

Highlights

Global	<p>The FOMC held rates unchanged but the median dots plot suggested a majority (11 out of 17 members) in favour of keeping the Fed Funds rate static this year, albeit 10 members still tipped at least one hike in 2020. In addition, the Fed announced it will halve its monthly redemption limit from US\$30b to US\$15b from May and cease its balance sheet unwinding process in Sep. While the Fed's message is undoubtedly neutral (maybe even dovish compared to the last FOMC), nevertheless our view is that it is still premature to expect a rate cut this year and the data disappointment hurdle remains relatively high even if the market is now pricing in 37% chance of a cut by year-end. Meanwhile, US president Trump warned that Chinese tariffs will remain in place for a "substantial" period to make sure China lives by the deal. Separately, UK PM May has requested for a three month Brexit extension to 30 June provided her deal is approved by Parliament next week. Overnight, the S&P500 traded a tad lower, while UST bonds rallied with the 10-year yield falling to 2.52% (lowest since Jan18) and the 5-30 year spread widened to 64bps (widest since Dec17).</p> <p>Asian markets may attempt to trade with a firmer tone from the Fed's dovish tone, but investors are awaiting policy cues from BSP, CBC, BOE, and BI (all likely static) later today. Today's economic data calendar comprises of US' initial jobless claims, Fed leading index and Philadelphia Fed business index, and Thai trade data.</p>
US	<p>The median dots plot is now eyeing 2.4% (2019), 2.6% (2020) and 2.6% (2021) respectively, versus 2.9%, 3.1% and 3.1% previously. This closes the gap with market futures pricing for 2019, but the 2020-2021 still has a divergence as the market probability of a Fed rate cut grows from 2020 onwards. The economic assessment was also tweaked to reflect less optimistic forecasts, with 2019 GDP growth at 1.9-2.2% (Dec forecast: 2.3-2.5%), unemployment rate at 3.6-3.8% (previously 3.5-3.7%) and core PCE inflation at 1.9-2.0% (previously 2.0-2.1%).</p>
IND	<p>BI will be releasing their monthly policy rate decision today with our expectations that they will continue to be on hold. We still expect BI to retain an overall neutral tone today but if the external environment improves and domestic conditions remain stable, a BI cut in 2019 is still a possibility.</p>
TH	<p>The Bank of Thailand has turned dovish, with none of the MPC members in yesterday's meeting now advocating for a rate hike compared to two members who wanted a rate raise last month. The central bank has also downgraded its 2019 GDP forecast from 4% to 3.8%, and spoke of "many uncertainties within and outside the country". With the Fed capitulating and appearing more dovish than it had in January, the BoT's latest dovish turn may mean they could very well choose to keep rates constant at 1.75% through 2019.</p>
SG	<p>MAS will re-open \$2b (with MAS taking \$100m) of the 5-year SGS bond maturing on 1 Feb 2023. The auction will close at noon on 27 March with issue on 1 April.</p>

Major Markets

- **US:** Wall Street ended mixed on Wednesday, with the S&P500 declining 0.3%. The DJIA fell 0.6%, and the Nasdaq composite increased 0.1%.
- **Singapore:** The STI slipped 0.41% to close at 3207.66 yesterday and may attempt to open firmer this morning. Wall Street had closed a tad lower overnight but Kospi is trading higher this morning. Expect STI to trade a 3200-3240 for today. With the UST bond yields falling up to 10bps overnight amid dovish Fed signals, the SGS bonds may also gap higher today.
- **China:** China's Ministry of Finance said China's total outstanding local government debt has reached CNY19.14 trillion as of end of February 2019, at about 21% of GDP. However, this number is still within the limit approved by China's National People's Congress.
- **Hong Kong:** The HKMA intervened twice this week to defend the currency peg. After the withdrawal of a total HK\$2.61 billion, aggregate balance (a gauge of interbank liquidity) will drop to HK\$68.29 billion on 21st March. Due to the moderate intervention, HKD stays close to the weak-end of the currency peg. Moving into the coming sessions, a wide USD-HKD yield differential may push USDHKD up to 7.8500 continually and probably prompt more moderate interventions by the HKMA. Nevertheless, USDHKD forward swap curve and HIBORs have edged higher after the HKMA's move. When we move closer to the quarter-end, banks' window dressing activities will likely further tighten the liquidity and temporarily sideline carry trade. In conclusion, we hold onto our view that 1M HIBOR and 3M HIBOR will test 2% and aggregate balance will hold around HK\$60 billion by end of this month.
- **Commodities:**
 - Energy:** WTI closed above \$60/bbl for the first time since mid-Nov 2018 after data showed a decrease of -9.59m bbl of US crude inventories. Brent also crossed at the \$68.50/bbl hurdle amid concerns of tightening supplies globally. The spread between WTI and Brent has also narrowed to \$8.50/bbl from almost \$10/bbl at the start of the year as curbs on Venezuela's oil exports start to take its toll on the US oil pipeline. It remains to be seen if the oil rally can last in the short-term: firstly, the Fed's downbeat economic outlook yesterday ought to dampen risk-on sentiment among market participants; secondly, a round of profit-taking might be imminent with both crude benchmarks reaching psychological benchmarks. Overall we remain bullish on crude for the rest of the year, but the rapid rally since the start of the year makes the crude market vulnerable to quick long liquidation.
 - Gold:** Gold endured a volatile session yesterday, sinking below the key \$1,300/oz level at one point and rising to as high as \$1,317. Three key factors drove gold higher: a) renewed pessimism over the US-China trade talks; b) a more dovish Fed than expected; c) a downbeat assessment of the US economy by the Fed. Globally, most central banks are now embarking on a less hawkish monetary alignment, which may drive funds into the precious metal – not unlike what we noticed from 2009 to 2012. Further disappointing data could likely drive gold prices back up to the \$1,350/oz level.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors and belly trading little change, while the longer tenors traded within 1bps lower. The

Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 13bps to 465bps. 10Y UST yields plunged 9bps to close the session at 2.53%, after the Federal Reserve's statement following its policy meeting that it would maintain interest rates steady, flagging out an expected economic slowdown and geopolitical headwinds from Brexit and US-China trade negotiations.

