

Highlights

Global	<p>FOMC minutes suggested that it would trim its balance sheet before end-2017 - “most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the Committee’s reinvestment policy would likely be appropriate later this year”. However, the timing, pace, form and manner of tapering the balance sheet matters - “many participants emphasized that reducing the size of the balance sheet should be conducted in a passive and predictable manner” and “accomplished primarily by phasing out reinvestments of principal received from those holdings”. Moreover, “nearly all participants preferred that the timing of a change in reinvestment policy depend on an assessment of economic and financial conditions”, with “several participants indicated that the timing should be based on a quantitative threshold or trigger tied to the target range for the federal funds rate” but “some other participants expressed the view that the timing should depend on a qualitative judgment about economic and financial conditions”. More importantly, “such a judgment would importantly encompass an assessment by the Committee of the risks to the outlook, including the degree of confidence that evolving circumstances would not soon require a reversal in the direction of policy”. In all, it still sounds like a fairly confident but careful FOMC. Interestingly, the futures market downplayed the pricing of future rate hikes in 2018 to accommodate the prospect of impending balance sheet tapering.</p> <p>Today’s key market focus will be RBI, who is anticipated to keep its interest rate policy settings static, and the Trump-Xi meeting in Mar-a-Lago where Trump had already tweeted a “very difficult” meeting over trade, economy and North Korean issues. Today’s economic data calendar comprises China’s Caixin services and composite PMIs, US’ initial jobless claims and Challenger job cuts, German factory orders and ECB minutes. Speakers include ECB’s Draghi, Weidman and Constancio, and Fed’s Williams.</p>
US	<p>Non-manufacturing ISM retreated from 57.6 in Feb to 55.2 in Mar, marking its slowest pace in five months, and the employment gauge also slipped from 55.2 to 51.6 (lowest since Aug). The ADP employment change surged from a revised 245k in Feb to 263k in Mar, beating market expectations amid solid improvements in services (+181k), goods-producing industries (+82k), and small businesses (+118k, highest since Jun), and suggested that tomorrow’s nonfarm payrolls data could be robust as well.</p>
SG	<p>The Nikkei Singapore PMI improved from 51.4 in Feb to 52.2 in Mar, suggesting that momentum remained resilient.</p>
ID	<p>Bank Indonesia’s Senior Deputy Governor, Mirza Adityaswara, said that Indonesia might see an inflation uptick in the coming months. While inflation has been relatively low in the first quarter of the year, he said that the period ahead of Ramadan fasting month followed by Idul Fitri festivities may bring seasonal inflation momentum.</p>
MA	<p>February data shows that exports jumped at the fastest pace since March 2017, expanding by 26.5%yoy, considerably higher than the 15.1% that market consensus has penciled in. The uptick was supported by recovery in exports of electrical and electronic products, as well as petroleum products.</p>

