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Products

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Highlights

| | |
|--------------------|--|
| Global | <p>A couple of surprises over the week, starting with US nonfarm payrolls which surged 242k (market consensus: 195k), with the previous two months revised up 30k, whilst private payrolls also jumped 230k in Feb. However, muddling the water was the unexpectedly 0.1% mom decline (+2.2% yoy) in average hourly earnings and weekly hours which retreated from 34.6 to 34.4, which dampened wage inflation expectations, albeit household employment surged 530k. While this data significantly doused US recession fears, rate hike expectations for the Jun FOMC only budged from 35% pre-NFP to 40% post-NFP as market is still eyeing a static Fed for 16 Mar and 27 Apr. Separately, China's NPC released a growth target of 6.5-7%, with the 5-year growth target of at least 6.5%, as well as CPI and fiscal budget deficit target both at 3% this year, but it remains to be seen if equity investors will be more upbeat. BIS reports also suggest that China's capital outflow was probably driven more by Chinese firms paying down USD debt. This week will be the usual post-NFP data lull apart from the Chinese data dump (notably, FX reserves, trade, CPI/PPI, industrial output, FAI, retail sales and social financing data which may either debunk or reinforce the 6.5-7% growth target for 2016), but key to watch will be the ECB policy meeting on 10 Mar, where market expectations are running high and ran the gamut of a further 10bp rate cut to the currently 0.3% negative deposit rate, introducing a tiered excess reserves system for banks' deposits with the central bank (aka BOJ-style), increasing the monthly QE purchases by EUR10b from the current EUR60b, and/or extending the duration of the QE program beyond Sep. Other central bank meetings include BNM (likely on hold at 3.25% on Mar given that this will be governor Zeti's last policy meeting, the potential for some parting words may be apt), BOK (likely on hold at 1.5% on 10 Mar), RBNZ (with a minority eyeing a possible pre-emptive 25bp rate cut to 2.25% on 10 Mar amid weak inflation prints and the ongoing slowdown in China).</p> |
| US | <p>The Feb underemployment rate edged down 0.2% points to 9.37%, with the labor force participation rate improving for three straight months to 62.9%. The share of working-age population with a job in the household survey rose to 59.8% (highs since Apr09).</p> |
| China | <p>Post-NPC, growth target for 2016 was concluded to be at 6.5% to 7.0%. The fiscal deficit target was raised to 3% from the 2.3% set last year. Besides, M2 is forecasted to expand at a faster pace by 13% while inflation target is held at 3%. Despite worries about the impact of de-capacity on Chinese labour market, jobs creation and jobless rate target remains unchanged. Notably, the absence of trade growth targets reflects China officials' concern about the weak global demand. More importantly, business tax will be replaced with value-added tax across all sectors from May 1 onwards, in a bid to reduce tax burdens on the services sector, the new growth engine of China.</p> |
| Commodities | <p>With crude oil staging a bullish stance since the start of last week, Brent had now risen to a notch just below \$40/bbl, while WTI is just a small \$2.8/bbl discount from its dearer cousin. Much of the surge may also be attributed to the very encouraging, yet totally unexpected strength in the US nonfarm payrolls data on Friday, which also left US-centric equities climbing higher. The risk positive sentiment has also brought base metals higher, notably with copper touching its critical \$5,000/MT handle.</p> |

