

Highlights

Global	A more defensive tone was apparent overnight, with S&P500 down more than 1% (Dow fell 363 points, weighed down by healthcare stocks) and 10-year UST bond yields testing fresh 52-week highs of 2.72% whilst oil prices tumbled. VIX also spiked 34% to 14.79 (highest since Aug17). Investors are awaiting US president Trump's first State of the Union address this morning, the Treasury's refunding report and the FOMC statement later. Asian bourses are likely to open in a similarly defensive mode this morning, awaiting the China PMIs, S.Korea's industrial production and Taiwan's 4Q17 GDP growth. Today's economic calendar also includes US' ADP employment change, pending home sales, and Chicago PMI, Eurozone's Jan CPI and Dec unemployment rate, German retail sales, Thai trade data, and S'pore's bank loans growth for Dec. Scheduled speakers include BOJ's Iwata, and ECB's Lane and Coeure.
US	US' Conference Board consumer confidence rebounded 2.3 points to 125.4, with the current situation gauge marginally higher at 156.6, but the future expectations gauge retreating from 100.8 to 99.1, possibly due to some uncertainty regarding the impact of the tax plan. Meanwhile, S&P house prices in 20 cities accelerated to 6.4% yoy in Nov, as demand was lifted by a strong labour market and low mortgage rates, but supply continued to lag.
EZ	Eurozone's actual 4Q17 GDP growth clocked in at 0.6% qoq (2.7% yoy), its fastest in a decade to bring full year 2017 growth to 2.5%. Meanwhile, Jan economic confidence eased slightly from 115.1 to 114.7 in Jan. Separately, German CPI unexpectedly slowed to 1.4% in Jan.
UK	BOE governor Carney warned that "the labour market has continued to tighten...we see it in a gradual firming of wages...pay should soon start growing faster than inflation". This lent a hawkish tilt to BOE rate hike expectations for the rest of 2018, with markets pricing around 50% chance of a hike in May.
SG	S'pore attracted \$9.4b fixed asset investments (FAI) and \$6.5b in total business expenditure last year, which will create 22.5k jobs. For 2018, EDB tips FAI to average \$8-10b, with total business expenditure of \$5-7b and between 16-18k new jobs to be created. Meanwhile, the latest January tranche of the S'pore Savings Bonds have been oversubscribed. Bank loans growth may have improved in Dec from Nov's 7.1% yoy print.
MY	PPI for local production rose by 0.3%yoy in Dec that was significantly lower than the 4.3%yoy increase in Nov. There was a large decrease for the Agriculture, Forestry and Fishing sector at -13.8%yoy whilst the mining sector experienced an increase of 8.9% yoy. Overall, the average PPI for 2017 experienced an increase of 6.7% yoy. This was driven by increases in four sectors, namely mining (24.7%), agriculture, forestry & fishing (7.0%), manufacturing (5.3%) and electricity & gas supply (1.9%).
ID	FDI rose 10.6% yoy in 4Q17 based on data provided by the Investment Board. This was a decrease from 12.0% in 3Q17. This measure excludes FDI in banking and the oil & gas sectors. Overall, there was an 8.5% increase in FDI in 2017 that was a marginal increase from 8.4% in 2016. The biggest chunk of FDI in 2017 went to the mining sector, followed by utilities and electronics. Singapore was the biggest source of investment followed by Japan and China.

