DAILY TREASURY OUTLOOK

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Highlights

Global	Global risk sentiments remain very fickle, with the Nikkei the latest to swoon and decline 5.4% yesterday, even as crude oil price retreated amid the IEA's forecast of rising inventories and lower oil prices. The IEA trimmed its 2016 oil demand growth to 1.17 million bdp, citing that "persistent speculation about a deal between OPEC and leading non-OPEC producers to cut output appears to be just that: speculation" and "It is OPEC's business whether or not it makes output cuts either alone or in concert with other producers but the likelihood of coordinated cuts is very low." Investor appetite for risk is likely to remain subdued today, with some of the Asian markets (China and Taiwan) still closed for the CNY holidays. On tap today is a light economic data calendar, with only US' MBA mortgage applications and UK' industrial production on tap, so market focus will be on FOMC chair Yellen's testimony to the House Financial Services panel. Key to watch will be her economic assessment, as recent economic indicators have softened of late, which coupled with the oil price slump, may give pause to any near-term rate hike intentions, but the still resilient wage intentions may mean that she will likely refrain from outright dismissal of rate hike hopes and rather continue to keep it data-dependent at this juncture. Given how dovish market sentiments are currently, it will take little for her speech to come across with hawkish overtones notwithstanding the general consensus that she will give a cautious testimony.
US	The NFIB small business optimism index softened from 95.2 in Dec to a 2-year low of 93.9 in Jan, as plans to increase employment, expectations on economy to improve and real sales expectations slipped. However, 11% of respondents still expect to hire, with the percentage of firms with unfilled job openings rising from 28% to 29%, suggesting that the labour market conditions remain robust.
EZ	ECB's Weidmann opined that while China and oil have increased uncertainty about the economic outlook, "however, there's no need to paint everything black" and "there's no reason to see a sharp economic contraction in China….more a gradual slowdown" and oil prices is "continuing to provide a tailwind for the euro area economy".
JP	Two weeks after BOJ announced negative interest rates, the 10-year JGB bond yield dipped into negative territory, marking it a first for a G7 economy.
Singapore	PM LEE said that "the economic outlook is filled with uncertainty" but "we do not expect a severe downturn, like the global financial crisis in 2008" and "the government will continue to support businesses and workers as we restructure and upgrade". He said focus has to be on longer-term measures. The official growth forecast is 1-3% for 2016. The STI re-opens from the CNY holidays today and may play catch up to the risk-off mood by testing the downside to its last +2.53% close at 2623.21 on Friday. The STI's support and resistance are tipped at 2600 (followed by 2560) and 2630 today. The SGS bond yield curve is likely to be supported on flight-to-safety demand today amid the de-risking mood.

Major Market

- **US:** Wall Street dipped overnight, taking the lead from the Nikkei's retreat and the retreating crude oil prices, with the Dow -0.08%, S&P500 -0.07% and Nasdaq -0.35%. Decliners consisted of energy stocks including Anadarko and media companies like Viacom. However, Coca-Cola rose after better than-expected 4Q profit and revenue. VIX +2.08% to 26.54. The UST bond market gained overnight with the 2- and 10-year bond yields at 0.69% and 1.73% (a 1-year low) respectively.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 3-4bps lower across the curve last Friday, with the exception of the 1-year swap rates which stayed unchanged. Trade flows were light in the SGD corporate space, where we saw mixed interest for the ABNANV 4.7%'22s. 10y UST yield decreased by 11bps from 5th February over the weekend to to 1.72%.

