

Highlights

Global	<p>Although S&P500 hit yet at another record high amid a healthy earnings season, and crude oil prices also rose to a 3-year high, market attention will now shift from the BOJ to the upcoming ECB policy meeting tomorrow. BOJ kept policy settings unchanged in a 8-1 vote yesterday and Kuroda adopted a dovish tone saying the central bank “thinks it’s necessary to continue tenaciously with the current powerful easing for the sake of the economy” and “I don’t think that we are at a stage where we consider the timing for a so-called exit or how to deal with it” even though it revised up the FY18 growth from 1.2-1.4% to 1.3-1.5%. Meanwhile, the TPP11 countries have agreed to a revised agreement to be signed by early March, and come as an important time when NAFTA is being renegotiated.</p> <p>The rally in Asian bourses may take a breather today as investors await further cues from ECB, as well as BNM tomorrow. Today’s economic calendar comprises US’ existing home sales, services and composite PMIs from Eurozone, UK’s jobless claims and unemployment rate, and Malaysia’s Dec17 inflation print. China’s Liu He is also speaking in Davos.</p>
US	<p>The Richmond Fed manufacturing index retreated more than expected from 20 in Dec to 13 in Jan amid unchanged new order volumes and lower shipments. Meanwhile, Jerome Powell has been confirmed by Senate to succeed Janet Yellen as Fed chair when her term ends on 3 Feb.</p>
EZ	<p>Both the Eurozone and Germany’s ZEW survey expectation readings for Jan improved to 31.8 and 20.4 respectively, suggesting sustained optimism.</p>
SG	<p>Headline CPI eased to 0.4% yoy (-0.1% mom nsa) in Dec17 as we had forecast, down from 0.6% yoy (0.6% mom nsa) in Nov17. Core inflation rose at 1.3% yoy, an easing from the Nov reading of 1.5% yoy and a tad softer than the 1.4% we forecast. Looking forward, MAS tips overall cost pressures to remain relatively restrained and although labour market conditions have improved recently, the gradual absorption of previously accumulated slack will temper wage pressures in the near term. In addition, other non-labour costs such as commercial and retail rentals continue to be subdued. Accommodation costs will continue to dampen 2018 headline inflation, albeit to a lesser extent. External imported inflation is expected to only rise mildly, including global food commodity prices. Therefore, there is no change in the official 2018 forecasts of headline and core inflation at 0-1% yoy and 1-2% respectively. Our 2018 headline and core inflation forecasts are 0.8% and 1.5% respectively, but with the important caveats that GST hikes do not materialise this year and crude oil prices remain capped around US\$70 per barrel.</p>
CMD	<p>Another episode of dollar weakness saw dollar-denominated commodities edging higher. On crude oil, prices were higher on Tuesday as OPEC continued to signal their call to sustain supply cuts. Particularly, Saudi Arabia oil minister Khalid al-Falih, at the World Economic Forum in Davos, commented that “I’m still anxious about the fragility of the market (and) about the potential black swans that may spring in front of us.” Note copper fell below its 50-day moving average while MACD continues to indicate a downward trend. The fall came amid inventory surge reported at the London Metal Exchange warehouses (+28%, the fastest climb in 10 months).</p>

