DAILY TREASURY OUTLOOK

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Highlights

Global	Global risk appetite seems to be on a roll for now, with Wall Street continuing to advance amid rebounding oil prices as well as a more hesitant FOMC. The FOMC minutes noted “participants judged that the overall implications of these developments for the outlook for domestic economic activity was unclear but they agreed that uncertainty had increased” and “many saw these developments as increasing the downside risks to the outlook”. Market players are now speculating that the FOMC will lower its median dots graph at the March meeting to reflect a more dovish rate trajectory given the various uncertainties. Nevertheless, US’ industrial production and PPI data yesterday actually pointed to economic resilience. In contrast, Japan’s exports unexpectedly deteriorated for a 4th straight month by 12.9% yoy in Jan, while imports slumped by a worse than expected 18.0% yoy to leave a JPY645.9b deficit. Notably, Japan’s exports to China fell nearly 18%. Today’s market focus will be on the BI policy decision (where a 25bp rate cut to 7.5% is likely), Malaysia’s 4Q15 GDP growth and current account balance, US’ initial jobless claims and Philadelphia Fed business index.
US	Industrial production jumped more than expected by 0.9% (largest since Nov14) in Jan, spurred by consumer goods output amid resilient domestic demand, and up from a revised 0.7% decline in Dec. Both manufacturing and utility output had surged 0.5% (most in six months) and 5.4% (largest increase since Dec09). Capacity utilisation also rose from 76.4% to 77.1%. Producer prices also rose 0.1% in Jan after falling 0.2% in Dec15, with food costs (+1% in the largest jump since May) outweighing lower energy prices (-5%). PPI excluding food and energy doubled to +0.4% mom. However, housing starts fell to a 3-month low of 1.1m annualised, amid a Midwest slump, whilst building permits was steady at 1.2m.
JP	A Nikkei report suggested that PM Abe has ruled out fiscal stimulus for now to focus on passing the FY16 budget. This puts the onus back on the BOJ.
UK	Jobless claims fell more than expected by 14.8k in Jan, with the Dec print also being revised to a worse -15.2k. The claimant count rate eased to 2.2% in Jan, while the 3-month average weekly earnings moderated from 2.1% to 1.9% in Dec. The ILO unemployment rate was unchanged at 5.1% in Dec. This softer set of labour market data will keep the BOE on hold in the interim.
AU	Unemployment rate unexpectedly rose from 5.8% in Dec to 6.0% in Jan, as employment fell 7.9k (expected: +13.0k), albeit the participation rate was steady at 65.2%. In particular, full-time jobs fell 40.6k while part-time jobs rose 32.7k.
TA	4Q15 GDP growth was revised down to -0.52% yoy (+0.54% qoq), amid industrial weakness (-4.76% yoy) which offset services growth (+0.47%).
SG	COE premiums saw categories B and E rebound to in the latest tender to above category A.
Commodities	Market-watchers saw crude oil edging higher once again yesterday, as Iran surprisingly commented its support for Saudi Arabia and Russia to freeze production while refraining to comment on its own measure to curb its own production growth. Elsewhere, the American Petroleum Institute (API) reported US crude inventories falling 3.26 million barrels last week. Gold prices remained range-bound around its $1,210/oz handle.

Major Market

- **US:** Wall Street rallied yesterday, with the S&P lifted by energy gains - Dow +1.59%, S&P500 +1.65% and Nasdaq +2.21%. VIX -7.47% to 22.31. The UST bond market sold off for a third session, with the 2- and 10-year bond yields higher at 0.75% and 1.82% (+5bps) respectively. Fed's Kashkari warned that "there's probably been a little bit more downside" in the data since the Jan meeting, and "we don't have a specific timing in mind" and there isn't a "formula saying this meeting we're going to raise or that meeting we're not".

- **Singapore:** The STI surrendered previous days' gains and closed down 1.16% at 2613.79. However, given Wall Street's positive overnight lead amid a more reticent FOMC minutes, the Nikkei and Kospi are already off to a strong start this morning, and this may also lift the STI today. The STI's support and resistance are 2600 and 2650 respectively. The SGS bonds are likely to tread cautiously given the continued sell-off in UST bonds.

- **China:** January's CPI and PPI data will be released later today, providing an indicator on the strength of deflationary pressures on China's economy. CPI and PPI are estimated to be 1.9% yoy and -5.4% yoy respectively, an improvement from the previous prints of 1.4% and -5.9%. The improvement could potentially be due to the increase in consumption during the Lunar New Year.

