

Highlights

Global	<p>The global risk rally finally looks like it's running out of steam. Fed's Williams said "short-term fluctuations or even daily dives aren't accurate reflections of the state of the vast, intricate, multi-layered US economy" and reiterated that "the economy is actually doing fine" with inflation "a little low but it's because of these global factors", so "my preferred route is a gradual path of increases" even as "we continue to navigate the headwinds from weakness abroad and their effects on the dollar and commodity prices". When asked about negative interest rates, his stance is similar to other Fed officials ie. "I see negative interest rates as being a tool that's a possibility that you could consider" but "I don't see it at all likely given where things are". On the economic data front, US' initial jobless claims fell 7k to a 3-week low of 262k but the leading index fell for a second month by 0.2% in Jan, following a revised -0.3% print in Dec, to reflect the stock market rout. In Asia, BI cut its rate by 25bps to 7.0% as anticipated while slashing its primary reserve requirement ratio by 100bps to 6.5%, and continued to sound dovish, while Malaysia's 4Q15 GDP growth also surprised on the upside at 4.5% on the back of resilient consumption. Looking ahead, Asian markets may trade with a consolidative bias given a light economic data calendar which includes US' Jan CPI, Eurozone consumer confidence and UK' retail sales. Fed's Mester is also due to speak.</p>
US	<p>The Philadelphia Fed business gauge improved from -3.5 in Jan to -2.8 in Feb, but underlying new orders, employment and shipment sub-indices were softer. Meanwhile, the Bloomberg consumer confidence and economic expectations index both softened to 44.3 (previously 44.5) and a 3-month low of 42.5 (previously 47.0) respectively.</p>
China	<p>The reliance on open market operations and new monetary policy tools such as MLF suggests that China is still reluctant to cut RRR due to concerns over the potential negative impact on its currency. Meanwhile, PBoC suspended the release of both forex purchases by financial institutions as well as position for forex purchase of financial institutions</p>
Indo-nesia	<p>Bank Indonesia cut its policy rate by 25bps to 7.0% yesterday, as expected by us and some in the market. It has also slashed the reserve requirement ratio from 7.5% to 6.5%, in a bid to ease liquidity in the banking sector.</p>
FX	<p>With the potential for crude to consolidate lower, we undertake a short USD-CAD (spot ref: 1.3655) on Thursday targeting 1.3260 and place a stop at 1.3855. In the wake of the latest FOMC minutes and dovish comments from the Fed's Bullard, the greenback may continue to lose ground against the EUR as the Fed hesitates. With a spot ref at 1.1137, we target 1.1825 and place a stop at 1.0790. With dollar strength likely to capitulate for now, a potential stabilization in commodities/equities coupled with relative stability on the RMB front may see scope for the USD-SGD to test lower. With a spot ref at 1.4034, we look for a 1.3435 target, and place a stop at 1.4335.</p>
Commodities	<p>Energy prices were down (except WTI which rallied slightly by 0.36%) yesterday, as market-watchers digested higher US oil inventories, the most in more than eight decades. The lower prices, coupled with fresh global growth downgrades in 2016 and 2017 by the OECD yesterday to 3.0% (-0.3%) and 3.3% (-0.3%) respectively, had left investors demanding more safe haven. Gold rallied to \$1,226.1/oz (+1.24%).</p>

Treasury Advisory
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Major Market

