

Highlights

Global	<p>After US President Trump's threat to slap tariffs on steel and aluminium imports (recall his tweet that "trade wars are good and easy to win") and tit-for-tat rhetoric from the EU who in turn is weighing a 25% tax on a broad range of US imports and Trump tweeting in response about a tax on European auto makers, it was encouraging that the S&P500 managed to stabilise on the back of a tech stock rally. Meanwhile, WSJ reported that White House economic advisor Gary Cohn could resign on Trump's move against steel imports. However, National Trade Council director Peter Navarro suggested "there'll be no country exclusions" and US Commerce Secretary Ross opining that "it may be pain for those particular companies but in the overall scheme of things it doesn't mean very much". Elsewhere, the weekend Italian elections had exit polls suggesting a hung parliament, with the near-term uncertainty likely to weigh on European markets.</p> <p>Asian bourses may open mixed this morning amid lingering concerns over a potential trade war. Today's economic data calendar comprises US' non-manufacturing ISM, Feb services and composite PMI prints across US/Eurozone/Asia, including China's Caixin readings, and Malaysia's Jan trade. Fed's Quarles is also speaking on foreign bank regulation. China's National People's Congress is also ongoing. The week ahead is also busy with RBA (likely static at 1.5%) tomorrow, BNM (likely on hold at 3.25%) and BOC (also likely unchanged at 1.25%) on 7 Mar, ECB (any firmer talk of ending the asset purchase program by Sep) on 8 Mar, BOJ (also likely static) on 9 Mar, followed by US' nonfarm payrolls and unemployment rate (market eyeing 205k and 4.0% respectively).</p>
US	The University of Michigan sentiments eased from 99.9 to 99.7 in its revised Feb reading, but still was the second-highest print since 2004 and an improvement from 95.7 in Jan. Notably, the current conditions and expectation gauges improved.
EZ	Social Democrats have voted to join a government coalition with Chancellor Angela Merkel's next government, clearing the hurdle to her fourth term.
SG	S'pore and the EU are working towards ratification of a trade and investment agreement by end-2018 with the pact's entry into force soon thereafter.
CH	China will keep its 2018 growth forecast unchanged at around 6.5%. However, it lowered its fiscal deficit target to 2.6% from 3% previously, the first budget deficit target cut since 2012.
CMD	Threats of a global trade war have left safe haven commodity prices higher into the weekend, with gold and silver rising 1.4% and 1.2%, respectively, although reaction in other commodity spaces were relatively positive. Market-watchers quickly regained their composure after Trump's announcement of rates on steel and aluminium, with short-covering behaviour seen in both WTI and Brent. The rally in aluminium prices by a collective 0.7% since the announcement is relatively muted and showed little market stress from the announcement. Note that the market is still waiting for Trump to formally sign the trade tariff measures this week, although Peter Navarro (director of the White House National Trade Council) said that "there will be an exemption procedure... so that business can move forward" and exceptions to the trade tariffs can be granted if doing so would serve US interests.

