

Treasury Advisory
Corporate FX & Structured
Products

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Highlights

Global	Global risk appetite subsided slightly yesterday, with equity markets dipping. Fed's George opined it should be a "live question" if to hike rates in March as it's too soon to say if market volatility will fundamentally alter the outlook, whereas Kaplan suggested patience on the inflation target and the Fed should wait to see the effects of financial market volatility first. Today's market focus will be on US' new home sales and Markit services/composite PMI, HK's 4Q15 GDP growth, Taiwan export orders, and Malaysia's CPI. Fed speakers include Fischer and Lacker.
US	US' existing home sales beat expectations, coming in at 5.47m as opposed to the 5.33m consensus. S&P/CaseShiller also trumped expectations at 182.75, albeit contracting from November's print of 182.86. February's consumer confidence index came in at 92.2, falling from the previous reading of 98.1.
EZ	German 4Q15 GDP growth remained unchanged at +0.3% saqoq (+2.10% nsayoy), supported by increased government spending (+4.0% saqoq) and construction (+9.1% saqoq). However, exports and private consumption contracted from 3Q15, printing -2.5% saqoq and 1.1% saqoq respectively.
Singapore	4Q15 GDP growth was revised up to +6.2% qoq saar (+1.8% yoy), versus the initial flash estimate of +5.7% qoq saar (+2.0% yoy), as the services expansion (+2.8% yoy, +7.7% qoq) outweighed the manufacturing deterioration (-6.7% yoy, -4.9% qoq) and the construction sector also did better than expected (+2.9% yoy, +6.0% qoq). The full year 2015 growth was revised slightly to 2.0%, down from 3.3% in 2014, but there was no change to the official 2016 growth outlook at 1-3% with the caveat that it is "barring the full materialisation of downside risks" and services sectors like finance & insurance and wholesale trade are likely to support growth in the face of manufacturing weakness. However, the accompanying elaboration of the challenges, especially the downside risks in the global economic outlook, suggests some inherent dovishness. Note four domestic drags were cited, namely weak external demand weighing on exports, risks of lower oil prices on the marine & offshore segment as well as supporting precision engineering industry, weakening momentum in construction, and labour constraints constraining labour-intensive sectors like food services. Our 2016 GDP growth forecast remains at 2%, assuming that a step-down in 1Q16 momentum will stabilize on a year-on-year basis from 2Q16 onwards. The sluggish growth and inflation dynamics continues to slightly push open the policy door for stimulus, be it on the fiscal or monetary front.
China	Net purchase of foreign currency fell in January to US\$54.4 billion from US\$89.4 billion in December, partly due to the bank's net sale of foreign currency. This suggests that the PBoC had been using commercial banks as a buffer to mitigate the pace of decline of its FX reserve in January. PBoC balance sheet ballooned by 6% in January to CNY33.7 trillion from CNY31.8 trillion in December despite persistent capital outflows. Although PBoC is reluctant to inject liquidity via traditional monetary policy tools, such as RRR cuts, due to concerns over the potential negative impact on currency stability, it has injected massive liquidity in January via non-traditional ways such as SLF and MLF, leading to the spike of central bank's balance sheet.

