

### Highlights

|               |   |
|---------------|---|
| <b>Global</b> | <p>Wall Street rallied overnight, pushing the Dow past the 26,000 handle. Bank of America reported 4Q profit was hurt by a US\$2.9b tax-related charge, while Apple Inc also said it would bring hundreds of billions of dollars back to the US to invest in jobs and facilities and pay a US\$38b in repatriation taxes on profits and cash held overseas. However, Alcoa's 4Q profit missed analyst estimates amid higher energy and raw material costs and unfavourable exchange rate movements. The Fed's Beige Book reported "modest to moderate gains" at the start of 2018, with "the outlook for 2018 remains optimistic for a majority of contacts across the country". On the US labour market, "most districts cited on-going labour market tightness and challenges finding qualified workers across skills and sectors". Meanwhile, China's holdings of US Treasury bonds fell 1.1% on-month to a 4-month low of US\$1.18t in Nov, reigniting concerns arising from last week's news report that China was supposedly considering slowing or halting its purchases. Japan's holdings of US Treasury bonds also fell 0.9% to US\$1.08t (lowest in more than four years), bringing both countries' share of foreign-held US government debt to about 36% (lowest in 18 years).</p> <p>Asian bourses may see a firmer trading tone this morning, but keep an eye on China's data dump including 4Q17 GDP growth estimates, retail sales, industrial production and fixed asset investments. Today's economic calendar also includes US' housing starts, building permits, initial jobless claims and Philadelphia Fed business index, and HK's unemployment rate. Speakers include ECB's Weidmann and Coeure.</p> |
| <b>US</b>     | <p>Industrial production rebounded more than expected by 0.9% mom in Dec, boosting capacity utilisation to 77.9%. Separately, Fed's Evans opined that "something less than three is probably appropriate, especially since I personally didn't prefer the December rate increase", whereas Kaplan said "I don't want to get in a situation where the cyclical inflationary forces are getting stronger and stronger to the point where the Fed feels it needs to move much more rapidly to address it".</p>   |
| <b>CA</b>     | <p>Bank of Canada hiked its interest rates for the third time by 25bps to 1.25% as expected, but cautioned of "important unknowns" such as Nafta negotiations, and said "given those uncertainties, of course the possibility of not moving at this time was in the air" and "some continued monetary policy accommodation will likely be needed".</p>  |
| <b>JP</b>     | <p>A senior LDP official opined that "there shouldn't be big changes in monetary policy, especially when financial markets have been very sensitive about any hint of an exit strategy" and Kuroda should have a "good chance" to be reappointed for a second term.</p>   |
| <b>CMD</b>    | <p>Another episode of falling stock numbers in the US led oil futures higher once again overnight. The American Petroleum Institute reported lower oil stocks nationwide (-5.12 million barrels) last week. Elsewhere, OPEC revised their compliance levels up to 125% into December, up from 122% in November. Note that higher crude oil prices and the increased risk of cold weathers stoked further natural gas rally overnight as well, with the commodity surging 3.3% to \$3.232 per MMBtu.</p>   |

