

Treasury Advisory
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Highlights

Global	<p>23 June will be the key date to watch for the Brexit referendum, especially with London mayor Boris Johnson backing the exit (please refer to our recent report "Brexit"). Meanwhile the US' CPI inflation data spooked the Treasury bond market, which coupled with Fed's Mester sounding a tad more hawkish than expected. Mester opined that "the US economy will work through this episode of market turbulence and the soft patch of economic data to regain its footing for moderate growth", and the Fed remains on track for "gradual reductions over time". Elsewhere on the newsflow was China's easing of some property measures and the removal of CSRC chairman Xiao Gang. Looking ahead, Asian markets may trade with a cautious tone given a relatively quiet economic calendar, with US' Chicago Fed national activity index and Markit manufacturing PMI, Japan's Nikkei PMI and European services/composite PMIs on tap. It will be interesting to watch the G20 meeting in Shanghai later this week on 26-27 Feb to see if there will be any concrete measures apart from officials jawboning the FX markets.</p>
US	<p>The 12-month CPI inflation doubled from 0.7% yoy (-0.1% mom) in Dec to 1.4% yoy (0% mom) in Jan, even though energy prices fell 2.8% yoy in Jan. In particular, the core CPI adding 2.2% yoy (+0.3% mom), which is the biggest surge since Jun12 and Aug11 respectively, on the back of higher rent, clothing, medical care, airfares and autos. Mester also noted that "oil prices cannot continue to decline indefinitely, nor can the dollar continue to appreciate forever" and "at some point, both will regain some stability and the effect of previous changes on inflation will dissipate".</p>
Singapore	<p>CPI is due tomorrow and is tipped to stay negative territory at -0.8% yoy (-0.4% mom nsa) with core CPI at +0.8% yoy, revised 4Q16 GDP growth estimates on 24/2 at 1.8% yoy (+5.1% qoq saar) versus the flash estimate of 2.0% yoy (+5.7% qoq saar). Also due, industrial production on 26/2 at -6.6% yoy (-1.7% mom sa).</p>
China	<p>China announced to lower tax for property transactions in all cities except the four tier-1 cities to further support housing market. The move is in line with China's goal to de-stock housing inventory to mitigate system risk from property market. China's security regulator CSRC denied the report that it has suspended the application of QDII, which allowed domestic investors to invest in the offshore market.</p>
Indonesia	<p>Bank Indonesia plans to boost the proportion of derivatives to 36-42% of total FX transactions this year, compared to 35% at end of last year. This is part of a financial market deepening program pursued by the central bank.</p>
FX	<p>Despite the latest reassurances from the Fed's Williams, an iffy FOMC trajectory and background risk aversion may keep the USD-JPY suppressed. With a spot ref at 112.84, we target 109.30 and set a stop at 114.65.</p>
Commodities	<p>WTI lingered below \$30/bbl amid Brexit concerns, while market-watchers increasingly discount the recent Saudi Arabia-Russia deal in Doha on Iran's absence in committing to the production freeze. Gold shot higher to \$1,230/oz once again on intensified risk aversion as investors flock to safe haven.</p>

