

## Highlights

<b>Global</b>	<p>Global risk appetite may take a breather as investors contemplate and digest US Trade Representative's sobering remarks on a China trade deal that needs to include "significant structural changes" to China's model and provisions to enforce that promises made are kept. He also cautioned that "the reality is this is a challenge that will go on for a long, long time". Wall Street closed flat while the 10-year UST bond yield rose to 2.69%. Meanwhile, US president Trump and North Korean leader Kim Jong Un sounded optimistic at the start of their second summit, with Trump opining that "I am certain that the great outcome...will be made". However, back in the US, the political drama continued with his former lawyer Michael Cohen's testimony to a congressional hearing that portrayed Trump as racist, a con man and a cheat, but had no direct evidence of collusion with Russia. Elsewhere, the latest escalation in India-Pakistan tensions also provides a tone of caution.</p> <p>Asian markets may tread water today. The economic calendar will kick off with China's February manufacturing and non-manufacturing PMI prints, Singapore's bank loans growth, Thai trade data, UK' Nationwide house prices, German CPI, US' 4Q18 GDP growth and Chicago PMI. Fed's Bostic, Harker and Kaplan are also speaking today.</p>
<b>US</b>	<p>The US' trade deficit widened sharply to a record US\$79.5b (+12.8%) in Dec as exports fell 0.3% yoy, led by food, industrial supplies and capital goods, while imports rebounded 3.2% yoy due to higher food, capital and consumer goods. Factory orders were also relatively soft at 0.1% mom in December, albeit the Nov data was revised slightly higher to -0.5%. Meanwhile, pending home sales rose 4.6% mom in January.</p> <p>Fed chair Powell had testified to the House Financial Services Committee that "We've worked out, I think, the framework of a plan that we hope to be able to announce soon that will light the way all the way to the end of balance sheet normalization" and "we going to be in a position...to stop runoff later this year". At about 16-17% of GDP (versus 6% pre-crisis) would suggest the Fed's balance sheet will be around \$3.2-3.4 trillion, down from the close to \$4.0 trillion currently. Powell also said the mix (ie. whether to sell agency MBS security holdings) and maturity composition have not been decided. Look to the 19-20 March FOMC for potentially more details.</p>
<b>EU</b>	<p>Bundesbank president Weidmann opined that the German economy will grow below its 1.5% growth potential, but the dip may be temporary and there was no "acute need" for ECB to change its rate guidance yet. Meanwhile, economic sentiments fell for the 8<sup>th</sup> straight month to a new 2-year low of 106.1 in February, marking the lowest since Nov16 as industry players turned more bearish on orders, production and inventories.</p>
<b>CH</b>	<p>China's security regulator and central bank reiterated the importance to contain financial risk. The CSRC said in its press release that more than CNY100 billion has been committed by the security firms to deal with the risk from pledged share financing via special fund or asset management scheme.</p>
<b>MY</b>	<p>The government has announced that it has decided to cap the price of RON95 petrol at RM2.08 per litre, even if the market price exceeds this. He added that if the market price falls below that, then the weekly price of RON95 will be below RM2.08.</p>