## Major Markets

- **US:** Equities rallied strongly on Wednesday, supported by strong earnings from Bank of America and comments from a number of corporates that they could benefit from the US tax overhaul. All 11 sectors of the S&P 500 saw gains, with tech and healthcare leading the way. Overall, the S&P 500 rose 0.94% to close above the 2800 handle. Similarly, the Dow added 1.25% to close above the 26000 level. The Nasdaq Composite added 1.03%. VIX stands at 11.91, compared to 11.66 previously. Meanwhile, the US Treasury curve steepened as the long end underperformed. The 10y benchmark yield rose to 2.590%, up 5 bps, while the 2y gained 3 bps to 2.043%.
- **Singapore:** The STI succumbed to profit-taking interest after rallying for three days and closed down 0.23% at 3541.91 yesterday, but may attempt higher this morning amid positive overnight cues from Wall Street and morning gains Kospi. STI' resistance is tipped at 3557, with support at 3520. With the UST bond yields climbing 3-6bps yesterday and putting a halt to the recent flattening bias, SGS bonds may similarly come under pressure today, especially amid the recent bumper corporate supply.
- Meanwhile, COE premiums slipped in the latest tender for categories A, B, C and E.
- **Korea:** The Bank of Korea is expected to hold its benchmark rate unchanged at today's MPC meeting, after unexpectedly hiking in late 2017.
- **Thailand:** Thailand raised its minimum wage nationwide for the first time in five years. Minimum wage will climb starting April 2018 by THB5 - 22/day, depending on location, bringing wage to THB308 – 330/day. The increase in wage has to rise with the cost of living and economic growth, according to Jarin Chakkaphark, permanent secretary for Labour.
- **Indonesia:** Bank Indonesia (BI) is set to announce its policy decision this evening. We expect the BI to hold its fire this time. Watch for BI's comments on inflation in 2018, as well as how it might react to global monetary policy normalization.
- **Macau:** In 4Q17, VIP revenue edged up for the fifth consecutive month by 21.9% yoy while mass-market revenue grew at its fastest pace since 2Q14 by 17% yoy. The share of VIP revenue in total gaming revenue reduced to 56.2% from 57.7% while that of mass-market revenue ticked up to 38.8% from 37.4%. In addition, the growth of VIP revenue was the weakest since 1Q17. This may be attributed to high-base effect. Also, policy risk like anti money-laundering measures and tightening regulation on junket operators might have decelerated the growth of high-rollers. Moving forward, higher funding costs may hinder junket operators from providing credit extensions for VIP gamblers. In contrast, a new wave of mega project openings, further growth across Asia and completion of Hong Kong-Zhuhai-Macau Bridge together are set to boost tourism activities. This will in turn render support to mass market segment. Wealth effect from stock market and a weaker HKD may also encourage recreational gamblers to increase their betting amount. All in all, we expect gaming sector to sustain its growth albeit at a slower pace (10%-15%) amid high-base effect.
- **Commodities:** Closer to Asia, palm oil prices closed lower by 1.23% to MYR2,487/MT as ringgit firmed further. The palm oil market saw important developments over the last two days: (1) India's oilseed processors are said to be seeking higher import duty on refined palm oil, up to 45% on imports compared to a current 40% while (2) EU Lawmakers have backed a plan to remove palm oil from biofuel mix after 2020 due to

concerns over its environment impact. The above factors could potentially limit palm oil import demand from key importers in the foreseeable future.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with swap rates for the short tenors trading 2—3bps higher while the longer tenors traded 4-5bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 108bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 327bps. The 10Y UST yield rose 5bps to 2.59%, driven by both news of China's holding of Treasuries slumping to its lowest level since July, as well as the Fed's latest Beige Book reporting the US economy and inflation expanding at a modest-to-moderate pace late last year.
- **New Issues:** West Banking Corp has priced a USD2.5bn deal across three-tranches, with the USD1bn 3-year Fxd priced at CT3+52bps, tightening from its initial guidance of CT3+52-58bps area; the USD500mn 3-year floating rate note priced at 3mL+34bps, in line with its initial guidance of 3mL+34bps area and the USD 10-year Fxd priced at CT10+87bps, tightening from its initial guidance of CT10+87-93bps area. Golden Asset International Investment Pte Ltd has priced a SGD150mn 3-year bond (guaranteed by Golden-Agri Resources Ltd) at 4.75%, tightening from its initial guidance of 5%.
- **Rating Changes:** Moody's has revised Sunac China Holdings Ltd's outlook to stable from negative. The rating action reflects Sunac's ability to deleverage through equity issuances and strong contracted sales growth and Moody's expectation that Sunac will improve its profitability. However, Moody's acknowledged that it has viewed Sunac's investment in Leshi as credit negative, but it expects that Sunac will manage the size of any further investment in Leshi cautiously. Moody's has affirmed Shoko Chukin Bank Ltd's 'A1' ratings and revised its outlook to negative from stable for the bank's long-term deposit ratings. The affirmation of its 'A1' rating reflects Moody's assumption that the bank will receive full support from Government of Japan, in case of need. However the revision of the outlook to negative was attributed to a potential reduction in Moody's government support assumption for the Shoko Chukin, if it becomes more likely that the bank will successfully restructure and develop a standalone business model over the next four years. Moody's has assigned a rating of 'Ba2' for GCL New Energy Holdings Ltd a first-time corporate family rating and 'Ba3' for its USD senior unsecured notes. The outlook is stable. The rating action reflects GCL New Energy's leading market position as one of the largest solar farm operators in China, coupled with its diversified asset portfolio with stable cashflows as well as the favourable industry and policy environment in China. Moody's however acknowledged that the company's weak financial profile is attributed to its relatively short operating track record under its current scale and aggressive expansion strategy.

