

Highlights

Global	<p>With the partial US government shutdown impasse likely to drag over from the weekend and US president Trump's attendance at Davos for the annual World Economic Forum potentially jeopardised, global risk appetite may tread a more cautious path at this start of this week, albeit investors may be eager to buy on dips ahead of an expected resolution. In contrast, Germany's Social Democrats have backed formal coalition talks with Chancellor Merkel. Elsewhere, OPEC and Russia have reaffirmed their alliance on production cuts till year-end.</p> <p>Asian bourses may trade in a range today, awaiting further news about the US government shutdown negotiations. Today's economic calendar is again relatively light with only US' Chicago Fed national activity index, Taiwan export orders and unemployment rate, and Malaysia's foreign reserves data. UK PM May's Brexit legislation heads to the House of Lords. For this week, watch for BOJ meeting on Tue and ECB and BNM on Thu. While these central banks are likely to stay pat, nevertheless market players remain sensitized to any hints of stealth tapering, so they have to strike a fine balance between increased economic optimism and market anxiety over early withdrawal of monetary policy stimulus. In addition, US earnings season remains in full swing, with Netflix, Halliburton, GE, Intel, Starbucks etc posting results this week.</p>
US	<p>The prelim Jan University of Michigan sentiments unexpectedly slipped from 95.9 in Dec to 94.4 as the current conditions gauge fell from 113.8 to 109.2, whereas the expectations gauge remained healthy at 84.8 (versus 84.3 previously). Meanwhile, President Trump has received the government study into US aluminium imports that could result in tariffs or quotas on foreign producers, and is also expected to decide whether to crack down on solar panel and washing machine imports. This is likely to cast market attention on the recent RMB strength as USDRMB approached the 6.4 handle.</p>
SG	<p>The Health Ministry has set up a 13-member committee to recommend "reasonable" national benchmarks for medical fees by 2H18. Meanwhile, passengers departing from Changi Airport may soon have to pay from \$10-15 as part of a new tax being considered to help finance T5 and major works in Changi East, according to the ST.</p>
CMD	<p>Market-players were obviously spooked by more climbs in US oil production (+258kbpd) in the week ended 12th January 2018, despite overall crude oil stocks falling 6.9 mbpd over the same period. Crude oil prices were lower over the weekend, suggesting that Brent's value at \$70/bbl was likely a passing mirage. In another bid to support prices, note that OPEC and Russia had signalled their decision to sustain production cap levels until the end of this year. Elsewhere, safe haven demand into gold likely ensued on news of US' partial government shutdown, and could stay supported as global risk appetite remains on a cautious tone.</p>

Major Market

- **US:** Equities pushed higher despite the threat of a government shutdown, with major indices recovering from the previous day's losses to close at record highs. Watch for latest developments on this front, as the Friday deadline passed without an agreement to extend the debt ceiling. The US government is effectively on partial shutdown over the weekend, but a last-ditch attempt to come to an agreement is scheduled in the early hours of Monday in Washington. Overall, the S&P 500 added 0.44%, while the Dow and Nasdaq Composite gained 0.21% and 0.55% respectively. VIX lower at 11.27, compared to 12.22 previously.
- Meanwhile, US Treasury bond yields were higher across the board, with the curve steepening from the long end. 2y benchmark yield added 2 bps to 2.065%. Eyes on the 10y yield as it pushes further away from the 2.60% handle, adding 3 bps to 2.659%. Watch for whether this push higher will be sustained, as previous attempts to meaningfully break beyond 2.60% ended with failure.
- **Singapore:** The STI added 0.82% to close at 3550.36 on Friday, but may find further rallies tough as market players try to take the pulse of how much the US government shutdown may affect financial markets. STI may trade between 3525-3560 today. With the UST bond yields steepening further led by the long-dated bonds, the SGS bond market will again follow suit today.
- **China:** China's Forex Market Self-Discipline Mechanism Secretariat published the Q&A on the use of counter cyclical factor in RMB's fixing mechanism last Friday. The organization, which consists of key interbank forex market players, said most of its members have adjusted the counter cyclical factor back to neutral. However, the formula, which includes CCF, has not been changed. As such, the CCF is likely to be triggered again should market condition change again. In addition, China's central bank said last Friday that it will launch a counter cyclical coefficient to cross border RMB financing to better manage cross border capital flows. The ceiling of RMB cross border financing will depend on two parameters including bank's outstanding of total RMB deposits and counter cyclical factor, which will be set at 3% currently.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened last Friday, with swap rates for the shorter tenors trading at 1-3bps higher while the longer tenors traded at 4-6bps higher. In the broader dollar space, both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 107bps and 325bps respectively. 10Y UST yield rose 3.4bps to 2.661% as Treasuries were weighed down by the government shutdown drama in Washington that happened last Friday.
- **New Issues:** Housing & Development Board has priced a SGD15mn 10-year bond at 2.32%. Beijing Capital Group Co Ltd has scheduled for investor meetings from 22 Jan for its potential USD bond issuance. FWD Ltd has scheduled for investor meetings from 22 Jan for its potential USD subordinated Perp bond issuance. The expected issue ratings are 'NR/Ba2/BB+'. Tsinghua Holdings Co Ltd has scheduled for investor meetings from 22 Jan for its potential USD bond issuance. Golden Energy & Resources Ltd scheduled for investor meetings from 22 Jan for its potential USD bond issuance. The expected issue ratings are 'NR/B1/B+'. Union Medical Healthcare Ltd has scheduled investor meetings in Hong Kong and Singapore over January 22-24 for its