Major Markets

- **US:** Equities marked losses again on Tuesday, the first time that equities saw losses on consecutive days in 2018. The slump was led by healthcare and energy stocks, as those sectors are rocked by news of Amazon entering the healthcare space and crude oil prices slipping respectively. Further consolidation may occur before we see the buy on dips dynamic return. Watch for Trump's State of the Union address later this morning. VIX continued to spike higher, closing at 14.79, compared to 13.84 previously. Meanwhile, the US Treasury curve continues to steepen from the long end, with the 10y yield reversing an earlier decline to add more than 2 bps to 2.720%. The 2y yield also added 1 bp to 2.124%.
- **Singapore:** The STI fell 0.79% to close at 3548.74 yesterday, and is likely to continue to swim in a sea of red ink today amid weak cues from Wall Street overnight and morning losses in Nikkei. STI support and resistance are at 3520 and 3567 respectively. With longer-dated UST bonds continuing to lead the sell-off, the 10-year SGS bond yield which spiked 8bps yesterday may not see any near-term relief.
- **South Korea:** Industrial production figures disappointed in Dec 17. Industrial output fell 6%yoy in Dec17 on the back of a dip in the auto-making and machinery sectors. Dec17's output was significantly lower from Nov17's -1.7%yoy print as well as the lowest since 2013. Furthermore, retail sales fell 4% in Dec17, vs a 5.7% gain in Nov17.
- **Macau:** Hotel occupancy rate increased by 2.8 percentage points on a yearly basis to 92.5% in December 2017, the highest level since records began in 1997 due to Christmas and New Year Holidays. The number of hotel guests climbed by 9.6% yoy in 2017 as a whole on the back of improved tourism. We note that hotel guests from South Korea and China surged significantly by 13.5% yoy and 64.7% yoy respectively in 2017. However, hotels guests from Hong Kong dropped by 9.6% yoy, probably due to high accommodation and transportation costs. Despite that, we expect the growth momentum of Macau's tourism and hotel sectors to sustain in 2018, given the opening of the slew of new entertainment projects, the completion of Hong Kong–Zhuhai–Macau Bridge, a weaker MOP and sustained growth in Asia.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 4-8bps higher across most tenors. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 108bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 330bps. 10Y UST yields rose 2.63bps to 2.72%, after the Conference Board Consumer Confidence Index beat expectations yesterday. The signaling of economic growth coupled with inflation fears have kept yields afloat.
- **New Issues:** Greenland Holdings Group Co Ltd has hired banks for its potential USD bond issuance. The expected issue ratings are 'NR/Ba2/NR'. Huaxin Pharmaceutical (Hong Kong) Co Ltd has scheduled roadshows on 31 Jan for its potential USD bond issuance (guaranteed by Taizhou Huaxin Pharmaceutical Investment Co Ltd). The expected issue ratings are 'NR/NR/BB+'. China Logistic Property Holdings Co Ltd is proposing to issue USD bonds.
- **Rating Changes:** S&P has affirmed West China Cement Ltd's (WCC) 'B+' long-term corporate credit rating and revised the rating outlook to positive from stable. The rating