Major Market

- **US:** Wall Street ended flat to mixed on Friday and pared the weekly gains after crude oil prices slipped, with the Dow at -0.13%, S&P500 +0.38% and Nasdaq at 0%. VIX -5.13% to 20.53. The UST bond market recovered from its initial CPI shock and closed with the 2- and 10-year bond yields at 0.75% (+5bps) and 1.75% (+1bp) respectively.
- **Singapore:** The STI ended flat (-0.03%) at 2656.87 on Friday, and given mixed clues from Wall Street's Friday performance and weak morning cues from Nikkei and Kospi, the STI could trade with a softer tone today. STI support and resistance are tipped at 2600 and 2680. SGS bonds may be better bid today amid the slightly more hawkish turn in Fed market expectations and "Brexit" event risk.
- **China:** The deed tax for large units (90 square meter and above) will be lowered to 1.5% for first time buyers while the deed tax for small unit (below 90 square meter) remains unchanged at 1%. Meanwhile, the deed tax for the second property will also be lowered to 1% and 2% respectively for small and large units from previously 3% and 5%. In addition, China will also waive business tax for property sold after two years of purchase. The deed tax cut is likely to support upgrade demand.
- **Hong Kong:** Private residential housing starts fell slightly in December, posting 1,236 units. For the year 2015, housing starts recorded 18,152 units, 190% higher than the previous year. Figures indicate that the housing supply in the private sector could be on a solid growth pace over next two to three years. On the other hand, completion in December recorded 1,248 units while private residential housing completions reached 12,606 units in 2015, 20% down from the previous year. As there were fewer housing starts in 2013 (10,064 units) and 2014 (6,427 units), we believe that completions would continue to fall in 2016 even though home builders accelerate the completion of private housing so as to avoid competition with public housing and subsidized flats in later years. Nevertheless, based on the robust growth in groundbreaking in 2015, we expect that the completion could rebound in early 2017. Looking forward, we expect property prices to drop by around 10% yoy to 15% yoy in 2016 due to weak investor sentiment and a possible rate hike in US.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with the belly falling 1-3bps and the long end falling 4bps. In the broader dollar space, JACI IG corporates widened 4bps to 253bps, while the yield on the JACI HY corporates tightened by 4bps to 8.31%. The 10y UST yield remained flat at 1.74%.
- **New Issues:** Capitaland Mall Trust priced a SGD100mn 10-year bond at 3.5% (SDSW10Y + 87bps) last Thursday.
- **Rating Changes:** Moody's placed the Baosteel group of companies on negative credit watch, expecting deterioration in earnings and debt leverage given the adverse operating environment for the steel industry in China. Moody's has placed Hengdeli Holdings ("Ba2") on negative credit watch given the weak earnings guidance which the issuer gave during its recent earnings announcement. S&P affirmed and withdrew Philippine National Bank ("B+") ratings at the bank's request.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.600	-0.36%	USD-SGD	1.4053	0.16%
USD-JPY	112.630	-0.54%	EUR-SGD	1.5641	0.38%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2478	0.73%
AUD-USD	0.7148	-0.13%	GBP-SGD	2.0245	0.66%
GBP-USD	1.4406	0.48%	AUD-SGD	1.0046	0.05%
USD-MYR	4.2080	0.87%	NZD-SGD	0.9319	-0.03%
USD-CNY	6.5223	0.06%	CHF-SGD	1.4196	0.47%
USD-IDR	13509	0.04%	SGD-MYR	2.9929	0.75%
USD-VND	22349	-0.07%	SGD-CNY	4.6337	-0.19%

Equity and Commodity

Index	Value	Net change
DJIA	16,391.99	-21.40
S&P	1,917.78	--
Nasdaq	4,504.43	16.90
Nikkei 225	15,967.17	-229.60
STI	2,656.87	-0.70
KLCI	1,674.88	-5.10
JCI	4,697.56	-81.20
Baltic Dry	315.00	2.00
VIX	20.53	-1.10

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2550	-0.0020	O/N	0.3709	-0.0005
2M	-0.2310	-0.0040	1M	0.4335	0.0015
3M	-0.1980	-0.0030	2M	0.5172	-0.0018
6M	-0.1250	-0.0010	3M	0.6182	--
9M	-0.0720	-0.0010	6M	0.8679	-0.0025
12M	-0.0170	-0.0030	12M	1.1398	-0.0022

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.04 (-0.01)	0.74 (+0.05)
5Y	1.77 (-0.04)	1.22 (+0.03)
10Y	2.14 (-0.04)	1.74 (+0.01)
15Y	2.49 (-0.05)	--
20Y	2.55 (-0.06)	--
30Y	2.63 (-0.07)	2.60 (--)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	1.27	2.20	3.44
Italy	0.05	0.70	1.56
Ireland	-0.23	-2.00	0.96
Greece*	11.85	33.80	10.54
Spain	0.13	11.20	1.71
Russia^	3.70	6.70	5.92

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.92	0.08
EURIBOR-OIS	14.05	-0.95
TED	32.83	0.01

