

### Highlights

<b>Global</b>	<p>Yesterday marked a positive session for most risk assets, but the market enthusiasm about an imminent US-China trade deal (beyond a “soybean solution” as dubbed by Lighthizer) has petered out overnight, with Wall Street closing lower and UST bonds gaining, with the 10-year bond yield retracing to 2.72%. Elsewhere, on the Brexit front, UK PM May is sending AG Cox back to Brussels today to negotiate legally binding changes to the Irish backstop ahead of her Parliament vote on 12 March. With China’s National People’s Congress getting underway today, given market anticipation of a 3% point cut in the manufacturing value-add tax rate, Asian markets may need fresh catalysts for the next move higher beyond jawboning for the US-China trade deal. RBA and BNM are likely to keep their benchmark interest rates on hold at 1.5% and 3.25% respectively today, but their rhetoric may provide some grist for market watchers to chew over. The economic calendar comprises US’ new home sales and non-manufacturing ISM, services and composite PMIs from Europe and Asia, including China’s Caixin PMIs, and Eurozone’s retail sales. Speakers include Fed’s Rosengren, Kashkari and Barkin, BOE governor Carney and RBA governor Lowe.</p>
<b>US</b>	<p>Construction spending rose 4.1% in 2018, marking its smallest annual increase since 2011, amid a 0.6% mom decline in Dec.</p>
<b>CH</b>	<p>China has unveiled the key targets ahead of Premier Li Keqiang’s NPC opening speech. As widely expected, China lowers its 2019 growth target to 6-6.5%. The upside surprise mainly came from tax cut as China targets CNY2 trillion tax cut in 2019, higher than actual CNY1.3 trillion cut in 2018 and market expected CNY1.5 trillion. This may be positive for risk sentiment. In addition, China also said it plans to cut reserve requirement ratio further for smaller banks. On currency, China plans to increase flexibility of RMB exchange rate but will reply more on cross border flow supervision to keep the risk in check.</p>
<b>SG</b>	<p>The manufacturing and electronics PMIs eased to 50.4 (-0.3, lowest since Dec16) and 49.5 (-0.1, 4th contraction) in February 2019. This was not unexpected as global/regional manufacturing PMIs remained softer to stable in February, pending the highly anticipated US-China trade deal, as well as due to the Chinese New Year holidays in early February. With the weak start to manufacturing momentum in January (industrial output fell for the first time since December 2017 by 3.1% yoy), there is downside risk to 1Q19 manufacturing and GDP growth for S’pore. Barring a quick resolution to the US-China trade war, regional manufacturing and trade activities may remain lacklustre. We now tip 1Q19 manufacturing growth at -0.5% yoy, and consequently our 2019 full-year GDP growth forecast at 2.3% yoy.</p>
<b>MY</b>	<p>Exports growth slowed in January 2019 to 3.1% yoy (Dec 2018: 4.8% yoy) whilst imports stayed static at 1.0% yoy. The trade balance did slightly widen to RM11.52bn (Dec 2018: RM10.43bn). Meanwhile, BNM will announce their benchmark interest rate decision today with our expectations for it to hold. Meanwhile, according to a report by The Edge, the government is looking to commence negotiations with certain highway concessionaires on the expropriation value of their concessions.</p>

