

### Highlights

<b>Global</b>	<p>Powell's congressional testimony was the key market focus overnight. He struck an upbeat tone, citing that "the robust job market should continue to support growth in household incomes and consumer spending" and "fiscal policy is becoming more stimulative", but "in gauging the appropriate path for monetary policy over the next few years, the FOMC will continue to strike a balance between avoiding an overheated economy and bringing PCE price inflation to 2% on a sustained basis". He reiterated that "further gradual increases in the federal funds rate will best promote attainment of both of our objective" and "as always, the path of monetary policy will depend on the economic outlook as informed by incoming data". However, market interpretation of Powell's speech was somewhat hawkish, with Wall Street taking a dent and the 2- and 10-year UST bond yields also closing higher at 2.27% and 2.91% respectively, with a flattening bias.</p> <p>Asian bourses may continue to trade on a softer tone today, as market players digest the possibility of more than three FOMC rate hikes this year. Today's economic data calendar is heavy, with China's official manufacturing and non-manufacturing PMI, 4Q17 GDP growth estimates from HK and India, US' pending home sales, Chicago PMI and 4Q GDP and core PCE readings, Thai Jan trade, Malaysia's Jan CPI, and S'pore's bank loans data. The EU will also publish a draft Brexit treaty. Fed's Kashkari is speaking today.</p>
<b>US</b>	<p>A bright slate of economic data releases generally reinforced Powell's upbeat economic assessment. Although durable goods orders fell more than expected by 3.7% mom in Jan, this came on the back of a very strong 2017 performance and was partly weighed down by weak Boeing orders. Excluding transportation, durable orders also fell 0.3% mom, and new orders of core goods extended declines of 0.2% after falling 0.6% in Dec. Meanwhile, the FHFA house price index gains slowed from a revised 0.5% mom in Nov to 0.3% in Dec17, and S&amp;P housing prices in 20 cities rose at a solid clip of 6.3% yoy (0.64% mom).</p>
<b>EZ</b>	<p>The economic picture over in the Eurozone was a sharp contrast - economic confidence declined for a second month from 114.9 to 114.1 in Feb, albeit from a 17-year high in Dec17. Economic sentiments fell in core economies like Germany, France and Spain, but rose in Italy despite elections this weekend.</p>
<b>SG</b>	<p>PM Lee will reshuffle Cabinet after Parliament prorogues for a mid-term break.</p>
<b>KR</b>	<p>The Bank of Korea kept interest rate unchanged yesterday in line with our expectation. We note that recent weakness in inflation pressures and elevated household debt levels should persuade policy-makers to stay pat for an extended period. Note that this meeting is Lee Ju-yeol's last meeting as governor.</p>
<b>CMD</b>	<p>Yesterday's oil price move clearly suggest that the rally remains fragile, and any news indicating upside risk to overall production will surely lead prices lower. Clearly, oil prices fell considerably overnight; investors were likely spooked by the rise in US oil inventories as reported by the American Petroleum Institute which rose 933 thousand barrels last week. Comments by the International Energy Agency that the US will lead "explosive growth" in production that would continue to 2019 likely led bearish calls as well.</p>