Major Markets

- **US:** Equities continued to add to recent gains as earnings releases have been judged largely in a positive light. Overnight gains were driven by real estate and utilities, while telecom stocks were the main drag. The Nasdaq Composite rose 0.71%, on the back of solid results from Netflix. The S&P 500 added 0.22%, while the Dow closed marginally weaker. VIX stood at 11.10, compared to 11.03 previously. In the US Treasuries market, a strong 2y auction buoyed demand for tenors up to 5y and 7y, with the rest of the curve also following suit. Benchmark yields were 2-4 bps lower. 2y and 10y yields stood at 2.040% and 2.613% respectively.
- **Singapore:** The modest headline inflation print was due to lower services inflation (1.3% yoy versus 1.6% previously, attributable to cheaper fares and holiday expenses) and a smaller on-year rise in private road transport costs (2.6% yoy versus 4.1% previously as the parking fee hike in Dec16 dissipated). Accommodation costs continued to decline by 3.8% yoy in Dec, slightly less than the -3.9% in Nov17, as the fall in housing rentals eased. However, the cost of education (+2.6% yoy), healthcare (+1.9% yoy), food and transport (both +1.4% yoy) were actually fairly buoyant in Dec17. This brought the full-year 2017 headline inflation to 0.6% yoy as we anticipated, which was the first positive annual inflation print after two straight years of negative headline inflation. For the whole of last year, core inflation accelerated to 1.5% yoy, up from 2016's 0.9% yoy, and were largely driven by education (+3.0% yoy), transport (+2.6% yoy), healthcare (+2.5% yoy), and food (+1.4% yoy). To recap, water price hikes have been pre-announced for 2018, and the revised vehicle growth rate will be cut from 0.25% per annum to 0% from Feb18 which could affect the COE quota depending on vehicle deregistrations. In addition, MOH has also appointed a committee has been appointed to propose reasonable national medical fee benchmarks given the urgency to manage escalation of healthcare costs.
- The STI rose to a fresh 10-year high of 3592.08 (+0.6%) yesterday, but may range trade today, with resistance still seen at the key 3600 handle and support at 3580, amid overnight gains in Wall Street and morning gains in Kospi. With UST bond yields lower by 2-4bps overnight, the SGS bond rally may sustain today.
- **Thailand:** BOT governor Veerathai Santiprabhob commented that THB is strengthening given (1) the relatively weaker greenback and (2) Thailand's sustained current account surplus. The central bank governor further commented that BOT is not targeting any particular levels for the THB, and that the currency isn't a tool to improve trade, but rather to ensure the currency isn't too volatile.
- **Hong Kong:** Inflation accelerated to 1.7% in December 2017. For the two most heavily-weight items, housing inflation stabilized at 2.5% while food inflation ticked up to 2.4%. Growth in housing price index is mainly attributed to the continuous increase in housing rents. On the other hand, higher charges for eating out and slower decrease in fresh vegetable prices boosted food inflation. Moving forward, we will continue to monitor the external inflationary risks which may stem from increasing commodity prices and US tax reform. Upbeat consumer sentiment on the back of tight labor market and bullish stock market may also drive up local price pressures. As such, we expect the overall inflation will edge up to 2% in 2018 after reaching its weakest level since 2009 at 1.5% in 2017.
- **Macau:** Visitor arrivals grew at its fastest pace since 2014 by 5.4% yoy in 2017. Overnight visitors and same-day visitors increased 9.9% yoy and 0.7% yoy respectively. Rebound of tourism activities is mainly attributed to Asia's broad-based growth. First, visitors from Mainland China increased 8.5% yoy in 2017 on the bank of China's

resilient growth. Second, the number of visitors from South Korea climbed for the 19 consecutive months in December 2017 and edged up by 32% yoy in 2017. Third, Japanese visitors increased by 9.4% yoy in 2017. On the contrary, visitors from Hong Kong and Taiwan decreased by 4% yoy and 1.3% yoy respectively last year. High base effect as well as dear accommodation and transportation costs might have been the main reasons behind the reduction. Looking ahead, the sustained economic growth across Asia is likely to continue bolstering Macau's tourism activities. Improvement in infrastructure including the upcoming completion of HK-Zhuhai-Macau Bridge is expected to further support the sector. As this year will see a new wave of hotel and casino openings, the increase of non-gaming elements may encourage tourists to revisit the gambling hub while also help to lure new visitors.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with swap rates trading 2-4bps lower across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 330bps. 10Y UST yields fell 4bps to 2.60% yesterday, in line with declines in Japanese government bond yields following the BOJ's decision to keep interest rates unchanged.
- **New Issues:** Hongkong Xiangyu Investment Co Ltd has priced a USD500mn 5-year bond (guaranteed by Xiamen Xiangyu Group Corporation) at CT5+225bps, tightening from its initial guidance of CT5+250bps area. The expected issue ratings are 'NR/NR/BBB'. GCL New Energy Holdings Ltd has priced a USD500mn 3-year bond (guaranteed by certain of the issuer's restricted subsidiaries outside the PRC) at 7.1%, tightening from its initial guidance of 7.5%. The expected issue ratings are 'B+/Ba3/NR'. Shimao Property Holdings Ltd has priced a USD500mn 7NC4 bond (guaranteed by certain of the company's restricted subsidiaries outside the PRC) at 5.25%, tightening from its initial guidance of 5.375%. The expected issue ratings are 'NR/NR/BBB-'. Medco Platinum Road Pte Ltd has priced a USD500mn 7NC4 bond (guaranteed by PT Medco Energi Internasional Tbk) at 6.95%, tightening from its initial guidance of 7.375%. The expected issue ratings are 'B/B2/B'. Indonesia has scheduled for investor meetings for its potential USD sukuk bond issuance and USD green sukuk bond issuance.
- **Rating Changes:** Fitch has downgraded Wharf Holdings Ltd's issuer default rating and senior unsecured rating to 'BBB' from 'A-', removing it from Rating Watch Negative. The outlook is stable. The rating action reflects its weaker business profile following the spinoff of the majority of its Hong Kong properties into a separately listed company. Fitch recognises that Wharf's ratings are restricted by the size of its remaining investment properties (IPs) following the spinoff, as the IP segment will be reliant on rental income from a single asset – Chengdu IFS mixed-use complex in southwestern China. However, Fitch believes that Wharf has a healthy financial position which gives it operational flexibility to mitigate the high risk profile of its development property business in China. Moody's has assigned a first –time 'B2' corporate family rating to Landsea Green Properties Co Ltd. The outlook is positive. The rating action reflects Landsea's asset-light business model, which allows it to earn service income while requiring limited invested capital and borrowed funds per development project relative to fully-owned projects. Its rating is also supported by its recognised brand in the niche green property market and the good quality investing partners for its property projects. Fitch has assigned Landsea Green Properties Co Ltd an issuer default rating of 'B'. The outlook is positive. The rating action reflects the rapid growth in its business of providing

