

Highlights

Global	<p>Global risk sentiments continued to stabilise overnight, with Wall Street slightly firmer, but investors are awaiting tonight's US CPI inflation data for further direction. Meanwhile, Fed chair Powell opined that "we are in the process of gradually normalizing both interest rate policy and our balance sheet" and "we will remain alert to any developing risks to financial stability". Fed's Mester also noted that "if economic conditions evolve as expected, we'll need to make some further increases in interest rates this year and next year, at a pace similar to last year's". This cemented market conviction of the next Fed hike at the March FOMC and that the recent market volatility did not derail the planned trajectory. On the economic data front, Japan's economy rose for an eighth quarter but missed expectations at 0.5% annualised amid a zero contribution of net exports to GDP growth even though business spending and private consumption both rose 0.7% and 0.5% qoq respectively. In contrast, S'pore beat expectations to revise up 4Q17 GDP growth to 3.6% yoy (2.1% qoq saar).</p> <p>Asian bourses may open firmer this morning, but upside may be limited ahead of the US inflation data and ahead of the CNY holidays. BOT is likely to be static at 1.5% today. Today's economic data calendar comprises US' CPI, retail sales and business inventories, Eurozone's prelim 4Q17 GDP growth and Dec industrial production, and Malaysia's 4Q17 GDP growth.</p>
US	NFIB small business optimism improved from 104.9 in Dec17 to 106.9 in Jan18, with 32% citing now as a good time to expand businesses.
EZ	UK's headline CPI held at 3% in Jan (-0.5% mom), but annual core inflation accelerated from 2.5% to 2.7%, fueling market speculation of a May rate hike.
SG	The Singapore economy grew by a revised 3.6% yoy (2.1% qoq saar) in 4Q17, up from initial estimates of 3.1% yoy (2.8% qoq saar), aided by services (3.5% yoy and 6.3% qoq saar), while manufacturing slowed (4.8% yoy and -14.8% qoq saar), with construction still the laggard (-5.0% yoy and -0.2% qoq saar). This brought full-year 2017 GDP growth to 3.6% yoy, up from 3.5% earlier.
CMD	Crude oil prices remained range-bound with WTI and Brent at \$59.2/bbl and \$62.7/bbl, respectively, although other energy-related commodities such as gasoline and natural gas managed to inch higher likely on short-covering behaviour. Interestingly, market-watchers were relatively unfazed over American Petroleum Institute's data which showed US oil and gasoline inventories rising by 3.95 million barrels and 4.63 million barrels, respectively, suggesting that the sell-off in the recent trading days was possibly (1) a potential overreaction to the risk aversion and (2) at a level where investors are comfortable at given current fundamentals. Copper in fact surged 2.5% overnight to near its \$7,000/MT, suggesting that overall risk appetite is gradually picking up from last week. Elsewhere, palm oil prices likely found some support from its 50-day moving average level after erasing some of its gain seen in the previous trading day as investors likely took some profit ahead of the Lunar New Year.