## Major Markets

- **US:** Wall Street ended lower on Monday, with the S&P500 declining 0.4%. The DJIA fell 0.8%, while the Nasdaq composite tumbled 0.2%.
- **Singapore:** For the overall manufacturing PMI, the February print marked the 6th straight month of pullback from 52.6 in August 2018. The soft manufacturing PMI was attributed to a broad-based soft patch across new orders, new exports, output, inventory and employment gauges, whilst the input price index sank into contraction territory (49.8 versus 50.3 previously) and the backlog index continued to contract for the 5th month (49.0 versus 49.3). Note that for the electronics sector, the last contraction streak had lasted for 13 consecutive months from July 2015, excluding the sporadic contraction warning signals in the first half of 2015. Moreover, the underlying gauges for the February 2019 electronics PMI were generally weak across new orders (49.4), new exports (49.3), output (49.1), finished goods (49.8), imports (49.2), employment (49.7) and backlog (48.5), albeit input prices improved to 50.3 in February (up from 50.2 previously). This suggests that the soft patch in electronics is likely to sustain for the next few months and it is too early to call for a turnaround in this sector.
- The STI gained 0.95% to close at 3251.08 yesterday, but may consolidate between 3229-3278 range today, awaiting fresh market cues as Wall Street had closed lower overnight. With risk appetite being taken off the boil for now, UST bond yields retraced up to 3bps led by the longer tenors, and the SGS bond market is likely to trade in a similar fashion today.
- **Indonesia:** Bank Indonesia Governor Perry Warjiyo has reiterated that the benchmark interest rate is near its peak and that the central bank will continue to ensure sufficient liquidity in domestic markets.
- **South Korea:** Final 4Q GDP came in at 3.1% YoY, no change from the preliminary estimate released last month. CPI in Feb rose 0.5%, the lowest since July 2016, led mostly lower by soft crude oil prices and weakening domestic demand. Low inflationary pressures continue to be one of the main points of concern for the BoK, alongside weak exports growth and rising unemployment.
- **Philippines:** The Philippines has named Budget Secretary Benjamin Diokno as the new central bank governor, a surprise appointment to take over the late Nestor Espenilla who died last month after a battle with cancer. The appointment of Diokno is unexpected as many expected President Duterte to name one of the three deputy BSP governors to take over the role. Diokno, as Budget Secretary, appears to have prioritized growth and that could result in a dovish spillover when he resumes the role as BSP governor. The BSP is highly expected to reduce its RRR this year after President Duterte stressed that the late Espenilla's policies to be continued; but if Diokno is as dovish as is made out to be, then a rate cut could be on the horizon once inflationary pressures anchor themselves firmly in the 2-4% range.
- **Commodities:** WTI prices rose 1.4% yesterday to \$56.59 while Brent rose +0.9% to \$65.67. Russia Energy Minister Alexander Novak said yesterday that the country will "show higher compliance within the parameters of the OPEC+ deal" to comply with the 2018 Dec deal. Russia is expected to produce 11.17m bpd starting Jan 2019 following the deal, but estimates put the current production unchanged at 11.4m bpd. If Russia keeps to its OPEC+ deal cuts and Saudi cuts its production to 9.8m bpd from the

current 10.2m bpd, the market is set to move into a deep supply deficit and could lift prices higher.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with shorter tenors trading 1-2bps lower while the longer tenors traded 2bps lower (with the exception of the 12-year swap rate trading lower by 1bps). In the broader dollar space, the spread on the Itraxx Asia ex-Japan IG Index traded 3bps lower to 67bps. 10Y UST yields fell 3bps to 2.72%, reversing last Friday's movement in yields which rose despite the weak US manufacturing, personal income and spending economic data released.
- **New Issues:** Guotai Junan Holdings Ltd has priced a USD500mn 3-year bond (guarantor: Guotai Junan Securities Co Ltd) at CT3+147.5bps, tightening from IPT of +180bps area. CDBL Funding 2 has priced a USD700mn 3-year bond (guarantor: Metro Excel Ltd) at CT3+125bps, tightening from IPT of +155bps area. NWD Finance (BVI) Ltd has priced a USD500mn perpetual bond at 6.25%. Hon Hai Precision has mandated banks for its potential USD 5-year and 10-year bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	96.682	0.16%	<b>USD-SGD</b>	1.3548	-0.03%
<b>USD-JPY</b>	111.750	-0.13%	<b>EUR-SGD</b>	1.5362	-0.27%
<b>EUR-USD</b>	1.1340	-0.22%	<b>JPY-SGD</b>	1.2123	0.12%
<b>AUD-USD</b>	0.7092	0.18%	<b>GBP-SGD</b>	1.7859	-0.17%
<b>GBP-USD</b>	1.3180	-0.17%	<b>AUD-SGD</b>	0.9612	0.18%
<b>USD-MYR</b>	4.0760	0.04%	<b>NZD-SGD</b>	0.9243	0.30%
<b>USD-CNY</b>	6.7073	0.02%	<b>CHF-SGD</b>	1.3561	--
<b>USD-IDR</b>	14130	0.07%	<b>SGD-MYR</b>	3.0099	-0.07%
<b>USD-VND</b>	23200	0.00%	<b>SGD-CNY</b>	4.9470	-0.18%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3680	--	<b>O/N</b>	2.3849	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4819	--
<b>3M</b>	-0.3100	--	<b>2M</b>	2.5614	--
<b>6M</b>	-0.2300	--	<b>3M</b>	2.5985	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.6821	--
<b>12M</b>	-0.1080	--	<b>12M</b>	2.8790	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
03/20/2019	0.0%	0.8%	0.8%	99.2%	0.0%
05/01/2019	0.0%	0.8%	0.8%	99.2%	0.0%
06/19/2019	0.0%	0.8%	0.8%	99.2%	0.0%
07/31/2019	0.0%	0.8%	0.8%	99.2%	0.0%
09/18/2019	3.5%	0.7%	0.7%	95.8%	3.5%
10/30/2019	3.4%	2.2%	2.2%	94.4%	3.4%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.59	1.42%	Coffee (per lb)	0.941	-2.94%
Brent (per barrel)	65.67	0.92%	Cotton (per lb)	0.7197	-1.04%
Heating Oil (per gallon)	2.0143	0.66%	Sugar (per lb)	0.1236	-2.06%
Gasoline (per gallon)	1.7490	1.08%	Orange Juice (per lb)	1.1435	0.26%
Natural Gas (per MMBtu)	2.8570	-0.07%	Cocoa (per mt)	2,157	-2.75%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	4.4675	-1.60%
Nickel (per mt)	13,134.5	--	Soybean (per bushel)	9.033	0.44%
Aluminium (per mt)	1,900.8	--	Corn (per bushel)	3.6500	0.27%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,287.5	-0.90%	Crude Palm Oil (MYR/MT)	1,978.0	-0.40%
Silver (per oz)	15.017	-1.00%	Rubber (JPY/KG)	196.1	0.62%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,819.65	-206.67
<b>S&amp;P</b>	2,792.81	-10.88
<b>Nasdaq</b>	7,577.57	-17.79
<b>Nikkei 225</b>	21,822.04	219.35
<b>STI</b>	3,251.08	30.68
<b>KLCI</b>	1,693.99	-6.77
<b>JCI</b>	6,488.42	-11.46
<b>Baltic Dry</b>	664.00	--
<b>VIX</b>	14.63	1.06