Major Market

- **US:** Wall Street retreated on Tuesday as bank stocks and crude oil prices slipped, with the Dow closing at -1.14%, S&P500 at -1.25% and Nasdaq at -1.47%. VIX +8.26% to 20.98. The UST bond market rallied as investors seek the comfort of safe haven assets with the 2- and 10-year bond yields at 0.73% (-2bps) and 1.72% (-3bps) respectively.
- **Singapore:** Headline CPI contracted for the 15th straight month by 0.6% yoy (-0.2% mom nsa), dragged down by oil prices and car COE premiums. However, core CPI accelerated slightly from +0.3% yoy in Dec15 to +0.4% in Jan16. The official headline inflation forecast was trimmed from -0.5% to +0.5% yoy to -1% to 0%, but the core inflation forecast was unchanged at 0.5-1.5% yoy. Our headline and core inflation forecasts remain at -0.4% and +1.0% yoy respectively as it already sufficiently accounts for the downside price risks. Note the official rhetoric is not overtly dovish, especially on the core inflation front, so it would be premature to extrapolate this to the April monetary policy meeting.
- The STI added 0.43% to close at 2672.07 yesterday, and given overnight slippage in Wall Street and morning retreats in Nikkei and Kospi, the STI could trade with a consolidative tone today. STI support and resistance are tipped at 2620 and 2700. SGS bonds traded softer in a tight 1-2bp range yesterday, and is likely to be caught between the overnight rally in UST bonds and the slightly better-than-expected 4Q15 GDP growth revision this morning. Market players are also likely awaiting the \$2b 30-year SGS bond auction tomorrow.
- **Hong Kong:** Headline CPI inflation increased from 2.5% to 2.7% in January due to the uptick in food prices amid the cold weather and the Lunar New Year. On the other hand, housing rental inflation declined to 3.8%, as private housing markets succumb to sour market sentiment and an increasing supply of private flats in coming years. Clothing fell for the 10th consecutive month to a six-month low of 2.5% in January while alcoholic drinks and tobacco inflation remained low at 0.7% due to sluggish inbound tourism and subdued tourist spending. Looking forward, we expect the upside risk of HK inflation to be limited this year given the slump in commodity and energy prices as well as dampened consumption sentiment amid HK economic downturn.
- Labor market remained stable in January, with seasonally adjusted unemployment rate holding at 3.3% for the seventh straight month while underemployment rate remained at 1.4%. Unemployment rate in the retail sector went up from 4.5% to 4.6% in January, remaining above the average of 4.4% in 2014 as total value of retail sales tumbled while visitor arrivals contracted 2.5% yoy in 2015. Unemployment rate in trade and wholesale sectors rose again to 2.6%, with December's export and import value slumping respectively for the 8th and 11th straight month amid muted external demand.
- **Macau:** CPI inflation rallied to 3.81% in January, after decelerating for seven straight months. The reading surprised on the upside mainly due to the higher prices of vegetables and increasing cost of eating out. Both factors brought the price index of Food & Non-Alcoholic Beverages, the most heavily-weighted section, up by 4.17% yoy, offsetting the slowdown in inflation of Housing & Fuels, which printed 3.62%, the lowest in four years. Weak visitor spending (-7.1% yoy in 4Q) amid the global slowdown and depreciation of major currencies against MOP will continue to put downward pressure on inflation. Looking ahead, we expect inflation to stay low around 4% in the coming months due to the effect of a high base, reductions in charges for package tours, slower inflation in housing & fuels as well as low oil prices.
- **Indonesia:** Economics Minister, Darmin Nasution, has reportedly said that he has asked Bank Indonesia to review steps to lower monetary policy rate to 4-5%, according to Reuters. The government has been ramping up talks about measures to drive down lending rates, including its desire to see lending rates to companies coming down to as low as 9% on average by year-end.

