

Highlights

Global	<p>Financial markets are likely to take a breather today ahead of US president Trump's first State of the Union address later today and the FOMC meeting on 1 Feb. Trump is likely to touch on trade, with more "America First" philosophy especially in the wake of recent tariffs on solar panel and washing machine imports, and also immigration issues (the sticking point in the recent 3-day government shutdown). To reiterate, FOMC is unlikely to surprise given there is no press conference and the Fed may leave it to the new Fed chair Powell to pull the trigger on tweaking the FOMC statement language if necessary.</p> <p>Asian bourses trade with a mixed tone today. Today's economic calendar starts in earnest with US' Conference Board consumer confidence and S&P house prices, Eurozone's actual 4Q17 GDP growth and Jan economic confidence, and German CPI. Scheduled speakers include BOE governor Carney and ECB's Mersch.</p>
US	<p>Personal income accelerated to 0.4% in Dec, with wage and salary income climbing 4.9% (strongest pace since late 2015). Personal spending also remained healthy at 0.4% and demand for consumer durables may sustain amid the income pickup and anticipated tax cuts. Meanwhile, the core PCE deflator remained subdued at 0.1% mom (1.7% yoy) in Dec, whereas the Dallas Fed manufacturing activity index surged from 29.7 in Dec to 33.4 in Jan. All these point to healthy near-term momentum in the US economy.</p>
EZ	<p>ECB's Praet opined that the central bank was "some distance" from the three criteria (convergence to 2% inflation, confidence of a sustainable inflation expectation, and resilience in less supportive monetary policy conditions) to consider ending its asset purchase program. He noted that "once the Governing Council judges that the three criteria for sustained adjustment have been met, net asset purchases will expire, in line with our guidance".</p>
ID	<p>FM Sri Mulyani was on the record commenting on the trade relations between Indonesia and the US. Note that Indonesia runs a trade surplus with the US, and is currently on the list of countries probed for trade abuse. She also noted that economic fundamentals has been improving, and will serve as a bulwark to the shifting global monetary environment.</p> <p>President Jokowi reportedly submitted a list of three candidates to parliament to replace Bank Indonesia Deputy Governor Perry Warjiyo, whose term ends in April. The nominees include Dody Budi Waluyo, an assistant governor at Bank Indonesia; Dody Zulverdi, an executive director for monetary management and Wiwiek Sisto Widayat, head of central bank's West Java regional office.</p>
CMD	<p>Yet again, Brent touched failed to stay above its \$70/bbl handle and fell overnight to close \$69.46/bbl. Market-watchers will likely remain cautious over potentially higher oil prices beyond \$70/bbl, as it could further encourage expensive oil production sources such as US shale. Note that US oil production has risen for two consecutive weeks, while rig counts have risen since the year started. Elsewhere, palm oil prices rose the most in three weeks, led by the prospect of lower production into the April given seasonal patterns. The Malaysian Palm Oil Council highlighted its expectations for palm oil to average MYR2,659/MT in 2018, and pencilling palm oil exports at an encouraging 17.9 million tons this year, up from 16.6 million tons in 2017.</p>

Major Markets

- **US:** Equities faded from record highs on Monday. The S&P 500 led the decline, falling 0.67%, while the Dow and Nasdaq Composite lost 0.66% and 0.52% respectively. VIX spiked to 13.84, from 11.08 previously. Note a couple of risk events this week, starting with Trump's State of the Union address later today, and also the FOMC on Wednesday. We expect Trump to focus on trade and immigration issues, and may set the stage for legislative tussles in the coming months. As for the FOMC, no significant change is expected on the policy front, but there may be some ground-laying for a hike in the Mar FOMC.
- Meanwhile, US Treasury curve steepened from the back end. The 10y yield closed at 2.694%, after hitting a high of 2.725% intraday. Having consolidated above the last key technical level at 2.60%, we may see the 10y yield inch higher towards the 3.00% handle going forward. The 2y yield stood at 2.116% at NY close.
- **Singapore:** The STI advanced 0.28% to close at 3577.07 yesterday, but may again see some consolidation pressure this morning amid a softer close in Wall Street overnight and a soft morning open in Kospi as well. STI support and resistance are at 3550 and 3600 respectively. With the UST bond yield curve steepening overnight, amid the global bond market sell-off in longer-dated bonds, SGS bonds are likely to trade in a similar fashion today.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 5-8bps higher for the shorter tenors while the longer tenors traded 8-10bps higher. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS narrowed 1bps to 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 3bps to 329bps. 10Y UST yields rose 3.4bps to 2.695% as it hit 2.722%, its highest level since 2014, amid renewed bets on faster inflation in the world's biggest economy and hawkish comments on growth and inflation from central bank officials in Europe.
- **New Issues:** Poly Real Estate Finance Ltd has priced a USD500mn 5-year bond (guaranteed by Hengli (Hong Kong) Real Estate Ltd, with Poly Real Estate Group Co Ltd as a Keepwell/EIPU provider) at CT5+155bps, tightening from its initial guidance of CT5+185bps area. The expected issue ratings are 'BBB-/Baa3/BBB'. Yes Bank Ltd (acting through its International Financial Services Centre Banking unit) has priced a USD600mn 5-year bond at CT5+130bps, tightening from its initial guidance of CT5+150bps area. PT Sulfindo Adiusaha has scheduled for investor meetings from 30 Jan for its potential USD bond issuance. The expected issue ratings are 'NR/B2/B'. Shangrao Investment Holdings International Co Ltd (guaranteed by Shangrao Investment Holdings Group Co Ltd) scheduled for investor meetings from 30 Jan for its potential USD bond issuance.
- **Rating Changes:** Moody's has assigned a first-time 'B2' corporate family rating to PT Sulfindo Adiusaha (Sulfindo). The outlook is stable. The rating action reflects Sulfindo's established market position in Indonesia's chlor-alkali and polyvinyl chloride industries, low cost operations and improved operating performance. The rating also reflects Moody's expectation that the proposed refinancing will materially reduce Sufindo' dependence on short term funding. Fitch has assigned a 'B+' final rating with Recovery Rating of 'RR4' to Soechi Lines Tbk's (Soechi) senior unsecured notes. The outlook is