action reflects S&P's expectations that the recovery in cement prices is likely to sustain, mainly backed by stonger demand driven by infrastructure projects in Western China and a disciplined rationalisation in supply. S&P has affirmed QBE Insurance Group Ltd's (QBE) 'A+' issuer credit rating and financial strength ratings on QBE's core operating companies. S&P has also revised its outlook to stable from positive. The ratings remain underpinned mainly by QBE's very strong competitive position spanning developed and developing property casualty markets, coupled with its solid underwriting and risk management capabilities with high quality capital. S&P however acknowledged that QBE group is unlikely to realise the material benefits of remediation activities across the group in near term. S&P has lowered its long-term corporate credit rating on Noble Group Ltd to 'CC' from "CCC-'. The outlook is negative. The rating action follows Noble's announcement of a debt restructuring plan on 29 Jan which S&P views as a distressed exchange and tantamount to an immediate default on conclusion because the offer price is materially lower than the par value of the outstanding notes. The negative outlook reflects the likelihood that S&P will lower their rating on Noble and its senior unsecured notes to 'D' when the distressed exchange is complete. Moody's also downgraded Noble Group Ltd's senior unsecured ratings to 'Ca' from 'Caa3' and affirmed its 'Caa3' corporate family rating. The rating outlook is negative. The rating action follows Noble's announcement on 29 Jan that it has reached an in-principle agreement with a group of its senior debt holders on its financial restructuring. Moody's view it as a default event if the transaction is successful. The downgrade in ratings considers this default and Moody's assessment of the high economic loss incurred compared to the original payment promises. The affirmation of its corporate family rating reflects the continued high operating challenges facing the company, and uncertainty over the timing and outcome of restructuring. Moody's has placed Royal Bank of Scotland PLC's (RBS plc) ratings, baseline credit assessment and counterparty risk assessments on review for downgrade. The rating action reflects Moody's view of the likely impact on the bank from forthcoming ring-fencing regulations. RBS plc is reorganising as a result of the requirement to separate its retail and business banking business from its other operations, aimed at making economically vital banking services more resilient against financial shocks. This would result in RBS plc to likely have a weaker credit profile as it becomes the group's principal entity for conducting capital market and some other wholesale activities which Moody's consider typically riskier than retail and commercial banking. Moody's has affirmed its 'Baa1' rating for ONGC Videsh Ltd's senior unsecured bonds . The outlook is stable. The rating action follows the oil major's recent acquisition of majority shareholdings in Hindustan Petroleum Corporation (HPCL) and is driven primarily by its standalone credit profile. It also reflects ONGC's position as the only integrated oil and gas company in India with significant reserves, production and crude distillation capacity, post acquisition. Fitch has affirmed Modern Land China Co Ltd's 'B+' issuer default rating and revised its outlook to negative from stable. The rating action reflects Fitch's estimate that Modern Land's leverage would increase to above 45% at the end of 2017. Fitch believes that Modern China's higher leverage was mainly due to higher leverage at the joint venture level as the company continued to expand by replenishing land via JV projects . Fitch stated that it may take a negative rating action if Modern China's leverage is sustained above 40% over the next 18 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.160	-0.17%	USD-SGD	1.3120	0.13%
USD-JPY	108.780	-0.17%	EUR-SGD	1.6270	0.27%
EUR-USD	1.2402	0.15%	JPY-SGD	1.2056	0.25%
AUD-USD	0.8083	-0.14%	GBP-SGD	1.8560	0.64%
GBP-USD	1.4147	0.52%	AUD-SGD	1.0605	-0.02%
USD-MYR	3.8985	0.44%	NZD-SGD	0.9616	0.22%
USD-CNY	6.3239	-0.26%	CHF-SGD	1.4040	0.46%
USD-IDR	13434	0.51%	SGD-MYR	2.9685	0.06%
USD-VND	22705	-0.04%	SGD-CNY	4.8263	-0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.4394	--
2M	-0.3390	--	1M	1.5735	--
3M	-0.3280	--	2M	1.6536	--
6M	-0.2780	--	3M	1.7723	--
9M	-0.2210	--	6M	1.9672	--
12M	-0.1910	--	12M	2.2641	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.5-1.75	1.75-2	2-2.25	2.25-2.5
01/31/2018	3.8%	3.8%	0.0%	0.0%	0.0%
03/21/2018	90.1%	86.7%	3.5%	0.0%	0.0%
05/02/2018	90.5%	83.7%	6.7%	0.1%	0.0%
06/13/2018	96.8%	34.2%	58.1%	4.5%	0.1%
08/01/2018	97.2%	30.8%	55.4%	10.4%	0.6%
09/26/2018	98.6%	16.8%	43.1%	32.9%	5.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	64.50	-1.62%	Copper (per mt)	7,030.5	-0.16%
Brent (per barrel)	69.02	-0.63%	Nickel (per mt)	13,320.0	-3.31%
Heating Oil (per gallon)	2.0717	-1.57%	Aluminium (per mt)	2,208.0	-0.83%
Gasoline (per gallon)	1.8954	-2.04%			
Natural Gas (per MMBtu)	3.1950	-12.01%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,492.0	-1.07%
			Rubber (JPY/KG)	195.5	-1.31%
Precious Metals	Futures	% chg			
Gold (per oz)	1,340.0	-0.38%			
Silver (per oz)	17.058	-0.40%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,076.89	-362.59
S&P	2,822.43	-31.10
Nasdaq	7,402.48	-64.02
Nikkei 225	23,291.97	-337.37
STI	3,548.74	-28.33
KLCI	1,868.58	-1.94
JCI	6,575.49	-105.13
Baltic Dry	1,214.00	--
VIX	14.79	0.95