- **Malaysia:** Bank Negara's Governor Zeti Aziz said that she hoped the probe into 1MDB will be concluded before her tenure ends in April, so that her successor can start with a clean slate.
- **Thailand:** The Thai cabinet has approved a THB93bn package yesterday, aimed to fund three loan schemes for the agriculture sector. This move is made in the attempt to mitigate the drags from the drought, as well as to support domestic growth.
- **Commodities:** WTI stayed supported above \$31/bbl, but Brent fell 4.1% to \$33.27/bbl overnight. Note that Saudi Arabia oil minister Ali Al-Naimi commented that the kingdom will not cut oil production while affirming the Doha accord. Elsewhere, Iran called the accord "ridiculous", adding to the fall to Brent prices. Gold rallied 1.1% to \$1,222.3/oz.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 3-6bps higher across the curve yesterday. In the broader dollar space, JACI IG corporates tightened 1bp to 249bps, while the yield on the JACI HY corporates was 4bps lower at 8.27%. The 10y UST yield was down 3bps to 1.72%.
- **New Issues:** Heavy day of issuance from financials yesterday after a 2-week long hiatus. Mitsubishi UFJ Financial Group sold USD5bn of TLAC eligible senior unsecured notes across 3 tranches. USD400mn of 5-year FRNs were priced at 3mL+188bps, USD2.1bn of 5-year notes came in at CT5+180bps while the USD2.5bn 10-year tranche priced at CT215bps. The notes which are Asia's first TLAC-eligible issuance will count towards MUFG's TLAC requirements due to the structural subordination to debt issued out of the operating entities. Bank of China HK branch sold USD900mn of 3-year FRNs at 3mL+105bps, USD600mn of 3-year notes at CT3+107.5bps and USD500mn of 5-year paper at CT5+120bps. Temasek came to market with a dual tranche deal, pricing a EUR600mn 5-year tranche at MS+48bps while the EUR500mn 12-year tranche came in at MS+80bps. Khazanah issued a 5-year USD750mn sukuk at CT10+180bps.
- **Rating Changes:** Moody's downgraded Maoye International Holdings Ltd.'s corporate family rating to Caa1 from B1 and the company's senior unsecured ratings to Caa2 from B2 citing increased probability of default from weakening operating cash flow and potential cash drainage from further acquisitions. The ratings outlook is negative. Moody's also downgraded Noble Group's corporate family, senior unsecured bond ratings and the provisional rating on the company's senior unsecured medium-term note program to Ba3 from Ba1 reflecting the impact of the unexpected assets write-down on Noble's business and financial profile. All ratings remain on review for further downgrades. S&P lowered its long-term corporate credit rating on PT Energi Mega Persada Tbk to B- from B reflecting substantial refinancing risk on debt. The outlook is negative.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.481	0.10%	USD-SGD	1.4074	0.56%
USD-JPY	112.100	-0.73%	EUR-SGD	1.5509	0.47%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2554	1.29%
AUD-USD	0.7202	-0.35%	GBP-SGD	1.9735	-0.35%
GBP-USD	1.4022	-0.90%	AUD-SGD	1.0137	0.22%
USD-MYR	4.2002	0.06%	NZD-SGD	0.9350	-0.28%
USD-CNY	6.5272	0.08%	CHF-SGD	1.4197	1.40%
USD-IDR	13428	-0.08%	SGD-MYR	2.9894	-0.11%
USD-VND	22380	-0.01%	SGD-CNY	4.6329	-0.46%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2580	--	O/N	0.3710	--
2M	-0.2320	--	1M	0.4335	--
3M	-0.1990	--	2M	0.5198	--
6M	-0.1260	--	3M	0.6246	--
9M	-0.0710	--	6M	0.8816	--
12M	-0.0180	--	12M	1.1585	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.93	-33.20	3.41
Italy	0.03	-0.10	1.53
Ireland	-0.21	2.20	1.02
Greece*	11.53	-23.00	10.54
Spain	0.09	-1.10	1.64
Russia^	3.64	0.00	5.83

* 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	16,431.78	-188.90
S&P	1,921.27	-24.20
Nasdaq	4,503.58	-67.00
Nikkei 225	16,052.05	-59.00
STI	2,672.07	11.40
KLCI	1,677.28	2.70
JCI	4,654.05	-54.60
Baltic Dry	318.00	2.00
VIX	20.98	1.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.06 (+0.01)	0.73 (-0.02)
5Y	1.80 (--)	1.20 (-0.03)
10Y	2.19 (+0.02)	1.72 (-0.03)
15Y	2.55 (+0.02)	--
20Y	2.60 (+0.03)	--
30Y	2.68 (+0.03)	2.58 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.26	0.34
EURIBOR-OIS	13.70	-0.33
TED	30.86	-1.59

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	31.87	1.24%	Coffee (per lb)	1.178	-1.71%
Brent (per barrel)	33.27	-4.09%	Cotton (per lb)	0.5817	0.74%
Heating Oil (per gallon)	1.022	-3.13%	Sugar (per lb)	0.1400	11.02%
Gasoline (per gallon)	0.97	-3.43%	Orange Juice (per lb)	1.2660	1.04%
Natural Gas (per MMBtu)	1.782	-2.14%	Cocoa (per mt)	2,872	0.60%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,645.0	-1.04%	Wheat (per bushel)	4.4800	-2.29%
Nickel (per mt)	8,593	-1.87%	Soybean (per bushel)	8.693	-1.33%
Aluminium (per mt)	1,548.5	-1.76%	Corn (per bushel)	3.6200	-1.50%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,222.3	1.06%	Crude Palm Oil (MYR/MT)	2,483.0	-0.76%
Silver (per oz)	15.240	0.37%	Rubber (JPY/KG)	144.0	1.77%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

FX Trade Ideas

FX Trade Review									
	Inception		B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	18-Feb-16		S	USD-CAD	1.3655	1.3260	1.3855	Potential for crude to consolidate higher	
2	19-Feb-16		S	USD-JPY	112.8400	109.3000	114.6500	Iffy FOMC & background risk aversion	
	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 vulnearbility, stabilization in RMB, equities/commodities	
	RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	04-Jan-16	01-Feb-16	B	USD-SGD	1.4229		1.4240	Asian FX weakness, RMB jitters	+0.01
2	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
3	05-Feb-16	08-Feb-16	B	AUD-USD	0.7188		0.7060	Dollar in retreat, consolidating commodities	-1.81
4	04-Feb-16	08-Feb-16	S	USD-CAD	1.3760		1.3950	Dollar on the defensive, stabilizing crude	-1.36
5	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
6	10-Feb-16	11-Feb-16	S	USD-JPY	114.50		112.62	Risk aversion + weakened dollar narrative	+1.67
7	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158		1.4035	Dollar may stumble further post-Dudley	+0.85
8	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888		1.1045	Risk of Fed/dollar "disappointment"	+1.42