- **Macau:** Thanks to a recent pick-up in market sentiment amid the narrowing decline of gaming revenue and home owners' housing price cuts, residential property transaction volumes jumped 3.3% yoy to 1,461 units in 4Q after declining for ten straight quarters. Meanwhile, average transaction prices slid for the third straight quarter to MOP76,126 /sq. m. in 4Q, with the decrease widening to 19.7% yoy. Lower housing prices have also attracted some end-users to enter the market and have fuelled the rebound in the transactions. However, the housing market is yet to bottom out as Macau's economic outlook is still under downward pressure amid uncertainty over economic transition and China's slowdown. Worsening matters, slower wage growth is expected across all sectors given the darkening economic outlook. This sentiment could flow into housing market and result in renewed decline of transaction volumes and further fall of prices. In 2016, increases in the supply of both private and public housing coupled with the prospect of higher borrowing costs due to the Fed's tightening will also add downward pressures to private housing prices.

- **Indonesia:** S&P, a ratings agency, said that coal price slump has affected Indonesia's growth and may delay a rating upgrade. Bank Indonesia is due to announce its monetary policy decision today. We expect it to cut by another 25bps, leaving policy rate at 7.0%, as it utilizes the space given by a relatively stable currency.

- **Malaysia:** Q4 GDP data is due to be released today. We expect growth to clock 4.1%yoy in Q4, compared to 4.7% of the previous quarter. For the full year of 2015, we see growth at 4.8%yoy.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear flattened yesterday, with the short-end rates trading 1bp-4bps higher, while the long-end rates traded 5bps lower. In the broader dollar space, JACI IG corporates widened 2bps to 252bps, while the yield on the JACI HY corporates increased by 1bp to 8.39%. 10y UST yield increased by 5bps to 1.82%.

- **Rating Changes:** S&P downgraded Vedanta Resources PLC "B" from "B+", and placed it on CreditWatch negative. This reflects S&P's expectation that Vedanta's financial performance will remain very weak for the next 12-15 months because of weak commodity prices and high debt.

Moody's placed the following companies on review for downgrade, following Moody's global rating actions on many other energy companies. This is due to Moody's expectation that there remains substantial risk that oil prices may recover much more slowly over the medium term. The companies placed on review are:

- China National Offshore Oil Corp
- China National Petroleum Corp
- China Petrochemical Corp
- China Petroleum & Chemical Corp
- China Shenhua Energy Co Ltd
- CNOOC Ltd
- Kunlun Energy Co Ltd

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.786	-0.08%	**USD-SGD**	1.4033	-0.16%
USD-JPY	114.100	0.03%	**EUR-SGD**	1.5615	-0.34%
EUR-USD	1.1128	-0.14%	**JPY-SGD**	1.2299	-0.14%
AUD-USD	0.7185	1.04%	**GBP-SGD**	2.0058	-0.29%
GBP-USD	1.4294	-0.08%	**AUD-SGD**	1.0083	0.83%
USD-MYR	4.2230	1.65%	**NZD-SGD**	0.9309	0.64%
USD-CNY	6.5285	0.18%	**CHF-SGD**	1.4140	-0.55%
USD-IDR	13507	0.84%	**SGD-MYR**	2.9986	1.15%
USD-VND	22398	0.11%	**SGD-CNY**	4.6305	-0.17%

Equity and Commodity

Index	Value	Net change
DJIA	16,453.83	257.40
S&P	1,926.82	31.20
Nasdaq	4,534.06	98.10
Nikkei 225	15,836.36	-218.10
STI	2,613.79	-30.80
KLCI	1,664.32	-0.70
JCI	4,765.51	20.50
Baltic Dry	307.00	6.00
VIX	22.31	-1.80

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2450	--	**O/N**	0.3710	--
2M	-0.2230	--	**1M**	0.4295	--
3M	-0.1870	--	**2M**	0.5161	--
6M	-0.1200	--	**3M**	0.6182	--
9M	-0.0680	--	**6M**	0.8659	--
12M	-0.0120	--	**12M**	1.1322	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.06 (--)	0.74 (+0.02)
5Y	1.86 (-0.01)	1.26 (+0.05)
10Y	2.23 (-0.01)	1.82 (+0.05)
15Y	2.59 (-0.02)	--
20Y	2.65 (-0.02)	--
30Y	2.75 (-0.01)	2.69 (+0.05)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	1.25	5.00	3.48	-6.30	3.21
Italy	0.05	-0.90	1.60	-2.20	1.33
Ireland	-0.21	2.50	1.01	-2.10	0.74
Greece*	12.67	-65.60	10.94	-16.40	10.67
Spain	0.03	-2.50	1.74	-1.30	1.47
Russia^	3.64	-3.10	5.93	-3.80	5.66

