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Highlights

| | |
|--------|---|
| Global | <p>Global risk appetite was generally undented despite the US data disappointments. US' new home sales retreated more than expected by 9.2% mom to an annual pace of 494k in Jan, marking the lowest monthly rate since Oct amid a cold winter in the West. The median price of a new home also slipped 4.5% yoy to US\$279k in Jan. Meanwhile, the Markit services PMI unexpectedly plunged into contraction territory for the first time since Oct 2013 (partial government shutdown) to a 28-month low of 49.8 in Feb, down from 53.2 in Jan, dragging the composite PMI lower from 53.2 to 50.1 as well. This suggests that the services momentum could be faltering as well and is a real cause for concern for the US economy.</p> <p>Today's market focus will be on G20 meeting, albeit US Treasury Secretary Lew has also indicated that there will not be a "crisis response" from the G20 notwithstanding the IMF's call for policymakers to "act now to implement forcefully" at both national and multilateral levels to contain risks and push the global economy to a prosperous path. On the data front, US' durable goods orders, initial jobless claims, FHFA house price, Eurozone CPI, UK' prelim 4Q15 GDP growth, Thai and HK trade data. Fed's Lockhart is also speaking.</p> |
| US | <p>Fed Fischer reiterated that "it is still early to judge the ramifications of the increased market volatility of the first seven weeks of 2016" and "we have seen similar periods of volatility in recent year that have left little visible imprint on the economy". Meanwhile, MBA mortgage applications also dropped by 4.3% mom last week.</p> |
| IMF | <p>The IMF opined the Fed should only hike rates "based on clear evidence of wage or price pressures" and China policymakers "should ensure clear communication of their exchange rate policies and be willing to accept moderately lower growth consistent with rebalance" the economy. The IMF also indicated that it is likely to trim its global growth forecast again in April.</p> |
| UK | <p>On Brexit, BOE governor Cunliffe said "as always, policy makers need to be alive to the possible meaning of disappointments...and to the risk of unfortunate events", but "we have a range of tools at our disposal and should be ready to use them whichever risk materialises". This echoed Carney who had earlier opined that the central bank could cut interest rates or expand QE if needed. Cunliffe also noted that "I will be looking very carefully at the risks of another unfortunate event for the UK economy from a hard landing elsewhere in the world" and "forward-looking surveys do not suggest any significant recovery in pay growth is around the corner".</p> |
| S'pore | <p>MAS has dismissed talk of a banking crisis in Singapore, noting that "from time to time, heightened bouts of volatility can impact the more sentiment-sensitive sectors such as fund management, but the structural factors, we think, will continue to keep these sectors well supported.</p> |
| China | <p>The director of the statistic division of PBoC said in his latest research paper that there is room for China to increase its annual fiscal deficit to 4% of GDP. The higher fiscal deficit will create room for government to cut tax for business to smooth the economic cycle. According to his estimation, even if China runs an average 4% fiscal deficit for the next 10 years, China's government debt to GDP ratio will still remain below 70% through 2025.</p> |

