-taking ahead of US' NFP report. Other economic data releases include US' non-manufacturing ISM and Nov final durable goods orders, Eurozone CPI, and Malaysian Nov trade. Fed's Harker is speaking on the economic outlook.</p>
US	<p>The ADP jobs printed at a very healthy, heightening market hopes that NFP could similarly exceed 200k. Market consensus forecast for NFP is at 190k for Dec, versus 228k in Nov, with the unemployment rate tipped unchanged at 4.1%. Wage growth would also be important with an improvement to 0.3% mom (2.5% yoy) expected, up from Nov's 0.2% mom (2.5%yoy). Meanwhile, initial jobless claims rose 3k to 250k, while the Challenger job cuts fell 3.6% yoy in Dec, after growing 30.1% in Nov.</p>
CN	<p>China's bond market remained under pressure as market was digesting the impact of new regulation 302 jointly issued by the four regulatory bodies. The new regulation 302 mainly aims at two areas including the under the table entrusted bond holding and setting the limit for financial institution's repo and reverse repo operation as part of China's de-leverage campaign.</p>
SG	<p>The Nikkei Singapore PMI retreated from 55.4 in Nov to 52.1 in Dec, signalling a loss of momentum at the end of 2017 amid drags from output and new orders, particularly export growth, which in turn dampened corporate purchasing activity (which fell for the first time in six months) and hence pre-production inventories. However, employment growth sustained to meet persistent backlogs and outstanding business, with part-time employees being hired to meet operating requirements, so wage growth actually grew at the slowest pace over two years during Dec. This suggests no incipient wage pressure from the services sector to fuel overall CPI inflation yet. Despite the year-end slump in the headline Nikkei Singapore PMI, its business outlook for the year ahead actually improved on the back of higher sales forecasts, promotional activity, new marketing strategies and more product offering.</p>
KR	<p>Korea's current account surplus rose to US\$7.43bn in November, up from Oct's US\$5.72bn. Worryingly however, services deficit of \$3.3bn was also seen, as inbound tourists continued its decline (-17% y/y). Elsewhere, note that BOK Lee Ju-yeol commented that policy-makers will take action on the FX rate should there be excessive one-sided moves, while reinforcing that the KRW remains to be determined by the market.</p>
CMD	<p>Risk-taking appetite was clearly seen throughout the trading day; coupled with the strong equity performance seen in US Wall Street overnight, crude oil futures rose to new 3-year highs with Brent closing at \$68/bbl. EIA's report which signalled another drop in oil inventories (-7.4 million barrels) likely aided in buoying prices as well.</p>

Major Market

- **US:** Equities continued its good run on Thursday, supported by positive ADP employment data. The general optimism pervading since the new year may still have some way to go, with corporate profits running strong and tax cuts acting as a kicker. Overall, the Dow broke through the 25,000 handle to close at 25,075.13, up 0.61%. The Dow at 30,000 now appears to be topic of market chatter. The S&P 500 and Nasdaq Composite also added 0.40% and 0.18% respectively. The VIX nudged higher, closing at 9.22 compared to 9.15 previously. US Treasuries saw some weakness from the front end out to the belly, with the 2y benchmark yield gaining 2 bps to 1.952%. The 10y rate was up less than 1 bp at 2.453%
- **Singapore:** The STI gained for the third straight day by 1.06% to close up at 3501.16 yesterday and fresh overnight highs in Wall Street coupled with morning gains in Kospi may suggest another positive session for the STI. STI may try to gun for the 15Apr15 high of 3539.95, with support tipped at 3464. With sustained flattening bias in the UST bond curve, it remains to be seen how long SGS bonds can diverge.
- **Indonesia:** According to BI Governor Agus Martowardojo, Indonesian foreign reserves looks set to top US\$130b in December. This would reverse two months of consecutive declines.
- **Malaysia:** Malaysia's opposition Pakatan Harapan coalition is slated to make several announcements this weekend, with market-watchers expecting some form of strategy by the party for the upcoming 14th general election.
- **Thailand:** The Thai Baht reportedly rallied almost 10% against the USD in 2017, as foreign funds injected a net \$10.7bn into the nation's bonds. Into the first week of 2018, bond inflows continue to be seen at \$514.2 net inflows, starkly higher than 2017's \$81.2bn inflows over the same period. On this note BOT commented that its foreign-exchange market operations are to ensure sustained economic recovery, and are not intended to create an unfair export advantage.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates of the 1-year to 12-year tenors trading 1-2bps lower, while swap rates of the 20-year tenor traded 2bps higher. In the broader dollar space, the spread on the Itraxx Asia ex-Japan fell 1bps to 65bps. 10y UST yields traded little changed at 2.45% as rates rose after ADP Employment data came in higher than expected, but fell back to the opening level towards the end of the trading session.
- **New Issues:** CITIC Ltd has priced a two-tranche deal, with the USD250mn 5.5-year bond priced at CT5+125bps, tightening from initial guidance of CT5+150bps, and the USD500mn 10-year bond at CT10+155bps, tightening from initial guidance of CT10+180bps. The expected issue ratings are 'BBB+/A3/NR'. Easy Tactic Ltd has priced a USD100mn re-tap of its GZRFPR 5.875%'23s (guaranteed by R&F Properties (HK) Company Ltd) at 6.0%. The expected issue ratings are 'NR/NR/BB'. Yingde Gases Investment Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Yingde Gases Group Company Ltd) from 5 Jan.