- **US:** Wall Street slipped yesterday after rising fast and furious for the previous three days, as declines in tech, bank and consumer shares pushed down the Dow (-0.25%), S&P500 (-0.47%) and Nasdaq (-1.03%). Retreating stocks included Wal-Mart Inc, JPMorgan and Citigroup and energy stocks. VIX -3.0% to 21.64. The UST bond market stabilised, with the 2- and 10-year bond yields lower at 0.70% and 1.74% respectively. The US\$7b 30-year TIPS fetched a yield of 1.12% and bid-cover ratio of 2.11 (down from 2.62x previous and marking the lowest since 2000).
- **Singapore:** The STI continued to flop around but recovered 1.67% to close at 2657.57. However, given Wall Street's overnight slippage, and weak morning cues from Nikkei point to a likely retreat by the STI today, with support and resistance tipped at 2620 and 2680. SGS bonds may be better bid today given the fading of the risk rally, and gains are likely to be led by the longer tenors in a repeat of yesterday's move where the 10-year SGS bond yield fell 5bps.
- IDA will auction up to 235megahertz of spectrum in two stages. Meanwhile, SMRT plans to add 1200 staff and hike bus drivers' pay, according to BT.
- **China:** Forex purchases by central bank fell by CNY644 billion in January, in line with the change of FX reserve data released earlier. However, interesting to note, PBoC suspended the release of forex purchases by financial institutions as well as position for forex purchases of financial institutions. This will reduce transparency on PBoC's intervention strategy.
- Meanwhile, PBoC also announced yesterday that it will increase frequency of open market operation to daily basis from previous twice a week to smooth liquidity offsetting the potential negative impact of capital outflows on liquidity. In addition, it also lowered the interest rate for 6 month and 1 year medium lending facility, signalling the easing bias. Nevertheless, the reliance on open market operation and new monetary policy tools such as MLF suggests that China is still reluctant to cut reserve requirement ratio due to concerns on the potential negative impact on currency.
- **Malaysia:** Q4 GDP growth clocked in at 4.5%yoy, against market expectation of 4.1% and just a tad lower than Q3's 4.7%, as private consumption recovered from post-GST slump.
- **Thailand:** The junta had proposed to the Constitution Drafting Committee (CDC) to prolong its tenure after the elections, a proposal if passed, will give the body authority to overrule the elected government, according to Bangkok Post.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 1-2bps lower across the curve yesterday. In the broader dollar space, JACI IG corporates tightened 2bps to 250bps, while the yield on the JACI HY corporates decreased by 4bps to 8.35%. The 10y UST yield decreased 8bps to 1.74%, falling for the first time this week amid a pause in US and European stock interest and a sell-off in oil.
- **New Issues:** Westpac Banking Corp priced a USD1.35bn 5-year covered bond at MS+98bps (UST+89.95bps), tightening from an initial guidance of MS+100bps.
- **Rating Changes:** Moody's revised the outlook for Dalian Wanda Commercial Properties Co Ltd ("Baa2") and Wanda Commercial Properties Hong Kong Co Ltd ("Baa3") to negative from stable. The negative outlook reflects Moody's concerns that Dalian Wanda's credit metrics will weaken in the next 12-18 months and will pressure its "Baa2" ratings.

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	08-Jan-16	B	EUR-USD	1.0888	1.1560	1.1045	Risk of Fed/dollar "disappointment"	
2	18-Feb-16	S	USD-CAD	1.3655	1.3260	1.3855	Potential for crude to consolidate lower	
STRUCTURAL								
3	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	08-Jan-16	19-Jan-16	S	AUD-USD	0.7056	0.6950	Fragile global/equity/commodity/RMB backdrop	+1.47
2	18-Dec-15	19-Jan-16	S	GBP-USD	1.4909	1.4195	Broad dollar strength post-liftoff may be expected to continue to have traction against GBP	+5.03
3	21-Dec-15	21-Jan-16	S	USD-JPY	121.15	117.45	Disappointment towards a less dovish than expected BOJ	+3.06
4	10-Nov-15	21-Jan-16	B	USD-CAD	1.3276	1.4390	USD strength vs. weak crude	+7.75
5	04-Jan-16	01-Feb-16	B	USD-SGD	1.4229	1.4240	Asian FX weakness, RMB jitters	+0.01
6	21-Dec-15	02-Feb-16	S	GBP-USD	1.4917	1.4409	Negative chatter surrounding BREXIT and sustained dissipation towards BOE hawkishness	+3.56
7	05-Feb-16	08-Feb-16	B	AUD-USD	0.7188	0.7060	Dollar in retreat, consolidating commodities	-1.81
8	04-Feb-16	08-Feb-16	S	USD-CAD	1.3760	1.3950	Dollar on the defensive, stabilizing crude	-1.36
9	29-Dec-15	10-Feb-16	S	USD-JPY	120.25	113.45	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY	+5.86
10	10-Feb-16	11-Feb-16	S	USD-JPY	114.50	112.62	Risk aversion + weakened dollar narrative	+1.67
11	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158	1.4035	Dollar may stumble further post-Dudley	+0.85