Major Market

- **US:** Wall Street rose yesterday, led by the rebound in energy shares in tandem with the Dow +0.32%, S&P500 +0.44% and Nasdaq +0.87%. VIX -1.24% to 20.72. The UST bond market fell, with the 2- and 10-year bond yields at 0.77% and 1.75% (+3bps) respectively, amid a US\$34b 5-year debt auction.
- **Singapore:** Despite the upward revision in the 4Q15 GDP growth, the STI slumped 1.95% to close at 2619.17 yesterday. Given the overnight bounced in Wall Street but mixed morning cues from Nikkei and Kospi, the STI could consolidate between the 3600 support and the 2650 resistance today. SGS bonds are likely to be sidelined ahead of the \$2b 30-year SGS bond auction today, with an effective issue size of \$1.8 – the latter should be well received with demand from life insurance companies looking to lengthen duration. The bid-cover ratio should be similar to the 1.7-1.8x as seen in the last two 30-year bond auctions, with the yield also likely to be around the 2.7-2.8% handle.
- **Taiwan:** Export orders fell a worse than expected 12.4% in Jan, after contracting 12.3% in Dec15, as broad-based order.
- **Hong Kong:** 2015-16 recorded a fiscal surplus of HK\$30 billion, compared to the forecasted HK\$36.8 billion. Surplus for 2016-17 is forecasted at HK\$11 billion with fiscal reserves to reach HK\$870 billion by the end of March 2017. Meanwhile the budget mentions that Hong Kong will face a fiscal deficit for the next two consecutive fiscal years starting from 2018-19. To improve darkening economic outlook, a set of tax and short-term relief measures totalling HK\$38.8 billion in 2016-17, a growth of 14% from last year, was proposed. Elsewhere, GDP growth slowed slightly to 2.4% in 2015 from 2.5% in 2014 amid a weak tourism sector, sluggish trade growth and headwinds from a global slowdown. The government forecasts 2016 GDP growth at 1% to 2%, as compared with our estimate of 2.1%.
- **Macau:** Macau's value of retail sales dropped at a faster pace by 10.5% yoy in 4Q 2015 to MOP 15.6 billion, falling for the sixth straight quarter. The reading for 2015 was down by 10.4% yoy to MOP 60.9 billion, marking its first decline since record. Given the decreasing expectation on the Fed's rate hike in March, instead of a stronger MOP, the global economic slowdown and China's anti-corruption campaign will be the main factors dampening retail sales in 1Q 2016.
- **Indonesia:** Darmin Nasution, Indonesia's Economics Minister, clarified that he did not ask Bank Indonesia to lower its policy rate to 4%, as suggested by some press reports earlier. He added that policy rate decision is within the central bank's authority, not that of the government.
- **Thailand:** Following some media talks on the Constitution Drafting Committee's (CDC's) possible reluctance in allowing the military regime to keep some authority after the elections, Deputy Prime Minister Wissanu Krea-ngam commented that the CDC must be held responsible for any future political crises given the absence of a body to protect societal peace. Still, DPM added that the CDC may ignore the said recommendation if the draft charter has efficient mechanisms to handle future political conflicts.
- **Commodities:** Crude oil prices continue to see-saw, with WTI rising to \$32.15/bbl (+0.88%) and \$34.41/bbl (+3.43%) likely on short-covering behaviour. US oil stocks rose above expectations for the week ended 19 Feb, though the gain is also attributed by the fall in refinery utilisation rates over the same period of time.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 1bp-2bps lower yesterday. In the broader dollar space, JACI IG corporates tightened 1bp to 249bps, while the yield on the JACI HY corporates increased by 2bps to 8.29%. The 10y UST yield increased by 3bps to 1.75%.
- **New Issues:** The Export-Import Bank of Korea (Aa2/AA-/AA-) priced a USD300mn 5-year FRN at 3mL+100bps, in line with its initial price guidance.
- **Rating Changes:** S&P downgraded Singapore Post to “A-“ from “A”, citing increased earnings volatility due to competitive pressures. Singpost’s expansion into e-commerce and logistics is offsetting the profitability of its traditional postal business, which has higher and more stable margins. Outlook is stable. S&P reaffirmed Japan Expressway Holding and Debt Repayment Agency (“JEHDRA”), at “A+”, reflecting S&P’s view of an almost certain likelihood of extraordinary government support in the event of financial distress. Outlook is stable. S&P subsequently withdrew the ratings on JEHDRA at the agency’s request. S&P downgraded IOI to “BBB-“ from “BBB”, as S&P believes that IOI will use the majority of its operating cash flows for capital expenditure, shareholder remunerations and acquisitions over the coming 12 – 18 months. S&P also noted that IOI’s debt had increased following the depreciation of the MYR, and expects the debt-to-EBITDA ratio to stay above 3.0x through 2018. Outlook is stable. Brazil’ sovereign rating was downgraded to “Ba2” from “Baa3” by Moody’s with a negative outlook. This strips of Brazil off its last investment grade rating by a rating agency and puts Moody’s rating in line with S&P’s and one level below Fitch Ratings. Both ratings are also on negative outlook.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 97.458 | -0.02% | USD-SGD | 1.4054 | -0.14% |
| USD-JPY | 112.180 | 0.07% | EUR-SGD | 1.5479 | -0.19% |
| EUR-USD | 1.1132 | 0.00% | JPY-SGD | 1.2529 | -0.20% |
| AUD-USD | 0.7196 | -0.08% | GBP-SGD | 1.9575 | -0.81% |
| GBP-USD | 1.3927 | -0.68% | AUD-SGD | 1.0114 | -0.23% |
| USD-MYR | 4.2240 | 0.57% | NZD-SGD | 0.9358 | 0.09% |
| USD-CNY | 6.5317 | 0.07% | CHF-SGD | 1.4214 | 0.12% |
| USD-IDR | 13412 | -0.12% | SGD-MYR | 2.9973 | 0.26% |
| USD-VND | 22375 | -0.02% | SGD-CNY | 4.6405 | 0.16% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | -0.2610 | -- | O/N | 0.3710 | -- |
| 2M | -0.2320 | -- | 1M | 0.4358 | -- |
| 3M | -0.2000 | -- | 2M | 0.5213 | -- |
| 6M | -0.1250 | -- | 3M | 0.6291 | -- |
| 9M | -0.0710 | -- | 6M | 0.8811 | -- |
| 12M | -0.0160 | -- | 12M | 1.1570 | -- |