Major Market

- **US:** Equities plied a relatively narrow range by recent standards on Tuesday. Opening losses were consistently erased throughout the session, with the S&P 500 eventually closing higher by 0.26%. The Dow and the Nasdaq Composite also added 0.16% and 0.45%. The reversal of the short-vol trades, thought to be the catalyst of recent gyrations, may have run its course. However, the VIX is still persistent at elevated levels, closing at 24.97, compared to 25.61 previously. Later today, we run into CPI releases, which will shed light on inflationary pressures (if any) in the US. This would likely have a bearing on US Treasury yields, and consequently the equity markets. The US Treasury curve flattened ahead of the CPI release, with the 2y yield higher by 3 bps at 2.104%, and the 10y lower by 3 bps to 2.829%. The range was similarly tight for USTs ahead of CPI release, and we watch for whether the CPI release will be sufficient to push the 10y yields higher above the 2.9% handle.
- **Singapore:** The STI rallied another 0.89% to regain the 3400 handle and closed at 3415.07 yesterday. Given modestly positive overnight cues from Wall Street and morning gains in Nikkei and Kospi, STI may trade in a firmer range today, with support and resistance at 3380 and 3420. Both UOB and OCBC reported higher 4Q profits at \$855m (+16%) and \$1.03b (+31%) respectively. With longer-dated UST bonds seeing some reprieve overnight, the SGS bond market may be content to trade in a similar fashion today as well while awaiting the US inflation data.
- Looking ahead, MTI said it expects 2018 growth to come slightly above the middle of its 1.5-3.5% forecast range, citing supportive momentum in manufacturing, especially electronics and precision engineering, as well as externally-oriented services such as finance & insurance, transportation & storage and wholesale trade, and broadening growth to domestically-oriented services like retail and food services amid improving labour market and consumer sentiment. Construction, however, is likely to remain lacklustre, and marine & offshore engineering outlook is also still challenging. The risks remain that the external demand outlook is slightly weaker versus 2017, with trade protectionism, upside inflation risks in the US, and financial market volatility potentially impacting regional economies with elevated debt levels disproportionately. Note IESingapore also upgraded its 2018 NODX growth forecast from 0-2% to 1-3%. Our house forecast remains 2-4% GDP growth and around 5% for NODX, barring domestic fiscal and monetary policy tightening, and a materialisation of external trade protectionism concerns.
- **Korea:** The IMF recommends Korea to boost public spending to “support inclusive growth and reduce excessive external imbalances”. Elsewhere, the fund also added that policy-makers should provide more details on their policies to offset “excessive volatility” in the currency market.
- **Malaysia:** GDP growth results for 2017 will be released today at 12.00pm Malaysia time. A strong performance is expected with our forecast standing at 5.5%. The Ringgit though closed flat yesterday against USD and in fact weakened against other major currencies such as the Singapore Dollar, Yen, Euro and British Pound.
- **Indonesia:** Bank Indonesia’s Board of Governors hold their monthly meeting for the next two days with consensus expectations being for interest rates to be held. Although headline inflation came out softer in January 2018 at 3.25% (Dec 2017: 3.61%), many still believe that BI will be cautious for the meantime.

- **Macau:** Housing transactions slid for the fifth consecutive month by 37% yoy to 792 deals in December 2017 due to holiday effect and the lack of primary home supply. Worries about government's announcement of more cooling measures have also sidelined investors. Adding that borrowing costs ticked up, approved new mortgage loans dropped for the fifth straight month by 24% yoy to MOP3.16 billion. Average housing price edged down by 6.5% yoy to MOP97,046 per square meter, marking the largest year-on-year decline since June 2016. Moving forward, the property market is likely to be affected by the new control measures unveiled in early February. One of the new measure is set to boost housing demand from first-home buyers while another will probably reduce secondary home supply. This combined with slow increase in future new home supply is expected to keep housing priced elevated. Still, we expect housing transactions to remain subdued in the coming year. Prospects for higher interest rates and rising risks of stock market correction could slow down housing growth.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenors trading 1-3bps lower while the longer tenors traded 4-5bps. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 113bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded tightened 2bps to 354bps. 10T UST yield fell 2.9bps to 2.83%, ahead of key US inflation reports which will be released today (14 Feb). These reports are expected to shed more light and help investors gauge the pace of future interest rate increases by the Federal Reserve.
- **New Issues:** Billionaire Mori Family plans to sell bonds for the first time at its family real estate company, Mori Trust Holdings Inc.
- **Rating Changes:** Moody's has upgraded GS Caltex Corporation's senior unsecured rating to 'Baa1' from 'Baa2'. The outlook is stable. The rating action reflects the further improvement in GS Caltex's financial profile in 2017 from the situation in 2016. It also reflects Moody's expectation that GS Caltex will maintain a robust financial profile over the next 1-2 years, driven by low debt levels and healthy earnings. S&P has downgraded HNA Group-owned Pactera Technology to 'CCC+' from 'B'. The outlook is negative. The rating action reflects Moody's expectation that the firm's leverage would stay high and cash flows would be in deficit over the next year. S&P considers Pactera a "moderately strategic" subsidiary of HNA and says it's unlikely that HNA will provide "any additional financial support to Pactera in the event of the company's financial distress". Fitch has upgraded Yanzhou Coal Mining Co Ltd's issuer default rating to 'B+' from 'B'. The outlook is stable. The rating action was driven by Fitch's assessment of the consolidated credit profile of Yanzhou's immediate parent, Yankuang Group Ltd at 'B+'. Yanzhou's rating was then equalized with that of Yankuang Group as Fitch assess the linkage between the two entities as strong, underpinned by solid strategic and operational ties.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.703	-0.56%	USD-SGD	1.3228	-0.02%
USD-JPY	107.820	-0.77%	EUR-SGD	1.6339	0.46%
EUR-USD	1.2352	0.49%	JPY-SGD	1.2269	0.75%
AUD-USD	0.7859	-0.04%	GBP-SGD	1.8378	0.38%
GBP-USD	1.3894	0.40%	AUD-SGD	1.0396	-0.07%
USD-MYR	3.9392	0.02%	NZD-SGD	0.9621	0.10%
USD-CNY	6.3410	0.21%	CHF-SGD	1.4148	0.43%
USD-IDR	13651	0.09%	SGD-MYR	2.9783	0.29%
USD-VND	22704	0.06%	SGD-CNY	4.7948	0.44%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4425	--
2M	-0.3410	--	1M	1.5875	--
3M	-0.3290	--	2M	1.6988	--
6M	-0.2780	--	3M	1.8334	--
9M	-0.2220	--	6M	2.0486	--
12M	-0.1910	--	12M	2.3191	--