## Major Markets

- **US:** Wall Street ended mixed on Wednesday, with the S&P500 declining 0.1%. The DJIA fell 0.3%, while the Nasdaq composite rose 0.1%.
- **Singapore:** The STI slipped 0.36% to close at 3250.02 yesterday, and may continue to consolidate today between 3200-3250 amid soft cues from Wall Street overnight and KOSPI is also opening lower this morning. With UST bond yields climbing up to 5bps higher led by the longer tenors, SGS bonds may follow suit today.
- **China:** US Trade Representative Lighthizer's testimony to Congress yesterday was a wakeup call that there is no quick fix to the tension between US and China. The preference for the US to maintain the threat of tariffs for years suggests that the tension will not go away even though the US and China may reach a trade deal in the near term.
- **Hong Kong:** 2018-19 budget balance came in at a surplus of HK\$58.7 billion (2.1% of GDP), roughly meeting the original estimate of HK\$46.6 billion but shrinking notably by over 60%. There are several takeaways from the budget. First, due to the sharp decrease in fiscal revenue from the previous fiscal year, the government proposed to cut the total spending on one-off relief measures by 23.7% in 2019-20. Instead, the government will increase the operating expenditure by 15.4% yoy with the recurrent expenditure on education, social welfare and healthcare to exceed HK\$250 billion in total in 2019-20. The continuous fiscal stimulus is expected to help cushion HK's growth against the backdrop of faltering global growth and lingering trade tension. Second, against the backdrop of limited land resources and human resources, the government pays high attention to the development of talent-intensive and high value-added industries including high-tech industry and financial industry. Both industries' development could leverage on deeper collaboration with other cities of the Greater Bay Area as well as the expected expansion of Asian consumption. Third, the government proposes to increase short-term and longer-term housing supply while stating that they have no intention to withdraw any demand-side management measures at this stage. We also believe that it is too early to call it a bottom on the housing market given faltering global growth, lingering trade war risks, muted wage outlook and the prospects of increasing public housing supply. As total revenue and total expenditure are expected to expand by 5% yoy and 13% yoy respectively, fiscal surplus for the coming year is estimated to shrink further to HK\$16.8 billion. Fiscal reserves are pencilled at HK\$1,178.4 billion by the end of March 2020, representing 39.4% of GDP. HK's 4Q GDP growth decelerated to 1.3%, the weakest since 1Q 2016 and bringing the 2018 growth to 3% from 3.8% in 2017. Moving into 2019, we expect GDP growth will weaken to 2.4% yoy (down from the previous forecast of 2.7% yoy) as global economic slowdown and the lingering trade tension could continue to weigh down exports of goods, investment and local consumptions. On a positive note, the expected increase in government's expenditure and investment will help to cushion growth.
- **South Korea:** South Korea industrial production in January posted a mere 0.1% growth YoY, below the estimate of 1.2% and last month's 0.7%. The disappointing result is the latest in a long string of poor economic data, including a 6-year high unemployment rate and two consecutive months of negative exports growth. The BoK meets later today and it is highly expected that the benchmark interest rate will be kept at 1.75%.
- **Thailand:** The Thai Constitutional Court will decide next Thurs, 7 Mar, on whether to dissolve the Thai Rak Chart party, the party that elected Princess Ubolratana as PM