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Major Markets

- **US:** Equities sold off on Wednesday after Fed minutes revealed that officials thought equity prices were “quite high”. Most of the losses occurred in the last 1.5 hours of trading, with banks and energy stocks taking the brunt of it. Separately, investors are also dawning on the realization that any tax reforms from the Trump administration will not be happening soon. Overall, the Nasdaq marked the largest loss, down 0.58%, while the S&P 500 and Dow retreated 0.30% and 0.20% respectively. VIX spiked 9.3% to close at 12.89. Meanwhile, US Treasury yields ended softer, with 2- and 10-year benchmark yields standing at 1.23% and 2.34%. Fed minutes also revealed plans to reduce the balance sheet later in the year. This may lead to a slower pace of rate hikes in 2018 onwards.
- **Singapore:** STI ended flattish (-0.08%) to close at 3176.55 yesterday, and may be directionless amid weak cues from Wall Street overnight and morning slippage by Kospi. STI support and resistance are tipped at 3140 and 3180 respectively. The SGS bond yield curve bull-steepened with the 20-30 year tenors under pressure from impending additional supply, and a similar pattern may sustain today, albeit there is a slight risk-off tone to market sentiments today.
- **Hong Kong:** Despite last November’s cooling measures, the pick-up in secondary home sales and the continuation of robust sales of primary homes have underpinned a rapid rebound in total housing transactions (+147% yoy to 5856 units in March). To take advantage of the panic buying spree, both developers and homeowners have been raising prices, therefore pushing up home prices significantly. The Centa-City Leading Index (CCL), which monitors sales in the secondary market, reached a new high on 26 March. Moving forward, given the Fed’s dovish tone in March, we expect HK’s banking system to raise the Prime Rate at a slower pace than the Fed. Therefore, despite a high chance of an increase in the Prime Rate in 2H, borrowing costs are likely to remain low for some time and warrant a resilient housing market. Strong demand from Mainland China will also add upward pressure to the market. On the supply front, fewer available flats in the secondary market and slower new home completions means that tight supply could be another force driving up housing prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 1-4bps higher across all tenors. Flows in SGD corporates were light, with mixed interest in GUOLSP 3.62%’21s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 196bps while the yield on JACI HY changed little at 6.57%. 10y UST yields fell 3bps to 2.34% yesterday, after minutes of the U.S Federal Reserve’s March meeting revealed most officials were supportive towards shrinking the central bank’s USD4.5tn balance sheet later this year and a sustained gradual “increase in the federal funds rate”.
- **New Issues:** Chinese property developer Jingrui Holdings Ltd. priced a USD400mn 3-year bond at 8%, tightening from initial guidance of 8.375%. The expected issue ratings are ‘NR/Caa1/NR’. Sinopec Group Overseas Development priced a USD3.4bn 4-tranche deal (guaranteed by China Petrochemical Corporation (Sinopec)); with the USD1bn 3-year piece at CT3+98bps, tightening from initial guidance of CT3+120bps; the USD1.1bn 5-year piece at CT5+113bps, tightening from initial guidance of CT5+130bps; the USD1bn 10-year piece at CT10+133bps, tightening from CT10+150bps; and the USD300mn 30-year piece at 4.25%. The expected issue ratings are ‘NR/Aa3/NR’. Korea South-East Power Co. priced a USD300mn 3-year bond at CT3+97.5bps, tightening from initial guidance of CT3+110bps. The expected issue ratings are ‘AA/Aa2/NR’. JSW Steel Ltd. priced a USD500mn 5-year bond at 5.25%, tightening from initial guidance of 5.5%. The issue ratings are ‘NR/Ba3/BB’. Nanyang Commercial Bank has requested banks to submit proposals for potential offshore AT1 bond issuance. Barmenco Finance Pty Limited hired banks for potential

USD bond issuance.

- **Rating Changes:** : S&P affirmed Hong Kong based trading and logistics company Li & Fung Ltd.'s corporate credit rating and long-term issue rating at 'BBB+', and long-term issue rating on the company's subordinated debt at 'BBB-' yesterday. In addition, S&P revised Li & Fung Ltd's outlook to negative from stable. The rating action reflects S&P's expectation for Li & Fung's trading sales and margins to continue to decline over the next 12-24 months as a result of increasingly challenging retail operating conditions. S&P downgraded China Zhengtong Auto Services Holding Ltd.'s corporate credit rating to 'B+' from 'BB-'. The rating action reflects Zhengtong's more than expected deteriorating leverage and S&P's expectation that there will not be any material improvement over the next 12 months. Moody's placed Barmenco Holdings Pty Limited's (Barmenco) 'B2' corporate family rating and Barmenco Finance Pty Ltd's 'B2' senior unsecured debt rating on review for upgrade. In addition, Moody's assigned a provisional '(P)B2' rating to the new senior secured bond issued by Barmenco Finance Pty Limited and a provisional '(P)B1' rating to the new super senior secured revolving credit facility issued by Barmenco Finance Pty Ltd and Barmenco Limited. These ratings have also been placed on review for upgrade. The rating action reflects the company's improved credit profile, underpinned by higher earnings from new contract wins, reduced financial leverage, as well as its strong operational track record of maintaining a stable volume of contracts and solid contract EBITDA margins. Moody's assigned Jingrui Holdings Limited's proposed USD bonds (guaranteed by some of its subsidiaries) a 'Caa1' senior unsecured rating. The rating outlook is stable. According to Moody's, if the proposed bond is issued, it will improve the debt maturity profile of the company and will not materially affect the company's debt leverage. Fitch upgraded Australia-based mining services company Emeco Holdings Limited's (Emeco) issuer default rating (IDR) to 'CCC' from 'C' yesterday. The IDR was initially downgraded to 'RD' (Restricted Default) from 'C' following Emeco's announcement that it has completed the restructure of its USD283mn 9.875% senior unsecured notes due 2019, issued by Emeco Pty Ltd and guaranteed by Emeco. which Fitch viewed as a distressed debt exchange. The IDR was subsequently upgraded to 'CCC', and it reflects Fitch's belief that, while the distressed exchange improves liquidity by extending the next maturity to 2022, business prospects are still weak.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.560	0.02%	USD-SGD	1.4012	0.19%
USD-JPY	110.700	-0.04%	EUR-SGD	1.4941	0.09%
EUR-USD	1.0663	-0.10%	JPY-SGD	1.2658	0.24%
AUD-USD	0.7570	0.07%	GBP-SGD	1.7492	0.55%
GBP-USD	1.2483	0.35%	AUD-SGD	1.0607	0.26%
USD-MYR	4.4307	-0.01%	NZD-SGD	0.9758	0.06%
USD-CNY	6.8948	0.11%	CHF-SGD	1.3945	-0.09%
USD-IDR	13320	-0.08%	SGD-MYR	3.1643	-0.08%
USD-VND	22690	-0.02%	SGD-CNY	4.9218	-0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.9300	--
2M	-0.3390	--	1M	0.9861	--
3M	-0.3300	--	2M	1.0283	--
6M	-0.2420	--	3M	1.1498	--
9M	-0.1740	--	6M	1.4257	--
12M	-0.1110	--	12M	1.7918	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.56	1.10	3.95
Italy	-0.07	0.40	2.27
Ireland	-0.35	2.20	0.97
Greece	7.87	-7.50	7.11
Spain	-0.22	-0.80	1.62
Russia	2.03	0.60	4.14