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%	96.0%	4.0%	0.0%	0.0%
05/02/2018	100.0%	91.9%	7.9%	0.2%	0.0%
06/13/2018	100.0%	35.2%	59.8%	5.0%	0.1%
08/01/2018	100.0%	30.8%	56.7%	11.8%	0.7%
09/26/2018	100.0%	18.0%	45.9%	30.5%	5.3%
11/08/2018	100.0%	15.5%	42.1%	32.6%	8.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	59.19	-0.17%	Copper (per mt)	6,972.1	2.46%
Brent (per barrel)	62.72	0.21%	Nickel (per mt)	13,409.0	2.66%
Heating Oil (per gallon)	1.8369	-0.11%	Aluminium (per mt)	2,133.8	0.47%
Gasoline (per gallon)	1.6853	0.41%			
Natural Gas (per MMBtu)	2.5940	1.65%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,515.0	-1.10%
			Rubber (JPY/KG)	189.3	0.05%
Precious Metals	Futures	% chg			
Gold (per oz)	1,330.4	0.30%			
Silver (per oz)	16.528	-0.25%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,640.45	39.18
S&P	2,662.94	6.94
Nasdaq	7,013.51	31.55
Nikkei 225	21,244.68	-137.94
STI	3,415.07	30.09
KLCI	1,833.02	2.85
JCI	6,578.18	54.72
Baltic Dry	1,123.00	--
VIX	24.97	-0.64