- **Rating Changes:** Moody's has placed Yingde Gases Group Company Limited's (Yingde Gases) 'B3' corporate family rating and the 'Caa1' senior unsecured rating on the existing bond that Yingde Gases guarantees on review for upgrade. At the same time, Moody's has assigned a 'Caa1' rating to the proposed senior unsecured notes that Yingde Gases guarantees. Similarly, the rating on the proposed senior unsecured notes were placed on review for upgrade. The rating action reflects Moody's view that the refinancing of Yingde Gases' upcoming notes would address the refinancing risk as reflected in its 'B3' rating, and the corporate family rating could be upgraded to 'B1' to reflect Yingde Gases' continued revenue growth, stable profitability and deleveraging. S&P has also placed Yingde Gases' 'CCC+' corporate credit rating and 'CCC' issue rating on CreditWatch with positive implications. Moody's has downgraded Global Logistic Properties Limited's (GLP) issuer rating, unsecured MTN program and senior unsecured ratings on the notes issued under the MTN program to 'Baa3' from 'Baa2'. The outlook is negative. The rating action reflects GLP's escalated financial risk, as seen by the increase in debt leverage, its initiative to develop its China financial services and its fast pace and scope of expansion. Fitch has downgraded LVGEM (China) Real Estate Investment Company Limited's (LVGEM) Issuer Default Rating, senior unsecured rating and rating on its outstanding USD notes to 'B' from 'B+'. The outlook is stable. Fitch has also removed the ratings from Rating Watch Negative. The rating action follows LVGEM's completion of a Hong Kong office building, which raises LVGEM's leverage. The rating action also reflects LVGEM's sales that were below Fitch's expectation. However, Fitch does acknowledge LVGEM's quality investment properties and strong recurring income.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.853	-0.34%	USD-SGD	1.3279	-0.15%
USD-JPY	112.750	0.21%	EUR-SGD	1.6023	0.29%
EUR-USD	1.2068	0.44%	JPY-SGD	1.1775	-0.36%
AUD-USD	0.7864	0.36%	GBP-SGD	1.7991	0.11%
GBP-USD	1.3551	0.26%	AUD-SGD	1.0441	0.21%
USD-MYR	4.0065	-0.20%	NZD-SGD	0.9500	0.73%
USD-CNY	6.4935	-0.15%	CHF-SGD	1.3626	0.12%
USD-IDR	13422	-0.39%	SGD-MYR	3.0145	-0.39%
USD-VND	22709	0.05%	SGD-CNY	4.8869	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	1.4388	--
2M	-0.3410	--	1M	1.5569	--
3M	-0.3290	--	2M	1.6204	--
6M	-0.2710	--	3M	1.6959	--
9M	-0.2190	--	6M	1.8427	--
12M	-0.1870	--	12M	2.1178	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.0%	0.0%	0.0%	0.0%	0.0%
03/21/2018	87.6%	87.6%	0.0%	0.0%	0.0%
05/02/2018	87.9%	85.5%	2.5%	0.0%	0.0%
06/13/2018	95.4%	39.8%	54.0%	1.5%	0.0%
08/01/2018	95.8%	37.0%	52.9%	5.7%	0.1%
09/26/2018	97.3%	24.8%	47.0%	23.3%	2.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.01	0.62%	Copper (per mt)	7,193.7	0.17%
Brent (per barrel)	68.07	0.34%	Nickel (per mt)	12,599.0	1.92%
Heating Oil (per gallon)	2.0770	-0.53%	Aluminium (per mt)	2,237.0	0.98%
Gasoline (per gallon)	1.8067	0.52%			
Natural Gas (per MMBtu)	2.8800	-4.26%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,585.0	-0.81%
			Rubber (JPY/KG)	206.9	0.10%
Precious Metals	Futures	% chg			
Gold (per oz)	1,321.6	0.24%			
Silver (per oz)	17.269	0.01%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,075.13	152.45
S&P	2,723.99	10.93
Nasdaq	7,077.92	12.38
Nikkei 225	23,506.33	741.39
STI	3,501.16	36.88
KLCI	1,803.45	10.66
JCI	6,292.32	40.84
Baltic Dry	1,262.00	--
VIX	9.22	0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.55 (-0.02)	1.95 (+0.02)
