

Highlights

Global	<p>Davos took centre-stage yesterday in the absence of key US economic data release, with CEOs ranging from JP Morgan's Jamie Dimon and China's vice president Wang Qishan to our very own finance minister Heng Swee Keat airing their comments on the global economy. The consensus appears to be one of lasting concern over the US-China trade war and the global slowdown in economic growth. Among the highlights were the US cautioning that zero growth is possible if the US government shutdown persists and China taking the chance to offer a thinly veiled snipe at the US.</p> <p>In the US, House Speaker Nancy Pelosi has cancelled President Trump's State of the Union address by denying him the use of the House Chamber until the government reopens. Trump and Pelosi has been a standoff over plans in building the southern wall and its resulting federal services shutdown. The battle of wills between the two strong-headed leaders appears to suggest that normal government services will not reopen anytime soon.</p> <p>In the UK, parliament appears to be inching towards a postponement of Brexit – subjected to the agreement of EU leaders. Nothing, however, has been formally agreed or even proposed as of yet in Parliament and as things currently stand, the UK is headed for a no-deal Brexit in two months' time.</p>
CH	<p>China injected CNY257.5 billion liquidity via its first targeted medium term lending facility (TMLF) on Wednesday. The amount is slightly smaller than market expectation but it marked the start of a new monetary policy tool. Meanwhile, RMB rebounded against the dollar after the USDCNY broke 6.80 briefly. It seems market still prefers selling on rally at 6.80 level.</p>
SG	<p>The headline and core inflation surprised on the upside at 0.5% yoy (0.1% mom nsa) and 1.9% yoy in December 2018. This is higher than the 0.3% yoy (0.2% mom nsa) and 1.7% yoy readings in November respectively, and also exceeded both our and the Bloomberg consensus forecasts for December. Despite reduced costs in transport and communications, the CPI uptick was largely due to higher prices for clothing & footwear (2.6% yoy) and recreation (1.7% yoy) arising from more expensive holiday expenses and airfares, which could be partly seasonal in nature and subside somewhat in the coming months. This is unlikely to be the case for prices for core items like food (1.4% yoy), education (3.2% yoy) and healthcare (1.6% yoy), and the tight labour market may also pressures businesses to pass on costs to the consumers. In particular, with the upcoming festive CNY season and shortages of certain food items from Malaysia, food inflation may not subside so fast.</p>
M Y	<p>BNM will be releasing their monetary policy meeting decision today with our expectation that the benchmark rate would hold this time around.</p>
ID	<p>According to Bloomberg, Bank Indonesia (BI) governor Perry Warjiyo has said that the Indonesian benchmark policy rate has near its peaked as the Fed is seen slowing the pace of rate hikes. He also said that BI sees the Fed doing two hikes in 2019. However, he also mentioned that a cut may still be difficult at the moment.</p>

Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 advancing 0.22%. The DJIA rose 0.70%, while the Nasdaq composite increased 0.08%.
- Burger King parent Restaurant Brands International Inc. shares jumped 9.78% after the company announced upbeat sales data and increased quarterly dividend.
- Tesla shares skidded 3.79% after it was downgraded to underperform from outperform.
- **Singapore:** Note MAS-MTI also recognised that the improving labour market should underpin a faster pace of wage growth in 2018 and 2019, compared to 2017, and as domestic demand strengthens further, there could be a greater pass-through of higher import and labour costs to consumer prices. We expect headline and core inflation to be around 1.1% and 1.8% yoy respectively in 2019. Should core inflation cross the 2% handle and stay elevated above that level for some months, a further tightening of the monetary policy stance cannot be ruled out at this juncture, notwithstanding weaker global growth prospects and a more dovish FOMC.
- British firm Dyson has announced its plan to shift its headquarters from London to Singapore. Despite its public backing of Brexit, the move by Dyson away from the UK appears to cement mounting evidence that businesses are losing faith in UK and EU leaders in negotiating a smooth exit for Britain. Dyson is also looking to use Singapore as a base to make further inroads into Asia, especially in the electric car business.
- STI fell -0.7% as global growth concerns weigh on the index. Banks posted some of the biggest losses yesterday as the S&P 500 recorded its second biggest loss in 2019 the prior night. SGS yields across the curve dipped slightly, with the 10-year yield on falling to 3.619% from 3.635%.
- **Macau:** Visitor arrivals increased for the 11th consecutive month by 16.9% yoy to a record high of 3.56 million in December 2018. Specifically, visitors by land grew sharply by 49.8% yoy while those from Mainland China and Hong Kong increased respectively by 18.4% yoy and 19.1% yoy. This points out that Macau's tourism sector has well benefited from the opening of HK-Zhuhai-Macau Bridge. Lately, the market became less concerned about Asia's economic outlook thanks to a dovish Fed, China's supportive measures and the easing tension between the US and China. This together with the infrastructure improvement may continue to give a boost to the tourism and gaming sectors in the near term. However, we remain cautious about the medium-term outlook of the tourism and gaming sectors due to several reasons. First, given the lingering uncertainty about US-China trade war, the economy of Asia including China may continue to face headwinds. Second, with mega entertainment projects opened one by one, it would be increasingly difficult for the gambling hub to attract overnight and high-end tourists with new hotels or casinos. Should infrastructure improvement merely help to lure same-day visitors, its support to either tourism or gaming will be limited.
- **Korea:** The Bank of Korea has kept its interest rates unchanged at 1.75%, which has been highly expected and a rhetoric that has been repeated since the start of 2019. We expect rates to remain at 1.75% through 2019 and a possible 25bp cut if the global economy heads further south than expected.
- **Malaysia:** Malaysiakini has said that three ministers have told them that the matter on the termination of the contractor for the East Coast Rail Link (ECRL) has not been raised in the cabinet. This comes despite reports from The Edge that the government has terminated China Communications and Construction Company (CCCC) contract for