- **Rating Changes:** Moody's downgraded Sumitomo Corp to "Baa1" from "A3", citing that Sumitomo's 3Q results were "significantly weaker than expected". This may also cause Sumitomo's already high leverage to worsen further this fiscal year. Outlook is negative. Fitch upgraded Sony Corp's long term foreign and local currency issuer default ratings to "BB" from "BB-", reflecting Fitch's expectations of improved profitability in Sony's core electronics businesses. Fitch also expects Sony to further deleverage following the successful execution of its restructuring measures. Outlook is stable. S&P downgraded Toshiba Corp's long term foreign and local issuer credit default ratings to "B+" from "BB+". This is due to material downward revision of estimated operating performance in fiscal '15, which will likely further erode shareholders' equity. The ratings remain on CreditWatch negative. S&P downgraded Chesapeake Energy Corp by one level to "CCC" from "B". Outlook remains Negative. Chesapeake is the second-largest US gas producer. S&P opined that liquidity at the company is likely to be challenged, both from diminished cash flows and potential reduction in the company's borrowing base.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.071	-0.52%	USD-SGD	1.3966	-0.58%
USD-JPY	115.110	-0.64%	EUR-SGD	1.5772	0.31%
EUR-USD	1.1293	0.89%	JPY-SGD	1.2137	0.09%
AUD-USD	0.7070	-0.24%	GBP-SGD	2.0211	-0.31%
GBP-USD	1.4472	0.27%	AUD-SGD	0.9875	-0.80%
USD-MYR	4.1712	0.29%	NZD-SGD	0.9270	-0.42%
USD-CNY	6.5743	0.00%	CHF-SGD	1.4355	0.86%
USD-IDR	13612	0.11%	SGD-MYR	2.9751	0.42%
USD-VND	22276	-0.04%	SGD-CNY	4.7010	0.65%

Equity and Commodity

Index	Value	Net change
DJIA	16,014.38	-12.70
S&P	1,852.21	-1.20
Nasdaq	4,268.76	-15.00
Nikkei 225	16,085.44	-918.90
STI	2,623.21	--
KLCI	1,662.46	--
JCI	4,768.63	-30.30
Baltic Dry	291.00	-2.00
VIX	26.54	0.50

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2350	--	O/N	0.3763	--
2M	-0.2080	--	1M	0.4293	--
3M	-0.1690	--	2M	0.5180	--
6M	-0.1070	--	3M	0.6210	--
9M	-0.0580	--	6M	0.8706	--
12M	-0.0050	--	12M	1.1400	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.04 (--)	0.69 (+0.02)
5Y	1.84 (--)	1.15 (--)
10Y	2.16 (--)	1.73 (-0.02)
15Y	2.56 (--)	--
20Y	2.61 (--)	--
30Y	2.71 (--)	2.55 (-0.03)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.68	12.90	3.67	28.70	3.44
Italy	0.07	0.70	1.68	0.60	1.45
Ireland	-0.31	-0.80	1.09	4.60	0.85
Greece*	15.35	207.60	10.79	61.10	10.56
Spain	0.02	1.60	1.75	0.10	1.52
Russia^	3.72	4.30	6.05	0.90	5.81

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.10	2.13
EURIBOR-OIS	15.50	0.60
TED	31.53	-4.12