Major Market

- **US:** Equities closed an eventful week battling first Fed rate hike expectations and, later, trade tariffs, firmer on Friday. Friday itself was not without drama, as equities recovered from an early decline of more than 1% to close in positive territory. Overall, the S&P 500 added 0.51%, while the Nasdaq Composite also gained 1.01%. The Dow bucked the trend to decline 0.29%. VIX slipped below the 20 handle to close at 19.59, compared to 22.47 previously. Meanwhile, the US Treasury yields were firmer across the board. The 2y yield was higher by 3 bps to 2.242%, while the 10y yield was higher by 6 bps to 2.864%.
- This week, watch for developments on the trade tariffs front, with a formal announcement expected to follow up from Trump's statement last week. Meanwhile, a series of Fed speakers will be on tap, watch especially for Brainard (Tuesday), Bostic (Wednesday) and Evans (Friday), to glean some insights on their stands regarding the Fed rate hike pace.
- **Singapore:** The STI continued to decline by 0.99% to close at 3479.20 on Friday, 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 3450 and 3500 respectively. With the risk-off market tone, SGS bonds rallied on the flight to quality, with the longer tenors leading gains on Friday, but this may unwind somewhat today as UST bonds remained under pressure as investors grappled with a potentially more hawkish FOMC and the risk of a global trade war.
- **China:** As China's nominal GDP size has grown at a rapid pace, the reduction of fiscal deficit is not really a tightening given that the country is likely to maintain its proactive fiscal policy tone unchanged. Nevertheless, the change could be related to the de-leveraging campaign.
- **Indonesia:** BI has stated that it considers the suitable level for the USD/IDR to be within the 13,200 – 13,300 range. The central bank also made mention that exporters need to help strengthen the currency and it is necessary to carry out structural reforms for non-commodity exports to rise.
- **Thailand:** Inflationary pressures still appear relatively muted, with February CPI only growing 0.4% y/y (-0.23% momnsa). The lower than expected print was driven by weaker prices of oil and fresh food. Inflation is likely to stay tame into March, although we note that Thailand's new year holidays and a national wage hike into April could elevate prices then.
- **Hong Kong:** Retail sales rose by 4.1% yoy in January 2018, missing expectations. Sales of food dropped by 5.4% yoy, the largest decline since February 2017 probably due to calendar effect. Also, sales of goods in supermarkets tumbled 13.3% yoy. In terms of other major retail outlets, sales of clothing and footwear increased by 0.9% yoy. Sales of consumer durable goods and those of luxurious goods jumped 20.5% yoy and 10.4% yoy respectively. This reinforces that improved tourism activities still supported the retail sector. In addition, a weaker HKD and sustained growth in Asia will bode well for tourist spending. On the other hand, a tight labour market (local unemployment rate reduced to a two-decade low) and wealth effect from stock market and housing market underpinned domestic consumer sentiment. Therefore, we hold onto our view that the retail sector will perform better this year than last year. This may add upside risks to retail shop rents (+4.1% yoy in Dec 2017) and prices (+7.5% yoy in Dec 2017).

- USD/HKD surged to 7.8315, the highest level in ten years due to a wide yield differential and concerns about potential trade conflicts. Moving forward, with major central banks to remain cautious about tightening in the near term and southbound equity inflows to continue amid huge demand for portfolio diversification, we do not see much capital outflow risks for HK. Therefore, flush liquidity may persist and keep USD/HKD above 7.82. Still, USD/HKD may find resistance around 7.83 as capital outflow risks remain well-contained. Increasing large IPOs following the revamp of IPO rules in 2Q 2018 may also lend short-term support to the HKD. However, in the medium term, should global monetary policy tighten at a faster pace than expected, the resultant capital flight from HK could push USD/HKD towards 7.85.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened, with swap rates trading 4-6bps lower across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 114bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 342bps. 10Y UST yield rose 6bps to 2.86%, in the wake of a possible hint from Haruhiko Kuroda about the Bank of Japan's possible exit from years of ultra-loose monetary stimulus.
- **New issues:** Arab Petroleum Investment Corporation has priced a CNH630mn 3-year bond at 4.7%, in line with its initial guidance of 4.7%. The expected issue ratings are 'NR/Aa3/NR'. Kexim has priced a CNH1.5bn 3-year bond at 4.68%. Tewoo Group No 5 has scheduled for investor meetings from 5 Mar for its potential USD perp issuance (guaranteed by Tewoo Group Co Ltd). The expected issue ratings are 'NR/NR/BBB-'. Xinhailian Group (BVI) Co Ltd has scheduled for investor meetings from 5 Mar for its potential USD issuance (guaranteed by Jiangsu Newheadline Development Group Co Ltd). The expected issue ratings are 'BB/NR/BB+'. Wealthy Link Global Ltd has scheduled for investor meetings from 5 Mar for its potential USD issuance (guaranteed by Zhejiang Hengyi Group Co Ltd). The expected issue ratings are 'NR/B3/NR'. Toyota Industries Group has scheduled for investor meetings from 5 Mar for its potential USD issuance. The expected issue ratings are 'AA-/A1/NR'.
- **Rating changes:** S&P has affirmed its 'BBB' long-term corporate credit rating on China National Chemical Corp Ltd (ChemChina), as well as its 'BBB' long-term issue rating on the outstanding senior unsecured notes that ChemChina guarantees. The outlook is stable. The rating action follows S&P's affirmation on subsidiary Syngenta AG and its belief that the Chinese government's extraordinary support to ChemChina will remain intact given the very strong link coupled with its strategic importance to China's central government. Moody's has assigned a first-time 'B2' corporate family rating (CFR) to Zhejiang Hengyi Group Co Ltd (Hengyi), as well as a 'B3' senior unsecured rating to the proposed bond issued by Wealthy Link Global Ltd and guaranteed by Hengyi. The outlook is stable. The rating action reflects Moody's expectation that Hengyi will complete the bond issuance on satisfactory terms and conditions, including proper registration with the State Administration of Foreign Exchange in China. It also reflects Hengyi's large business scale, diversified customer base and its strong market position in purified terephthalic acid (PTA) and polyethylene terephthalate (PET). Fitch has downgraded China General Nuclear Power Corporation's (CGNPC) long-term foreign and local-currency issuer default ratings and its senior unsecured rating to 'A' from 'A+'. The outlook is stable. The rating action follows Fitch's assessment of the credit profile of CGNPC following the publication of the Government-Related Entities Rating Criteria (GRE criteria) on 7 Feb 2018. It also reflects CGNPC's strategic importance to the state

