

Highlights

Global	FOMC minutes from the Jan meeting sounded more upbeat, with “a number of participants indicated that they had marked up their forecasts for economic growth in the near term” and “a majority of participants noted that a stronger outlook for economic growth raised the likelihood that further gradual policy firming would be appropriate”, albeit “a gradual approach to raising the target range for the federal funds rate remained appropriate”. Given that the Jan FOMC preceded the recent US inflation and wage prints, it was interesting to note that “a number of participants judged that the continued tightening in labour markets was likely to translate into faster wage increases at some point”, but “the pace of wage gains might not increase appreciably if productivity growth remains low”. Wall Street ended a tad weaker, while the 10-year UST bond yield hit 2.95% (highest since Jan14), with the 30-year also touching a high of 3.23% (highest since 2015) and the USD rose. Asian bourses may continue to tread cautiously today. Today’s economic data release include US’ initial jobless claims, UK’ prelim 4Q17 GDP and trade, German IFO business climate, HK unemployment, and Malaysian foreign reserves. Speakers include Fed’s Kashkari, Quarles, Dudley, Bostic and Kaplan.
US	US’ existing home sales unexpectedly fell 3.2% mom in Jan to a four-month low, marking the largest decline in more than three years, amid a shortage of inventories (-9.5% yoy to 1.52m which is the lowest Jan print since records began in 1999) which drove median sales prices up 5.8% yoy to \$240,500. Mortgage applications fell for the second straight week by 6.6%
EZ	BOE chief economist Haldane opined that the “pickup in wages is starting to take root” and a rate hike was likely in the “coming months” as the rate of wage gains will hit 3% in 1Q18 but see a “pretty slow” rise subsequently. BOE governor Carney also refrained from giving clarity on the timing of any rate hikes. Meanwhile, the unemployment rate edged up from 4.3% to 4.4%.
SG	Jan CPI may remain steady at 0.4% yoy, but rise 0.2% mom nsa, versus 0.4% yoy (-0.1% mom nsa) in Dec17, with core CPI also remaining at 1.3% yoy (same as Dec). Meanwhile, NEA said that S’pore is unlikely to be affected by transboundary haze from hotspots in Indonesia.
ID	Fifty Rupiah-denominated government bonds totalling \$151.3bn in market value as of January 31st will be included in the Bloomberg Barclays Indexes. The inclusion is expected to bolster confidence of investors and increase foreign inflows. Initial market reactions include a slight drop in Indonesia’s benchmark 10 year yield by about 4bps on Wednesday.
CMD	In line with recent news on lower US oil inventories, the American Petroleum Institute indicated a fall in overall US oil inventories by around 900,000 barrels last week. Precious metal prices were relatively flat, with gold little changed, while silver rose 1.0% before falling 0.86% in early morning trading. Palm oil prices were also flat, as market-watchers await in anticipation on the upcoming 27th Feb EU biofuel ban talks. Note that Malaysia’s Plantations Industries and Commodities minister Mah commented that Malaysia’s meeting with the EU over the latter’s planned ban on biofuel imports has yielded “very promising” results, and will continue to engage in active discussions to prevent discrimination against palm oil.

Major Market

- **US:** Equities reversed course intraday as investors assessed the state of the economy following the release of the minutes of the January FOMC meeting. The minutes revealed a committee increasingly confident of economic growth. This initially boosted equities, but then turned as investors became concerned that this may signal a faster pace of rate hikes. Overall, the S&P 500 closed down 0.55%, after gaining more than 1% intraday. The Dow and Nasdaq Composite also declined 0.67% and 0.22% respectively. VIX closed at 20.02, compared to 20.6 previously.
- US Treasuries also sold off after the release of the Jan FOMC minutes, with the 10y benchmark yield closing at 2.950%, adding 6 bps. The 2y yield also 5 bps to 2.266%. This week's deluge of new auctions appears to be well-absorbed by the market, though the US Treasury have had to pay the highest rates in years. The supply of new USTs should remain high this year, pressuring yields higher.
- **Singapore:** The STI rebounded 1.14% to regain the 3500 handle for the first time since 2 Feb and closed at 3516.23 yesterday. Given weak overnight cues by Wall Street and morning slippage in Kospi, the STI may trade with a softer tone today as well. STI support and resistance are tipped at 3488 and 3530. With the UST bond yield curve steepening overnight, the SGS bond market which was little changed yesterday may also trade lower today.
- **Thailand:** In spite of a stronger THB, the surprisingly strong export print last month suggests that Thailand remains competitive. A strong export growth (+17.6%) was seen in Jan 2018, the highest since Nov 2012. The outbound shipments were led by computer & parts (+21.5%), auto exports (+18.2%), industrial products (+17.2%) and agriculture products (+16.2%). Still, the upside surprise in imports (+24.3%) drag overall trade balance to a deficit print for the second consecutive month.
- **Macau:** During the first six days of Chinese New Year Holiday, total visitor arrivals increased by 7.9% yoy while those from Mainland China rose by 14.5% yoy. This indicates that the gambling hub's tourism sector continues to benefit from Asia's (especially China's) resilient growth. This might have lent some support to the mass-market segment of the gaming sector. Therefore, we expect gaming revenue to advance by about 15% yoy in February.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 2bps higher for the 1 year tenor while the medium to longer tenors traded 2-3bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 111bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 339bps. 10Y UST yield rose 6bps to 2.95%, as the release of the Fed minutes yesterday indicated that the Fed is upbeat on the economic outlook and are increasingly more optimistic about achieving their inflation target.
- **New issues:** United Overseas Bank Ltd has priced a GBP350mn 5-year FRN covered bond at 3mL+24bps, tightening from its initial guidance of 3mL+26bps. Industrial Bank Co Ltd has plans to issue USD denominated senior bonds.