- **New Issues:** China South City Holdings Ltd has priced a USD200mn 2-year bond (guarantors: certain restricted subsidiaries incorporated outside of the PRC) at 12.125%, tightening from IPT of 12.375% area. Huayuan Property Co Ltd has priced a USD300mn 2.5-year bond at 8.5%, in line with the final guidance. Sunac China Holdings Ltd has priced a USD200mn re-tap of its existing SUNAC 8.35%'23s at par (yield: 8.35%). Bank of Baroda has mandated banks for its potential USD bond issuance. NTPC Ltd has scheduled investor meetings from 21-25 March for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.761	-0.65%	USD-SGD	1.3470	-0.30%
USD-JPY	110.700	-0.62%	EUR-SGD	1.5373	0.22%
EUR-USD	1.1413	0.54%	JPY-SGD	1.2168	0.32%
AUD-USD	0.7116	0.40%	GBP-SGD	1.7777	-0.84%
GBP-USD	1.3198	-0.53%	AUD-SGD	0.9585	0.08%
USD-MYR	4.0660	-0.22%	NZD-SGD	0.9270	0.06%
USD-CNY	6.6945	-0.26%	CHF-SGD	1.3570	0.35%
USD-IDR	14188	-0.31%	SGD-MYR	3.0117	-0.14%
USD-VND	23207	0.00%	SGD-CNY	4.9575	-0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3901	--
2M	-0.3360	--	1M	2.4868	--
3M	-0.3100	--	2M	2.5581	--
6M	-0.2320	--	3M	2.6128	--
9M	-0.1940	--	6M	2.6741	--
12M	-0.1090	--	12M	2.8104	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.0%	2.1%	0.0%	2.1%	97.9%
05/01/2019	0.0%	8.5%	0.1%	8.4%	91.5%
06/19/2019	0.0%	15.2%	0.7%	14.5%	84.8%
07/31/2019	0.0%	22.4%	1.9%	20.4%	77.6%
09/18/2019	0.0%	28.3%	3.3%	24.7%	71.7%
10/30/2019	0.0%	38.1%	6.2%	31.2%	61.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.83	1.4%	Corn (per bushel)	3.7150	0.1%
Brent (per barrel)	68.50	1.3%	Soybean (per bushel)	9.060	0.2%
Heating Oil (per gallon)	2.0081	0.9%	Wheat (per bushel)	4.6475	1.8%
Gasoline (per gallon)	1.9166	1.2%	Crude Palm Oil (MYR/MT)	2,095.0	1.7%
Natural Gas (per MMBtu)	2.8200	-1.9%	Rubber (JPY/KG)	176.7	-2.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,459	--	Gold (per oz)	1,301.7	-0.4%
Nickel (per mt)	13,149	--	Silver (per oz)	15.245	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,745.67	-141.71
S&P	2,824.23	-8.34
Nasdaq	7,728.97	5.02
Nikkei 225	21,608.92	42.07
STI	3,207.66	-13.26
KLCI	1,684.21	-3.47
JCI	6,482.71	2.43
Baltic Dry	709.00	-3.00
VIX	13.91	0.35

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.01)	2.40 (-0.07)
5Y	1.99 (-)	2.33 (-0.1)
10Y	2.15 (-)	2.53 (-0.09)
15Y	2.39 (-)	--
20Y	2.45 (-)	--
30Y	2.60 (-0.01)	2.97 (-0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.05	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.42
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
03/20/2019 15:05	TH BoT Benchmark Interest Rate	Mar-20	1.75%	1.75%	1.75%	--
03/20/2019 17:30	UK CPI YoY	Feb	1.80%	1.90%	1.80%	--
03/20/2019 17:30	UK PPI Output NSA MoM	Feb	0.10%	0.10%	0.00%	--
03/20/2019 19:00	US MBA Mortgage Applications	Mar-15	--	1.60%	2.30%	--
03/21/2019 02:00	US FOMC Rate Decision (Upper Bound)	Mar-20	2.50%	2.50%	2.50%	--
03/21/2019 16:00	PH BSP Overnight Borrowing Rate	Mar-21	4.75%	--	4.75%	--
03/21/2019 17:30	UK Retail Sales Ex Auto Fuel MoM	Feb	-0.40%	--	1.20%	--
03/21/2019 17:30	UK Retail Sales Inc Auto Fuel MoM	Feb	-0.40%	--	1.00%	--
03/21/2019 20:00	UK Bank of England Bank Rate	Mar-21	0.75%	--	0.75%	--
03/21/2019 20:30	US Initial Jobless Claims	Mar-16	225k	--	229k	--
03/21/2019	ID Bank Indonesia 7D Reverse Repo	Mar-21	6.00%	--	6.00%	--

Source: Bloomberg

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