and the substantial tangible support it has consistently received from the state. Fitch has assigned a final rating of 'BB+' for Fujian Zhanglong Group Co Ltd's (Zhanglong) USD 5.60% senior unsecured guaranteed bonds due 2021. The outlook is stable. The rating action reflects Zhanglong ratings being credit-linked to, but not equalized, with Fitch's internal assessment of the creditworthiness of Zhangzhou municipality in China's Fujian Province. The link reflects strong government control and oversight of the entity, resulting in a high likelihood of extraordinary support, if needed, from the municipality. Fitch has affirmed Shandong Yuhuang Chemical Co Ltd's (Yuhang) senior unsecured USD notes due 2021 at 'B'. The outlook has been revised to negative from positive. The rating action reflects the uncertainties surrounding the restructuring of Hongye Chemical Group Co Ltd (Hongye), which had CNY.4bn of debt guaranteed by Yuhuang, and Yuhuang's restricted access to the domestic bond market since early 2018 as a result of its situation and overall tightening in China's credit environment. Fitch has upgraded Shanghai Construction Group Co Ltd's (SCGC) long-term foreign-currency issuer default rating, senior unsecured rating and the rating on the USD400mn 3.75% notes due 2020 issued by subsidiary, Yongda Investment Ltd, to 'BBB+' from 'BBB', removing it from Rating Watch Positive. The upgrade was driven by Fitch's assessment of SCGC's under the Government-Related Entities Rating Criteria released on 7 Feb 2018. The rating action reflects SCGC's potential support from its parent, the Shanghai State-Owned Assets Supervision and Administration Commission (Shanghai SASAC) as well as Fitch's expectation that SCGC will maintain its operations, with the continual support of Shanghai SASAC.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.935	-0.43%	USD-SGD	1.3200	-0.23%
USD-JPY	105.750	-0.46%	EUR-SGD	1.6253	0.14%
EUR-USD	1.2317	0.41%	JPY-SGD	1.2483	0.25%
AUD-USD	0.7760	0.05%	GBP-SGD	1.8210	-0.08%
GBP-USD	1.3802	0.19%	AUD-SGD	1.0240	-0.20%
USD-MYR	3.9035	-0.64%	NZD-SGD	0.9557	-0.33%
USD-CNY	6.3454	-0.20%	CHF-SGD	1.4076	0.21%
USD-IDR	13757	0.07%	SGD-MYR	2.9578	-0.11%
USD-VND	22763	0.09%	SGD-CNY	4.8014	0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	0.0010	O/N	1.4475	0.0012
2M	-0.3410	--	1M	1.6905	0.0043
3M	-0.3270	--	2M	1.8269	0.0034
6M	-0.2710	--	3M	2.0252	0.0006
9M	-0.2220	-0.0010	6M	2.2284	0.0035
12M	-0.1910	--	12M	2.4967	-0.0108