Eurozone & Russia Update

| | 2Y Bond Ylds (bpschg) | | 10Y Bond Ylds (bpschg) | | 10Y Bund Spread % |
|----------|-----------------------|-------|------------------------|-------|-------------------|
| Portugal | 0.93 | 0.00 | 3.47 | 6.00 | 3.31 |
| Italy | 0.04 | 0.20 | 1.53 | 0.30 | 1.38 |
| Ireland | -0.21 | 0.50 | 0.99 | -3.00 | 0.83 |
| Greece* | 12.52 | 99.40 | 10.67 | 13.30 | 10.52 |
| Spain | 0.09 | -0.30 | 1.62 | -1.10 | 1.47 |
| Russia^ | 3.62 | -1.90 | 5.84 | 1.00 | 5.68 |

* 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 | 16,484.99 | 53.20 |
| S&P | 1,929.80 | 8.50 |
| Nasdaq | 4,542.61 | 39.00 |
| Nikkei 225 | 15,915.79 | -136.30 |
| STI | 2,619.96 | -52.10 |
| KLCI | 1,664.17 | -13.10 |
| JCI | 4,657.72 | 3.70 |
| Baltic Dry | 322.00 | 4.00 |
| VIX | 20.72 | -0.30 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 1.05 (-0.01) | 0.75 (+0.02) |
| 5Y | 1.81 (+0.01) | 1.22 (+0.02) |
| 10Y | 2.19 (-) | 1.75 (+0.03) |
| 15Y | 2.55 (-) | -- |
| 20Y | 2.60 (+0.01) | -- |
| 30Y | 2.68 (-) | 2.61 (+0.03) |

Financial Spread (bps)