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.951	0.17%	USD-SGD	1.4030	-0.02%
USD-JPY	113.240	-0.75%	EUR-SGD	1.5582	-0.21%
EUR-USD	1.1132	0.04%	JPY-SGD	1.2387	0.72%
AUD-USD	0.7157	-0.39%	GBP-SGD	2.0112	0.27%
GBP-USD	1.4337	0.30%	AUD-SGD	1.0041	-0.42%
USD-MYR	4.1715	-1.22%	NZD-SGD	0.9322	0.14%
USD-CNY	6.5182	-0.16%	CHF-SGD	1.4129	-0.08%
USD-IDR	13503	-0.03%	SGD-MYR	2.9707	-0.93%
USD-VND	22365	-0.15%	SGD-CNY	4.6427	0.26%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2490	--	O/N	0.3700	--
2M	-0.2240	--	1M	0.4301	--
3M	-0.1890	--	2M	0.5168	--
6M	-0.1210	--	3M	0.6194	--
9M	-0.0680	--	6M	0.8666	--
12M	-0.0110	--	12M	1.1347	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	1.25	0.00	3.40
Italy	0.04	-1.10	1.55
Ireland	-0.21	-0.10	0.95
Greece*	11.51	-115.60	10.49
Spain	0.01	-1.60	1.70
Russia^	3.63	-1.20	5.87

* 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	16,413.43	-40.40
S&P	1,917.83	-9.00
Nasdaq	4,487.54	-46.50
Nikkei 225	16,196.80	360.40
STI	2,657.57	43.80
KLCI	1,680.02	15.70
JCI	4,778.79	13.30
Baltic Dry	313.00	6.00
VIX	21.64	-0.70

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.05 (-0.01)	0.69 (-0.05)
5Y	1.81 (-0.05)	1.20 (-0.07)
10Y	2.18 (-0.04)	1.74 (-0.08)
15Y	2.55 (-0.04)	--
20Y	2.60 (-0.04)	--
30Y	2.70 (-0.05)	2.61 (-0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.24	-0.78
EURIBOR-OIS	15.60	1.50
TED	32.82	0.89