proposed dollar bond issue. The expected issue ratings are 'NR/B1/NR'. United Co RUSAL PLC has scheduled roadshows for its potential 5-7 year USD senior unsecured bond issuance. The expected issue ratings are 'NR/Ba3/BB-'.

- **Rating Changes:** Fitch has assigned a final rating of 'AA-' to Sindicatum Renewable Company Pte Ltd for its guaranteed green bonds. The outlook is stable. The rating action reflects the credit enhancement provided to investors by the guarantee from GuarantCo Ltd, with the guarantee covering 100% of the principal and interest due on the bonds. Moody's has assigned a 'B1' corporate family rating to Golden Energy and Resources Ltd (GEAR). The outlook is stable. The rating action reflects GEAR's moderate financial profile, supported by its prudent capital management and performance during the recent downturn in coal prices. However, Moody's acknowledged the high concentration risk to a single commodity and a single mine, as well as execution risk associated with the capacity expansion at GEAR, where production is expected to triple by 2021 relative to that of 2017. S&P raised Toshiba Corp's rating by 2 notches to 'CCC+' from 'CCC-', maintaining it on CreditWatch for upgrade. The rating action reflects the heightened likelihood of Toshiba erasing its negative net worth due to the deal of selling Westinghouse-related assets, significantly reducing its chances of undertaking a debt restructuring in the near term.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.572	0.08%	USD-SGD	1.3208	-0.01%
USD-JPY	110.770	-0.31%	EUR-SGD	1.6145	-0.13%
EUR-USD	1.2222	-0.13%	JPY-SGD	1.1927	0.32%
AUD-USD	0.7995	-0.07%	GBP-SGD	1.8302	-0.28%
GBP-USD	1.3858	-0.26%	AUD-SGD	1.0563	-0.03%
USD-MYR	3.9388	-0.41%	NZD-SGD	0.9609	-0.36%
USD-CNY	6.4040	-0.25%	CHF-SGD	1.3716	-0.43%
USD-IDR	13316	-0.23%	SGD-MYR	2.9854	-0.15%
USD-VND	22698	-0.12%	SGD-CNY	4.8521	-0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5613	0.0001
3M	-0.3280	--	2M	1.6348	-0.0001
6M	-0.2760	-0.0010	3M	1.7445	-0.0002
9M	-0.2230	--	6M	1.9318	0.0063
12M	-0.1910	--	12M	2.2275	--

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	96.4%	35.1%	60.6%	0.6%	0.0%
08/01/2018	96.6%	33.0%	58.8%	4.8%	0.0%
09/26/2018	98.3%	17.8%	45.6%	32.4%	2.5%

Equity and Commodity

Index	Value	Net change
DJIA	26,071.72	53.91
S&P	2,810.30	12.27
Nasdaq	7,336.38	40.33
Nikkei 225	23,808.06	44.69
STI	3,550.36	29.05
KLCI	1,828.83	7.23
JCI	6,490.90	18.23
Baltic Dry	1,125.00	-14.00
VIX	11.27	-0.95

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.45 (+0.01)	2.06 (+0.02)
5Y	1.75 (+0.02)	2.45 (+0.03)
10Y	2.15 (+0.02)	2.66 (+0.03)
15Y	2.42 (+0.02)	--
20Y	2.47 (+0.02)	--
30Y	2.60 (+0.02)	2.93 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.10	0.64
EURIBOR-OIS	2.34	0.05
TED	31.77	-0.77