Major Market

- **US:** Wall Street investors were heartened by the NFP surprise and chalked up gains on Friday, with the Dow +0.26% (topping 17,000 for the first time in nearly two months), S&P500 +0.33% and Nasdaq +0.20%, and capped the third consecutive week of gains. VIX -2.28% to 16.70. The UST bond market saw longer-dated tenors bearing the brunt of the risk appetite improvement, with the 2- and 10-year bond yields up at 0.86% and 1.88% respectively.
- **Singapore:** The STI rallied another 1.77% to close at 2837.00 on Friday, crossing the 2800 handle for the first time since 6 Jan. Given the positive sentiments post-NFP driving Wall Street gains on Friday, and morning gains from Kospi, expect the STI to attempt higher to the 2850 resistance, with support at 2800 today. SGS bonds rallied on Friday, but could return some of those gains today given the post-NFP improvement in global risk appetite.
- **Hong Kong:** January's overall residential property price posted negative growth for the first time since July 2009, printing -2.07% yoy (-2.2% YTD). Residential property transaction volumes plunged to 1,807 units in February from 2,045 units as compared to the previous month, remaining far below the average transaction volume of 4,665 units in 2015. On a yearly basis, February's residential property transactions have contracted for 11 consecutive months, falling at the fastest pace in five years by 70%. The economic downturn in China, extensive depreciation of the RMB, combined with the rout in HK stock market heavily dented investor sentiment. What's more, the interest rate normalization in the US will inevitably add heavier mortgage burden to home buyers, therefore continuing to deter short term demand.
- **Macau:** As the decline in Macau's gaming revenue narrowed in the fourth quarter, the city's GDP also fell at a much slower pace, sliding 14.4% yoy as compared to 3Q's revised print of 21% yoy. As a whole, full year 2015 GDP went on to contract for the second consecutive year, coming in at -20.3%, mainly attributable to a sluggish gaming sector and muted visitor spending. Dampened visitor expenditure came as result of a stronger MOP and Chinese economic slowdown.
- Tourist spending is also expected to remain tepid through 2016, despite expectations of more overnight inbound visitors who are attracted by fresh waves of hotel openings over the next two years. Therefore, thanks to the increasing overnight visitors and expansion of middle-class across Asia, the gaming and tourism sectors are set to recover, albeit slowly, as we continue to expect the 2016's GDP to contract, at 1% - 2%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve shifted ~6bps lower last Friday. Flows in the SGD corporate space picked up, we saw better buyers in ANVAU 5.5%'perp-c21, STANLN 4.4%'26s and mixed interest in the new F 3.7%'19s. In the broader dollar space, JACI IG corporates spread was level at 243bps, while the yield on the JACI corporates was also level at 7.99%. 10y UST yield widened 4bps to 1.87% level, reacting to mixed NFP numbers.
- **Rating Changes:** Moody's has affirmed Thai Beverage Public Company Limited's senior unsecured issuer rating at Baa3, and changed its outlook to positive from stable. This was driven by management's prudent deleveraging post the issuer's debt-funded acquisition of a minority stake in F&N. Moody's expects the deleveraging to be sustained over the next 12 – 15 months.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 97.340 | -0.26% | USD-SGD | 1.3747 | -1.02% |
| USD-JPY | 113.740 | 0.04% | EUR-SGD | 1.5132 | -0.57% |
| EUR-USD | 1.1132 | 0.00% | JPY-SGD | 1.2082 | -1.10% |
| AUD-USD | 0.7439 | 1.18% | GBP-SGD | 1.9560 | -0.67% |
| GBP-USD | 1.4229 | 0.36% | AUD-SGD | 1.0231 | 0.20% |
| USD-MYR | 4.1122 | -0.54% | NZD-SGD | 0.9363 | 0.25% |
| USD-CNY | 6.5080 | -0.41% | CHF-SGD | 1.3854 | -1.04% |
| USD-IDR | 13132 | -0.76% | SGD-MYR | 2.9794 | 0.39% |
| USD-VND | 22293 | -0.04% | SGD-CNY | 4.7267 | 0.52% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|---------|------------|-----------|---------|
| 1M | -0.2810 | -0.0050 | O/N | 0.3720 | -0.0010 |
| 2M | -0.2460 | -0.0020 | 1M | 0.4380 | -0.0025 |
| 3M | -0.2150 | -0.0020 | 2M | 0.5233 | 0.0015 |
| 6M | -0.1360 | -0.0010 | 3M | 0.6335 | -0.0021 |
| 9M | -0.0810 | -- | 6M | 0.8921 | -0.0029 |
| 12M | -0.0280 | -0.0030 | 12M | 1.1940 | -0.0065 |

Eurozone & Russia Update

| | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|-----------------|-----------------------|------------------------|-------------------|
| Portugal | 0.63 | 2.70 | 3.10 |
| Italy | -0.05 | 1.70 | 1.46 |
| Ireland | -0.30 | 4.80 | 0.95 |
| Greece* | 10.85 | -32.70 | 9.76 |
| Spain | 0.00 | 2.20 | 1.56 |
| Russia^ | 3.42 | -2.70 | 5.68 |

