

### Highlights

<b>Global</b>	<p>With the rejection of a no-deal Brexit by a 321-278 vote, the GBP heaved a big sigh of relief and the case for an extension to Article 50 (which will be voted on tonight by the UK Parliament) has grown. That said, UK PM May still insists that her deal is the only deal on the table but the steering wheel looks increasingly like is out of her control from here. One uncertainty is if it will be a short extension ahead of the upcoming EU elections (note May is hoping for a short “technical” extension to the 29 March deadline) or another protracted one. Meanwhile, the UK Chancellor Hammond’s Spring Statement suggested that by 2023-24, government debt will be GBP13.5b (0.5% of GDP) and closer to his goal of a balanced budget by 2025-26.</p> <p>Asian markets may attempt to trade with a firmer tone this morning amid the rejection of a no-deal Brexit. Today’s economic data calendar comprises of China’s data dump on industrial production, retail sales and fixed asset investments, as well as Malaysia’s industrial production, German CPI and US’ import prices, initial jobless claims and new home sales.</p>
<b>US</b>	<p>Durable goods orders rose 0.4% in Jan (forecast: -0.4%), the most in six months, while orders excluding transportation still fell 0.1%. Still, both core orders and shipments rose in Jan, suggesting investment momentum in 1Q19. Meanwhile, the PPI rose less than expected by 0.1% mom in Feb, reinforcing the subdued inflationary pressure picture. Construction spending rebounded 1.3% mom in Jan, versus a revised 0.8% decline in Dec. On the US-China trade deal negotiations, President Trump opined that “we can do it either way...we can have the deal completed and come and sign or we can get the deal almost completed and negotiate some of the final points.”</p>
<b>CH</b>	<p>It was reported by that China’s Shanghai and Shenzhen stock exchange have relaxed the rules for the issuance of corporate bond for local government funding vehicle. The LGFVs with more than half of their revenue from local government are also allowed to roll over their maturing debt (within six month maturity) via the issuance of corporate bond.</p>
<b>HK</b>	<p>HKMA intervened in the spot market for the second time since last Saturday by buying another HK\$3.925 billion. Consequently, the aggregate balance will fall to HK\$70.9 billion on 14th March.</p>
<b>SG</b>	<p>The latest MAS professional forecasters’ survey revealed greater caution compared to three months ago, with GDP growth tipped at 2.5% for 2019 (previously 2.4%) and 2.4% for 2020, with headline and core inflation anticipated at 1.1% and 1.7% respectively this year (previously 1.3% and 1.8%). Interestingly, the 3-month SIBOR forecast was also shaded down from 2.31% to 2.20%, whereas USDSGD was unchanged at 1.350 and bank loans growth actually adjusted marginally higher from 3.7% to 3.8%. In terms of risks, an easing of trade tensions (74%) could provide upside while trade protectionism (84%) could provide downside to growth expectations. Our house forecast is for 2019 GDP growth, headline and core inflation to be at 2.3%, 1.1% and 1.5% yoy respectively, with the 3-month SIBOR at 2.23% by end-2019.</p>

## Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 jumping 0.7%. The DJIA rose 0.6%, and the Nasdaq composite increased 0.7%.
- **Singapore:** The STI slipped 0.52% to close at 3195.59 yesterday, but may try to retake the 3200 handle again today amid market relief over the UK Parliament's rejection of a no-deal Brexit. Expect that the STI will continue to bounce around the 3170-3250 region in the interim. With UST bond yields climbing up to 3bps overnight, with a steepening bias as longer tenor bonds sold off more, the SGS bond market may also reverse gains from yesterday.
- **China:** As corporate bond only accounted for a small fraction of total local government funding vehicle debt, the relaxation of corporate bond issuance rule is unlikely to be the game changer. However, the latest relaxation shows the support to LGFVs debt from government level. It will help contain the tail risk ahead of massive maturing debt of LGFVs this year.
- **Hong Kong:** Nevertheless, due to the moderate intervention, front-end liquidity remains flushed and carry trade remains active. As such, we may see further liquidity withdrawal in the coming sessions. Should the HKMA intervene for several more times, adding on the upcoming quarter-end, liquidity will likely get tighter and gradually sideline the short HKD traders. In conclusion, we do not expect this round of intervention to significantly reduce aggregate balance (a gauge of interbank liquidity).
- **Malaysia:** Moody's has stated that Malaysia's country's credit profile (A3) is supported by the country's "Very High (-)" economic strength, reflecting a large and diverse economy that is growing at a relatively strong pace and boasts high levels of competitiveness. They also said that Malaysia has "High (+)" institutional strength, reflective of a credible monetary policy framework, but there is pervasive corruption and some constraints to government effectiveness. The rating agency was quoted as saying, "Moody's assesses Malaysia's fiscal strength at 'Moderate', taking into consideration a high debt burden, weak debt affordability, and a narrow revenue base that is reliant on oil and non-tax revenues; balanced by a favourable structure, that is reliant predominantly on local-currency denominated funding." They added, "Malaysia's susceptibility to event risks is 'Moderate (-)', driven by external vulnerability risks on account of the economy's exposure to volatile capital flows and a high proportion of maturing external debt liabilities relative to foreign exchange reserve."

## Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 1-2bps lower while the belly and longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 483bps. 10Y UST yields rose 2bps to 2.62%, on the back of risk-on behaviour from a stabilised equity market, while the situation surrounding Britain's exit from the European Union remains a source of concern, albeit limited, for the US. Yields were also lifted by the poor demand facing the 30-year note supply and the soft US producer prices data for February, further reinforcing the likelihood that the Fed will maintain rates for the year.

- **New Issues:** Joy Treasure Assets Holdings Inc (guarantor: China Orient Asset Management (International) Holding Ltd) has priced a USD400mn 5-year bond at CT5+150bps (tightening from IPT of +185bps area), and a USD300mn 10-year bond at CT10+200bps (tightening from IPT of +235bps area). Poly Developments and Holdings Group Co has scheduled investor meetings from 14 March for its potential USD bond issuance. Minera y Metalurgica del Boleo (guarantor: Korea Resources Corp) has mandated banks for its potential USD bond issuance. Landmark Funding 2019 Ltd (guarantor: Minsheng Financial Leasing Co Ltd) has scheduled investor meetings from 14 March for its potential loan-backed USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	96.550	-0.40%	<b>USD-SGD</b>	1.3524	-0.27%
<b>USD-JPY</b>	111.170	-0.17%	<b>EUR-SGD</b>	1.5318	0.08%
<b>EUR-USD</b>	1.1327	0.35%	<b>JPY-SGD</b>	1.2166	-0.10%
<b>AUD-USD</b>	0.7094	0.17%	<b>GBP-SGD</b>	1.8038	1.75%
<b>GBP-USD</b>	1.3338	2.01%	<b>AUD-SGD</b>	0.9594	-0.08%
<b>USD-MYR</b>	4.0868	0.08%	<b>NZD-SGD</b>	0.9274	-0.31%
<b>USD-CNY</b>	6.7071	-0.02%	<b>CHF-SGD</b>	1.3472	0.13%
<b>USD-IDR</b>	14265	--	<b>SGD-MYR</b>	3.0155	0.12%
<b>USD-VND</b>	23199	--	<b>SGD-CNY</b>	4.9519	0.04%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3680	--	<b>O/N</b>	2.3904	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4886	--
<b>3M</b>	-0.3090	--	<b>2M</b>	2.5693	--
<b>6M</b>	-0.2310	--	<b>3M</b>	2.5933	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.6821	--
<b>12M</b>	-0.1080	--	<b>12M</b>	2.8685	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.8%	0.0%	0.0%	0.0%	99.2%
05/01/2019	0.8%	2.1%	0.0%	2.1%	97.2%
06/19/2019	0.7%	7.5%	0.1%	7.4%	91.8%
07/31/2019	0.7%	9.6%	0.3%	9.3%	89.7%
09/18/2019	0.7%	14.5%	0.8%	13.7%	84.8%
10/30/2019	0.6%	16.7%	1.1%	15.5%	82.7%

