

Highlights

Global	<p>Global risk sentiments look likely to stabilise further today, given Wall Street's bounce overnight and Asian bourses preparing for the upcoming Chinese New Year holidays, but the rally could be short-lived if US inflation prints surprise on the upside tomorrow. US president Trump unveiled his 2019 Budget wishlist which outlines a US\$1.5 trillion infrastructure package, which brilliantly has the federal government only coughing up US\$200 with the rest being funded by the state and local governments. As part of suggesting fiscal discipline, the plan also includes deep non-military spending cuts that should pare the federal budget deficit by more than US\$3 trillion over the next decade, but basically the budget plan needs to pass Congress and not endanger inflationary concerns either through fuelling wage inflation or warranting higher Treasury issuance. Elsewhere, note that WTO's quarterly outlook indicator suggests above trend global trade growth in 2Q18, with full-year performance tipped around 3.2% (range: 1.4-4.4%) this year, slightly slower than 3.6% in 2017. Meanwhile, China's new yuan loans surged to a record in Jan amid strong seasonal demand.</p> <p>Today's economic data calendar comprises US NFIB small business optimism, UK's CPI/PPI/RPI, and Taiwan's final 4Q17 GDP growth print. Fed's Mester will also speak on monetary policy and economic outlook.</p>
US	<p>President Trump also warned of a "reciprocal tax" on imports from high-tariff nations as "we cannot continue to be taken advantage of by other countries".</p>
EZ	<p>Hawkish BOE expectations rose after Vlieghe opined that the Nov17 rate hike was not one-off and further rate hikes are likely necessary amid the global recovery and wage inflation which offsets the Brexit headwinds. However, McCafferty warned that rate hike expectations could be derailed by Brexit.</p>
SG	<p>S'pore's retail sales rose 4.6% yoy (-0.2% mom) in Dec17, while the Nov17 prints were revised down to 5.0% yoy (+4.9% mom sa). This was below the market expectations for 4.7% yoy, but above our forecast of 4.4% yoy (-1.7 mom sa). Excluding autos, retail sales rose a more subdued 0.6% yoy in Dec, following a revised 4.4% growth in Nov17. The key drivers were motor vehicles (26.0% yoy), computer & telecommunications equipment (15.2% yoy) and supermarkets (8.2% yoy), while laggards were watches & jewellery (-8.2% yoy) and optical goods & books (-4.3% yoy). Full-year 2017 retail sales grew by 1.8% yoy, which is the slowest growth pace since 2014 and also a moderation from 2016 growth of 2.2% yoy.</p>
CMD	<p>Crude oil appeared to stabilise after last week's sell-off, although WTI remained below its \$60/bbl levels. From a technical point of view, both benchmarks remain below its 50-day moving average, while stochastic oscillator indicators suggests further downside risk for crude oil. Note that money-managers have turned net-short on oil positions in the week ended 6th February 2018 as well. Elsewhere on palm oil, futures rose for the fourth trading day to MYR2,543/MT (+1.15%), on the back of surprisingly strong exports (+6.0%), lower production (-13.5%) and lower palm oil stocks (-6.8%) in Malaysia. Palm oil prices may continue to stay supported, given that Malaysia's palm oil exports continue to rise about 15% in the first 10 days of February, according to Intertek Testing Services data.</p>