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 17,006.77 | 62.90 |
| S&P | 1,999.99 | 6.60 |
| Nasdaq | 4,717.02 | 9.60 |
| Nikkei 225 | 17,014.78 | 54.60 |
| STI | 2,837.00 | 49.40 |
| KLCI | 1,692.49 | 4.30 |
| JCI | 4,850.88 | 6.80 |
| Baltic Dry | 349.00 | 7.00 |
| VIX | 16.86 | 0.20 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.01 (-0.03) | 0.86 (+0.02) |
| 5Y | 1.77 (-0.05) | 1.37 (+0.03) |
| 10Y | 2.18 (-0.05) | 1.87 (+0.04) |
| 15Y | 2.59 (-0.06) | -- |
| 20Y | 2.66 (-0.05) | -- |
| 30Y | 2.79 (-0.05) | 2.69 (+0.04) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 22.85 | 1.67 |
| EURIBOR-OIS | 14.20 | -0.60 |
| TED | 36.90 | 0.81 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|--------|
| WTI (per barrel) | 35.92 | 3.91% | Coffee (per lb) | 1.188 | 2.77% |
| Brent (per barrel) | 38.72 | 4.45% | Cotton (per lb) | 0.5893 | 0.87% |
| Heating Oil (per gallon) | 1.161 | 3.67% | Sugar (per lb) | 0.1483 | -0.07% |
| Gasoline (per gallon) | 1.33 | 2.56% | Orange Juice (per lb) | 1.1980 | -2.84% |
| Natural Gas (per MMBtu) | 1.666 | 1.65% | Cocoa (per mt) | 3,001 | 2.01% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 5,027.5 | 3.55% | Wheat (per bushel) | 4.5475 | 0.33% |
| Nickel (per mt) | 9,321 | 3.83% | Soybean (per bushel) | 8.705 | 1.66% |
| Aluminium (per mt) | 1,583.3 | 0.70% | Corn (per bushel) | 3.5450 | 0.21% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,270.7 | 0.99% | Crude Palm Oil (MYR/MT) | 2,464.0 | 0.45% |
| Silver (per oz) | 15.681 | 3.63% | Rubber (JPY/KG) | 160.8 | 3.54% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 01 Mar 2016

| | Current | Previous | Net Chg | | Current | Previous | Net Chg |
|---------------|---------|----------|---------|-------------|----------|----------|---------|
| Sugar | 93,184 | 66,676 | 26,508 | Corn | -128,032 | -61,983 | -66,049 |
| Nymex Crude | 260,687 | 247,126 | 13,561 | Soybean | -85,959 | -30,692 | -55,267 |
| Live Cattle | 35,085 | 24,623 | 10,462 | Wheat | -123,086 | -110,408 | -12,678 |
| Gold | 183,616 | 178,979 | 4,637 | Coffee | -17,988 | -7,490 | -10,498 |
| RBOB Gasoline | 92,074 | 88,783 | 3,291 | Cotton | -14,779 | -7,126 | -7,653 |
| Lean Hogs | 51,132 | 48,407 | 2,725 | Silver | 54,121 | 59,770 | -5,649 |
| Cocoa | 25,836 | 23,368 | 2,468 | Natural Gas | -192,268 | -188,497 | -3,771 |
| Palladium | 2,656 | 4,167 | -1,511 | Heating Oil | -1,843 | 1,801 | -3,644 |
| Copper | -24,619 | -23,045 | -1,574 | Platinum | 31,861 | 33,569 | -1,708 |