candidate. Separately, the attorney general's office also announced that it will decide after the 24 Mar polls whether to prosecute the leader of the Future Forward party Thanathorn Juangroongruangkit.

- **Commodities:**

**Energy:** WTI stayed above \$56 and rallied +2.6% yesterday after EIA reports show a drawdown in US crude inventories. OPEC is also expected to resist calls from Trump and is expected to keep to its pledge of further tightening supplies up till Mar 2019. Oil prices could get a further boost if there are further positive headlines from US-China trade talks. A remote possibility of an escalated armed conflict between India and Pakistan could also raise crude prices as such events are typically energy intensive; also the proximity between Pakistan and the oil producing countries in the Middle East could give rise to supply disruptions.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with shorter tenors and the belly trading 2bps higher while the longer tenors traded 3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 510bps. 10Y UST yields rose sharply by 5bps to 2.68%, in anticipation of today's release of US fourth-quarter gross domestic product figures.
- **New Issues:** Sichuan Languang Development Co Ltd has priced a USD150mn re-tap of its existing LGUANG 11.0% '20s at 12.625%, tightening from IPT of 13.0% area. Mitsui Sumitomo Insurance Co Ltd has priced a USD910mn perpetual-NC10 bond at 4.95%, tightening from IPT of 5.25% area. Emirates NBD PJSC has priced a SGD130mn 4-year bond at 3.05%. Chongqing Energy Investment Group Co has scheduled investor meetings from 28 Feb for its potential USD bond issuance. Tus-Holdings Co Ltd has scheduled investor meetings from 27 Feb for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	96.154	0.16%	<b>USD-SGD</b>	1.3486	0.10%
<b>USD-JPY</b>	111.000	0.37%	<b>EUR-SGD</b>	1.5333	-0.08%
<b>EUR-USD</b>	1.1370	-0.17%	<b>JPY-SGD</b>	1.2150	-0.28%
<b>AUD-USD</b>	0.7138	-0.67%	<b>GBP-SGD</b>	1.7948	0.52%
<b>GBP-USD</b>	1.3309	0.43%	<b>AUD-SGD</b>	0.9628	-0.56%
<b>USD-MYR</b>	4.0650	-0.16%	<b>NZD-SGD</b>	0.9236	-0.51%
<b>USD-CNY</b>	6.6872	-0.19%	<b>CHF-SGD</b>	1.3463	-0.07%
<b>USD-IDR</b>	14030	0.27%	<b>SGD-MYR</b>	3.0174	0.04%
<b>USD-VND</b>	23200	-0.03%	<b>SGD-CNY</b>	4.9562	-0.17%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3680	--	<b>O/N</b>	2.3886	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4930	--
<b>3M</b>	-0.3100	--	<b>2M</b>	2.5791	--
<b>6M</b>	-0.2300	--	<b>3M</b>	2.6289	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.6870	--
<b>12M</b>	-0.1080	--	<b>12M</b>	2.8783	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	2-2.25%	2.25-2.5%	2.5-2.75%
03/20/2019	1.7%	0.0%	0.0%	98.3%	1.7%
05/01/2019	1.6%	2.0%	2.0%	96.3%	1.6%
06/19/2019	1.5%	7.4%	7.3%	91.0%	1.5%
07/31/2019	1.5%	9.6%	9.3%	89.0%	1.5%
09/18/2019	1.5%	11.3%	10.9%	87.2%	1.5%
10/30/2019	1.5%	12.2%	11.6%	86.3%	1.5%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.94	2.59%	Coffee (per lb)	0.957	2.30%
Brent (per barrel)	66.39	1.81%	Cotton (per lb)	0.7119	0.48%
Heating Oil (per gallon)	2.0216	1.16%	Sugar (per lb)	0.1291	0.23%
Gasoline (per gallon)	1.6340	3.01%	Orange Juice (per lb)	1.1315	-3.00%
Natural Gas (per MMBtu)	2.7990	-1.96%	Cocoa (per mt)	2,304	1.63%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	#N/A	#N/A	Wheat (per bushel)	4.6100	0.16%
Nickel (per mt)	12,901.0	--	Soybean (per bushel)	9.035	-0.03%
Aluminium (per mt)	1,893.0	--	Corn (per bushel)	3.6375	-0.68%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,321.2	-0.29%	Crude Palm Oil (MYR/MT)	1,920.0	-3.13%
Silver (per oz)	15.672	-1.01%	Rubber (JPY/KG)	191.8	0.84%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,985.16	-72.82
<b>S&amp;P</b>	2,792.38	-1.52
<b>Nasdaq</b>	7,554.51	5.21
<b>Nikkei 225</b>	21,556.51	107.12
<b>STI</b>	3,250.02	-11.64
<b>KLCI</b>	1,713.45	-5.55
<b>JCI</b>	6,525.68	-15.27
<b>Baltic Dry</b>	649.00	--
<b>VIX</b>	14.70	-0.47