the ECRL and The Straits Times reporting (based on a source) that the Malaysian government was seeking a new contractor for the project.

- **Thailand:** Thailand is gearing up for its first general elections on Mar 24 – its first since the military coup in 2014 – after a royal decree was issued yesterday. Parties can start campaigning immediately. Thai elections have been marred by a succession of demonstrations and resulting coups, and the upcoming vote threatens to derail Thailand's economic growth like in 2014. The finance ministry said yesterday that it does not expect any rate hikes from the central bank for the rest of 2019. The Bank of Thailand has also called on businesses to manage their FX positions on a strong baht, and also to capitalise on the chance to invest in upgraded machinery.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading around 1bps higher, while longer tenors traded relatively unchanged (with the exception of the 5-year swap rate trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 155bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 12bps to 563bps. 10Y UST yields ended stable at 2.74%, after resurgent concerns regarding slowing economic growth in the latter half of the trading session eroded a 4bps rise in yields on the back of a rallying equity market.
- **New Issues:** KEB Hana Bank has priced a USD600mn 2-tranche deal with the USD300mn 3-year bond priced at CT+87.5bps (tightening from IPT of CT+110bps area) and the USD300mn 5-year bond priced at CT+102.5bps (tightening from IPT of CT+130bps area). Yankuang Group (Cayman) Ltd has priced a USD215mn 3-year bond (guarantor: Yankuang Group Co) at 6.0%, in line with the final price guidance. Nuoxi Capital Ltd has priced a USD150mn 3-year bond (guarantor: Peking University Founder Group Company Ltd.) at 7.5%, in line with the final price guidance. Export-Import Bank of China has priced a USD130mn 2-year floating rate note at 3-month US LIBOR +55bps. Baoxin Auto Finance I Ltd has scheduled for investor meetings from 24 Jan for its potential USD bond issuance (guarantors: China Grand Automotive Services Co and China Grand Automotive Services (Hong Kong) Ltd). Chongqing Banan Economic Park Development & Construction Co has mandated banks for its potential SGD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.123	-0.19%	USD-SGD	1.3588	-0.08%
USD-JPY	109.600	0.21%	EUR-SGD	1.5466	0.12%
EUR-USD	1.1381	0.18%	JPY-SGD	1.2397	-0.32%
AUD-USD	0.7142	0.25%	GBP-SGD	1.7759	0.81%
GBP-USD	1.3069	0.89%	AUD-SGD	0.9704	0.19%
USD-MYR	4.1380	0.15%	NZD-SGD	0.9224	0.44%
USD-CNY	6.7920	-0.24%	CHF-SGD	1.3658	0.18%
USD-IDR	14188	-0.23%	SGD-MYR	3.0438	0.23%
USD-VND	22955	-1.01%	SGD-CNY	4.9946	-0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	2.3756	--
2M	-0.3360	--	1M	2.5190	--
3M	-0.3080	--	2M	2.6419	--
6M	-0.2370	--	3M	2.7793	--