Major Market

- **US:** Some sense of normalcy may be creeping back into the equity markets as the S&P 500 marked a second consecutive gain on Monday. In the absence of further volatility, we may expect investors to calm down from here on. Overall, all eleven sectors of the S&P 500 notched gains, with tech and industrial sectors leading gains. The S&P 500 gained 1.39%, while the Dow and Nasdaq Composite added 1.70% and 1.56% respectively. VIX declined for the second straight session, closing at 25.61, compared to 29.06 previously. Meanwhile, US Treasury yields are largely static to marginally firmer. The 2y and 10y benchmark yields stood at 2.075% and 2.859%, higher by less than 1bp.
- **Singapore:** Broad-based rebounds in Wall Street overnight and morning gains by Kospi may pave the way for the STI to chalk up further gains today. The STI had risen 0.23% to close at 3384.98 yesterday, led by bank stocks (note UOB and OCBC are reporting results tomorrow morning before market open), as investors' risk aversion abated. STI support and resistance are at 3375 and 3400 respectively. With the UST bonds still pressured overnight amid the stabilisation in global risk appetite, which pushed the 10-year yield up to a 4-year high of 2.90% (highest since Jan14) intra-day, the SGS bond market may continue to see similar pressure today, especially for longer-dated bonds ahead of the 30-year re-opening.
- The advent of e-commerce in recent years has likely posed a headwind to the domestic retail scene, but the possible introduction of an e-commerce tax may level the playing field going ahead. This also contrasted with STB data which showed visitor arrivals expanding by 6.2% to 17.4m and tourism receipts growing by 3.9% to \$26.8b respectively. These beat the official 2017 forecasts of 16.4-16.7m visitor arrivals and \$25.1-25.8b respectively. Looking ahead, STB is generally optimistic about tourism prospects for 2018 and tip 17.6-18.1m visitor arrivals (+1.4% yoy) and \$27.1-27.6b tourism receipts (+1.3% yoy).
- **China:** China's new Yuan loan in January hit a record high of CNY2.9 trillion. Does this data suggest that China is back to its old path of stimulus? We think the answer is no. In fact, China's aggregate social financing fell by 17.2% yoy to CNY3.06 trillion from CNY3.697 trillion in January 2017. We think the spike of new Yuan loan is mainly the result of two factors including shifting funding demand from off-balance sheet to on-balance sheet due to China's financial de-leveraging and diminishing role of direct financing due to market volatility in the bond market and regulation in equity market.
- Interesting to note, China's foreign currency deposits rose by US\$44.8 billion in January, second highest monthly increase in record. The jump of foreign currency deposits during the rapid RMB appreciation shows the increasing divergent view about the currency outlook, which is the foundation for RMB's two-way movement.
- **Thailand:** The Bank of Thailand has banned all banks and financial institutions from investing and trading in cryptocurrency. The institutions are also banned from offering cryptocurrency exchange, creating platforms for cryptocurrency trading, allowing use of credit cards in investing in cryptocurrency and advising clients on investing or trading cryptocurrency. Elsewhere, foreign buying of domestic bonds turned net positive for the first time in 12 days.
- **Malaysia:** 2017 GDP growth results come out tomorrow and we are expecting a strong performance at 5.5%. Malaysia experienced a stellar economic performance in the first three quarters of 2017 although growth is expected to ease in the last quarter. Given

Malaysia's small open economy, the country has significantly benefited from the cyclical upturn in global trade that occurred in 2017. We expect private consumption to be the primary anchor of growth for the year given the stable labour market conditions, improved economic conditions and government income support measures.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 1-4bps lower while the longer tenors traded 3-4bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 112bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 3bps to 357bps. 10Y UST yield started near four-year high of 2.89%, though after a day of big swings 10Y UST yields ended 2bps lower to 2.86%.
- **New Issues:** Ronshine China Holdings Ltd has priced a USD100mn re-tap of its 2021 bond (guaranteed by certain of the company's restricted subsidiaries incorporated outside the PRC) at 9%, in line with its initial guidance of 9%. The expected issue ratings are 'NR/NR/B+'.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.208	-0.26%	USD-SGD	1.3231	-0.35%
USD-JPY	108.660	-0.13%	EUR-SGD	1.6264	-0.01%
EUR-USD	1.2292	0.33%	JPY-SGD	1.2178	-0.27%
AUD-USD	0.7862	0.63%	GBP-SGD	1.8309	-0.32%
GBP-USD	1.3838	0.08%	AUD-SGD	1.0403	0.29%
USD-MYR	3.9385	-0.03%	NZD-SGD	0.9611	-0.22%
USD-CNY	6.3275	0.39%	CHF-SGD	1.4088	-0.37%
USD-IDR	13639	0.08%	SGD-MYR	2.9697	0.34%
USD-VND	22691	-0.05%	SGD-CNY	4.7737	0.64%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4400	--
2M	-0.3410	--	1M	1.5832	--
3M	-0.3290	--	2M	1.6889	--
6M	-0.2780	--	3M	1.8200	--
9M	-0.2220	--	6M	2.0383	--
12M	-0.1910	--	12M	2.3135	--

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%	4.0%	0.0%	0.0%	0.0%
05/02/2018	100.0%	7.9%	0.2%	0.0%	0.0%
06/13/2018	100.0%	56.4%	4.7%	0.1%	0.0%
08/01/2018	100.0%	53.9%	12.1%	0.8%	0.0%
09/26/2018	100.0%	46.1%	27.8%	5.0%	0.3%
11/08/2018	100.0%	42.7%	30.3%	8.1%	0.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	59.29	0.15%	Copper (per mt)	6,804.6	1.75%
Brent (per barrel)	62.59	-0.32%	Nickel (per mt)	13,061.0	1.00%
Heating Oil (per gallon)	1.8389	-0.87%	Aluminium (per mt)	2,123.8	-0.02%
Gasoline (per gallon)	1.6785	-1.28%			
Natural Gas (per MMBtu)	2.5520	-1.24%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,543.0	1.15%
			Rubber (JPY/KG)	189.2	0.00%
Precious Metals	Futures	% chg			
Gold (per oz)	1,326.4	0.81%			
Silver (per oz)	16.570	2.67%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,601.27	410.37
S&P	2,656.00	36.45
Nasdaq	6,981.96	107.47
Nikkei 225	21,382.62	--
STI	3,384.98	7.74
KLCI	1,830.17	10.35
JCI	6,523.45	17.93
Baltic Dry	1,125.00	--
VIX	25.61	-3.45

