

Highlights

Global	<p>As the bond sell-off resumed and pushed the 10-year UST bond yield past the 2.55% mark before closing at 2.54% overnight, this prompted Bill Gross to declare a “bond bear market confirmed”. This came amid sovereign debt supply concerns and BOJ’s trimming of weekly debt buying which fuelled some market speculation of a tapering. In Asia, North and South Korean talks saw agreement that the former would participate in the Olympics in Pyeongchang next month and also to hold another round of talks. News of China’s latest adjustment to its currency-fixing mechanism by removing the counter-cyclical factor also weighed on Asian currencies yesterday.</p> <p>With S&P500 climbing a sixth consecutive session and the Dow registering another fresh record high, Asian bourses may trade with a firmer tone today. Today’s economic data calendar will focus on China’s CPI/PPI readings, in addition to US’ wholesale inventories, MBA mortgage applications, and import price index, UK’ industrial production and trade, and Philippines’ trade data. Fed speakers include Evans, Kaplan and Bullard.</p>
US	<p>The NIFB small business optimism unexpectedly softened from 107.5 in Nov to 104.9 in Dec, as the net percentage of firms expecting a better economy and better sales fell to 37% and 28%. Meanwhile, the JOLTS job openings also fell from a revised 5.93m in Oct to a 6-month low of 5.88m in Nov, albeit this is still consistent with a healthy labour market.</p>
CN	<p>RMB weakened after the news that China temporarily suspended the use of counter cyclical factor in its daily fixing. In its reply to the media, the PBoC said the fixing submitting banks can set its counter cyclical factor coefficient by themselves based on the change of macro environment. The change of counter cyclical factor shows China is more confident in its currency and is ready for more flexibility. Nevertheless, we think market may have overreacted to this news.</p>
ID	<p>The government will be initiate a feasibility study of the Jakarta-Bandung high-speed rail project, and expects to complete the study in a month’s time. This project has been presented as the signature project of China’s One Belt One Road initiative in Indonesia, although it has been delayed multiple times. The initial disbursement of funds for the project was scheduled for August 2017.</p>
CMD	<p>Crude oil staged another strong rally session overnight, with both WTI and Brent rising to \$63 and \$68.8/bbl, respectively. The rally came on the back of a massive inventory drawdown according to data by the American Petroleum Institute (API), which reported domestic oil inventories tumbling by 11.2 million barrels last week (largest inventory drawdown since 1999). Even as we expect oil prices to eventually see further upside risks into year-end given the uptick in global risk appetite and improving global growth fundamentals, higher oil prices could eventually encourage global oil producers to increase production levels, especially in the US shale oil space. Note that the US Department of Energy forecast yesterday that US oil output could average 10.8 million barrels per day (mbpd) by the end of 2019, a level that exceeds that of current production levels seen by both Saudi Arabia and Russia.</p>

Major Market

- **US:** Equities extended its winning streak to six consecutive sessions in 2018. Financials and healthcare stocks were the leading gainers, as investors await the earnings season, which will be kicked off by the major banks later this week. The Dow led gains amongst the major indices, adding 0.41%, while the S&P 500 and Nasdaq Composite followed with gains of 0.13% and 0.09% respectively. VIX ticked higher to 10.08, compared to 9.52 previously. Meanwhile, the US Treasury curve bear-steepened, following the lead of the European curves. The 10y benchmark yield spiked more than 7 bps to 2.553%, closing above the 2.50% mark, leaving observers questioning whether this is a signal for the start of another leg higher for US long end yields. The 2y yield higher by about 1 bps to 1.968%.
- **Singapore:** The STI gained 0.36% to close up at 3524.65 yesterday, and may continue to make headway today amid positive cues from Wall Street overnight and a firmer opening by Kospi this morning. While the UST bond yield curve steepening as longer-dated tenors led the sell-off overnight, the SGS yield curve may follow suit today.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the swap curve trading 1-2bps higher for the shorter tenors while the longer tenors traded 2-3bps higher. In the broader space, the spread on the Bloomberg Barclays Asia USD IG Bond Index fell 0.77% to 1.09 while the spread on Bloomberg Barclays Asia USD HY Bond Index rose 9.97% to 3.18. The 10Y UST yield rose 7.3bps to 2.55% due to a deluge of sovereign debt sales and a busy investment-grade calendar this week. The looming glut of bond supply from the U.S, U.K, Japan and Germany coincided with an unexpected reduction in purchases of longer term Japanese government bonds by the BOJ.
- **New Issues:** Puma Energy Holdings Pte Ltd has priced a USD 750mn Perp 8NC3 senior unsecured note at 5.125%, tightening from the initial guidance of 5.25% area. The expected issue ratings are 'NR/Ba2/BB'. United Overseas Bank Ltd has priced a EUR500mn 7-year covered bond at MS+2, tightening from initial guidance of MS+4-6bps area. The expected issue ratings are 'NR/Aaa/AAA'. Tahoe Group Global Ltd has priced a USD200mn 3-year bond at 8% and a USD225mn Perp 5NC3 bond (guaranteed by Tahoe Group Co. Ltd) at 8.2%, tightening from initial guidance of 8.25% area and 8.375% area respectively. The expected issue ratings are 'B-/B2/B-'. Country Gardens Holding Company Ltd has priced a USD250mn Perp 5NC3 bond at 4.75% and a USD600mn Perp 7NC4 bond at 5.2%, tightening from an initial guidance of 5% and 5.5% area respectively. The expected issue ratings area 'NR/NR/BBB-'. Wharf REIC Finance (BVI) Ltd has set final guidance for a USD600mn 10-year bond (guaranteed by Wharf Real Estate Investment Company Ltd) at CT10+110-115bps, tightening from an initial guidance of CT10+135bps area. The expected issue ratings are 'NR/A2/NR'. Times Property Holdings Ltd has priced a USD500mn Perp 3NC2 senior unsecured bond at 6.25%, tightening from an initial guidance of 6.625% area. The expected issue ratings are 'NR/B2/B+'. Sumitomo Mitsui Financial Group, Inc has priced a USD4.75bn bond (guaranteed by Sumitomo Mitsui Banking Corporation NY Branch) across five-tranches, with the USD1.5bn 5-year Fxd priced at CT5+78BPS, tightening from an initial guidance of CT5+95-100bps area; the USD500mn 5 yr floating rate note priced at 3mL+74bps, in line with its guidance of 3mL+74bps area; the USD750mn 10-year bond priced at CT10+100bps, tightening from an initial guidance of CT10+115bps area; the USD1.25bn 2-year Fxd priced at CT2+55bps area, tightening from an initial guidance of