## Major Market

- **US:** Equities ended lower, while USTs were also sold off, following Powell's testimony to the House. Although Powell did not depart significantly from previous Fed statements, he sounded more sanguine about the US growth outlook in the Q&A session. This perhaps gave markets the impetus to interpret him as hawkish, and biased towards quickening the pace of rate hikes. The S&P 500 slipped 1.27%, marking the first loss after three consecutive days of gains. The Dow and Nasdaq Composite also declined 1.16% and 1.23% respectively. VIX spiked to 18.59, from 15.80 previously. Meanwhile, 2y UST yield added 4 bps to 2.260, while the 10y yield rose to 2.893%.
- The Conference Board consumer confidence improved further to a 17-year high of 130.8, with the present and expectations gauges both also marking higher to 162.4 and 109.7 respectively. Wholesale inventories also accelerated from 0.6% to 0.7% mom, even as the US' merchandise trade deficit widened to US\$74.4b (highest since 2008) in Jan18. The U.S. is imposing duties from 49% to 106% on Chinese aluminum foil for selling below fair market value, according to the Commerce department.
- **Singapore:** The STI retreated 0.43% to close at 3540.39 yesterday, and may also extend declines today amid weak overnight Wall Street cues and morning slippage by Nikkei and Kospi. STI's support and resistance are tipped at 3524 and 3555. With the UST bond yields pushing higher overnight, the SGS bond market may also extend its flattening bias after seeing its gains in the longer-tenor bonds yesterday.
- **Indonesia:** BI has announced that it will use its record-pile of foreign-exchange reserves to stabilize and defend the Rupiah. The Rupiah has been experiencing a significant amount of volatility recently, becoming one of the worst performing Asian currencies this month. The central bank has continued to insist that the volatility is just temporary in nature and that it will last until the next Fed meeting in March. Meanwhile, appetite in government bonds continue to remain strong as the government successfully sells 23.1t Rupiah worth of bonds on 27th February 2018, exceeding its target of 17t Rupiah. Also, Finance Minister Sri Mulyani has been cited as saying that Indonesia will try not to raise electricity and fuel prices until 2019.
- **Hong Kong:** Exports and imports surged by 18.1% yoy and 23.8% yoy respectively in January 2018. As a result, trade deficit narrowed to HK\$31.9 billion. The strong performance of trade activities could be attributed to calendar effect. Still, it reflects strong external demand from Asian trading partners, especially Mainland China. Specifically, exports to Mainland China, India, Taiwan and Vietnam rose significantly by 29% yoy, 39.4% yoy, 40% yoy and 23% yoy respectively. On the other hand, imports increase on a broad basis amid higher commodity prices. This may result in imported inflation. Looking ahead, trade growth is likely to moderate notably amid calendar effect. Despite that, given sustained economic growth across the globe, we expect Hong Kong's trade activities and economic growth to remain elevated in the first half of this year. A weaker HKD will also support HK's exports. Still, we remain wary of potential trade conflicts due to the rise of trade protectionism.
- **Macau:** Retail sales rose at the fastest pace in four years by 16.2% yoy in 4Q 2017. Sales of watches, clocks and jewellery, which accounts for 21.5% of total retail sales, jumped 12% yoy. Sale of goods in department stores, adults' clothing and leather goods also increased significantly by 20.1% yoy, 20.6% yoy and 24.8% yoy respectively. Furthermore, with the opening of the first Macau Apple Store and the launch of new iPhone devices, sales of communication equipment surged by 31.8% yoy. The broad-

based increase in retail sales is mainly due to improved tourism activities and visitor spending. Total visitor spending increased at its fastest pace by 23% yoy since 1Q 2012. Per-capita spending of visitors from China, Japan and Hong Kong rose by 12.1% yoy, 15.7% yoy and 3.8% yoy in 4Q 2017. Asia's growth may continue to support Macau's tourism and retail sectors in 2018. A weaker MOP may also support visitor spending.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-3bps higher while the longer tenors traded 1bps lower. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 112bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 337bps. 10Y UST yields rose 3bps to 2.89%, after Fed chairman Jay Powell commented that his personal economic outlook had strengthened since December on the back of strong growth, rising inflation and a tight labour market. He opened the door to raising rates four times this year which sent Treasuries lower.
- **New issues:** Guorui Properties Ltd has priced a USD250mn 364-day bond (guaranteed by certain of issuer's restricted subsidiaries outside the PRC) at 10.2%. Modern Land (China) Co Ltd has priced a USD350mn 3-year green bond (guaranteed by certain non-PRC subsidiaries of issuer) at 7.95%, tightening from its initial guidance of 8%. The expected issue ratings are 'NR/B3/B+'. Yuzhou Properties Co Ltd has priced a USD375mn 3NC2 bond (guaranteed by certain non-PRC subsidiaries of issuer and share pledges over all outstanding shares of subsidiary guarantors) at 6.375%, tightening from its initial guidance of 6.625%. The expected issue ratings are 'B+/NR/BB-'. Coastal Emerald Ltd has priced a USD400mn 363-day bond (guaranteed by China Shandong Hi-speed Financial Group Ltd, keepwell provider: Shandong Hi-speed Group Co Ltd) at 4%, tightening from its initial guidance of 4.125%. Korean Air Lines Co Ltd has priced a USD300mn 3-year bond at 6%, tightening from its initial guidance of 6.25%. Agile Group Holdings Ltd has scheduled for investor meetings on 27 Feb for its USD perpetual bond issuance. The expected issue ratings are 'NR/B1/NR'. Shangdong Hi-tech Innovation Construction Investment Group Co Ltd has scheduled for investor meetings from 28 Feb for its USD bond issuance. The expected issue ratings are 'NR/NR/BB'. Clifford Capital has hired banks for its potential USD 10-year bond issuance, guaranteed by the Government of Singapore. The expected issue ratings are 'AAA/NR/NR'.
- **Rating changes:** S&P has placed Arab Bank Australia Ltd's (ABA) 'BB+' long-term rating on CreditWatch with developing implications. It has also placed ABA's 'B' short-term rating on CreditWatch positive. The rating action stems from Arab Bank PLC's plans for a potential sale of ABA, whereby ABA will no longer be regarded as a core subsidiary to Arab Bank PLC if the sale goes ahead. Moody's has withdrawn Sime Darby Bhd's ratings for its own business reasons. Moody's has affirmed John Deere Financial Ltd's (Deere) 'A2' long term rating. The outlook has been revised to stable from negative. The rating action reflects Moody's expectation that the company will maintain its strong position in the global farm equipment sector with financial performance expected to benefit from improving conditions in agriculture markets. Moody's has affirmed Hitachi Construction Machinery Co Ltd's (HCM) 'Baa1' issuer rating. The outlook has been revised to stable from negative. The rating action reflects HCM's improved earnings from higher sales of construction machinery as demand recovered in North America, Australia and China and incremental income from acquisitions.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	90.355	0.56%	<b>USD-SGD</b>	1.3243	0.63%
<b>USD-JPY</b>	107.330	0.37%	<b>EUR-SGD</b>	1.6200	-0.06%
<b>EUR-USD</b>	1.2233	-0.68%	<b>JPY-SGD</b>	1.2338	0.25%
<b>AUD-USD</b>	0.7789	-0.84%	<b>GBP-SGD</b>	1.8419	0.20%
<b>GBP-USD</b>	1.3909	-0.42%	<b>AUD-SGD</b>	1.0315	-0.21%
<b>USD-MYR</b>	3.9080	0.13%	<b>NZD-SGD</b>	0.9581	-0.31%
<b>USD-CNY</b>	6.3169	0.01%	<b>CHF-SGD</b>	1.4104	0.53%
<b>USD-IDR</b>	13679	0.14%	<b>SGD-MYR</b>	2.9667	-0.02%
<b>USD-VND</b>	22745	-0.01%	<b>SGD-CNY</b>	4.7814	-0.23%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	--	<b>O/N</b>	1.4475	--
<b>2M</b>	-0.3410	--	<b>1M</b>	1.6480	--
<b>3M</b>	-0.3280	--	<b>2M</b>	1.7889	--
<b>6M</b>	-0.2710	--	<b>3M</b>	1.9842	--
<b>9M</b>	-0.2220	--	<b>6M</b>	2.2011	--
<b>12M</b>	-0.1900	--	<b>12M</b>	2.4694	--