* 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)	29.64	-3.67%	Coffee (per lb)	1.158	1.40%
Brent (per barrel)	33.01	-3.70%	Cotton (per lb)	0.6001	0.17%
Heating Oil (per gallon)	1.026	-4.98%	Sugar (per lb)	0.1252	-2.03%
Gasoline (per gallon)	0.96	-1.34%	Orange Juice (per lb)	1.3060	0.38%
Natural Gas (per MMBtu)	1.804	-2.59%	Cocoa (per mt)	2,836	-1.73%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,621.0	0.99%	Wheat (per bushel)	4.6175	-0.11%
Nickel (per mt)	8,563	2.77%	Soybean (per bushel)	8.783	-0.17%
Aluminium (per mt)	1,551.8	2.32%	Corn (per bushel)	3.6550	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,230.4	0.35%	Crude Palm Oil (MYR/MT)	2,522.0	--
Silver (per oz)	15.373	-0.38%	Rubber (JPY/KG)	141.0	-1.12%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

FX Trade Ideas

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 higher	
3	19-Feb-16		S	USD-JPY	112.8400	109.3000	114.6500	Iffy FOMC & background risk aversion	
	STRUCTURAL								
4	03-Feb-16		S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
5	18-Feb-16		B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
6	18-Feb-16		S	USD-SGD	1.4034	1.3435	1.4335	USD vulnearbility, stabilization in RMB, equities/commodities	
	RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	21-Dec-15	21-Jan-16	S	USD-JPY	121.15		117.45	Disappointment towards a less dovish than expected BOJ	+3.06
2	10-Nov-15	21-Jan-16	B	USD-CAD	1.3276		1.4390	USD strength vs. weak crude	+7.75
3	04-Jan-16	01-Feb-16	B	USD-SGD	1.4229		1.4240	Asian FX weakness, RMB jitters	+0.01
4	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
5	05-Feb-16	08-Feb-16	B	AUD-USD	0.7188		0.7060	Dollar in retreat, consolidating commodities	-1.81
6	04-Feb-16	08-Feb-16	S	USD-CAD	1.3760		1.3950	Dollar on the defensive, stabilizing crude	-1.36
7	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
8	10-Feb-16	11-Feb-16	S	USD-JPY	114.50		112.62	Risk aversion + weakened dollar narrative	+1.67
9	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158		1.4035	Dollar may stumble further post-Dudley	+0.85

CFTC Commodities Futures and Options

For the week ended: 16 Feb 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Soybean	-49,365	-73,254	23,889	Nymex Crude	220,938	253,994	-33,056
Gold	148,626	125,386	23,240	Corn	-69,423	-37,158	-32,265
Natural Gas	-176,781	-189,075	12,294	Sugar	75,326	84,621	-9,295
RBOB Gasoline	85,705	77,482	8,223	Coffee	-11,090	-5,773	-5,317
Silver	56,806	50,081	6,725	Cotton	-4,419	-528	-3,891
Lean Hogs	43,329	37,085	6,244	Cocoa	19,956	21,706	-1,750
Platinum	32,414	28,924	3,490	Copper	-27,365	-26,852	-513
Wheat	-94,805	-96,890	2,085	Live Cattle	19,752	20,237	-485
Heating Oil	7,308	6,195	1,113	Palladium	5,928	5,563	365