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
02/23/2016 11:06	MU	CPI Composite YoY	Jan	--	3.81%	3.73%	--
02/23/2016 13:00	SI	CPI NSA MoM	Jan	-0.10%	-0.20%	0.00%	--
02/23/2016 13:00	SI	CPI YoY	Jan	-0.60%	-0.60%	-0.60%	--
02/23/2016 15:00	GE	GDP SA QoQ	4Q F	0.30%	0.30%	0.30%	--
02/23/2016 15:00	GE	GDP WDA YoY	4Q F	1.30%	1.30%	1.30%	--
02/23/2016 15:00	GE	GDP NSA YoY	4Q F	2.10%	2.10%	2.10%	--
02/23/2016 15:45	FR	Manufacturing Confidence	Feb	102	103	102	103
02/23/2016 16:47	HK	CPI Composite YoY	Jan	2.50%	2.70%	2.50%	--
02/23/2016 16:51	HK	Unemployment Rate SA	Jan	3.30%	3.30%	3.30%	--
02/23/2016 17:00	GE	IFO Business Climate	Feb	106.8	105.7	107.3	--
02/23/2016 17:00	GE	IFO Current Assessment	Feb	112	112.9	112.5	--
02/23/2016 17:00	GE	IFO Expectations	Feb	101.6	98.8	102.4	102.3
02/23/2016 22:00	US	S&P/CaseShiller 20-City Index NSA	Dec	183.07	182.75	182.86	182.71
02/23/2016 22:00	US	S&P/CS Composite-20 YOY NSA	Dec	5.80%	5.74%	5.83%	5.74%
02/23/2016 23:00	US	Consumer Confidence Index	Feb	97.2	92.2	98.1	97.8
02/23/2016 23:00	US	Richmond Fed Manufact. Index	Feb	2	-4	2	--
02/23/2016 23:00	US	Existing Home Sales	Jan	5.33m	5.47m	5.46m	5.45m
02/23/2016 23:00	US	Existing Home Sales MoM	Jan	-2.50%	0.40%	14.70%	12.10%
02/24/2016 08:00	SI	GDP YoY	4Q F	1.80%	1.80%	2.00%	--
02/24/2016 08:00	SI	GDP SAAR QoQ	4Q F	4.50%	6.20%	5.70%	--
02/24/2016 09:00	PH	Trade Balance	Dec	-\$1400m	--	-\$977m	--
02/24/2016 12:00	MA	CPI YoY	Jan	3.70%	--	2.70%	--
02/24/2016 13:00	JN	Small Business Confidence	Feb	47.1	--	47.2	--
02/24/2016 13:00	JN	Leading Index CI	Dec F	--	--	102	--
02/24/2016 15:45	FR	Consumer Confidence	Feb	97	--	97	--
02/24/2016 16:00	TA	Export Orders YoY	Jan	-10.50%	--	-12.30%	--
02/24/2016 17:00	IT	Industrial Orders NSA YoY	Dec	--	--	12.10%	--
02/24/2016 17:00	IT	Industrial Orders MoM	Dec	--	--	1.60%	--
02/24/2016 17:30	UK	BBA Loans for House Purchase	Jan	44800	--	43975	--
02/24/2016 20:00	US	MBA Mortgage Applications	Feb-19	--	--	8.20%	--
02/24/2016 22:45	US	Markit US Services PMI	Feb P	53.5	--	53.2	--
02/24/2016 22:45	US	Markit US Composite PMI	Feb P	--	--	53.2	--
02/24/2016 23:00	US	New Home Sales	Jan	520k	--	544k	--
02/24/2016 23:00	US	New Home Sales MoM	Jan	-4.40%	--	10.80%	--
02/24/2016	VN	CPI YoY	Feb	1.15%	--	0.80%	--
02/24/2016	HK	GDP SA QoQ	4Q	0.30%	--	0.90%	--
02/24/2016	HK	GDP YoY	4Q	2.20%	--	2.30%	--

Source: Bloomberg

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