### Key Financial Indicators

#### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 90.541    | 0.16%    | <b>USD-SGD</b> | 1.3246    | 0.30%    |
| <b>USD-JPY</b> | 111.290   | 0.76%    | <b>EUR-SGD</b> | 1.6142    | -0.31%   |
| <b>EUR-USD</b> | 1.2186    | -0.60%   | <b>JPY-SGD</b> | 1.1904    | -0.46%   |
| <b>AUD-USD</b> | 0.7970    | 0.11%    | <b>GBP-SGD</b> | 1.8319    | 0.57%    |
| <b>GBP-USD</b> | 1.3831    | 0.28%    | <b>AUD-SGD</b> | 1.0556    | 0.41%    |
| <b>USD-MYR</b> | 3.9535    | -0.10%   | <b>NZD-SGD</b> | 0.9632    | 0.33%    |
| <b>USD-CNY</b> | 6.4343    | -0.15%   | <b>CHF-SGD</b> | 1.3712    | -0.39%   |
| <b>USD-IDR</b> | 13359     | 0.16%    | <b>SGD-MYR</b> | 2.9861    | -0.16%   |
| <b>USD-VND</b> | 22698     | -0.04%   | <b>SGD-CNY</b> | 4.8649    | -0.05%   |

#### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3690 | --     | <b>O/N</b> | 1.4388    | --     |
| <b>2M</b>  | -0.3410 | --     | <b>1M</b>  | 1.5561    | --     |
| <b>3M</b>  | -0.3290 | --     | <b>2M</b>  | 1.6328    | --     |
| <b>6M</b>  | -0.2720 | --     | <b>3M</b>  | 1.7341    | --     |
| <b>9M</b>  | -0.2220 | --     | <b>6M</b>  | 1.9041    | --     |
| <b>12M</b> | -0.1860 | --     | <b>12M</b> | 2.1956    | --     |

#### 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 | 88.2%     | 87.9%    | 0.3%   | 0.0%   | 0.0%     |
| 05/02/2018 | 88.3%     | 87.4%    | 0.9%   | 0.0%   | 0.0%     |
| 06/13/2018 | 96.6%     | 33.4%    | 62.6%  | 0.6%   | 0.0%     |
| 08/01/2018 | 96.9%     | 31.0%    | 60.3%  | 5.6%   | 0.1%     |
| 09/26/2018 | 98.4%     | 17.4%    | 46.0%  | 32.3%  | 2.7%     |