Source: CFTC

Key Economic Indicators

Date Time	Event		Survey	Actual	Prior	Revised
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%	-0.90%	-1.00%	-1.10%
02/19/2016 13:30	JN Nationwide Dept Sales YoY	Jan	--	-1.90%	0.10%	--
02/19/2016 13:39	PH BoP Overall	Jan	--	-\$813m	\$481m	--
02/19/2016 15:00	GE PPI MoM	Jan	-0.30%	-0.70%	-0.50%	--
02/19/2016 15:00	GE PPI YoY	Jan	-2.00%	-2.40%	-2.30%	--
02/19/2016 15:30	TH Foreign Reserves	Feb-12	--	\$165.6b	\$163.8b	--
02/19/2016 16:11	PH Overseas Remittances YoY	Dec	0.50%	4.90%	3.20%	-6.20%
02/19/2016 16:13	PH Overseas Workers Remittances	Dec	--	\$2470m	\$2190m	\$1871m
02/19/2016 17:30	UK Retail Sales Ex Auto Fuel MoM	Jan	0.70%	2.30%	-0.90%	-1.30%
02/19/2016 17:30	UK Retail Sales Ex Auto Fuel YoY	Jan	3.40%	5.00%	2.10%	1.80%
02/19/2016 17:30	UK Retail Sales Inc Auto Fuel MoM	Jan	0.80%	2.30%	-1.00%	-1.40%
02/19/2016 17:30	UK Retail Sales Inc Auto Fuel YoY	Jan	3.60%	5.20%	2.60%	2.30%
02/19/2016 17:30	UK Public Finances (PSNCR)	Jan	--	-24.9b	8.1b	8.5b
02/19/2016 17:30	UK Public Sector Net Borrowing	Jan	-13.9b	-11.8b	6.9b	7.5b
02/19/2016 17:30	UK PSNB ex Banking Groups	Jan	-12.3b	-11.2b	7.5b	8.1b
02/19/2016 21:30	CA Retail Sales MoM	Dec	-0.90%	-2.20%	1.70%	--
02/19/2016 21:30	CA Retail Sales Ex Auto MoM	Dec	-0.70%	-1.60%	1.10%	1.00%
02/19/2016 21:30	CA CPI NSA MoM	Jan	0.00%	0.20%	-0.50%	--
02/19/2016 21:30	CA CPI YoY	Jan	1.80%	2.00%	1.60%	--
02/19/2016 21:30	US CPI MoM	Jan	-0.10%	0.00%	-0.10%	--
02/19/2016 21:30	CA CPI Core MoM	Jan	0.20%	0.30%	-0.40%	--
02/19/2016 21:30	US CPI Ex Food and Energy MoM	Jan	0.20%	0.30%	0.10%	0.20%
02/19/2016 21:30	CA CPI Core YoY	Jan	1.90%	2.00%	1.90%	--
02/19/2016 21:30	US CPI YoY	Jan	1.30%	1.40%	0.70%	--
02/19/2016 21:30	US CPI Ex Food and Energy YoY	Jan	2.10%	2.20%	2.10%	--
02/19/2016 23:00	EC Consumer Confidence	Feb A	-6.6	-8.8	-6.3	--
02/22/2016 10:00	NZ Credit Card Spending YoY	Jan	--	--	7.40%	--
02/22/2016 10:00	JN Nikkei Japan PMI Mfg	Feb P	52	--	52.3	--
02/22/2016 16:00	FR Markit France Manufacturing PMI	Feb P	49.9	--	50	--
02/22/2016 16:00	FR Markit France Services PMI	Feb P	50.3	--	50.3	--
02/22/2016 16:00	FR Markit France Composite PMI	Feb P	50.3	--	50.2	--
	Markit/BME Germany					
02/22/2016 16:30	GE Manufacturing PMI	Feb P	51.9	--	52.3	--
02/22/2016 16:30	GE Markit Germany Services PMI	Feb P	54.7	--	55	--
02/22/2016 16:30	GE Markit/BME Germany Composite PMI	Feb P	54.1	--	54.5	--
	Markit Eurozone Manufacturing					
02/22/2016 17:00	EC PMI	Feb P	52	--	52.3	--
02/22/2016 17:00	EC Markit Eurozone Services PMI	Feb P	53.4	--	53.6	--
02/22/2016 17:00	EC Markit Eurozone Composite PMI	Feb P	53.3	--	53.6	--
02/22/2016 17:00	IT CPI EU Harmonized YoY	Jan F	0.40%	--	0.40%	--
02/22/2016 18:00	MA Foreign Reserves	Feb-15	--	--	\$95.5b	--
02/22/2016 21:30	US Chicago Fed Nat Activity Index	Jan	-0.1	--	-0.22	--
02/22/2016 22:45	US Markit US Manufacturing PMI	Feb P	52.5	--	52.4	--

Source: Bloomberg

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