Source: CFTC

Key Economic Indicators

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|--------------------------------------|---------------|------------------|------------------|------------------|------------------|
| 03/04/2016 05:00 | SK Foreign Reserves | Feb | -- | \$365.76b | \$367.29b | -- |
| 03/04/2016 08:00 | JN Labor Cash Earnings YoY | Jan | 0.40% | 0.40% | 0.10% | 0.00% |
| 03/04/2016 08:30 | AU Retail Sales MoM | Jan | 0.40% | 0.30% | 0.00% | -- |
| 03/04/2016 09:00 | PH CPI YoY | Feb | 1.30% | 0.90% | 1.30% | -- |
| 03/04/2016 12:00 | MA Exports YoY | Jan | 2.50% | -2.80% | 1.40% | -- |
| 03/04/2016 12:00 | MA Trade Balance MYR | Jan | 7.60b | 5.39b | 7.99b | 8.25b |
| 03/04/2016 15:30 | TH Foreign Reserves | Feb-26 | -- | \$167.7b | \$167.1b | -- |
| 03/04/2016 16:30 | GE Markit Germany Construction PMI | Feb | -- | 59.6 | 57.9 | -- |
| 03/04/2016 17:00 | IT GDP WDA QoQ | 4Q F | 0.10% | 0.10% | 0.10% | -- |
| 03/04/2016 17:00 | IT GDP WDA YoY | 4Q F | 1.00% | 1.00% | 1.00% | -- |
| 03/04/2016 17:10 | GE Markit Germany Retail PMI | Feb | -- | 52.5 | 49.5 | -- |
| 03/04/2016 17:10 | EC Markit Eurozone Retail PMI | Feb | -- | 50.1 | 48.9 | -- |
| 03/04/2016 17:10 | FR Markit France Retail PMI | Feb | -- | 48.1 | 48.9 | -- |
| 03/04/2016 17:10 | IT Markit Italy Retail PMI | Feb | -- | 49.4 | 47.9 | -- |
| 03/04/2016 21:30 | US Trade Balance | Jan | -\$44.00b | -\$45.68b | -\$43.36b | -\$44.70b |
| 03/04/2016 21:30 | CA Int'l Merchandise Trade | Jan | -0.90b | -0.66b | -0.59b | -0.63b |
| 03/04/2016 21:30 | US Change in Nonfarm Payrolls | Feb | 195k | 242k | 151k | 172k |
| 03/04/2016 21:30 | US Change in Manufact. Payrolls | Feb | -1k | -16k | 29k | 23k |
| 03/04/2016 21:30 | US Unemployment Rate | Feb | 4.90% | 4.90% | 4.90% | -- |
| 03/07/2016 08:30 | AU ANZ Job Advertisements MoM | Feb | -- | -- | 1.00% | -- |
| 03/07/2016 13:00 | JN Leading Index CI | Jan P | 101.6 | -- | 102.1 | -- |
| 03/07/2016 15:00 | GE Factory Orders MoM | Jan | -0.30% | -- | -0.70% | -- |
| 03/07/2016 15:00 | GE Factory Orders WDA YoY | Jan | 0.00% | -- | -2.70% | -- |
| 03/07/2016 16:00 | TA Trade Balance | Feb | \$3.40b | -- | \$3.51b | -- |
| 03/07/2016 16:00 | TA Exports YoY | Feb | -11.80% | -- | -13.00% | -- |
| 03/07/2016 16:00 | TA Imports YoY | Feb | -8.40% | -- | -11.70% | -- |
| 03/07/2016 17:00 | SI Foreign Reserves | Feb | -- | -- | \$244.86b | -- |
| 03/07/2016 17:00 | IT PPI MoM | Jan | -- | -- | -0.70% | -- |
| 03/07/2016 17:00 | IT PPI YoY | Jan | -- | -- | -4.00% | -- |
| 03/07/2016 18:00 | MA Foreign Reserves | Feb-29 | -- | -- | \$95.6b | -- |
| 03/07/2016 | HK Foreign Reserves | Feb | -- | -- | \$357.0b | -- |
| 03/07/2016 | CH Foreign Reserves | Feb | \$3190.0b | -- | \$3230.9b | -- |
| 03/07/2016 | ID Foreign Reserves | Feb | -- | -- | \$102.13b | -- |
| 03/07/2016 | PH Foreign Reserves | Feb | -- | -- | \$80.2b | \$80.7b |
| 03/07/2016 03/11 | PH Budget Balance PHP | Dec | -- | -- | 6.0b | -- |
| 03/06/2016 03/13 | VN Domestic Vehicle Sales YoY | Feb | -- | -- | 36.50% | -- |

Source: Bloomberg

| OCBC Treasury Research | | |
|--|---|---|
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