CT5+70bps area and the USD750mn 2-year floating rate note at 3mL+35bps, in line with initial guidance of 3mL+35bps area. Zhongyuan Yuzi Investment Holding Group Co Ltd scheduled investor meetings for potential USD bond issuance. Bank of Shanghai Co Ltd also scheduled investor meetings for potential USD issuance. The expected issue ratings are 'NR/A1/NR'. Power Construction Corp of China Ltd has scheduled for investor meetings on 10 Jan for potential USD Perp issuance.

- **Rating Changes:** Moody's has assigned Leader Goal International Ltd's senior unsecured perpetual securities (guaranteed by Power Construction Corporation of China) a rating of 'Baa1'. The outlook is stable. The rating action follows the guarantee from PowerChina as well as Moody's expectation of PowerChina's high level of support from the Government of China in the event of financial stress. This is attributed to PowerChina's key role in the domestic hydropower engineering and construction industry in China. Moody's has affirmed Guangxi Financial Investment Group Co Ltd's (GXFIG) corporate family rating and senior unsecured bond at a rating of 'Ba1' and (P)'Ba1' respectively. The outlook is stable. The rating action reflects Moody's expectation of strong support from the Guangxi provincial government based on GXFIG's strategic importance in developing the financial services sector in Guangxi and financing the region's SMEs.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.528	0.18%	USD-SGD	1.3356	0.23%
USD-JPY	112.650	-0.39%	EUR-SGD	1.5943	-0.01%
EUR-USD	1.1937	-0.25%	JPY-SGD	1.1854	0.61%
AUD-USD	0.7824	-0.23%	GBP-SGD	1.8084	0.03%
GBP-USD	1.3540	-0.21%	AUD-SGD	1.0451	0.03%
USD-MYR	4.0095	0.29%	NZD-SGD	0.9566	0.04%
USD-CNY	6.5297	0.46%	CHF-SGD	1.3584	-0.38%
USD-IDR	13438	0.07%	SGD-MYR	3.0033	0.07%
USD-VND	22699	-0.01%	SGD-CNY	4.8873	0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5538	--
3M	-0.3290	--	2M	1.6237	--
6M	-0.2710	--	3M	1.7080	--
9M	-0.2200	--	6M	1.8653	--
12M	-0.1870	--	12M	2.1508	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	0.3%	0.3%	0.0%	0.0%	0.0%
03/21/2018	82.0%	81.7%	0.3%	0.0%	0.0%
05/02/2018	82.5%	80.0%	2.6%	0.0%	0.0%
06/13/2018	93.0%	42.6%	48.9%	1.5%	0.0%
08/01/2018	93.6%	39.4%	48.3%	5.8%	0.1%
09/26/2018	96.3%	25.6%	44.6%	23.6%	2.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.96	1.99%	Copper (per mt)	7,090.1	-0.25%
Brent (per barrel)	68.82	1.53%	Nickel (per mt)	12,640.5	1.27%
Heating Oil (per gallon)	2.0662	1.02%	Aluminium (per mt)	2,138.0	-1.08%
Gasoline (per gallon)	1.8362	2.48%			
Natural Gas (per MMBtu)	2.9230	3.10%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,597.0	-1.07%
			Rubber (JPY/KG)	205.9	0.54%
Precious Metals	Futures	% chg			
Gold (per oz)	1,313.7	-0.51%			
Silver (per oz)	17.010	-0.78%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,385.80	102.80
S&P	2,751.29	3.58
Nasdaq	7,163.58	6.19
Nikkei 225	23,849.99	135.46
STI	3,524.65	12.47
KLCI	1,826.95	-5.20
JCI	6,373.14	-12.26
Baltic Dry	1,385.00	--
VIX	10.08	0.56