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%	20.9%	68.5%	10.3%	0.3%
08/01/2018	100.0%	19.2%	64.6%	15.1%	1.1%
09/26/2018	100.0%	7.7%	37.5%	44.6%	9.5%
11/08/2018	100.0%	6.9%	34.2%	43.9%	13.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	61.25	0.43%	Copper (per mt)	6,888.3	0.05%
Brent (per barrel)	64.37	0.85%	Nickel (per mt)	13,411.0	-0.07%
Heating Oil (per gallon)	1.8796	-0.31%	Aluminium (per mt)	2,144.3	0.05%
Gasoline (per gallon)	1.9014	0.26%			
Natural Gas (per MMBtu)	2.6950	-0.11%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,474.0	-2.94%
			Rubber (JPY/KG)	191.5	-0.52%
Precious Metals	Futures	% chg			
Gold (per oz)	1,323.4	1.39%			
Silver (per oz)	16.466	1.17%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 27 Feb 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	175,231	127,026	48,205	Gold	183,522	207,226	-23,704
Soybean	156,909	112,809	44,100	Sugar	-100,896	-85,336	-15,560
Nymex Crude	749,485	730,790	18,695	Natural Gas	-132,939	-125,344	-7,595
Cotton	89,801	77,861	11,940	Silver	-2,568	3,524	-6,092
Wheat	-32,843	-38,767	5,924	Copper	40,718	46,368	-5,650
Coffee	-43,035	-47,840	4,805	Live Cattle	121,571	123,513	-1,942
Cocoa	31,531	27,281	4,250	Platinum	42,909	43,531	-622
RBOB Gasoline	83,077	80,622	2,455	Palladium	16,947	16,928	19
Lean Hogs	24,914	23,633	1,281	Heating Oil	22,366	21,437	929

Equity and Commodity

Index	Value	Net change
DJIA	24,538.06	-70.92
S&P	2,691.25	13.58
Nasdaq	7,257.87	77.31
Nikkei 225	21,181.64	-542.83
STI	3,479.20	-34.65
KLCI	1,856.07	-4.79
JCI	6,582.32	-23.74
Baltic Dry	1,207.00	11.00
VIX	19.59	-2.88

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (-0.01)	2.24 (+0.03)
5Y	1.97 (-0.03)	2.63 (+0.05)
10Y	2.34 (-0.02)	2.86 (+0.06)
15Y	2.65 (-0.03)	--
20Y	2.68 (-0.03)	--
30Y	2.84 (-0.03)	3.14 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.37	0.78
EURIBOR-OIS	3.03	-0.01
TED	38.65	-3.24