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.99 (-0.02)	2.54 (-0.01)
<b>5Y</b>	2.07 (-0.01)	2.53 (-0.03)
<b>10Y</b>	2.27 (-0.01)	2.72 (-0.03)
<b>15Y</b>	2.50 (-0.01)	--
<b>20Y</b>	2.55 (-0.01)	--
<b>30Y</b>	2.69 (-)	3.09 (-0.03)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.07	0.02
<b>TED</b>	35.36	--

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/04/2019 07:46	AU ANZ Job Advertisements MoM	Feb	--	-0.90%	-1.70%	-1.80%
<b>03/04/2019 07:50</b>	<b>JN Monetary Base YoY</b>	<b>Feb</b>	<b>--</b>	<b>4.60%</b>	<b>4.70%</b>	<b>--</b>
<b>03/04/2019 08:00</b>	<b>AU Melbourne Institute Inflation MoM</b>	<b>Feb</b>	<b>--</b>	<b>0.10%</b>	<b>-0.10%</b>	<b>--</b>
<b>03/04/2019 08:30</b>	<b>TA Nikkei Taiwan PMI Mfg</b>	<b>Feb</b>	<b>--</b>	<b>46.3</b>	<b>47.5</b>	<b>--</b>
<b>03/04/2019 08:30</b>	<b>SK Nikkei South Korea PMI Mfg</b>	<b>Feb</b>	<b>--</b>	<b>47.2</b>	<b>48.3</b>	<b>--</b>
<b>03/04/2019 08:30</b>	<b>AU Building Approvals MoM</b>	<b>Jan</b>	<b>1.00%</b>	<b>2.50%</b>	<b>-8.40%</b>	<b>-8.10%</b>
03/04/2019 08:30	AU Building Approvals YoY	Jan	-28.90%	-28.60%	-22.50%	-22.00%
03/04/2019 12:00	MA Trade Balance MYR	Jan	8.95b	11.52b	10.43b	10.68b
<b>03/04/2019 12:23</b>	<b>PK CPI YoY</b>	<b>Feb</b>	<b>8.12%</b>	<b>8.21%</b>	<b>7.20%</b>	<b>--</b>
03/04/2019 17:30	UK Markit/CIPS UK Construction PMI	Feb	50.5	49.5	50.6	--
<b>03/04/2019 21:00</b>	<b>SI Purchasing Managers Index</b>	<b>Feb</b>	<b>50.4</b>	<b>50.4</b>	<b>50.7</b>	<b>--</b>
<b>03/04/2019 23:00</b>	<b>US Construction Spending MoM</b>	<b>Dec</b>	<b>0.10%</b>	<b>-0.60%</b>	<b>0.80%</b>	<b>--</b>
<b>03/05/2019 07:00</b>	<b>SK GDP SA QoQ</b>	<b>4Q F</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>--</b>
<b>03/05/2019 07:00</b>	<b>SK GDP YoY</b>	<b>4Q F</b>	<b>3.10%</b>	<b>3.10%</b>	<b>3.10%</b>	<b>--</b>
<b>03/05/2019 07:00</b>	<b>SK CPI MoM</b>	<b>Feb</b>	<b>0.70%</b>	<b>0.40%</b>	<b>-0.10%</b>	<b>--</b>
<b>03/05/2019 07:00</b>	<b>SK CPI YoY</b>	<b>Feb</b>	<b>0.70%</b>	<b>0.50%</b>	<b>0.80%</b>	<b>--</b>
03/05/2019 08:00	NZ ANZ Commodity Price	Feb	--	2.80%	2.10%	2.00%
<b>03/05/2019 08:30</b>	<b>AU BoP Current Account Balance</b>	<b>4Q</b>	<b>-\$9.2b</b>	<b>--</b>	<b>-\$10.7b</b>	<b>--</b>
03/05/2019 08:30	JN Nikkei Japan PMI Composite	Feb	--	--	50.9	--
03/05/2019 08:30	HK Nikkei Hong Kong PMI	Feb	--	--	48.2	--
03/05/2019 08:30	JN Nikkei Japan PMI Services	Feb	--	--	51.6	--