| | Value | Change |
|-------------|-------|--------|
| LIBOR-OIS | 23.01 | -0.25 |
| EURIBOR-OIS | 13.50 | -0.10 |
| TED | 30.39 | -0.47 |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 32.15 | 0.88% | Coffee (per lb) | 1.151 | -2.33% |
| Brent (per barrel) | 34.41 | 3.43% | Cotton (per lb) | 0.5770 | -0.81% |
| Heating Oil (per gallon) | 1.059 | 3.65% | Sugar (per lb) | 0.1397 | -0.21% |
| Gasoline (per gallon) | 1.01 | 4.56% | Orange Juice (per lb) | 1.2550 | -0.87% |
| Natural Gas (per MMBtu) | 1.778 | -0.22% | Cocoa (per mt) | 2,925 | 1.85% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 4,642.0 | -0.06% | Wheat (per bushel) | 4.4275 | -1.17% |
| Nickel (per mt) | 8,501 | -1.06% | Soybean (per bushel) | 8.675 | -0.20% |
| Aluminium (per mt) | 1,567.0 | 1.19% | Corn (per bushel) | 3.5975 | -0.62% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,238.7 | 1.34% | Crude Palm Oil (MYR/MT) | 2,461.0 | -0.89% |
| Silver (per oz) | 15.297 | 0.37% | Rubber (JPY/KG) | 144.5 | 0.35% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|------------------|----|--------------------------------|--------|----------|---------|---------|---------|
| 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 | \$603m | -\$977m | -- |
| 02/24/2016 10:30 | VN | CPI YoY | Feb | 1.15% | 1.27% | 0.80% | -- |
| 02/24/2016 11:07 | HK | GDP YoY | 4Q | 2.20% | 1.90% | 2.30% | 2.20% |
| 02/24/2016 11:12 | HK | GDP SA QoQ | 4Q | 0.30% | 0.20% | 0.90% | 0.60% |
| 02/24/2016 12:00 | MA | CPI YoY | Jan | 3.70% | 3.50% | 2.70% | -- |
| 02/24/2016 13:00 | JN | Small Business Confidence | Feb | 47.1 | 47.9 | 47.2 | -- |
| 02/24/2016 13:00 | JN | Leading Index CI | Dec F | -- | 102.1 | 102 | -- |
| 02/24/2016 15:45 | FR | Consumer Confidence | Feb | 97 | 95 | 97 | -- |
| 02/24/2016 16:00 | TA | Export Orders YoY | Jan | -10.50% | -12.40% | -12.30% | -- |
| 02/24/2016 17:00 | IT | Industrial Orders NSA YoY | Dec | -- | 1.50% | 12.10% | -- |
| 02/24/2016 17:00 | IT | Industrial Orders MoM | Dec | -- | -2.80% | 1.60% | 1.50% |
| 02/24/2016 17:30 | UK | BBA Loans for House Purchase | Jan | 44800 | 47509 | 43975 | 43660 |
| 02/24/2016 20:00 | US | MBA Mortgage Applications | Feb-19 | -- | -4.30% | 8.20% | -- |
| 02/24/2016 22:45 | US | Markit US Services PMI | Feb P | 53.5 | 49.8 | 53.2 | -- |
| 02/24/2016 22:45 | US | Markit US Composite PMI | Feb P | -- | 50.1 | 53.2 | -- |
| 02/24/2016 23:00 | US | New Home Sales | Jan | 520k | 494k | 544k | -- |
| 02/25/2016 07:50 | JN | Foreign Buying Japan Stocks | Feb-19 | -- | -- | ¥562.9b | -- |
| 02/25/2016 08:30 | TA | Unemployment Rate | Jan | 3.90% | -- | 3.88% | -- |
| 02/25/2016 08:30 | AU | Private Capital Expenditure | 4Q | -3.00% | -- | -9.20% | -- |
| 02/25/2016 11:30 | TH | Customs Imports YoY | Jan | -8.25% | -- | -9.23% | -- |
| 02/25/2016 11:30 | TH | Customs Exports YoY | Jan | -6.60% | -- | -8.73% | -- |
| 02/25/2016 11:30 | TH | Customs Trade Balance | Jan | \$200m | -- | \$1487m | -- |
| 02/25/2016 15:00 | GE | GfK Consumer Confidence | Mar | 9.3 | -- | 9.4 | -- |
| 02/25/2016 16:30 | HK | Exports YoY | Jan | -3.20% | -- | -1.10% | -- |
| 02/25/2016 16:30 | HK | Imports YoY | Jan | -6.30% | -- | -4.60% | -- |
| 02/25/2016 16:30 | HK | Trade Balance | Jan | -25.2b | -- | -45.7b | -45.7b |
| 02/25/2016 17:00 | EC | M3 Money Supply YoY | Jan | 4.70% | -- | 4.70% | -- |
| 02/25/2016 17:00 | IT | Consumer Confidence Index | Feb | 118 | -- | 118.9 | 118.7 |
| 02/25/2016 17:00 | IT | Business Confidence | Feb | 102.7 | -- | 103.2 | -- |
| 02/25/2016 17:30 | UK | GDP QoQ | 4Q P | 0.50% | -- | 0.50% | -- |
| 02/25/2016 17:30 | UK | GDP YoY | 4Q P | 1.90% | -- | 1.90% | -- |
| 02/25/2016 18:00 | EC | CPI MoM | Jan | -1.40% | -- | 0.00% | -- |
| 02/25/2016 18:00 | EC | CPI YoY | Jan F | 0.40% | -- | 0.40% | 0.20% |
| 02/25/2016 18:00 | EC | CPI Core YoY | Jan F | 1.00% | -- | 1.00% | -- |
| 02/25/2016 18:00 | IT | Retail Sales YoY | Dec | -- | -- | -0.10% | -- |
| 02/25/2016 18:00 | IT | Retail Sales MoM | Dec | 0.10% | -- | 0.30% | -- |
| 02/25/2016 21:30 | US | Initial Jobless Claims | Feb-20 | 270k | -- | 262k | -- |
| 02/25/2016 21:30 | US | Continuing Claims | Feb-13 | 2253k | -- | 2273k | -- |
| 02/25/2016 21:30 | US | Durable Goods Orders | Jan P | 2.90% | -- | -5.00% | -- |
| 02/25/2016 21:30 | US | Durables Ex Transportation | Jan P | 0.30% | -- | -1.00% | -- |
| 02/25/2016 21:30 | US | Cap Goods Orders Nondef Ex Air | Jan P | 1.00% | -- | -4.30% | -- |
| 02/25/2016 21:30 | US | Cap Goods Ship Nondef Ex Air | Jan P | -0.50% | -- | 0.20% | -- |
| 02/25/2016 22:00 | US | FHFA House Price Index MoM | Dec | 0.50% | -- | 0.50% | -- |
| 02/25/2016 22:45 | US | Bloomberg Consumer Comfort | Feb-21 | -- | -- | 44.3 | -- |
| 02/25/2016 | MU | Visitor Arrivals | Jan | -- | -- | 2634t | -- |
| 02/25/2016 | GE | CPI EU Harmonized MoM | Jan F | -- | -- | -1.00% | -- |
| 02/25/2016 | GE | CPI EU Harmonized YoY | Jan F | -- | -- | 0.40% | -- |
| 02/25/2016 02/29 | VN | Exports YTD YoY | Feb | 5.60% | -- | 2.20% | -- |

Source: Bloomberg

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