* 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

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	27.94	-5.89%	Coffee (per lb)	1.148	-0.86%
Brent (per barrel)	30.32	-7.79%	Cotton (per lb)	0.5864	-1.61%
Heating Oil (per gallon)	0.975	-6.83%	Sugar (per lb)	0.1339	-0.45%
Gasoline (per gallon)	0.90	-5.98%	Orange Juice (per lb)	1.3220	-0.86%
Natural Gas (per MMBtu)	2.098	-1.96%	Cocoa (per mt)	2,837	-0.73%
Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	4,509.0	-2.20%	Wheat (per bushel)	4.5750	-0.22%
Nickel (per mt)	8,059	-1.51%	Soybean (per bushel)	8.633	0.09%
Aluminium (per mt)	1,478.5	-1.24%	Corn (per bushel)	3.6100	-0.35%
Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,198.7	0.07%	Crude Palm Oil (MYR/MT)	2,497.0	--
Silver (per oz)	15.449	0.15%	Rubber (JPY/KG)	142.1	-2.94%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
02/09/2016 07:00	**NZ**	**QV House Prices YoY**	**Jan**	**--**	**12.60%**	**14.20%**	**--**
02/09/2016 07:50	**JN**	**Money Stock M2 YoY**	**Jan**	**3.10%**	**3.20%**	**3.00%**	**3.10%**
02/09/2016 07:50	**JN**	**Money Stock M3 YoY**	**Jan**	**2.50%**	**2.50%**	**2.50%**	**--**
02/09/2016 08:30	AU	NAB Business Conditions	Jan	--	5	7	6
02/09/2016 08:30	**AU**	**NAB Business Confidence**	**Jan**	**--**	**2**	**3**	**2**
02/09/2016 14:00	JN	Machine Tool Orders YoY	Jan P	--	-17.20%	-25.70%	--
02/09/2016 15:00	**GE**	**Industrial Production SA MoM**	**Dec**	**0.50%**	**-1.20%**	**-0.30%**	**-0.10%**
02/09/2016 15:00	GE	Industrial Production WDA YoY	Dec	-0.60%	-2.20%	0.10%	--
02/09/2016 15:00	GE	Trade Balance	Dec	20.0b	18.8b	20.6b	20.5b
02/09/2016 15:00	GE	Current Account Balance	Dec	26.7b	25.6b	24.7b	24.3b
02/09/2016 15:00	GE	Exports SA MoM	Dec	0.50%	-1.60%	0.40%	0.50%
02/09/2016 15:00	GE	Imports SA MoM	Dec	-0.50%	-1.60%	1.60%	1.30%
02/09/2016 17:30	UK	Visible Trade Balance GBP/Mn	Dec	-£10,400	-£9,917	-£10,642	-£11,503
02/09/2016 17:30	UK	Trade Balance Non EU GBP/Mn	Dec	-£2,500	-£2,357	-£2,450	-£3,538
02/09/2016 17:30	UK	Trade Balance	Dec	-£3,000	-£2,709	-£3,170	-£4,031
02/09/2016 19:00	US	NFIB Small Business Optimism	Jan	94.5	93.9	95.2	--
02/09/2016 23:00	**US**	**Wholesale Inventories MoM**	**Dec**	**-0.20%**	**-0.10%**	**-0.30%**	**-0.40%**
02/10/2016 07:30	**AU**	**Westpac Consumer Conf SA MoM**	**Feb**	**--**	**4.20%**	**-3.50%**	**--**
02/10/2016 07:50	JN	PPI MoM	Jan	-0.70%	-0.90%	-0.30%	-0.40%
02/10/2016 07:50	**JN**	**PPI YoY**	**Jan**	**-2.80%**	**-3.10%**	**-3.40%**	**-3.50%**
02/10/2016 08:00	AU	HIA New Home Sales MoM	Dec	--	--	-2.70%	--
02/10/2016 09:00	PH	Exports YoY	Dec	1.00%	--	-1.10%	--
02/10/2016 15:45	**FR**	**Industrial Production MoM**	**Dec**	**0.30%**	**--**	**-0.90%**	**--**
02/10/2016 15:45	**FR**	**Industrial Production YoY**	**Dec**	**1.70%**	**--**	**2.80%**	**--**
02/10/2016 15:45	FR	Manufacturing Production MoM	Dec	0.30%	--	0.40%	--
02/10/2016 15:45	FR	Manufacturing Production YoY	Dec	1.70%	--	2.80%	--
02/10/2016 17:00	**IT**	**Industrial Production MoM**	**Dec**	**0.30%**	**--**	**-0.50%**	**--**
02/10/2016 17:00	IT	Industrial Production WDA YoY	Dec	1.40%	--	0.90%	--
02/10/2016 17:00	IT	Industrial Production NSA YoY	Dec	--	--	4.20%	--
02/10/2016 17:30	**UK**	**Industrial Production MoM**	**Dec**	**-0.10%**	**--**	**-0.70%**	**--**
02/10/2016 17:30	UK	Industrial Production YoY	Dec	1.00%	--	0.90%	--
02/10/2016 17:30	**UK**	**Manufacturing Production MoM**	**Dec**	**0.10%**	**--**	**-0.40%**	**--**
02/10/2016 17:30	UK	Manufacturing Production YoY	Dec	-1.40%	--	-1.20%	--
02/10/2016 20:00	**US**	**MBA Mortgage Applications**	**Feb-05**	**--**	**--**	**-2.60%**	**--**
02/10/2016 23:00	UK	NIESR GDP Estimate	Jan	--	--	0.60%	--
02/10/2016 02/13	**VN**	**Domestic Vehicle Sales YoY**	**Jan**	**--**	**--**	**44.90%**	**--**
02/10/2016 02/15	CH	Money Supply M1 YoY	Jan	14.70%	--	15.20%	--
02/10/2016 02/15	**CH**	**Money Supply M2 YoY**	**Jan**	**13.50%**	**--**	**13.30%**	**--**
02/10/2016 02/20	ID	Local Auto Sales	Jan	--	--	73264	--
02/09/2016 02/12	IN	Local Car Sales	Jan	--	--	172671	--
02/10/2016 02/15	CH	New Yuan Loans CNY	Jan	1900.0b	--	597.8b	--

Source: Bloomberg

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