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.53 (+0.04)	2.12 (+0.01)
5Y	1.94 (+0.06)	2.51 (+0.02)
10Y	2.27 (+0.08)	2.72 (+0.03)
15Y	2.54 (+0.07)	--
20Y	2.57 (+0.06)	--
30Y	2.69 (+0.06)	2.97 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.83	0.14
EURIBOR-OIS	2.34	1.14
TED	36.56	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
01/30/2018 05:00	SK Business Survey Manufacturing	Feb	--	77	--	82
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%	2.80%	2.70%	--
01/30/2018 07:30	JN Job-To-Applicant Ratio	Dec	1.57	1.59	1.56	--
01/30/2018 07:30	JN Overall Household Spending YoY	Dec	1.30%	-0.10%	1.70%	--
01/30/2018 07:50	JN Retail Trade YoY	Dec	2.20%	3.60%	2.20%	2.10%
01/30/2018 08:30	AU NAB Business Conditions	Dec	--	13	12	13
01/30/2018 08:30	AU NAB Business Confidence	Dec	--	11	6	7
01/30/2018 10:00	SK Department Store Sales YoY	Dec	--	3.20%	8.50%	--
01/30/2018 11:47	MU Hotel Occupancy Rate	Dec	--	92.5	90.4	--
01/30/2018 14:30	FR GDP QoQ	4Q A	0.60%	0.60%	0.60%	0.50%
01/30/2018 17:00	IT Manufacturing Confidence	Jan	110.5	109.9	110.5	110.3
01/30/2018 17:00	IT Consumer Confidence Index	Jan	116.7	115.5	116.6	116.5
01/30/2018 17:00	IT Economic Sentiment	Jan	--	105.6	108.9	108.7
01/30/2018 17:30	UK Mortgage Approvals	Dec	63.5k	61.0k	65.1k	64.7k
01/30/2018 17:30	UK Money Supply M4 MoM	Dec	--	-0.60%	0.10%	0.20%
01/30/2018 17:30	UK M4 Money Supply YoY	Dec	--	3.70%	3.70%	3.80%
01/30/2018 18:00	EC Economic Confidence	Jan	116.2	114.7	116	115.3
01/30/2018 18:00	EC GDP SA QoQ	4Q A	0.60%	0.60%	0.60%	0.70%
01/30/2018 18:00	EC Consumer Confidence	Jan F	1.3	1.3	1.3	--
01/30/2018 21:00	GE CPI YoY	Jan P	1.70%	1.60%	1.70%	--
01/30/2018 21:00	GE CPI EU Harmonized YoY	Jan P	1.60%	1.40%	1.60%	--
01/30/2018 23:00	US Conf. Board Consumer Confidence	Jan	123	125.4	122.1	123.1
01/31/2018 07:00	SK Industrial Production YoY	Dec	-1.50%	-6.00%	-1.60%	-1.70%
01/31/2018 07:50	JN Industrial Production MoM	Dec P	1.50%	--	0.50%	--
01/31/2018 08:01	UK GfK Consumer Confidence	Jan	-13	--	-13	--
01/31/2018 08:30	AU CPI QoQ	4Q	0.70%	--	0.60%	--
01/31/2018 08:30	AU Private Sector Credit MoM	Dec	0.50%	--	0.50%	--
01/31/2018 09:00	CH Non-manufacturing PMI	Jan	54.9	--	55	--
01/31/2018 09:00	CH Manufacturing PMI	Jan	51.6	--	51.6	--
01/31/2018 13:00	JN Housing Starts YoY	Dec	1.00%	--	-0.40%	--
01/31/2018 15:00	GE Retail Sales MoM	Dec	-0.40%	--	2.30%	1.80%
01/31/2018 15:30	TH BOP Current Account Balance	Dec	\$3141m	--	\$5285m	--
01/31/2018 15:30	TH Trade Balance	Dec	--	--	\$3335m	--
01/31/2018 15:30	TH Exports YoY	Dec	--	--	12.30%	--
01/31/2018 15:45	FR CPI EU Harmonized YoY	Jan P	1.10%	--	1.20%	--
01/31/2018 15:45	FR CPI YoY	Jan P	1.20%	--	1.20%	--
01/31/2018 16:00	TA GDP YoY	4Q P	2.50%	--	3.10%	--
01/31/2018 16:55	GE Unemployment Change (000's)	Jan	-17k	--	-29k	--
01/31/2018 18:00	EC Unemployment Rate	Dec	8.70%	--	8.70%	--
01/31/2018 18:00	EC CPI Core YoY	Jan A	1.00%	--	0.90%	--
01/31/2018 18:00	EC CPI Estimate YoY	Jan	1.20%	--	1.40%	--
01/31/2018 20:00	US MBA Mortgage Applications	Jan-26	--	--	4.50%	--
01/31/2018 21:15	US ADP Employment Change	Jan	185k	--	250k	--
01/31/2018 21:30	US Employment Cost Index	4Q	0.60%	--	0.70%	--
01/31/2018 21:30	CA GDP MoM	Nov	0.40%	--	0.00%	--
01/31/2018 21:30	CA Industrial Product Price MoM	Dec	-0.20%	--	1.40%	--
01/31/2018 21:30	CA Raw Materials Price Index MoM	Dec	-2.30%	--	5.50%	--
01/31/2018 22:45	US Chicago Purchasing Manager	Jan	64	--	67.6	67.8
01/31/2018 23:00	US Pending Home Sales MoM	Dec	0.50%	--	0.20%	--
01/31/2018	PH Bank Lending YoY	Dec	--	--	18.30%	18.40%

Source: Bloomberg

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