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	2.00 (+0.06)	2.50 (+0.02)
<b>5Y</b>	2.05 (+0.04)	2.48 (+0.04)
<b>10Y</b>	2.23 (+0.06)	2.68 (+0.05)
<b>15Y</b>	2.46 (+0.05)	--
<b>20Y</b>	2.51 (+0.04)	--
<b>30Y</b>	2.63 (+0.04)	3.06 (+0.06)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.10	-0.07
<b>TED</b>	35.36	--

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
02/27/2019 05:45	NZ Trade Balance NZD	Jan	-300m	-914m	264m	12m
02/27/2019 10:51	MU Unemployment Rate	Jan	--	1.70%	1.70%	--
02/27/2019 11:04	HK GDP YoY	4Q	2.20%	1.30%	2.90%	2.80%
02/27/2019 17:00	EC M3 Money Supply YoY	Jan	4.00%	3.80%	4.10%	--
02/27/2019 17:00	IT Consumer Confidence Index	Feb	113.4	112.4	114	113.9
02/27/2019 17:00	IT Manufacturing Confidence	Feb	101.5	101.7	102.1	102
02/27/2019 17:00	IT Economic Sentiment	Feb	--	98.3	99.2	99.1
02/27/2019 18:00	EC Consumer Confidence	Feb F	-7.4	-7.4	-7.4	--
02/27/2019 20:00	US MBA Mortgage Applications	Feb-22	--	5.30%	3.60%	--
02/27/2019 21:30	CA CPI NSA MoM	Jan	0.10%	0.10%	-0.10%	--
02/27/2019 21:30	CA CPI YoY	Jan	1.40%	1.40%	2.00%	--
02/27/2019 21:30	US Wholesale Inventories MoM	Dec F	0.40%	1.10%	1.10%	--
02/27/2019 23:00	US Pending Home Sales MoM	Jan	1.00%	4.60%	-2.20%	-2.30%
02/27/2019 23:00	US Factory Orders	Dec	0.60%	0.10%	-0.60%	-0.50%
02/27/2019 23:00	US Durable Goods Orders	Dec F	--	1.20%	1.20%	--
02/27/2019 23:00	US Durables Ex Transportation	Dec F	--	0.10%	0.10%	--
02/28/2019 07:00	SK Industrial Production YoY	Jan	1.20%	0.10%	1.60%	0.70%
02/28/2019 07:50	JN Industrial Production MoM	Jan P	-2.50%	--	-0.10%	--
02/28/2019 07:50	JN Industrial Production YoY	Jan P	1.30%	--	-1.90%	--
02/28/2019 07:50	JN Retail Trade YoY	Jan	1.40%	--	1.30%	--
02/28/2019 08:00	NZ ANZ Business Confidence	Feb	--	--	-24.1	--
02/28/2019 08:30	AU Private Sector Credit MoM	Jan	0.30%	--	0.20%	--
02/28/2019 08:30	AU Private Sector Credit YoY	Jan	4.30%	--	4.30%	--
02/28/2019 09:00	CH Manufacturing PMI	Feb	49.5	--	49.5	--
02/28/2019 10:00	VN CPI YoY	Feb	2.50%	--	2.56%	--
02/28/2019 10:00	VN Exports YTD YoY	Feb	--	--	13.80%	--
02/28/2019 15:00	UK Nationwide House PX MoM	Feb	0.00%	--	0.30%	--
02/28/2019 15:00	UK Nationwide House Px NSA YoY	Feb	0.30%	--	0.10%	--
02/28/2019 15:30	TH Exports YoY	Jan	--	--	-1.60%	--
02/28/2019 15:30	TH BoP Current Account Balance	Jan	\$3018m	--	\$5027m	--
02/28/2019 15:45	FR PPI YoY	Jan	--	--	1.20%	--
02/28/2019 15:45	FR CPI EU Harmonized MoM	Feb P	0.30%	--	-0.60%	--
02/28/2019 15:45	FR CPI EU Harmonized YoY	Feb P	1.70%	--	1.40%	--
02/28/2019 15:45	FR CPI MoM	Feb P	0.40%	--	-0.40%	--
02/28/2019 15:45	FR CPI YoY	Feb P	1.50%	--	1.20%	--
02/28/2019 15:45	FR GDP QoQ	4Q P	0.30%	--	0.30%	--
02/28/2019 15:45	FR GDP YoY	4Q P	0.90%	--	0.90%	--
02/28/2019 17:30	SL CPI YoY	Feb	3.50%	--	3.70%	--
02/28/2019 18:00	IT CPI EU Harmonized MoM	Feb P	-0.20%	--	-1.70%	--
02/28/2019 18:00	IT CPI NIC incl. tobacco MoM	Feb P	0.20%	--	0.10%	--
02/28/2019 18:00	IT CPI NIC incl. tobacco YoY	Feb P	1.10%	--	0.90%	--
02/28/2019 18:00	IT CPI EU Harmonized YoY	Feb P	1.20%	--	0.90%	--
02/28/2019 21:00	GE CPI MoM	Feb P	0.40%	--	-0.80%	--
02/28/2019 21:00	GE CPI YoY	Feb P	1.50%	--	1.40%	--
02/28/2019 21:00	GE CPI EU Harmonized MoM	Feb P	0.60%	--	-1.00%	--
02/28/2019 21:00	GE CPI EU Harmonized YoY	Feb P	1.70%	--	1.70%	--
02/28/2019 21:30	CA Current Account Balance	4Q	-\$13.25b	--	-\$10.34b	--
02/28/2019 21:30	US Initial Jobless Claims	Feb-23	220k	--	216k	--
02/28/2019 21:30	US Continuing Claims	Feb-16	1737k	--	1725k	--
02/28/2019 21:30	CA Industrial Product Price MoM	Jan	0.10%	--	-0.70%	--
02/28/2019 21:30	CA Raw Materials Price Index MoM	Jan	--	--	3.80%	--
02/28/2019 21:30	US GDP Annualized QoQ	4Q A	2.20%	--	3.40%	--
02/28/2019 21:30	US Personal Consumption	4Q A	3.00%	--	3.50%	--
02/28/2019 21:30	US GDP Price Index	4Q A	1.70%	--	1.80%	--
02/28/2019 21:30	US Core PCE QoQ	4Q A	1.60%	--	1.60%	--
02/28/2019 22:45	US Chicago Purchasing Manager	Feb	57.5	--	56.7	--
02/28/2019 22:45	US Bloomberg Consumer Comfort	Feb-24	--	--	59.6	--
02/28/2019	SK BoK 7-Day Repo Rate	Feb-28	1.75%	--	1.75%	--
02/28/2019	MU GDP YoY	4Q	--	--	1.60%	--
02/27/2019 03/04	SL Exports YoY	Dec	--	--	4.10%	--

Source: Bloomberg

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