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,702.89	148.23
<b>S&amp;P</b>	2,810.92	19.40
<b>Nasdaq</b>	7,643.41	52.37
<b>Nikkei 225</b>	21,290.24	-213.45
<b>STI</b>	3,195.59	-16.66
<b>KLCI</b>	1,678.24	6.96
<b>JCI</b>	6,377.58	23.80
<b>Baltic Dry</b>	654.00	7.00
<b>VIX</b>	13.41	-0.36

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.96 (-0.01)	2.46 (+0.01)
<b>5Y</b>	2.03 (-0.02)	2.43 (+0.02)
<b>10Y</b>	2.20 (-0.02)	2.62 (+0.02)
<b>15Y</b>	2.45 (-0.01)	--
<b>20Y</b>	2.50 (-0.01)	--
<b>30Y</b>	2.65 (-0.02)	3.02 (+0.02)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.23	0.15
<b>TED</b>	35.36	--

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.26	2.4%	Corn (per bushel)	3.5725	0.2%
Brent (per barrel)	67.55	1.3%	Soybean (per bushel)	8.890	0.5%
Heating Oil (per gallon)	1.9921	0.3%	Wheat (per bushel)	4.4025	-1.3%
Gasoline (per gallon)	1.8568	2.3%	Crude Palm Oil (MYR/MT)	1,956.0	-1.2%
Natural Gas (per MMBtu)	2.8200	1.3%	Rubber (JPY/KG)	181.0	-0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,472	--	Gold (per oz)	1,309.3	0.9%
Nickel (per mt)	13,105	--	Silver (per oz)	15.381	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/13/2019 07:00	SK Unemployment rate SA	Feb	4.20%	3.70%	4.40%	--
03/13/2019 07:50	JN PPI YoY	Feb	0.70%	0.80%	0.60%	--
03/13/2019 07:50	JN Core Machine Orders MoM	Jan	-1.50%	-5.40%	-0.10%	--
03/13/2019 19:00	US MBA Mortgage Applications	Mar-08	--	2.30%	-2.50%	--
03/13/2019 20:30	US PPI Final Demand MoM	Feb	0.20%	0.10%	-0.10%	--
03/13/2019 20:30	US Durable Goods Orders	Jan P	-0.40%	0.40%	1.20%	1.30%
03/13/2019 22:00	US Construction Spending MoM	Jan	0.50%	1.30%	-0.60%	-0.80%
03/14/2019 14:30	IN Wholesale Prices YoY	Feb	2.80%	--	2.76%	--
03/14/2019 20:30	US Import Price Index MoM	Feb	0.30%	--	-0.50%	--
03/14/2019 20:30	US Initial Jobless Claims	Mar-09	225k	--	223k	--
03/14/2019 22:00	US New Home Sales	Jan	622k	--	621k	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<p><b><u>Macro Research</u></b></p> <p><b>Selena Ling</b> LingSSSelena@ocbc.com</p> <p><b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com</p> <p><b>Tommy Xie Dongming</b> XieD@ocbc.com</p> <p><b>Terence Wu</b> TerenceWu@ocbc.com</p> <p><b>Howie Lee</b> HowieLee@ocbc.com</p> <p><b>Alan Lau</b> AlanLau@ocbc.com</p>	<p><b><u>Credit Research</u></b></p> <p><b>Andrew Wong</b> WongVKAM@ocbc.com</p> <p><b>Ezien Hoo</b> EzienHoo@ocbc.com</p> <p><b>Wong Hong Wei</b> WongHongWei@ocbc.com</p> <p><b>Seow Zhi Qi</b> ZhiQiSeow@ocbc.com</p>

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