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.15	0.24%	Coffee (per lb)	1.373	-0.33%
Brent (per barrel)	54.36	0.35%	Cotton (per lb)	0.7487	0.03%
Heating Oil (per gallon)	1.6035	0.70%	Sugar (per lb)	0.1610	-0.37%
Gasoline (per gallon)	1.7153	-0.37%	Orange Juice (per lb)	1.6075	3.64%
Natural Gas (per MMBtu)	3.2660	-0.82%	Cocoa (per mt)	2,111	0.05%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,908.4	2.60%	Wheat (per bushel)	4.2975	0.64%
Nickel (per mt)	10,245.3	3.18%	Soybean (per bushel)	9.443	0.69%
Aluminium (per mt)	1,950.0	1.15%	Corn (per bushel)	3.6475	0.48%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,245.4	-0.76%	Crude Palm Oil (MYR/MT)	2,930.0	2.41%
Silver (per oz)	18.187	-0.74%	Rubber (JPY/KG)	300.0	6.69%

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

Equity and Commodity

Index	Value	Net change
DJIA	20,648.15	-41.09
S&P	2,352.95	-7.21
Nasdaq	5,864.48	-34.13
Nikkei 225	18,861.27	51.02
STI	3,176.55	-2.51
KLCI	1,744.67	-2.52
JCI	5,676.98	25.16
Baltic Dry	1,223.00	-32.00
VIX	12.89	1.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.27 (-0.02)	1.23 (-0.02)
5Y	1.71 (-0.01)	1.85 (-0.04)
10Y	2.22 (+0.01)	2.34 (-0.03)
15Y	2.37 (+0.02)	--
20Y	2.44 (+0.02)	--
30Y	2.46 (+0.02)	2.99 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.08	-0.59
EURIBOR-OIS	2.20	-0.02
TED	36.25	--