#### Commodities Futures

| Energy                   | Futures        | % chg        | Base Metals              | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 63.97          | 0.38%        | Copper (per mt)          | 7,030.5        | -0.95%       |
| Brent (per barrel)       | 69.38          | 0.33%        | Nickel (per mt)          | 12,369.3       | -1.06%       |
| Heating Oil (per gallon) | 2.0691         | 0.28%        | Aluminium (per mt)       | 2,196.8        | 0.47%        |
| Gasoline (per gallon)    | 1.8584         | 1.09%        |                          |                |              |
| Natural Gas (per MMBtu)  | 3.2320         | 3.29%        | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
|                          |                |              | Crude Palm Oil (MYR/MT)  | 2,487.0        | -1.23%       |
|                          |                |              | Rubber (JPY/KG)          | 209.5          | -1.60%       |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> |                          |                |              |
| Gold (per oz)            | 1,339.2        | 0.16%        |                          |                |              |
| Silver (per oz)          | 17.166         | -0.13%       |                          |                |              |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 26,115.65 | 322.79     |
| <b>S&amp;P</b>    | 2,802.56  | 26.14      |
| <b>Nasdaq</b>     | 7,298.28  | 74.59      |
| <b>Nikkei 225</b> | 23,868.34 | -83.47     |
| <b>STI</b>        | 3,541.91  | -8.30      |
| <b>KLCI</b>       | 1,828.63  | 2.60       |
| <b>JCI</b>        | 6,444.52  | 14.83      |
| <b>Baltic Dry</b> | 1,221.00  | --         |
| <b>VIX</b>        | 11.91     | 0.25       |

#### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.43 (--)    | 2.04 (+0.03) |
| <b>5Y</b>  | 1.70 (+0.02) | 2.40 (+0.05) |
| <b>10Y</b> | 2.09 (+0.02) | 2.59 (+0.05) |
| <b>15Y</b> | 2.36 (+0.02) | --           |
| <b>20Y</b> | 2.41 (+0.02) | --           |
| <b>30Y</b> | 2.54 (+0.02) | 2.86 (+0.03) |

#### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 24.78 | -0.03  |
| <b>EURIBOR-OIS</b> | 2.14  | 1.04   |
| <b>TED</b>         | 31.21 | --     |