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.58 (-0.01)	2.08 (--)
5Y	1.92 (-0.01)	2.56 (+0.02)
10Y	2.26 (+0.01)	2.86 (+0.01)
15Y	2.59 (+0.02)	--
20Y	2.66 (+0.05)	--
30Y	2.77 (+0.05)	3.14 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.56	-0.36
EURIBOR-OIS	2.77	-0.03
TED	26.55	--

Economic Calendar

<u>Date Time</u>	<u>Event</u>		<u>Survey</u>	<u>Actual</u>	<u>Prior</u>	<u>Revised</u>
02/12/2018 05:45	NZ Card Spending Retail MoM	Jan	0.50%	1.40%	0.50%	0.60%
02/12/2018 05:45	NZ Card Spending Total MoM	Jan	--	0.60%	0.20%	--
02/12/2018 08:30	AU Credit Card Purchases	Dec	--	A\$27.9b	A\$27.9b	--
02/12/2018 08:30	AU Credit Card Balances	Dec	--	A\$52.9b	A\$52.2b	--
02/12/2018 13:00	SI Retail Sales YoY	Dec	4.70%	4.60%	5.30%	5.00%
02/12/2018 17:01	CH Money Supply M0 YoY	Jan	4.20%	-13.80%	3.40%	--
02/12/2018 17:01	CH Money Supply M1 YoY	Jan	13.50%	15.00%	11.80%	--
02/12/2018 17:01	CH Money Supply M2 YoY	Jan	8.20%	8.60%	8.20%	--
02/12/2018 17:01	CH Aggregate Financing CNY	Jan	3150.0b	3060.0b	1140.0b	1139.8b
02/12/2018 17:01	CH New Yuan Loans CNY	Jan	2050.0b	2900.0b	584.4b	--
02/12/2018 20:00	IN CPI YoY	Jan	5.10%	5.07%	5.21%	--
02/12/2018 20:00	IN Industrial Production YoY	Dec	6.00%	7.10%	8.40%	8.80%
02/12/2018 23:00	CA Bloomberg Nanos Confidence	Feb-09	--	58.6	59	--
02/13/2018 03:00	US Monthly Budget Statement	Jan	\$51.0b	\$49.2b	\$51.3b	--
02/13/2018 05:00	SK Import Price Index YoY	Jan	--	-2.40%	-1.00%	-0.90%
02/13/2018 05:00	SK Export Price Index YoY	Jan	--	-3.50%	-2.10%	-2.00%
02/13/2018 06:30	AU Confidence Index	Feb-11	--	119.5	122.7	--
02/13/2018 07:02	VN Domestic Vehicle Sales YoY	Jan	--	29.40%	-14.90%	--
02/13/2018 07:50	JN PPI YoY	Jan	2.80%	--	3.10%	--
02/13/2018 08:30	AU NAB Business Conditions	Jan	--	--	13	--
02/13/2018 08:30	AU NAB Business Confidence	Jan	--	--	11	--
02/13/2018 11:00	SK Money Supply L SA MoM	Dec	--	--	0.40%	--
02/13/2018 11:00	SK Money Supply M2 SA MoM	Dec	--	--	0.20%	--
02/13/2018 14:00	JN Machine Tool Orders YoY	Jan P	--	--	48.30%	--
02/13/2018 15:45	FR Wages QoQ	4Q P	0.20%	--	0.30%	--
02/13/2018 15:45	FR Private Sector Payrolls QoQ	4Q P	0.30%	--	0.30%	--
02/13/2018 16:00	TA GDP YoY	4Q F	3.30%	--	3.28%	--
02/13/2018 17:30	UK CPI YoY	Jan	2.90%	--	3.00%	--
02/13/2018 17:30	UK CPI Core YoY	Jan	2.60%	--	2.50%	--
02/13/2018 17:30	UK Retail Price Index	Jan	276.2	--	278.1	--
02/13/2018 17:30	UK RPI MoM	Jan	-0.70%	--	0.80%	--
02/13/2018 17:30	UK PPI Input NSA YoY	Jan	4.10%	--	4.90%	--
02/13/2018 17:30	UK PPI Output NSA MoM	Jan	0.20%	--	0.40%	--
02/13/2018 17:30	UK PPI Output Core NSA YoY	Jan	2.30%	--	2.50%	--
02/13/2018 17:30	UK House Price Index YoY	Dec	4.90%	--	5.10%	--
02/13/2018 19:00	US NFIB Small Business Optimism	Jan	105.3	--	104.9	--
02/13/2018 02/18	CH Foreign Direct Investment YoY CNY	Jan	--	--	-9.20%	--
02/12/2018 02/19	ID Motorcycle Sales	Dec	--	--	550303	--
02/12/2018 02/19	ID Local Auto Sales	Dec	--	--	96148	--
02/13/2018 02/14	US Revisions: Producer Price Index					

Source: Bloomberg

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