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.57 (-0.01)	2.10 (+0.03)
5Y	1.91 (-0.01)	2.54 (-0.02)
10Y	2.24 (-0.02)	2.83 (-0.03)
15Y	2.57 (-0.02)	--
20Y	2.64 (-0.02)	--
30Y	2.75 (-0.02)	3.11 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.10	1.54
EURIBOR-OIS	2.74	-0.03
TED	26.58	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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 07:02	VN Domestic Vehicle Sales YoY	Jan	--	29.40%	-14.90%	--
02/13/2018 07:50	JN PPI YoY	Jan	2.80%	2.70%	3.10%	3.00%
02/13/2018 08:30	AU NAB Business Conditions	Jan	--	19	13	--
02/13/2018 08:30	AU NAB Business Confidence	Jan	--	12	11	10
02/13/2018 14:00	JN Machine Tool Orders YoY	Jan P	--	48.80%	48.30%	--
02/13/2018 15:45	FR Wages QoQ	4Q P	0.20%	0.10%	0.30%	--
02/13/2018 16:30	TA GDP YoY	4Q F	3.30%	3.28%	3.28%	--
02/13/2018 17:30	UK CPI YoY	Jan	2.90%	3.00%	3.00%	--
02/13/2018 17:30	UK Retail Price Index	Jan	276.2	276	278.1	--
02/13/2018 17:30	UK RPI MoM	Jan	-0.70%	-0.80%	0.80%	--
02/13/2018 17:30	UK RPI Ex Mort Int.Payments (YoY)	Jan	4.10%	4.00%	4.20%	--
02/13/2018 17:30	UK PPI Input NSA YoY	Jan	4.10%	4.70%	4.90%	5.40%
02/13/2018 17:30	UK PPI Output NSA MoM	Jan	0.20%	0.10%	0.40%	--
02/13/2018 19:00	US NFIB Small Business Optimism	Jan	105.3	106.9	104.9	--
02/14/2018 05:45	NZ Food Prices MoM	Jan	--	1.20%	-0.80%	--
02/14/2018 07:00	SK Unemployment rate SA	Jan	3.70%	3.60%	3.60%	3.70%
02/14/2018 07:30	AU Westpac Consumer Conf SA MoM	Feb	--	-2.30%	1.80%	--
02/14/2018 07:50	JN GDP SA QoQ	4Q P	0.20%	0.10%	0.60%	--
02/14/2018 07:50	JN GDP Deflator YoY	4Q P	0.00%	0.00%	0.10%	--
02/14/2018 08:00	SI GDP YoY	4Q F	2.90%	3.60%	3.10%	--
02/14/2018 08:00	SI Annual GDP	2017	--	3.60%	3.50%	--
02/14/2018 10:00	NZ 2Yr Inflation Expectation	1Q	--	--	2.02%	--
02/14/2018 12:00	MA GDP YoY	4Q	5.80%	--	6.20%	--
02/14/2018 12:00	MA BoP Current Account Balance MYR	4Q	11.0b	--	12.5b	--
02/14/2018 12:00	JN Tokyo Condominium Sales YoY	Jan	--	--	-7.50%	--
02/14/2018 14:30	IN Wholesale Prices YoY	Jan	3.20%	--	3.58%	--
02/14/2018 15:00	GE GDP WDA YoY	4Q P	3.00%	--	2.80%	--
02/14/2018 15:00	GE GDP NSA YoY	4Q P	2.20%	--	2.30%	--
02/14/2018 15:00	GE CPI YoY	Jan F	1.60%	--	1.60%	--
02/14/2018 15:05	TH BoT Benchmark Interest Rate	Feb-14	1.50%	--	1.50%	--
02/14/2018 17:00	IT GDP WDA QoQ	4Q P	0.40%	--	0.40%	--
02/14/2018 17:00	IT GDP WDA YoY	4Q P	1.70%	--	1.70%	--
02/14/2018 18:00	EC Industrial Production SA MoM	Dec	0.10%	--	1.00%	--
02/14/2018 18:00	EC GDP SA QoQ	4Q P	0.60%	--	0.60%	--
02/14/2018 20:00	US MBA Mortgage Applications	Feb-09	--	--	0.70%	--
02/14/2018 21:30	US CPI MoM	Jan	0.30%	--	0.10%	0.20%
02/14/2018 21:30	US CPI YoY	Jan	1.90%	--	2.10%	--
02/14/2018 21:30	US CPI Index NSA	Jan	247.599	--	246.524	--
02/14/2018 21:30	US CPI Core Index SA	Jan	--	--	254.426	254.398
02/14/2018 21:30	US Retail Sales Advance MoM	Jan	0.20%	--	0.40%	--
02/14/2018 21:30	US Retail Sales Ex Auto MoM	Jan	0.50%	--	0.40%	--
02/14/2018 21:30	US Retail Sales Ex Auto and Gas	Jan	0.30%	--	0.40%	--
02/14/2018 23:00	US Business Inventories	Dec	0.30%	--	0.40%	--

Source: Bloomberg

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