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.51 (-0.02)	1.97 (+0.01)
5Y	1.70 (+0.02)	2.33 (+0.04)
10Y	2.09 (+0.03)	2.55 (+0.07)
15Y	2.40 (+0.02)	--
20Y	2.44 (+0.03)	--
30Y	2.56 (+0.03)	2.90 (+0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.91	0.02
EURIBOR-OIS	1.44	0.34
TED	31.15	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
01/09/2018 04:00	US Consumer Credit	Nov \$18.000b	\$27.951b	\$20.519b	\$20.532b
01/09/2018 08:00	JN Labor Cash Earnings YoY	Nov 0.60%	0.90%	0.60%	0.20%
01/09/2018 08:30	AU Building Approvals MoM	Nov -1.30%	11.70%	0.90%	-0.10%
01/09/2018 08:30	AU ANZ Job Advertisements MoM	Dec --	-2.30%	1.50%	1.10%
01/09/2018 15:00	GE Industrial Production SA MoM	Nov 1.80%	3.40%	-1.40%	-1.20%
01/09/2018 15:00	GE Trade Balance	Nov 21.3b	23.7b	18.9b	--
01/09/2018 15:00	GE Current Account Balance	Nov 25.3b	25.4b	18.1b	--
01/09/2018 15:00	GE Exports SA MoM	Nov 1.20%	4.10%	-0.40%	-0.30%
01/09/2018 15:00	GE Imports SA MoM	Nov 0.40%	2.30%	1.80%	--
01/09/2018 15:45	FR Trade Balance	Nov -4700m	-5692m	-4956m	-5292m
01/09/2018 17:00	IT Unemployment Rate	Nov P 11.00%	11.00%	11.10%	--
01/09/2018 18:00	EC Unemployment Rate	Nov 8.70%	8.70%	8.80%	--
01/09/2018 19:00	US NFIB Small Business Optimism	Dec 107.8	104.9	107.5	--
01/09/2018 21:15	CA Housing Starts	Dec 212.0k	217.0k	252.2k	251.7k
01/10/2018 07:00	SK Unemployment rate SA	Dec 3.70%	3.60%	3.70%	--
01/10/2018 09:00	PH Exports YoY	Nov 9.00%	--	6.60%	--
01/10/2018 09:00	PH Imports YoY	Nov 9.70%	--	13.10%	--
01/10/2018 09:00	PH Trade Balance	Nov -\$2687m	--	-\$2845m	--
01/10/2018 09:30	CH PPI YoY	Dec 4.80%	--	5.80%	--
01/10/2018 09:30	CH CPI YoY	Dec 1.90%	--	1.70%	--
01/10/2018 15:45	FR Industrial Production MoM	Nov -0.50%	--	1.90%	--
01/10/2018 15:45	FR Manufacturing Production MoM	Nov -1.40%	--	2.70%	--
01/10/2018 17:30	UK Industrial Production MoM	Nov 0.40%	--	0.00%	--
01/10/2018 17:30	UK Manufacturing Production MoM	Nov 0.30%	--	0.10%	--
01/10/2018 17:30	UK Visible Trade Balance GBP/Mn	Nov -\$10,950	--	-\$10,781	--
01/10/2018 17:30	UK Trade Balance Non EU GBP/Mn	Nov -\$2,600	--	-\$2,382	--
01/10/2018 17:30	UK Trade Balance	Nov -\$1,500	--	-\$1,405	--
01/10/2018 20:00	US MBA Mortgage Applications	Jan-05 --	--	0.70%	--
01/10/2018 21:00	UK NIESR GDP Estimate	Dec 0.50%	--	0.50%	--
01/10/2018 21:30	CA Building Permits MoM	Nov -1.00%	--	3.50%	--
01/10/2018 21:30	US Import Price Index MoM	Dec 0.40%	--	0.70%	--
01/10/2018 23:00	US Wholesale Inventories MoM	Nov F 0.70%	--	0.70%	--
01/10/2018 01/15	CH Money Supply M1 YoY	Dec 12.60%	--	12.70%	--
01/10/2018 01/15	CH Money Supply M2 YoY	Dec 9.20%	--	9.10%	--
01/10/2018 01/15	CH Aggregate Financing CNY	Dec 1500.0b	--	1600.0b	1598.2b
01/10/2018 01/15	CH New Yuan Loans CNY	Dec 1000.0b	--	1120.0b	--
01/10/2018 01/15	CH Money Supply M0 YoY	Dec 5.90%	--	5.70%	--
01/10/2018 01/13	VN Domestic Vehicle Sales YoY	Dec --	--	-17.60%	--
01/10/2018 01/17	NZ REINZ House Sales YoY	Dec --	--	-8.90%	--

Source: Bloomberg

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