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.02	-0.40
EURIBOR-OIS	14.30	0.30
TED	31.93	-1.91

* 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)	30.66	5.58%	Coffee (per lb)	1.146	-0.30%
Brent (per barrel)	34.50	7.21%	Cotton (per lb)	0.5987	0.03%
Heating Oil (per gallon)	1.088	5.93%	Sugar (per lb)	0.1316	-0.45%
Gasoline (per gallon)	1.00	3.35%	Orange Juice (per lb)	1.3155	-3.34%
Natural Gas (per MMBtu)	1.942	2.05%	Cocoa (per mt)	2,878	3.04%
Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	4,589.0	0.70%	Wheat (per bushel)	4.6850	0.92%
Nickel (per mt)	8,385	0.76%	Soybean (per bushel)	8.825	0.31%
Aluminium (per mt)	1,515.3	-0.12%	Corn (per bushel)	3.6725	1.17%
Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,211.1	0.26%	Crude Palm Oil (MYR/MT)	2,545.0	0.75%
Silver (per oz)	15.377	0.28%	Rubber (JPY/KG)	141.7	-0.42%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised	Relevance
02/17/2016 05:00	US	Total Net TIC Flows	Dec	--	-$114.0b	-$3.2b	-$1.1b	65.6
02/17/2016 05:00	US	Net Long-term TIC Flows	Dec	--	-$29.4b	$31.4b	--	74.4
02/17/2016 07:00	**SK**	**Unemployment rate SA**	**Jan**	**3.40%**	**3.50%**	**3.40%**	**3.50%**	**81.8182**
02/17/2016 07:30	**AU**	**Westpac Leading Index MoM**	**Jan**	**--**	**-0.04%**	**-0.30%**	**--**	**75.3623**
02/17/2016 07:50	**JN**	**Machine Orders MoM**	**Dec**	**4.40%**	**4.20%**	**-14.40%**	**--**	**93.5484**
02/17/2016 07:50	JN	Machine Orders YoY	Dec	-2.80%	-3.60%	1.20%	--	69.8925
02/17/2016 08:30	**SI**	**Non-oil Domestic Exports YoY**	**Jan**	**-7.60%**	**-9.90%**	**-7.20%**	**--**	**92.8571**
02/17/2016 08:30	SI	Non-oil Domestic Exports SA MoM	Jan	2.90%	0.70%	-3.10%	-2.60%	50
02/17/2016 08:38	**VN**	**Domestic Vehicle Sales YoY**	**Jan**	**--**	**36.50%**	**44.90%**	**--**	**77.7778**
02/17/2016 14:00	JN	Machine Tool Orders YoY	Jan F	--	-17.20%	-17.20%	--	70.9677
02/17/2016 16:00	**TA**	**GDP YoY**	**4Q F**	**-0.30%**	**-0.52%**	**-0.28%**	**--**	**90**
02/17/2016 16:00	SI	Automobile COE Open Bid Cat A	Feb-17	--	43000	46651	--	60.7143
02/17/2016 16:00	SI	Automobile COE Open Bid Cat B	Feb-17	--	46970	38610	--	46.4286
02/17/2016 17:30	**UK**	**Claimant Count Rate**	**Jan**	**2.30%**	**2.20%**	**2.30%**	**--**	**80.4878**
02/17/2016 17:30	**UK**	**Jobless Claims Change**	**Jan**	**-3.0k**	**-14.8k**	**-4.3k**	**-15.2k**	**95.122**
02/17/2016 17:30	**UK**	**ILO Unemployment Rate 3Mths**	**Dec**	**5.00%**	**5.10%**	**5.10%**	**--**	**90.2439**
02/17/2016 20:00	**US**	**MBA Mortgage Applications**	**Feb-12**	**--**	**8.20%**	**9.30%**	**--**	**92.3077**
02/17/2016 21:30	**US**	**Housing Starts**	**Jan**	**1173k**	**1099k**	**1149k**	**1143k**	**89.6**
02/17/2016 21:30	US	Building Permits	Jan	1200k	1202k	1232k	1204k	62.72
02/17/2016 21:30	**US**	**PPI Final Demand MoM**	**Jan**	**-0.20%**	**0.10%**	**-0.20%**	**--**	**86.4**