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	30.77	0.36%	Coffee (per lb)	1.142	-0.35%
Brent (per barrel)	34.28	-0.64%	Cotton (per lb)	0.5991	0.07%
Heating Oil (per gallon)	1.079	-0.80%	Sugar (per lb)	0.1278	-2.89%
Gasoline (per gallon)	0.97	-3.09%	Orange Juice (per lb)	1.3010	-1.10%
Natural Gas (per MMBtu)	1.852	-4.63%	Cocoa (per mt)	2,886	0.28%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,575.5	-0.29%	Wheat (per bushel)	4.6225	-1.33%
Nickel (per mt)	8,332	-0.64%	Soybean (per bushel)	8.798	-0.31%
Aluminium (per mt)	1,516.5	0.08%	Corn (per bushel)	3.6550	-0.48%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,226.1	1.24%	Crude Palm Oil (MYR/MT)	2,522.0	-0.90%
Silver (per oz)	15.432	0.36%	Rubber (JPY/KG)	142.6	0.64%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
02/18/2016 05:45	NZ PPI Input QoQ	4Q	--	-1.20%	1.60%	--
02/18/2016 05:45	NZ PPI Output QoQ	4Q	--	-0.80%	1.30%	--
02/18/2016 07:50	JN Foreign Buying Japan Stocks	Feb-12	--	¥562.9b	¥610.4b	¥610.7b
02/18/2016 07:50	JN Trade Balance	Jan	¥658.5b	¥645.9b	¥140.2b	¥140.3b
02/18/2016 07:50	JN Trade Balance Adjusted	Jan	¥61.6b	¥119.4b	¥36.6b	¥15.3b
02/18/2016 08:30	AU Employment Change	Jan	13.0k	-7.9k	-1.0k	-0.8k
02/18/2016 08:30	AU Unemployment Rate	Jan	5.80%	6.00%	5.80%	--
02/18/2016 08:30	AU Full Time Employment Change	Jan	--	-40.6k	17.6k	17.0k
02/18/2016 08:30	AU Participation Rate	Jan	65.20%	65.20%	65.10%	65.20%
02/18/2016 08:30	AU RBA FX Transactions Market	Jan	--	728m	1175m	--
02/18/2016 09:30	CH CPI YoY	Jan	1.90%	1.80%	1.60%	--
02/18/2016 09:30	CH PPI YoY	Jan	-5.40%	-5.30%	-5.90%	--
02/18/2016 12:00	MA GDP YoY	4Q	4.10%	4.50%	4.70%	--
02/18/2016 15:45	FR CPI EU Harmonized MoM	Jan F	-1.00%	-1.10%	-1.00%	--
02/18/2016 15:45	FR CPI EU Harmonized YoY	Jan F	0.40%	0.30%	0.40%	--
02/18/2016 15:45	FR CPI MoM	Jan F	-1.00%	-1.00%	-1.00%	--
02/18/2016 15:45	FR CPI YoY	Jan F	0.20%	0.20%	0.20%	--
02/18/2016 15:45	FR CPI Ex-Tobacco Index	Jan	124.8	99.07	126.03	--
02/18/2016 15:59	ID Bank Indonesia Reference Rate	Feb-18	7.00%	7.00%	7.25%	--
02/18/2016 16:47	HK Composite Interest Rate	Jan	--	0.25%	0.26%	--
02/18/2016 21:30	CA Wholesale Trade Sales MoM	Dec	0.20%	2.00%	1.80%	1.90%
02/18/2016 21:30	US Philadelphia Fed Business Outlook	Feb	-3	-2.8	-3.5	--
02/18/2016 21:30	US Initial Jobless Claims	Feb-13	275k	262k	269k	--
02/18/2016 21:30	US Continuing Claims	Feb-06	2250k	2273k	2239k	2243k
02/18/2016 22:45	US Bloomberg Economic Expectations	Feb	--	42.5	47	--
02/18/2016 22:45	US Bloomberg Consumer Comfort	Feb-14	--	44.3	44.5	--
02/18/2016 23:00	US Leading Index	Jan	-0.20%	-0.20%	-0.20%	-0.30%
02/19/2016 05:00	SK PPI YoY	Jan	--	-3.30%	-3.90%	-4.00%
02/19/2016 12:30	JN All Industry Activity Index MoM	Dec	-0.30%	--	-1.00%	--
02/19/2016 13:30	JN Nationwide Dept Sales YoY	Jan	--	--	0.10%	--
02/19/2016 15:00	GE PPI MoM	Jan	-0.30%	--	-0.50%	--
02/19/2016 15:00	GE PPI YoY	Jan	-2.00%	--	-2.30%	--
02/19/2016 15:30	TH Foreign Reserves	Feb-12	--	--	\$163.8b	--
02/19/2016 17:30	UK Retail Sales Ex Auto Fuel MoM	Jan	0.70%	--	-0.90%	--
02/19/2016 17:30	UK Retail Sales Ex Auto Fuel YoY	Jan	3.40%	--	2.10%	--
02/19/2016 17:30	UK Retail Sales Inc Auto Fuel MoM	Jan	0.80%	--	-1.00%	--
02/19/2016 17:30	UK Retail Sales Inc Auto Fuel YoY	Jan	3.60%	--	2.60%	--
02/19/2016 17:30	UK Public Finances (PSNCR)	Jan	--	--	8.1b	--
02/19/2016 17:30	UK Public Sector Net Borrowing	Jan	-13.9b	--	6.9b	--
02/19/2016 17:30	UK PSNB ex Banking Groups	Jan	-12.3b	--	7.5b	--
02/19/2016 21:30	CA Retail Sales MoM	Dec	-0.90%	--	1.70%	--
02/19/2016 21:30	CA Retail Sales Ex Auto MoM	Dec	-0.70%	--	1.10%	--
02/19/2016 21:30	CA CPI NSA MoM	Jan	0.00%	--	-0.50%	--
02/19/2016 21:30	CA CPI YoY	Jan	1.80%	--	1.60%	--
02/19/2016 21:30	US CPI MoM	Jan	-0.10%	--	-0.10%	--
02/19/2016 21:30	CA CPI Core MoM	Jan	0.20%	--	-0.40%	--
02/19/2016 21:30	US CPI Ex Food and Energy MoM	Jan	0.20%	--	0.10%	0.20%
02/19/2016 21:30	CA CPI Core YoY	Jan	1.90%	--	1.90%	--
02/19/2016 21:30	US CPI YoY	Jan	1.30%	--	0.70%	--
02/19/2016 21:30	US CPI Ex Food and Energy YoY	Jan	2.10%	--	2.10%	--
02/19/2016 23:00	EC Consumer Confidence	Feb A	-6.6	--	-6.3	--
02/19/2016	PH BoP Overall	Jan	--	--	\$481m	--
02/19/2016	PH Overseas Remittances YoY	Dec	0.50%	--	3.20%	--
02/19/2016	PH Overseas Workers Remittances	Dec	--	--	\$2190m	--

Source: Bloomberg

OCBC Treasury Research		
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Koh Jun Ming, Nicholas NicholasKoh@ocbc.com	<u>Wing Hang</u> Kam Liu kamyliu@ocbcwh.com Carie Li carierli@ocbcwh.com

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