#### 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%	86.0%	14.0%	0.0%	0.0%
05/02/2018	100.0%	80.5%	18.6%	0.9%	0.0%
06/13/2018	100.0%	21.3%	64.1%	13.9%	0.7%
08/01/2018	100.0%	18.6%	58.8%	20.2%	2.3%
09/26/2018	100.0%	8.3%	36.5%	41.7%	12.2%
11/08/2018	100.0%	7.1%	32.6%	41.0%	16.2%

#### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.01	-1.41%	Copper (per mt)	7,025.0	-1.18%
Brent (per barrel)	66.63	-1.29%	Nickel (per mt)	13,807.5	-0.59%
Heating Oil (per gallon)	1.9630	-1.15%	Aluminium (per mt)	2,139.5	0.39%
Gasoline (per gallon)	1.8034	-1.28%			
Natural Gas (per MMBtu)	2.6830	1.67%	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,542.0	0.08%
			Rubber (JPY/KG)	193.8	0.00%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,318.6	-1.07%			
Silver (per oz)	16.434	-1.13%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,410.03	-299.24
<b>S&amp;P</b>	2,744.28	-35.32
<b>Nasdaq</b>	7,330.35	-91.11
<b>Nikkei 225</b>	22,389.86	236.23
<b>STI</b>	3,540.39	-15.46
<b>KLCI</b>	1,871.46	11.38
<b>JCI</b>	6,598.93	44.25
<b>Baltic Dry</b>	1,191.00	--
<b>VIX</b>	18.59	2.79

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.64 (+0.01)	2.26 (+0.04)
<b>5Y</b>	2.00 (-0.01)	2.66 (+0.05)
<b>10Y</b>	2.37 (-0.01)	2.89 (+0.03)
<b>15Y</b>	2.69 (-0.03)	--
<b>20Y</b>	2.74 (-0.05)	--
<b>30Y</b>	2.88 (-0.03)	3.16 (+0.01)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	37.26	2.15
<b>EURIBOR-OIS</b>	2.70	0.50
<b>TED</b>	32.71	--