9M	-0.1940	--	6M	2.8536	--
12M	-0.1150	--	12M	3.0371	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2.25-2.5%	2.5-2.75%	2.75-3%
01/30/2019	2.60%	0.00%	97.40%	2.60%	0.00%
03/20/2019	2.60%	0.00%	97.40%	2.60%	0.00%
05/01/2019	6.60%	0.00%	93.40%	6.50%	0.10%
06/19/2019	17.10%	0.00%	82.90%	16.20%	0.80%
07/31/2019	18.50%	0.00%	81.50%	17.30%	1.10%
09/18/2019	20.30%	0.00%	79.70%	18.80%	1.50%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.62	0.10%	Coffee (per lb)	1.034	0.05%
Brent (per barrel)	61.14	-0.59%	Cotton (per lb)	0.7352	0.53%
Heating Oil (per gallon)	1.8886	-0.66%	Sugar (per lb)	0.1297	0.31%
Gasoline (per gallon)	1.3857	-1.13%	Orange Juice (per lb)	1.1790	-1.09%
Natural Gas (per MMBtu)	2.9800	-1.97%	Cocoa (per mt)	2,245	-0.04%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	5.2600	0.91%
Nickel (per mt)	11,536.5	--	Soybean (per bushel)	9.150	0.63%
Aluminium (per mt)	1,883.5	--	Corn (per bushel)	3.7875	-0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,284.0	0.05%	Crude Palm Oil (MYR/MT)	2,191.0	1.29%
Silver (per oz)	15.380	0.36%	Rubber (JPY/KG)	202.0	-1.70%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,575.62	171.14
S&P	2,638.70	5.80
Nasdaq	7,025.77	5.41
Nikkei 225	20,593.72	-29.19
STI	3,171.11	-21.60
KLCI	1,688.14	-13.98
JCI	6,451.17	-17.39
Baltic Dry	1,036.00	--
VIX	19.52	-1.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.03 (+0.02)	2.58 (--)
5Y	2.08 (--)	2.58 (--)
10Y	2.22 (--)	2.74 (--)
15Y	2.49 (-0.01)	--
20Y	2.54 (--)	--
30Y	2.66 (--)	3.06 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.18	0.98
TED	38.59	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
01/23/2019 05:45	NZ CPI QoQ	4Q	0.00%	0.10%	0.90%	-- 93.617
01/23/2019 05:45	NZ CPI YoY	4Q	1.80%	1.90%	1.90%	-- 74.4681
01/23/2019 07:30	AU Westpac Leading Index MoM	Dec	--	-0.21%	-0.09%	-- 76.1194
01/23/2019 07:50	JN Trade Balance	Dec	¥42.3b	¥55.3b	¥737.3b	¥737.7b 68.5393
01/23/2019 07:50	JN Trade Balance Adjusted	Dec	¥290.7b	¥183.6b	¥492.2b	¥480.7b 49.4382
01/23/2019 10:59	JN BOJ Policy Balance Rate	Jan-23	-0.10%	-0.10%	-0.10%	-- 69.6629
01/23/2019 11:25	MU Visitor Arrivals	Dec	--	3570t	3266t	-- 80
01/23/2019 12:30	JN All Industry Activity Index MoM	Nov	-0.40%	-0.30%	1.90%	2.10% 84.2697
01/23/2019 13:00	SI CPI NSA MoM	Dec	0.00%	0.10%	0.20%	-- 65.5172
01/23/2019 13:00	SI CPI YoY	Dec	0.30%	0.50%	0.30%	-- 96.5517
01/23/2019 14:00	JN Machine Tool Orders YoY	Dec F	--	-18.30%	-18.30%	-- 67.4157
01/23/2019 15:45	FR Manufacturing Confidence	Jan	103	103	104	103 78.9474
01/23/2019 16:00	TA Industrial Production YoY	Dec	0.35%	-1.22%	2.09%	2.36% 70
01/23/2019 16:00	SI Automobile COE Open Bid Cat A	Jan-23	--	26170	25920	-- 62.069
01/23/2019 16:00	SI Automobile COE Open Bid Cat B	Jan-23	--	33989	32200	-- 55.1724
01/23/2019 16:00	SI Automobile COE Open Bid Cat E	Jan-23	--	33689	32909	-- 44.8276