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised
04/05/2017 01:00	NZ	QV House Prices YoY	Mar	--	12.90%	13.50%
04/05/2017 05:00	SK	Foreign Reserves	Mar	--	\$375.30b	\$373.91b
04/05/2017 07:00	SK	BoP Current Account Balance	Feb	--	\$8400.2m	\$5277.8m
04/05/2017 07:00	SK	BoP Goods Balance	Feb	--	\$10545m	\$7814m
04/05/2017 07:30	AU	AiG Perf of Services Index	Mar	--	51.7	49
04/05/2017 08:30	TA	Nikkei Taiwan PMI Mfg	Mar	--	56.2	54.5
04/05/2017 08:30	JN	Nikkei Japan PMI Services	Mar	--	52.9	51.3
04/05/2017 08:30	JN	Nikkei Japan PMI Composite	Mar	--	52.9	52.2
04/05/2017 09:00	NZ	ANZ Commodity Price	Mar	--	0.40%	2.00%
04/05/2017 09:00	PH	CPI YoY	Mar	3.40%	3.40%	3.30%
04/05/2017 09:00	PH	CPI NSA MoM	Mar	0.10%	0.20%	0.30%
04/05/2017 09:00	PH	CPI Core YoY	Mar	2.80%	2.90%	2.70%
04/05/2017 12:00	MA	Exports YoY	Feb	15.10%	26.50%	13.60%
04/05/2017 12:00	MA	Imports YoY	Feb	19.50%	27.70%	16.10%
04/05/2017 12:00	MA	Trade Balance MYR	Feb	7.19b	8.71b	4.71b
04/05/2017 15:45	IT	Markit/ADACI Italy Services PMI	Mar	54.3	52.9	54.1
04/05/2017 15:45	IT	Markit/ADACI Italy Composite PMI	Mar	54.9	54.2	54.8
04/05/2017 15:50	FR	Markit France Services PMI	Mar F	58.5	57.5	58.5
04/05/2017 15:50	FR	Markit France Composite PMI	Mar F	57.6	56.8	57.6
04/05/2017 15:55	GE	Markit Germany Services PMI	Mar F	55.6	55.6	55.6
04/05/2017 15:55	GE	Markit/BME Germany Comp PMI	Mar F	57	57.1	57
04/05/2017 16:00	EC	Markit Eurozone Services PMI	Mar F	56.5	56	56.5
04/05/2017 16:00	EC	Markit Eurozone Comp PMI	Mar F	56.7	56.4	56.7
04/05/2017 16:30	UK	Markit/CIPS UK Services PMI	Mar	53.4	55	53.3
04/05/2017 16:30	UK	Markit/CIPS UK Composite PMI	Mar	53.8	54.9	53.8
04/05/2017 16:30	UK	Official Reserves Changes	Mar	--	\$77m	\$360m
04/05/2017 19:00	US	MBA Mortgage Applications	Mar-31	--	-1.60%	-0.80%
04/05/2017 20:15	US	ADP Employment Change	Mar	185k	263k	298k
04/05/2017 21:45	US	Markit US Services PMI	Mar F	53.1	52.8	52.9
04/05/2017 21:45	US	Markit US Composite PMI	Mar F	--	53	53.2
04/05/2017 22:00	US	ISM Non-Manf. Composite	Mar	57	55.2	57.6
04/06/2017 02:00	US	FOMC Meeting Minutes	Mar-15	--	--	--
04/06/2017 07:50	JN	Japan Buying Foreign Bonds	Mar-31	--	--	-¥151.6b
04/06/2017 07:50	JN	Foreign Buying Japan Bonds	Mar-31	--	--	-¥1923.7b
04/06/2017 07:50	JN	Foreign Buying Japan Stocks	Mar-31	--	--	-¥754.3b
04/06/2017 07:50	JN	Japan Buying Foreign Stocks	Mar-31	--	--	-¥294.0b
04/06/2017 08:30	TA	CPI YoY	Mar	0.75%	--	-0.04%
04/06/2017 08:30	TA	WPI YoY	Mar	2.30%	--	2.19%
04/06/2017 08:30	HK	Nikkei Hong Kong PMI	Mar	--	--	49.6
04/06/2017 09:45	CH	Caixin China PMI Composite	Mar	--	--	52.6
04/06/2017 09:45	CH	Caixin China PMI Services	Mar	--	--	52.6
04/06/2017 13:00	IN	Nikkei India PMI Services	Mar	--	--	50.3
04/06/2017 13:00	IN	Nikkei India PMI Composite	Mar	--	--	50.7
04/06/2017 14:00	GE	Factory Orders MoM	Feb	4.00%	--	-7.40%
04/06/2017 14:00	GE	Factory Orders WDA YoY	Feb	3.90%	--	-0.80%
04/06/2017 15:00	EC	Draghi speaks in Frankfurt				
04/06/2017 15:30	GE	Markit Germany Construction PMI	Mar	--	--	54.1
04/06/2017 16:10	GE	Markit Germany Retail PMI	Mar	--	--	51.2
04/06/2017 16:10	EC	Markit Eurozone Retail PMI	Mar	--	--	49.9
04/06/2017 16:10	FR	Markit France Retail PMI	Mar	--	--	51.7
04/06/2017 16:10	IT	Markit Italy Retail PMI	Mar	--	--	45.5
04/06/2017 16:20	TA	Foreign Reserves	Mar	--	--	\$437.66b
04/06/2017 17:00	IN	RBI Repurchase Rate	Apr-06	6.25%	--	6.25%
04/06/2017 17:00	IN	RBI Reverse Repo Rate	Apr-06	5.75%	--	5.75%
04/06/2017 17:00	IN	RBI Cash Reserve Ratio	Apr-06	4.00%	--	4.00%
04/06/2017 19:30	US	Challenger Job Cuts YoY	Mar	--	--	-40.00%
04/06/2017 19:30	EC	ECB meeting minutes				
04/06/2017 20:30	CA	Building Permits MoM	Feb	1.30%	--	5.40%
04/06/2017 20:30	US	Initial Jobless Claims	Apr-01	250k	--	258k
04/06/2017 20:30	US	Continuing Claims	Mar-25	2030k	--	2052k
04/06/2017 21:45	US	Bloomberg Consumer Comfort	Apr-02	--	--	49.7
04/06/2017	ID	Consumer Confidence Index	Mar	--	--	117.1
04/06/2017 04/13	VN	Domestic Vehicle Sales YoY	Mar	--	--	53.60%

Source: Bloomberg

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