stable. The rating action reflects Soechi's stable shipping business, supported by growing demand, a robust market position and regulatory protection. Fitch however acknowledged that the shipyard segment has underperformed relative to their expectations and has been a drag on Soechi's leverage profile. S&P has revised its outlook on ORIX Life Insurance's (ORIX Life) 'A-' rating to stable from negative. The rating action follows the outlook revision on its parent company, ORIX Corp, to stable from negative and the affirmation of S&P's 'A-' rating on ORIX Life's parent company. The rating action reflects S&P's view that ORIX Life is a strategically important subsidiary within the ORIX group. S&P has upgraded the long term corporate credit rating on Metallurgical Corp of China Ltd (MCC Ltd) to 'BBB+' from 'BBB'. The outlook is stable. The rating action is driven by S&P's reassessment of China Minmetals Corp's (Minmetals) group credit profile, the ultimate parent of MCC Ltd. S&P expects Minmetals to maintain its competitive position in the metallurgical engineering and construction and the metals and mining sectors, with enhanced resilience and synergy following the merger with China Metallurgical Group Corp.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.308	0.27%	USD-SGD	1.3103	0.22%
USD-JPY	108.960	0.35%	EUR-SGD	1.6226	-0.15%
EUR-USD	1.2383	-0.35%	JPY-SGD	1.2026	-0.12%
AUD-USD	0.8094	-0.20%	GBP-SGD	1.8442	-0.38%
GBP-USD	1.4074	-0.61%	AUD-SGD	1.0607	0.03%
USD-MYR	3.8815	0.27%	NZD-SGD	0.9595	-0.29%
USD-CNY	6.3405	0.19%	CHF-SGD	1.3976	-0.28%
USD-IDR	13366	0.45%	SGD-MYR	2.9666	0.04%
USD-VND	22713	0.01%	SGD-CNY	4.8367	-0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4381	--
2M	-0.3400	--	1M	1.5678	--
3M	-0.3280	--	2M	1.6514	--
6M	-0.2780	--	3M	1.7669	--
9M	-0.2220	--	6M	1.9597	--
12M	-0.1910	--	12M	2.2459	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	3.3%	3.3%	0.0%	0.0%	0.0%
03/21/2018	91.6%	88.5%	3.1%	0.0%	0.0%
05/02/2018	91.8%	86.3%	5.5%	0.1%	0.0%
06/13/2018	97.3%	34.2%	59.4%	3.7%	0.1%
08/01/2018	97.5%	31.0%	56.8%	9.3%	0.4%
09/26/2018	98.8%	16.8%	43.9%	33.0%	4.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.56	-0.88%	Copper (per mt)	7,041.6	-0.16%
Brent (per barrel)	69.46	-1.50%	Nickel (per mt)	13,775.5	1.12%
Heating Oil (per gallon)	2.1048	-1.46%	Aluminium (per mt)	2,226.5	-1.47%
Gasoline (per gallon)	1.9349	-0.14%			
Natural Gas (per MMBtu)	3.6310	3.59%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,519.0	1.41%
			Rubber (JPY/KG)	198.1	-3.18%
Precious Metals	Futures	% chg			
Gold (per oz)	1,345.1	-0.89%			
Silver (per oz)	17.127	-1.80%			

Equity and Commodity

Index	Value	Net change
DJIA	26,439.48	-177.23
S&P	2,853.53	-19.34
Nasdaq	7,466.51	-39.27
Nikkei 225	23,629.34	-2.54
STI	3,577.07	9.93
KLCI	1,870.52	16.60
JCI	6,680.62	20.00
Baltic Dry	1,219.00	--
VIX	13.84	2.76