project management services for green-technology homes, and generating healthy EBITDA in excess of interest expenses from 2017. Its rating is also supported by Fitch's expectations that Landsea's attributable contracted sales will rise to above CNY10bn from 2018, lifted by its quality land bank in Tier 2 cities in Yangtze River Delta region and in major cities in the U.S. S&P has assigned a 'B' corporate credit rating to Landsea Green Properties Co Ltd. The outlook is stable. The rating action follows the assessment of the credit profile of its controlling shareholder, Landsea Group Co Ltd, with Landsea Green Properties Co Ltd a core subsidiary, and integral to the group's operation and strategy. S&P expects Landsea Group's profitability to improve slightly, but remain lower than its industry average over the next two years, due to the recognition of some low-margin legacy projects in smaller cities. S&P has affirmed its 'A' counterparty credit rating on Chubb Ltd and its 'AA' financial strength rating on Chubb's operating subsidiaries. The outlook is stable. The rating action reflects S&P's expectations that Chubb will continue to produce peer-leading earnings, maintain its extremely strong capitalisation and is unlikely to experience outsized losses. S&P has withdrawn its 'AA' financial strength rating on Federal Insurance Co Korea, because the company ceased operations effective 29 Aug 2017.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.124	-0.31%	USD-SGD	1.3174	-0.12%
USD-JPY	110.310	-0.55%	EUR-SGD	1.6201	0.17%
EUR-USD	1.2299	0.30%	JPY-SGD	1.1943	0.45%
AUD-USD	0.8000	-0.21%	GBP-SGD	1.8442	-0.04%
GBP-USD	1.4000	0.09%	AUD-SGD	1.0539	-0.33%
USD-MYR	3.9270	-0.17%	NZD-SGD	0.9687	0.23%
USD-CNY	6.4047	0.00%	CHF-SGD	1.3756	0.31%
USD-IDR	13331	-0.14%	SGD-MYR	2.9774	-0.05%
USD-VND	22699	0.00%	SGD-CNY	4.8583	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4375	--
2M	-0.3410	--	1M	1.5601	--
3M	-0.3280	--	2M	1.6393	--
6M	-0.2770	--	3M	1.7413	--
9M	-0.2220	--	6M	1.9255	--
12M	-0.1910	--	12M	2.2278	--