<b>03/05/2019 09:00</b>	<b>PH CPI YoY 2012=100</b>	<b>Feb</b>	<b>4.00%</b>	<b>--</b>	<b>4.40%</b>	<b>--</b>
03/05/2019 09:45	CH Caixin China PMI Composite	Feb	--	--	50.9	--
03/05/2019 09:45	CH Caixin China PMI Services	Feb	53.5	--	53.6	--
<b>03/05/2019 11:30</b>	<b>AU RBA Cash Rate Target</b>	<b>Mar-05</b>	<b>1.50%</b>	<b>--</b>	<b>1.50%</b>	<b>--</b>
03/05/2019 13:00	IN Nikkei India PMI Services	Feb	--	--	52.2	--
03/05/2019 13:00	IN Nikkei India PMI Composite	Feb	--	--	53.6	--
<b>03/05/2019 15:00</b>	<b>MA BNM Overnight Policy Rate</b>	<b>Mar-05</b>	<b>3.25%</b>	<b>--</b>	<b>3.25%</b>	<b>--</b>
<b>03/05/2019 16:30</b>	<b>HK Retail Sales Value YoY</b>	<b>Jan</b>	<b>1.10%</b>	<b>--</b>	<b>0.10%</b>	<b>--</b>
03/05/2019 16:30	HK Retail Sales Volume YoY	Jan	1.40%	--	0.20%	--
03/05/2019 16:45	IT Markit/ADACI Italy Services PMI	Feb	49.5	--	49.7	--
03/05/2019 16:45	IT Markit/ADACI Italy Composite PMI	Feb	48.6	--	48.8	--
03/05/2019 16:50	FR Markit France Services PMI	Feb F	49.8	--	49.8	--
03/05/2019 16:50	FR Markit France Composite PMI	Feb F	49.9	--	49.9	--
03/05/2019 16:55	GE Markit Germany Services PMI	Feb F	55.1	--	55.1	--
03/05/2019 16:55	GE Markit/BME Germany Composite PMI	Feb F	52.7	--	52.7	--
03/05/2019 17:00	EC Markit Eurozone Services PMI	Feb F	52.3	--	52.3	--
03/05/2019 17:00	EC Markit Eurozone Composite PMI	Feb F	51.4	--	51.4	--
<b>03/05/2019 17:00</b>	<b>IT GDP WDA YoY</b>	<b>4Q F</b>	<b>0.10%</b>	<b>--</b>	<b>0.10%</b>	<b>--</b>
<b>03/05/2019 17:00</b>	<b>IT GDP WDA QoQ</b>	<b>4Q F</b>	<b>-0.20%</b>	<b>--</b>	<b>-0.20%</b>	<b>--</b>
03/05/2019 17:30	UK Markit/CIPS UK Services PMI	Feb	49.9	--	50.1	--
03/05/2019 17:30	UK Markit/CIPS UK Composite PMI	Feb	50.1	--	50.3	--
03/05/2019 18:00	EC Retail Sales MoM	Jan	1.30%	--	-1.60%	--
03/05/2019 18:00	EC Retail Sales YoY	Jan	2.10%	--	0.80%	--
03/05/2019 22:45	US Markit US Services PMI	Feb F	56.2	--	56.2	--
03/05/2019 22:45	US Markit US Composite PMI	Feb F	--	--	55.8	--
<b>03/05/2019 23:00</b>	<b>US ISM Non-Manufacturing Index</b>	<b>Feb</b>	<b>57.4</b>	<b>--</b>	<b>56.7</b>	<b>--</b>
<b>03/05/2019 23:00</b>	<b>US New Home Sales</b>	<b>Dec</b>	<b>600k</b>	<b>--</b>	<b>657k</b>	<b>--</b>
03/01/2019 03/04	SL Exports YoY	Dec	--	--	4.10%	--
03/05/2019 03/20	SL Exports YoY	Jan	--	--	--	--

Source: Bloomberg

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