02/17/2016 21:30	US	PPI Ex Food and Energy MoM	Jan	0.10%	0.40%	0.10%	0.20%	68
02/17/2016 21:30	US	PPI Final Demand YoY	Jan	-0.60%	-0.20%	-1.00%	--	68.8
02/17/2016 21:30	US	PPI Ex Food and Energy YoY	Jan	0.40%	0.60%	0.30%	--	67.2
02/17/2016 21:30	CA	Int'l Securities Transactions	Dec	--	-1.41b	2.58b	2.94b	51.2195
02/17/2016 22:15	**US**	**Industrial Production MoM**	**Jan**	**0.40%**	**0.90%**	**-0.40%**	**-0.70%**	**88.8**
02/17/2016 22:15	US	Capacity Utilization	Jan	76.70%	77.10%	76.50%	76.40%	62.16
02/18/2016 05:45	NZ	PPI Input QoQ	4Q	--	-1.20%	1.60%	--	51.9231
02/18/2016 05:45	NZ	PPI Output QoQ	4Q	--	-0.80%	1.30%	--	53.8462
02/18/2016 07:50	JN	Foreign Buying Japan Stocks	Feb-12	--	--	-¥610.4b	--	49.4624
02/18/2016 07:50	JN	Trade Balance	Jan	-¥658.5b	--	¥140.2b	¥140.3b	72.043
02/18/2016 07:50	JN	Trade Balance Adjusted	Jan	¥61.6b	--	¥36.6b	--	51.6129
02/18/2016 08:30	**AU**	**Employment Change**	**Jan**	**13.0k**	**--**	**-1.0k**	**--**	**97.1014**
02/18/2016 08:30	**AU**	**Unemployment Rate**	**Jan**	**5.80%**	**--**	**5.80%**	**--**	**98.5507**
02/18/2016 08:30	AU	Full Time Employment Change	Jan	--	--	17.6k	--	49.2754
02/18/2016 08:30	**AU**	**Participation Rate**	**Jan**	**65.20%**	**--**	**65.10%**	**--**	**78.2609**
02/18/2016 08:30	AU	RBA FX Transactions Market	Jan	--	--	1175m	--	47.8261
02/18/2016 09:30	**CH**	**CPI YoY**	**Jan**	**1.90%**	**--**	**1.60%**	**--**	**97.2973**
02/18/2016 09:30	**CH**	**PPI YoY**	**Jan**	**-5.40%**	**--**	**-5.90%**	**--**	**91.8919**
02/18/2016 12:00	**MA**	**GDP YoY**	**4Q**	**4.10%**	**--**	**4.70%**	**--**	**85.7143**
02/18/2016 15:45	FR	CPI EU Harmonized MoM	Jan F	-1.00%	--	-1.00%	--	69.4444
02/18/2016 15:45	**FR**	**CPI EU Harmonized YoY**	**Jan F**	**0.40%**	**--**	**0.40%**	**--**	**75**
02/18/2016 15:45	FR	CPI MoM	Jan F	-1.00%	--	-1.00%	--	72.2222
02/18/2016 15:45	**FR**	**CPI YoY**	**Jan F**	**0.20%**	**--**	**0.20%**	**--**	**94.4444**
02/18/2016 15:45	FR	CPI Ex-Tobacco Index	Jan	124.8	--	126.03	--	47.2222
02/18/2016 21:30	CA	Wholesale Trade Sales MoM	Dec	0.20%	--	1.80%	--	56.0976
02/18/2016 21:30	**US**	**Philadelphia Fed Business Outlook**	**Feb**	**-3**	**--**	**-3.5**	**--**	**78.4**
02/18/2016 21:30	**US**	**Initial Jobless Claims**	**Feb-13**	**275k**	**--**	**269k**	**--**	**98.4**
02/18/2016 21:30	US	Continuing Claims	Feb-06	2250k	--	2239k	--	68.88
02/18/2016 22:45	US	Bloomberg Economic Expectations	Feb	--	--	47	--	45.6
02/18/2016 22:45	US	Bloomberg Consumer Comfort	Feb-14	--	--	44.5	--	66.4
02/18/2016 23:00	**US**	**Leading Index**	**Jan**	**-0.20%**	**--**	**-0.20%**	**--**	**84**
02/18/2016	HK	Composite Interest Rate	Jan	--	--	0.26%	--	50
02/18/2016	**ID**	**Bank Indonesia Reference Rate**	**Feb-18**	**7.00%**	**--**	**7.25%**	**--**	**95.4545**

Source: Bloomberg

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