- **Rating changes:** Moody's has withdrawn Viva Industrial Real Estate Investment Trust's (VI-REIT) 'Ba1' corporate family rating and stable outlook, citing that the withdrawal was due to its own business reasons. S&P has assigned its 'A-' long-term issuer credit rating to Sumitomo Mitsui Finance and Leasing Co Ltd. The outlook is stable. The rating action is attributed to Sumitomo's close financial and operational ties with Sumitomo Mitsui Financial Group Inc (SMFG), diversified revenue sources in terms of both business fields and geographic regions as well as its leading position in the domestic leasing industry in terms of business scale.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.000	0.32%	USD-SGD	1.3237	0.38%
USD-JPY	107.780	0.42%	EUR-SGD	1.6260	-0.07%
EUR-USD	1.2284	-0.43%	JPY-SGD	1.2282	-0.08%
AUD-USD	0.7804	-1.00%	GBP-SGD	1.8424	-0.18%
GBP-USD	1.3918	-0.56%	AUD-SGD	1.0331	-0.64%
USD-MYR	3.9060	0.06%	NZD-SGD	0.9688	-0.04%
USD-CNY	6.3421	0.01%	CHF-SGD	1.4097	0.06%
USD-IDR	13618	0.02%	SGD-MYR	2.9585	-0.02%
USD-VND	22709	0.02%	SGD-CNY	4.8045	-0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.4450	--
2M	-0.3410	--	1M	1.5956	--
3M	-0.3290	--	2M	1.7422	--
6M	-0.2730	--	3M	1.9039	--
9M	-0.2210	--	6M	2.1286	--
12M	-0.1930	--	12M	2.4084	--

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%	88.0%	12.0%	0.0%	0.0%
05/02/2018	100.0%	78.6%	20.1%	1.3%	0.0%
06/13/2018	100.0%	24.1%	60.6%	14.3%	0.9%
08/01/2018	100.0%	20.6%	55.4%	21.0%	2.8%
09/26/2018	100.0%	10.8%	38.9%	37.4%	11.5%
11/08/2018	100.0%	9.3%	35.0%	37.6%	15.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	61.68	-0.36%	Copper (per mt)	7,136.4	0.73%
Brent (per barrel)	65.42	0.26%	Nickel (per mt)	13,811.0	1.74%
Heating Oil (per gallon)	1.9323	0.24%	Aluminium (per mt)	2,199.3	0.61%
Gasoline (per gallon)	1.7573	0.40%			
Natural Gas (per MMBtu)	2.6590	1.64%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,489.0	0.16%
			Rubber (JPY/KG)	186.0	1.20%
Precious Metals	Futures	% chg			
Gold (per oz)	1,332.1	0.07%			
Silver (per oz)	16.678	1.00%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,797.78	-166.97
S&P	2,701.33	-14.93
Nasdaq	7,218.23	-16.08
Nikkei 225	21,970.81	45.71
STI	3,516.23	39.70
KLCI	1,858.17	2.18
JCI	6,643.40	-19.48
Baltic Dry	1,117.00	--
VIX	20.02	-0.58