### Economic Calendar

| Date Time        | Event                                | Survey | Actual | Prior   | Revised  |          |
|------------------|--------------------------------------|--------|--------|---------|----------|----------|
| 01/17/2018 07:30 | AU Westpac Consumer Conf SA MoM      | Jan    | --     | 1.80%   | 3.60%    | --       |
| 01/17/2018 07:50 | JN Core Machine Orders MoM           | Nov    | -1.40% | 5.70%   | 5.00%    | --       |
| 01/17/2018 08:00 | NZ ANZ Commodity Price               | Dec    | --     | -2.20%  | -0.90%   | --       |
| 01/17/2018 08:30 | AU Home Loans MoM                    | Nov    | 0.00%  | 2.10%   | -0.60%   | --       |
| 01/17/2018 08:30 | AU Owner-Occupier Loan Value MoM     | Nov    | --     | 2.70%   | 0.00%    | -0.50%   |
| 01/17/2018 08:30 | SI Non-oil Domestic Exports YoY      | Dec    | 8.60%  | 3.10%   | 9.10%    | --       |
| 01/17/2018 15:00 | EC EU27 New Car Registrations        | Dec    | --     | -4.90%  | 5.90%    | --       |
| 01/17/2018 16:00 | SI Automobile COE Open Bid Cat A     | Jan-17 | --     | 36890   | 41400    | --       |
| 01/17/2018 16:00 | SI Automobile COE Open Bid Cat B     | Jan-17 | --     | 42661   | 45289    | --       |
| 01/17/2018 18:00 | EC CPI Core YoY                      | Dec F  | 0.90%  | 0.90%   | 0.90%    | --       |
| 01/17/2018 18:00 | EC CPI YoY                           | Dec F  | 1.40%  | 1.40%   | 1.40%    | --       |
| 01/17/2018 20:00 | US MBA Mortgage Applications         | Jan-12 | --     | 4.10%   | 8.30%    | --       |
| 01/17/2018 22:15 | US Industrial Production MoM         | Dec    | 0.50%  | 0.90%   | 0.20%    | -0.10%   |
| 01/17/2018 22:15 | US Capacity Utilization              | Dec    | 77.40% | 77.90%  | 77.10%   | 77.20%   |
| 01/17/2018 23:00 | CA Bank of Canada Rate Decision      | Jan-17 | 1.25%  | 1.25%   | 1.00%    | --       |
| 01/17/2018 23:00 | US NAHB Housing Market Index         | Jan    | 72     | 72      | 74       | --       |
| 01/18/2018 04:00 | NZ REINZ House Sales YoY             | Dec    | --     | -10.10% | -8.90%   | --       |
| 01/18/2018 05:00 | US Total Net TIC Flows               | Nov    | --     | \$33.8b | \$151.2b | \$152.9b |
| 01/18/2018 05:00 | US Net Long-term TIC Flows           | Nov    | --     | \$57.5b | \$23.2b  | \$26.2b  |
| 01/18/2018 07:50 | JN Japan Buying Foreign Bonds        | Jan-12 | --     | --      | ¥173.0b  | --       |
| 01/18/2018 07:50 | JN Foreign Buying Japan Stocks       | Jan-12 | --     | --      | ¥597.9b  | --       |
| 01/18/2018 08:01 | UK RICS House Price Balance          | Dec    | -1%    | --      | 0%       | --       |
| 01/18/2018 08:30 | AU Employment Change                 | Dec    | 15.0k  | --      | 61.6k    | --       |
| 01/18/2018 08:30 | AU Unemployment Rate                 | Dec    | 5.40%  | --      | 5.40%    | --       |
| 01/18/2018 08:30 | AU Full Time Employment Change       | Dec    | --     | --      | 41.9k    | --       |
| 01/18/2018 08:30 | AU Participation Rate                | Dec    | 65.50% | --      | 65.50%   | --       |
| 01/18/2018 08:30 | AU RBA FX Transactions Market        | Dec    | --     | --      | A\$343m  | --       |
| 01/18/2018 12:30 | JN Industrial Production MoM         | Nov F  | --     | --      | 0.60%    | --       |
| 01/18/2018 12:30 | JN Capacity Utilization MoM          | Nov    | --     | --      | 0.20%    | --       |
| 01/18/2018 15:00 | CH GDP YoY                           | 4Q     | 6.70%  | --      | 6.80%    | --       |
| 01/18/2018 15:00 | CH GDP YTD YoY                       | 4Q     | 6.80%  | --      | 6.90%    | --       |
| 01/18/2018 15:00 | CH Retail Sales YoY                  | Dec    | 10.20% | --      | 10.20%   | --       |
| 01/18/2018 15:00 | CH Industrial Production YoY         | Dec    | 6.10%  | --      | 6.10%    | --       |
| 01/18/2018 15:00 | CH Fixed Assets Ex Rural YTD YoY     | Dec    | 7.10%  | --      | 7.20%    | --       |
| 01/18/2018 16:30 | HK Unemployment Rate SA              | Dec    | 3.00%  | --      | 3.00%    | --       |
| 01/18/2018 21:30 | US Housing Starts                    | Dec    | 1275k  | --      | 1297k    | --       |
| 01/18/2018 21:30 | US Building Permits                  | Dec    | 1295k  | --      | 1298k    | 1303k    |
| 01/18/2018 21:30 | US Philadelphia Fed Business Outlook | Jan    | 25     | --      | 26.2     | 27.9     |
| 01/18/2018 21:30 | US Initial Jobless Claims            | Jan-13 | 249k   | --      | 261k     | --       |
| 01/18/2018 21:30 | US Continuing Claims                 | Jan-06 | 1900k  | --      | 1867k    | --       |
| 01/18/2018 22:45 | US Bloomberg Economic Expectations   | Jan    | --     | --      | 47       | --       |
| 01/18/2018 22:45 | US Bloomberg Consumer Comfort        | Jan-14 | --     | --      | 53.5     | --       |
| 01/18/2018       | HK Composite Interest Rate           | Dec    | --     | --      | 0.32%    | --       |
| 01/18/2018       | SK BoK 7-Day Repo Rate               | Jan-18 | 1.50%  | --      | 1.50%    | --       |
| 01/18/2018       | ID Bank Indonesia 7D Reverse Repo    | Jan-18 | 4.25%  | --      | 4.25%    | --       |

Source: Bloomberg

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