5Y	1.67 (+0.02)	2.27 (+0.02)
10Y	2.04 (-)	2.45 (+0.01)
15Y	2.38 (+0.01)	--
20Y	2.41 (+0.01)	--
30Y	2.50 (+0.02)	2.79 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.45	-1.34
EURIBOR-OIS	1.90	0.08
TED	30.72	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/04/2018 08:30	JN Nikkei Japan PMI Mfg	Dec F	--	54	54.2	--
01/04/2018 08:30	HK Nikkei Hong Kong PMI	Dec	--	51.5	50.7	--
01/04/2018 09:45	CH Caixin China PMI Composite	Dec	--	53	51.6	--
01/04/2018 09:45	CH Caixin China PMI Services	Dec	51.8	53.9	51.9	--
01/04/2018 13:00	IN Nikkei India PMI Services	Dec	--	50.9	48.5	--
01/04/2018 13:00	IN Nikkei India PMI Composite	Dec	--	53	50.3	--
01/04/2018 15:00	SI Automobile COE Open Bid Cat A	Jan-04	--	41400	38200	--
01/04/2018 15:00	UK Nationwide House PX MoM	Dec	0.10%	0.60%	0.10%	--
01/04/2018 16:45	IT Markit/ADACI Italy Services PMI	Dec	54.7	55.4	54.7	--
01/04/2018 16:45	IT Markit/ADACI Italy Composite PMI	Dec	56	56.5	56	--
01/04/2018 16:50	FR Markit France Services PMI	Dec F	59.4	59.1	59.4	--
01/04/2018 16:50	FR Markit France Composite PMI	Dec F	60	59.6	60	--
01/04/2018 16:55	GE Markit Germany Services PMI	Dec F	55.8	55.8	55.8	--
01/04/2018 16:55	GE Markit/BME Germany Composite PMI	Dec F	58.7	58.9	58.7	--
01/04/2018 17:00	EC Markit Eurozone Services PMI	Dec F	56.5	56.6	56.5	--
01/04/2018 17:00	EC Markit Eurozone Composite PMI	Dec F	58	58.1	58	--
01/04/2018 17:30	UK Mortgage Approvals	Nov	64.0k	65.1k	64.6k	64.9k
01/04/2018 17:30	UK Markit/CIPS UK Services PMI	Dec	54	54.2	53.8	--
01/04/2018 17:30	UK Markit/CIPS UK Composite PMI	Dec	55	54.9	54.9	54.8
01/04/2018 21:15	US ADP Employment Change	Dec	190k	250k	190k	185k
01/04/2018 21:30	CA Industrial Product Price MoM	Nov	1.00%	1.40%	1.00%	1.10%
01/04/2018 21:30	US Initial Jobless Claims	Dec-30	240k	250k	245k	247k
01/04/2018 21:30	US Continuing Claims	Dec-23	1928k	1914k	1943k	1951k
01/04/2018 22:45	US Markit US Services PMI	Dec F	52.5	53.7	52.4	--
01/04/2018 22:45	US Markit US Composite PMI	Dec F	--	54.1	53	--
01/05/2018 07:50	JN Monetary Base YoY	Dec	--	--	13.20%	--
01/05/2018 08:30	AU Trade Balance	Nov	A\$550m	--	A\$105m	--
01/05/2018 08:30	JN Nikkei Japan PMI Services	Dec	--	--	51.2	--
01/05/2018 08:30	JN Nikkei Japan PMI Composite	Dec	--	--	52.2	--
01/05/2018 09:00	PH CPI YoY	Dec	3.30%	--	3.30%	--
01/05/2018 15:30	TH Foreign Reserves	Dec-29	--	--	\$202.8b	--
01/05/2018 15:45	FR Consumer Confidence	Dec	103	--	102	--
01/05/2018 15:45	FR CPI YoY	Dec P	1.20%	--	1.20%	--
01/05/2018 16:00	TA CPI YoY	Dec	0.85%	--	0.35%	--
01/05/2018 18:00	EC CPI Estimate YoY	Dec	1.40%	--	1.50%	--
01/05/2018 18:00	IT CPI NIC incl. tobacco MoM	Dec P	0.20%	--	-0.20%	--
01/05/2018 21:30	CA Int'l Merchandise Trade	Nov	-1.13b	--	-1.47b	--
01/05/2018 21:30	US Change in Nonfarm Payrolls	Dec	190k	--	228k	--
01/05/2018 21:30	CA Net Change in Employment	Dec	2.0k	--	79.5k	--
01/05/2018 21:30	CA Unemployment Rate	Dec	6.00%	--	5.90%	--
01/05/2018 21:30	US Change in Manufact. Payrolls	Dec	18k	--	31k	--
01/05/2018 21:30	US Unemployment Rate	Dec	4.10%	--	4.10%	--
01/05/2018 21:30	US Trade Balance	Nov	-\$49.9b	--	-\$48.7b	--
01/05/2018 23:00	US ISM Non-Manf. Composite	Dec	57.6	--	57.4	--
01/05/2018 23:00	US Factory Orders	Nov	1.10%	--	-0.10%	--
01/05/2018 23:00	US Durable Goods Orders	Nov F	--	--	1.30%	--
01/05/2018 23:00	US Durables Ex Transportation	Nov F	--	--	-0.10%	--
01/05/2018 23:00	US Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.10%	--
01/05/2018	HK Foreign Reserves	Dec	--	--	\$422.1b	--

Source: Bloomberg

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