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.37	-0.91%	Copper (per mt)	7,027.2	-0.36%
Brent (per barrel)	68.61	-1.01%	Nickel (per mt)	12,688.5	2.05%
Heating Oil (per gallon)	2.0584	-0.16%	Aluminium (per mt)	2,222.0	-1.11%
Gasoline (per gallon)	1.8636	-1.06%			
Natural Gas (per MMBtu)	3.1850	-0.13%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,445.0	-1.25%
			Rubber (JPY/KG)	209.2	-1.32%
Precious Metals	Futures	% chg			
Gold (per oz)	1,333.1	0.44%			
Silver (per oz)	17.036	0.48%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 16 Jan 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	-68,189	-136,648	68,459	Sugar	-34,321	22,954	-57,275
Nymex Crude	752,957	706,062	46,895	Wheat	-111,120	-97,428	-13,692
Gold	224,305	212,061	12,244	Soybean	-93,493	-82,418	-11,075
Cotton	124,360	116,412	7,948	Coffee	-43,365	-32,824	-10,541
Platinum	37,534	30,793	6,741	Live Cattle	95,599	101,763	-6,164
Lean Hogs	69,675	68,922	753	Heating Oil	64,081	67,696	-3,615
Cocoa	-3,789	-4,479	690	Corn	-148,924	-146,980	-1,944
RBOB Gasoline	89,615	89,478	137	Silver	36,427	37,878	-1,451
Palladium	26,913	27,608	-695	Copper	60,187	61,295	-1,108

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/19/2018 05:30	NZ BusinessNZ Manufacturing PMI	Dec	--	51.2	57.7	--
01/19/2018 13:14	PH BoP Overall	Dec	--	\$917m	-\$44m	--
01/19/2018 15:00	GE PPI MoM	Dec	0.20%	0.20%	0.10%	--
01/19/2018 15:30	TH Foreign Reserves	Jan-12	--	\$206.2b	\$204.0b	--
01/19/2018 15:30	TH Forward Contracts	Jan-12	--	\$37.4b	\$36.5b	--
01/19/2018 17:00	EC ECB Current Account SA	Nov	--	32.5b	30.8b	30.3b
01/19/2018 17:00	EC Current Account NSA	Nov	--	37.8b	35.9b	35.4b
01/19/2018 17:00	IT Current Account Balance	Nov	--	4881m	6551m	6415m
01/19/2018 17:30	UK Retail Sales Ex Auto Fuel MoM	Dec	-1.00%	-1.60%	1.20%	1.10%
01/19/2018 17:30	UK Retail Sales Inc Auto Fuel MoM	Dec	-1.00%	-1.50%	1.10%	1.00%
01/19/2018 21:30	CA Manufacturing Sales MoM	Nov	2.00%	3.40%	-0.40%	-0.60%
01/19/2018 21:30	CA Int'l Securities Transactions	Nov	--	19.56b	20.81b	20.77b
01/19/2018 23:00	US U. of Mich. Sentiment	Jan P	97	94.4	95.9	--
01/19/2018 23:00	US U. of Mich. Current Conditions	Jan P	114.4	109.2	113.8	--
01/19/2018 23:00	US U. of Mich. Expectations	Jan P	85.3	84.8	84.3	--
01/19/2018 23:00	US U. of Mich. 1 Yr Inflation	Jan P	--	2.80%	2.70%	--
01/19/2018 23:00	US U. of Mich. 5-10 Yr Inflation	Jan P	--	2.50%	2.40%	--
01/21/2018 08:00	SK Imports 20 Days YoY	Jan	--	14.10%	19.50%	--
01/21/2018 08:00	SK Exports 20 Days YoY	Jan	--	9.20%	16.40%	--
01/22/2018 05:00	SK PPI YoY	Dec	--	2.30%	3.10%	--
01/22/2018 11:30	TH Customs Exports YoY	Dec	11.50%	--	13.40%	13.36%
01/22/2018 11:30	TH Customs Imports YoY	Dec	10.70%	--	13.70%	--
01/22/2018 11:30	TH Customs Trade Balance	Dec	\$1104m	--	\$1763m	--
01/22/2018 12:00	JN Tokyo Condominium Sales YoY	Dec	--	--	24.60%	--
01/22/2018 15:00	JN Convenience Store Sales YoY	Dec	--	--	-0.30%	--
01/22/2018 15:00	MA Foreign Reserves	Jan-15	--	--	\$102.4b	--
01/22/2018 16:00	TA Export Orders YoY	Dec	12.10%	--	11.60%	--
01/22/2018 16:00	TA Unemployment Rate	Dec	3.68%	--	3.69%	--
01/22/2018 21:30	CA Wholesale Trade Sales MoM	Nov	1.20%	--	1.50%	--
01/22/2018 21:30	US Chicago Fed Nat Activity Index	Dec	0.22	--	0.15	--
01/22/2018 23:00	CA Bloomberg Nanos Confidence	Jan-19	--	--	60.5	--
01/22/2018	MU CPI Composite YoY	Dec	--	--	1.69%	--
01/18/2018 01/22	ID Motorcycle Sales	Dec	--	--	550303	--
01/18/2018 01/22	ID Local Auto Sales	Dec	--	--	96148	--

Source: Bloomberg

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