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/27/2018 05:45	NZ Trade Balance NZD	Jan	0m	-566m	640m	596m
02/27/2018 08:48	SK BoK 7-Day Repo Rate	Feb-27	1.50%	1.50%	1.50%	--
02/27/2018 09:28	PH Budget Balance PHP	Dec	--	-107.1b	-8.6b	--
02/27/2018 15:45	FR Consumer Confidence	Feb	103	100	104	--
02/27/2018 16:30	HK Exports YoY	Jan	16.10%	18.10%	6.00%	--
02/27/2018 16:30	HK Imports YoY	Jan	18.90%	23.80%	9.00%	--
02/27/2018 17:00	EC M3 Money Supply YoY	Jan	4.60%	4.60%	4.60%	--
02/27/2018 17:00	IT Manufacturing Confidence	Feb	109.2	110.6	109.9	--
02/27/2018 17:00	IT Consumer Confidence Index	Feb	115	115.6	115.5	--
02/27/2018 17:00	IT Economic Sentiment	Feb	--	108.7	105.6	--
02/27/2018 18:00	EC Economic Confidence	Feb	114	114.1	114.7	114.9
02/27/2018 18:00	EC Consumer Confidence	Feb F	0.1	0.1	0.1	--
02/27/2018 21:00	GE CPI YoY	Feb P	1.50%	1.40%	1.60%	--
02/27/2018 21:30	US Wholesale Inventories MoM	Jan P	0.40%	0.70%	0.40%	0.60%
02/27/2018 21:30	US Durable Goods Orders	Jan P	-2.00%	-3.70%	2.80%	2.60%
02/27/2018 21:30	US Durables Ex Transportation	Jan P	0.40%	-0.30%	0.70%	--
02/27/2018 22:00	US FHFA House Price Index MoM	Dec	0.40%	0.30%	0.40%	0.50%
02/27/2018 23:00	US Richmond Fed Manufact. Index	Feb	15	28	14	--
02/27/2018 23:00	US Conf. Board Consumer Confidence	Feb	126.5	130.8	125.4	124.3
02/28/2018 05:00	SK Business Survey Manufacturing	Mar	--	82	77	--
02/28/2018 07:50	JN Retail Trade YoY	Jan	2.40%	--	3.60%	--
02/28/2018 07:50	JN Industrial Production MoM	Jan P	-4.00%	--	2.90%	--
02/28/2018 08:00	NZ ANZ Business Confidence	Feb	--	--	-37.8	--
02/28/2018 08:01	UK GfK Consumer Confidence	Feb	-10	--	-9	--
02/28/2018 08:30	AU Private Sector Credit MoM	Jan	0.40%	--	0.30%	--
02/28/2018 09:00	CH Non-manufacturing PMI	Feb	55	--	55.3	--
02/28/2018 09:00	CH Manufacturing PMI	Feb	51.1	--	51.3	--
02/28/2018 13:00	IN Nikkei India PMI Mfg	Feb	--	--	52.4	--
02/28/2018 13:00	JN Housing Starts YoY	Jan	-4.70%	--	-2.10%	--
02/28/2018 15:00	GE GfK Consumer Confidence	Mar	10.9	--	11	--
02/28/2018 15:00	MA CPI YoY	Jan	2.80%	--	3.50%	--
02/28/2018 15:30	TH BoP Current Account Balance	Jan	\$4300m	--	\$3856m	--
02/28/2018 15:30	TH Trade Balance	Jan	--	--	\$1544m	--
02/28/2018 15:30	TH Exports YoY	Jan	--	--	9.30%	--
02/28/2018 15:45	FR GDP QoQ	4Q P	0.60%	--	0.60%	--
02/28/2018 15:45	FR CPI YoY	Feb P	1.40%	--	1.30%	--
02/28/2018 16:55	GE Unemployment Change (000's)	Feb	-15k	--	-25k	-24k
02/28/2018 18:00	EC CPI Core YoY	Feb A	1.00%	--	1.00%	--
02/28/2018 18:00	EC CPI Estimate YoY	Feb	1.20%	--	1.30%	--
02/28/2018 18:00	IT CPI NIC incl. tobacco MoM	Feb P	0.20%	--	0.20%	0.30%
02/28/2018 20:00	US MBA Mortgage Applications	Feb-23	--	--	-6.60%	--
02/28/2018 21:30	US GDP Annualized QoQ	4Q S	2.50%	--	2.60%	--
02/28/2018 21:30	US Personal Consumption	4Q S	3.60%	--	3.80%	--
02/28/2018 21:30	CA Industrial Product Price MoM	Jan	0.50%	--	-0.10%	--
02/28/2018 21:30	US GDP Price Index	4Q S	2.40%	--	2.40%	--
02/28/2018 21:30	CA Raw Materials Price Index MoM	Jan	--	--	-0.90%	--
02/28/2018 21:30	US Core PCE QoQ	4Q S	1.90%	--	1.90%	--
02/28/2018 22:45	US Chicago Purchasing Manager	Feb	64.1	--	65.7	--
02/28/2018 23:00	US Pending Home Sales MoM	Jan	0.50%	--	0.50%	--
02/28/2018	HK GDP YoY	4Q	3.00%	--	3.60%	--
02/28/2018	MU GDP YoY	4Q	--	--	6.10%	--
02/28/2018	MU Unemployment Rate	Jan	--	--	1.90%	--
02/28/2018	PH Bank Lending YoY	Jan	--	--	18.10%	18.40%
02/27/2018 02/28	VN CPI YoY	Feb	2.90%	--	2.65%	--

Source: Bloomberg

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