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.61 (+0.01)	2.27 (+0.05)
5Y	2.04 (-)	2.69 (+0.04)
10Y	2.38 (-)	2.95 (+0.06)
15Y	2.69 (-)	--
20Y	2.75 (-0.01)	--
30Y	2.87 (-)	3.22 (+0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	31.20	0.54
EURIBOR-OIS	2.10	-0.78
TED	28.27	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
02/21/2018 05:00	SK PPI YoY	Jan	--	1.20%	2.20%
02/21/2018 07:30	AU Westpac Leading Index MoM	Jan	--	-0.24%	0.27%
02/21/2018 08:30	AU Wage Price Index QoQ	4Q	0.50%	0.60%	--
02/21/2018 08:30	JN Nikkei Japan PMI Mfg	Feb P	--	54	54.8
02/21/2018 12:30	JN All Industry Activity Index MoM	Dec	0.40%	0.50%	1.00%
02/21/2018 12:30	TH Customs Trade Balance	Jan	\$433m	-\$119m	-\$278m
02/21/2018 12:30	TH Customs Exports YoY	Jan	11.05%	17.60%	8.60%
02/21/2018 12:30	TH Customs Imports YoY	Jan	15.00%	24.30%	16.60%
02/21/2018 13:30	JN Nationwide Dept Sales YoY	Jan	--	-1.20%	-0.60%
02/21/2018 16:00	FR Markit France Manufacturing PMI	Feb P	58	56.1	58.4
02/21/2018 16:00	SI Automobile COE Open Bid Cat A	Feb-21	--	36810	40000
02/21/2018 16:00	SI Automobile COE Open Bid Cat B	Feb-21	--	39000	42322
02/21/2018 16:00	FR Markit France Services PMI	Feb P	59	57.9	59.2
02/21/2018 16:00	FR Markit France Composite PMI	Feb P	59.2	57.8	59.6
02/21/2018 16:26	HK Composite Interest Rate	Jan	--	0.37%	0.38%
02/21/2018 16:30	GE Markit Germany Manufacturing PMI	Feb P	60.5	60.3	61.1
02/21/2018 16:30	GE Markit Germany Services PMI	Feb P	57	55.3	57.3
02/21/2018 16:30	GE Markit Germany Composite PMI	Feb P	58.5	57.4	59
02/21/2018 17:00	EC Markit Eurozone Manufacturing PMI	Feb P	59.2	58.5	59.6
02/21/2018 17:00	EC Markit Eurozone Services PMI	Feb P	57.6	56.7	58
02/21/2018 17:00	EC Markit Eurozone Composite PMI	Feb P	58.4	57.5	58.8
02/21/2018 17:30	UK Claimant Count Rate	Jan	--	2.30%	2.40%
02/21/2018 17:30	UK Jobless Claims Change	Jan	--	-7.2k	8.6k
02/21/2018 17:30	UK ILO Unemployment Rate 3Mths	Dec	4.30%	4.40%	4.30%
02/21/2018 17:30	UK Public Finances (PSNCR)	Jan	--	-26.4b	25.1b
02/21/2018 17:30	UK Public Sector Net Borrowing	Jan	-11.4b	-11.6b	1.0b
02/21/2018 17:30	UK PSNB ex Banking Groups	Jan	-9.5b	-10.0b	2.6b
02/21/2018 20:00	US MBA Mortgage Applications	Feb-16	--	-6.60%	-4.10%
02/21/2018 22:45	US Markit US Manufacturing PMI	Feb P	55.5	55.9	55.5
02/21/2018 22:45	US Markit US Services PMI	Feb P	53.7	55.9	53.3
02/21/2018 22:45	US Markit US Composite PMI	Feb P	--	55.9	53.8
02/21/2018 23:00	US Existing Home Sales	Jan	5.60m	5.38m	5.57m
02/22/2018 03:00	US FOMC Meeting Minutes	Jan-31	--	--	--
02/22/2018 07:50	JN Japan Buying Foreign Bonds	Feb-16	--	--	-¥973.2b
02/22/2018 07:50	JN Foreign Buying Japan Bonds	Feb-16	--	--	¥41.7b
02/22/2018 07:50	JN Foreign Buying Japan Stocks	Feb-16	--	--	-¥429.5b
02/22/2018 10:00	NZ Credit Card Spending YoY	Jan	--	--	6.30%
02/22/2018 15:00	MA Foreign Reserves	Feb-15	--	--	\$103.7b
02/22/2018 15:45	FR Manufacturing Confidence	Feb	113	--	113
02/22/2018 15:45	FR CPI EU Harmonized YoY	Jan F	1.50%	--	1.50%
02/22/2018 15:45	FR CPI YoY	Jan F	1.40%	--	1.40%
02/22/2018 16:30	HK Unemployment Rate SA	Jan	2.90%	--	2.90%
02/22/2018 16:30	HK CPI Composite YoY	Jan	1.80%	--	1.70%
02/22/2018 17:00	GE IFO Business Climate	Feb	117	--	117.6
02/22/2018 17:00	GE IFO Expectations	Feb	107.9	--	108.4
02/22/2018 17:00	GE IFO Current Assessment	Feb	127	--	127.7
02/22/2018 17:00	IT Industrial Orders MoM	Dec	--	--	0.30%
02/22/2018 17:30	UK GDP QoQ	4Q P	0.50%	--	0.50%
02/22/2018 18:00	IT CPI EU Harmonized YoY	Jan F	1.10%	--	1.10%
02/22/2018 21:30	US Initial Jobless Claims	Feb-17	230k	--	230k
02/22/2018 21:30	US Continuing Claims	Feb-10	1935k	--	1942k
02/22/2018 21:30	CA Retail Sales MoM	Dec	0.00%	--	0.20%
02/22/2018 21:30	CA Retail Sales Ex Auto MoM	Dec	0.30%	--	1.60%
02/22/2018 23:00	US Leading Index	Jan	0.70%	--	0.60%

Source: Bloomberg

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