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.49 (+0.04)	2.12 (--)
5Y	1.88 (+0.14)	2.49 (+0.02)
10Y	2.19 (+0.06)	2.69 (+0.03)
15Y	2.47 (+0.07)	--
20Y	2.51 (+0.08)	--
30Y	2.63 (+0.06)	2.94 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.69	0.50
EURIBOR-OIS	1.20	-1.03
TED	35.54	--

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/29/2018 10:20	VN CPI YoY	Jan	2.60%	2.65%	2.60%	--
01/29/2018 12:03	VN Exports YTD YoY	Jan	26.90%	33.10%	21.10%	--
01/29/2018 12:03	VN Imports YTD YoY	Jan	22.00%	47.40%	20.80%	--
01/29/2018 12:15	VN Retail Sales YTD YoY	Jan	--	9.50%	10.90%	--
01/29/2018 15:00	GE Import Price Index MoM	Dec	0.20%	0.30%	0.80%	--
01/29/2018 17:00	IT PPI MoM	Dec	--	0.00%	0.40%	--
01/29/2018 21:30	US Personal Income	Dec	0.30%	0.40%	0.30%	--
01/29/2018 21:30	US Personal Spending	Dec	0.40%	0.40%	0.60%	0.80%
01/29/2018 21:30	US PCE Deflator YoY	Dec	1.70%	1.70%	1.80%	--
01/29/2018 21:30	US PCE Core MoM	Dec	0.20%	0.20%	0.10%	--
01/29/2018 23:30	US Dallas Fed Manf. Activity	Jan	25.4	33.4	29.7	--
01/30/2018 05:00	SK Business Survey Manufacturing	Feb	--	77	--	82
01/30/2018 05:00	SK Business Survey Non-Manufacturing	Feb	--	78	78	--
01/30/2018 05:45	NZ Trade Balance NZD	Dec	-125m	640m	-1193m	-1233m
01/30/2018 05:45	NZ Exports NZD	Dec	5.00b	5.55b	4.63b	4.61b
01/30/2018 05:45	NZ Imports NZD	Dec	5.10b	4.91b	5.82b	5.84b
01/30/2018 07:30	JN Jobless Rate	Dec	2.70%	--	2.70%	--
01/30/2018 07:30	JN Job-To-Applicant Ratio	Dec	1.57	--	1.56	--
01/30/2018 07:30	JN Overall Household Spending YoY	Dec	1.30%	--	1.70%	--
01/30/2018 07:50	JN Retail Sales MoM	Dec	-0.40%	--	1.90%	1.80%
01/30/2018 07:50	JN Dept. Store, Supermarket Sales	Dec	0.50%	--	1.40%	--
01/30/2018 08:30	AU NAB Business Conditions	Dec	--	--	12	--
01/30/2018 08:30	AU NAB Business Confidence	Dec	--	--	6	--
01/30/2018 10:00	SK Department Store Sales YoY	Dec	--	--	8.50%	--
01/30/2018 10:00	SK Discount Store Sales YoY	Dec	--	--	0.00%	--
01/30/2018 14:30	FR GDP QoQ	4Q A	0.60%	--	0.60%	--
01/30/2018 17:00	IT Manufacturing Confidence	Jan	110.5	--	110.5	--
01/30/2018 17:00	IT Consumer Confidence Index	Jan	116.7	--	116.6	--
01/30/2018 17:00	IT Economic Sentiment	Jan	--	--	108.9	--
01/30/2018 17:30	UK Net Lending Sec. on Dwellings	Dec	3.4b	--	3.5b	--
01/30/2018 17:30	UK Mortgage Approvals	Dec	63.5k	--	65.1k	--
01/30/2018 17:30	UK Money Supply M4 MoM	Dec	--	--	0.10%	--
01/30/2018 17:30	UK M4 Money Supply YoY	Dec	--	--	3.70%	--
01/30/2018 18:00	EC Economic Confidence	Jan	116.2	--	116	--
01/30/2018 18:00	EC Business Climate Indicator	Jan	1.68	--	1.66	--
01/30/2018 18:00	EC Industrial Confidence	Jan	8.9	--	9.1	--
01/30/2018 18:00	EC GDP SA QoQ	4Q A	0.60%	--	0.60%	--
01/30/2018 18:00	EC GDP SA YoY	4Q A	2.70%	--	2.60%	--
01/30/2018 18:00	EC Consumer Confidence	Jan F	1.3	--	1.3	--
01/30/2018 21:00	GE CPI EU Harmonized YoY	Jan P	1.60%	--	1.60%	--
01/30/2018 22:00	US S&P CoreLogic CS 20-City NSA Index	Nov	--	--	203.84	--
01/30/2018 22:00	US S&P CoreLogic CS US HPI YoY NSA	Nov	--	--	6.17%	--
01/30/2018 23:00	US Conf. Board Consumer Confidence	Jan	123	--	122.1	--
01/30/2018	MU Hotel Occupancy Rate	Dec	--	--	90.4	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Wong Liang Mian (Nick) NickWong@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p>

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