01/23/2019 20:00	US MBA Mortgage Applications	Jan-18	--	-2.70%	13.50%	-- 92.3077
01/23/2019 21:30	CA Retail Sales MoM	Nov	-0.60%	-0.90%	0.30%	0.20% 79.0698
01/23/2019 21:30	CA Retail Sales Ex Auto MoM	Nov	-0.40%	-0.60%	0.00%	-0.20% 74.4186
01/23/2019 22:00	US FHFA House Price Index MoM	Nov	0.30%	0.40%	0.30%	0.40% 69.5312
01/23/2019 23:00	US Richmond Fed Manufact. Index	Jan	-2	-2	-8	-- 71.875
01/23/2019 23:00	EC Consumer Confidence	Jan A	-6.5	-7.9	-6.2	-8.3 78.5714
01/24/2019 07:50	JN Japan Buying Foreign Bonds	Jan-18	--	--	¥2209.9b	-- 52.809
01/24/2019 07:50	JN Foreign Buying Japan Stocks	Jan-18	--	--	¥428.2b	-- 50.5618
01/24/2019 08:30	AU Employment Change	Dec	18.0k	--	37.0k	-- 97.0149
01/24/2019 08:30	AU Full Time Employment Change	Dec	--	--	-6.4k	-- 53.7313
01/24/2019 08:30	AU Unemployment Rate	Dec	5.10%	--	5.10%	-- 98.5075
01/24/2019 08:30	AU Participation Rate	Dec	65.70%	--	65.70%	-- 77.6119
01/24/2019 08:30	JN Nikkei Japan PMI Mfg	Jan P	--	--	52.6	-- 90
01/24/2019 10:00	NZ Credit Card Spending YoY	Dec	--	--	6.10%	-- 70.2128
01/24/2019 10:00	PH GDP YoY	4Q	6.30%	--	6.10%	6.00% 91.3043
01/24/2019 12:00	MA CPI YoY	Dec	0.30%	--	0.20%	-- 76.9231
01/24/2019 13:00	JN Leading Index CI	Nov F	--	--	99.3	-- 57.3034
01/24/2019 15:00	MA BNM Overnight Policy Rate	Jan-24	3.25%	--	3.25%	-- 92.3077
01/24/2019 16:15	FR Markit France Manufacturing PMI	Jan P	50	--	49.7	-- 97.3684
01/24/2019 16:15	FR Markit France Services PMI	Jan P	50.5	--	49	-- 76.3158
01/24/2019 16:15	FR Markit France Composite PMI	Jan P	51	--	48.7	-- 73.6842
01/24/2019 16:30	GE Markit/BME Germany Manufacturing PMI	Jan P	51.5	--	51.5	-- 90
01/24/2019 16:30	GE Markit Germany Services PMI	Jan P	52.1	--	51.8	-- 70.4918
01/24/2019 16:30	GE Markit/BME Germany Composite PMI	Jan P	51.9	--	51.6	-- 70
01/24/2019 17:00	EC Markit Eurozone Manufacturing PMI	Jan P	51.4	--	51.4	-- 90
01/24/2019 17:00	EC Markit Eurozone Services PMI	Jan P	51.5	--	51.2	-- 70
01/24/2019 17:00	EC Markit Eurozone Composite PMI	Jan P	51.4	--	51.1	-- 71.4286
01/24/2019 20:45	EC ECB Main Refinancing Rate	Jan-24	0.00%	--	0.00%	-- 97.619
01/24/2019 20:45	EC ECB Marginal Lending Facility	Jan-24	0.25%	--	0.25%	-- 76.1905
01/24/2019 20:45	EC ECB Deposit Facility Rate	Jan-24	-0.40%	--	-0.40%	-- 85.7143
01/24/2019 21:30	US Initial Jobless Claims	Jan-19	218k	--	213k	-- 98.4375
01/24/2019 21:30	US Continuing Claims	Jan-12	1730k	--	1737k	-- 68.9062
01/24/2019 22:45	US Bloomberg Consumer Comfort	Jan-20	--	--	58.1	-- 67.9688
01/24/2019 22:45	US Markit US Manufacturing PMI	Jan P	53.5	--	53.8	-- 90
01/24/2019 22:45	US Markit US Services PMI	Jan P	54	--	54.4	-- 70
01/24/2019 22:45	US Markit US Composite PMI	Jan P	--	--	54.4	-- 70
01/24/2019 23:00	US Leading Index	Dec	-0.10%	--	0.20%	-- 83.5938
01/24/2019	SK BoK 7-Day Repo Rate	Jan-24	1.75%	--	1.75%	-- 97.0588

Source: Bloomberg

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