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	88.5%	85.8%	2.8%	0.0%	0.0%
06/13/2018	95.9%	37.9%	56.2%	1.8%	0.0%
08/01/2018	96.2%	35.6%	55.0%	5.6%	0.1%
09/26/2018	98.1%	20.1%	45.5%	29.7%	2.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.47	1.54%	Copper (per mt)	6,858.6	-2.74%
Brent (per barrel)	69.96	1.35%	Nickel (per mt)	12,817.0	0.68%
Heating Oil (per gallon)	2.0861	1.42%	Aluminium (per mt)	2,230.5	-0.84%
Gasoline (per gallon)	1.9087	1.52%			
Natural Gas (per MMBtu)	3.4440	6.82%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,494.0	0.77%
			Rubber (JPY/KG)	206.6	-1.24%
Precious Metals	Futures	% chg			
Gold (per oz)	1,341.7	0.36%			
Silver (per oz)	16.913	-0.45%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,210.81	-3.79
S&P	2,839.13	6.16
Nasdaq	7,460.29	52.26
Nikkei 225	24,124.15	307.82
STI	3,592.08	22.65
KLCI	1,838.04	4.89
JCI	6,635.33	134.80
Baltic Dry	1,129.00	--
VIX	11.10	0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.44 (-0.02)	2.04 (-0.02)
5Y	1.76 (-0.01)	2.41 (-0.04)
10Y	2.14 (-0.03)	2.61 (-0.04)
15Y	2.41 (-0.03)	--
20Y	2.45 (-0.03)	--
30Y	2.59 (-0.03)	2.89 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.06	-1.04
EURIBOR-OIS	2.34	--
TED	32.44	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/23/2018 10:00	PH GDP YoY	4Q	6.70%	6.60%	6.90%	7.00%
01/23/2018 11:14	JN BOJ Policy Balance Rate	Jan-23	-0.10%	-0.10%	-0.10%	--
01/23/2018 12:19	MU Visitor Arrivals	Dec	--	3054t	2833t	--
01/23/2018 12:30	JN All Industry Activity Index MoM	Nov	0.80%	1.00%	0.30%	--
01/23/2018 13:00	SI CPI YoY	Dec	0.50%	0.40%	0.60%	--
01/23/2018 13:30	JN Nationwide Dept Sales YoY	Dec	--	-0.60%	2.20%	--
01/23/2018 13:30	JN Tokyo Dept Store Sales YoY	Dec	--	0.90%	3.80%	--
01/23/2018 14:00	JN Machine Tool Orders YoY	Dec F	--	48.30%	48.30%	--
01/23/2018 16:00	TA Industrial Production YoY	Dec	1.20%	1.20%	0.85%	1.34%
01/23/2018 16:30	HK CPI Composite YoY	Dec	1.70%	1.70%	1.60%	--
01/23/2018 17:30	UK Public Finances (PSNCR)	Dec	--	25.1b	12.9b	13.2b
01/23/2018 17:30	UK Public Sector Net Borrowing	Dec	4.3b	1.0b	8.1b	6.6b
01/23/2018 17:30	UK PSNB ex Banking Groups	Dec	5.0b	2.6b	8.7b	8.3b
01/23/2018 18:00	GE ZEW Survey Current Situation	Jan	89.6	95.2	89.3	--
01/23/2018 18:00	GE ZEW Survey Expectations	Jan	17.7	20.4	17.4	--
01/23/2018 18:00	EC ZEW Survey Expectations	Jan	--	31.8	29	--
01/23/2018 23:00	US Richmond Fed Manufact. Index	Jan	19	14	20	--
01/23/2018 23:00	EC Consumer Confidence	Jan A	0.6	1.3	0.5	--
01/24/2018 07:30	AU Westpac Leading Index MoM	Dec	--	--	0.10%	--
01/24/2018 07:50	JN Trade Balance	Dec	¥535.0b	--	¥113.4b	¥112.2b
01/24/2018 07:50	JN Exports YoY	Dec	10.00%	--	16.20%	--
01/24/2018 08:30	JN Nikkei Japan PMI Mfg	Jan P	--	--	54	--
01/24/2018 10:00	NZ Credit Card Spending YoY	Dec	--	--	9.10%	--
01/24/2018 12:00	MA CPI YoY	Dec	3.50%	--	3.40%	--
01/24/2018 13:00	JN Leading Index CI	Nov F	--	--	108.6	--
01/24/2018 13:00	JN Coincident Index	Nov F	--	--	118.1	--
01/24/2018 16:00	FR Markit France Manufacturing PMI	Jan P	58.6	--	58.8	--
01/24/2018 16:00	FR Markit France Services PMI	Jan P	58.9	--	59.1	--
01/24/2018 16:00	FR Markit France Composite PMI	Jan P	59.2	--	59.6	--
01/24/2018 16:20	TA Money Supply M2 Daily Avg YoY	Dec	--	--	4.07%	--
01/24/2018 16:30	GE Markit Germany Manufacturing PMI	Jan P	63	--	63.3	--
01/24/2018 16:30	GE Markit Germany Services PMI	Jan P	55.5	--	55.8	--
01/24/2018 16:30	GE Markit Germany Composite PMI	Jan P	58.5	--	58.9	--
01/24/2018 17:00	EC Markit Eurozone Manufacturing PMI	Jan P	60.3	--	60.6	--
01/24/2018 17:00	EC Markit Eurozone Services PMI	Jan P	56.4	--	56.6	--
01/24/2018 17:00	EC Markit Eurozone Composite PMI	Jan P	57.9	--	58.1	--
01/24/2018 17:30	UK Claimant Count Rate	Dec	--	--	2.30%	--
01/24/2018 17:30	UK Jobless Claims Change	Dec	--	--	5.9k	--
01/24/2018 17:30	UK Average Weekly Earnings 3M/YoY	Nov	2.50%	--	2.50%	--
01/24/2018 17:30	UK ILO Unemployment Rate 3Mths	Nov	4.30%	--	4.30%	--
01/24/2018 20:00	US MBA Mortgage Applications	Jan-19	--	--	4.10%	--
01/24/2018 22:00	US FHFA House Price Index MoM	Nov	0.50%	--	0.50%	--
01/24/2018 22:45	US Markit US Manufacturing PMI	Jan P	55	--	55.1	--
01/24/2018 22:45	US Markit US Services PMI	Jan P	54.3	--	53.7	--
01/24/2018 22:45	US Markit US Composite PMI	Jan P	--	--	54.1	--
01/24/2018 23:00	US Existing Home Sales	Dec	5.70m	--	5.81m	--

Source: Bloomberg

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