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/02/2018 05:45	NZ Building Permits MoM	Jan	--	0.20%	-9.50%
03/02/2018 07:00	SK Industrial Production YoY	Jan	1.70%	4.60%	-4.60%
03/02/2018 07:30	JN Job-To-Applclicant Ratio	Jan	1.6	1.59	--
03/02/2018 07:30	JN Jobless Rate	Jan	2.80%	2.40%	2.70%
03/02/2018 07:30	JN Tokyo CPI YoY	Feb	1.40%	1.40%	--
03/02/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Feb	0.80%	0.90%	--
03/02/2018 07:50	JN Monetary Base YoY	Feb	--	9.40%	9.70%
03/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Feb	--	50.3	50.7
03/02/2018 11:30	TH CPI YoY	Feb	0.70%	0.42%	0.68%
03/02/2018 11:30	TH CPI Core YoY	Feb	0.60%	0.63%	0.58%
03/02/2018 15:00	GE Retail Sales MoM	Jan	0.70%	-0.70%	-1.10%
03/02/2018 15:00	GE Import Price Index MoM	Jan	0.40%	0.50%	--
03/02/2018 15:30	TH Foreign Reserves	Feb-23	--	\$213.3b	\$213.4b
03/02/2018 16:30	HK Retail Sales Value YoY	Jan	5.20%	4.10%	5.80%
03/02/2018 16:30	HK Retail Sales Volume YoY	Jan	4.10%	2.20%	4.30%
03/02/2018 17:00	IT GDP WDA QoQ	4Q F	0.30%	0.30%	0.30%
03/02/2018 17:30	UK Markit/CIPS UK Construction PMI	Feb	50.5	51.4	50.2
03/02/2018 18:00	EC PPI MoM	Jan	0.40%	0.40%	0.20%
03/02/2018 21:00	SI Purchasing Managers Index	Feb	53.1	52.7	53.1
03/02/2018 21:30	CA GDP MoM	Dec	0.10%	0.10%	0.40%
03/02/2018 21:30	CA Quarterly GDP Annualized	4Q	2.00%	1.70%	1.70%
03/02/2018 23:00	US U. of Mich. Sentiment	Feb F	99.5	99.7	99.9
03/05/2018 08:00	AU Melbourne Institute Inflation MoM	Feb	--	--	0.30%
03/05/2018 08:00	NZ ANZ Commodity Price	Feb	--	--	0.70%
03/05/2018 08:30	AU Building Approvals MoM	Jan	5.00%	--	-20.00%
03/05/2018 08:30	JN Nikkei Japan PMI Services	Feb	--	--	51.9
03/05/2018 08:30	JN Nikkei Japan PMI Composite	Feb	--	--	52.8
03/05/2018 08:30	HK Nikkei Hong Kong PMI	Feb	--	--	51.1
03/05/2018 08:30	AU ANZ Job Advertisements MoM	Feb	--	--	6.20%
03/05/2018 09:45	CH Caixin China PMI Composite	Feb	--	--	53.7
03/05/2018 09:45	CH Caixin China PMI Services	Feb	54.3	--	54.7
03/05/2018 12:00	MA Trade Balance MYR	Jan	7.60b	--	7.30b
03/05/2018 12:00	MA Exports YoY	Jan	15.20%	--	4.70%
03/05/2018 13:00	IN Nikkei India PMI Services	Feb	--	--	51.7
03/05/2018 13:00	IN Nikkei India PMI Composite	Feb	--	--	52.5
03/05/2018 16:00	TA Industrial Production YoY	Jan	4.00%	--	1.20%
03/05/2018 16:20	TA Foreign Reserves	Feb	--	--	\$455.72b
03/05/2018 16:45	IT Markit/ADACI Italy Services PMI	Feb	57	--	57.7
03/05/2018 16:45	IT Markit/ADACI Italy Composite PMI	Feb	57.9	--	59
03/05/2018 16:50	FR Markit France Services PMI	Feb F	57.9	--	57.9
03/05/2018 16:50	FR Markit France Composite PMI	Feb F	57.8	--	57.8
03/05/2018 16:55	GE Markit Germany Services PMI	Feb F	55.3	--	55.3
03/05/2018 16:55	GE Markit/BME Germany Composite PMI	Feb F	57.4	--	57.4
03/05/2018 17:00	EC Markit Eurozone Services PMI	Feb F	56.7	--	56.7
03/05/2018 17:00	EC Markit Eurozone Composite PMI	Feb F	57.5	--	57.5
03/05/2018 17:30	UK Markit/CIPS UK Services PMI	Feb	53.3	--	53
03/05/2018 17:30	UK Markit/CIPS UK Composite PMI	Feb	53.6	--	53.5
03/05/2018 18:00	EC Retail Sales MoM	Jan	-0.10%	--	-1.10%
03/05/2018 22:45	US Markit US Services PMI	Feb F	55.9	--	55.9
03/05/2018 22:45	US Markit US Composite PMI	Feb F	--	--	55.9
03/05/2018 23:00	US ISM Non-Manf. Composite	Feb	59	--	59.9

Source: Bloomberg

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