DAILY TREASURY OUTLOOK

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Wednesday, February 22, 2017

Highlights

Global	A record session for Wall Street overnight as bulls outweighed bears with Fed officials continuing to telegraph economic optimism. Notwithstanding lingering concerns over the upcoming French elections (as polls suggested Marine Le Pen was gaining ground), the Eurozone PMI prints were encouraging and suggested that growth was data from Eurozone's Feb PMI prints which rose from 54.4 in Jan to 56 in Feb, with those for Germany and France hitting multi-year highs. Notably, Germany's composite PMIs rose from 54.8 in Jan to 56.1 in Feb, the highest in nearly three years, and tipped stronger growth momentum in 1Q17. Interestingly, French PMI also rose from 54.1 to 56.2, suggesting ongoing traction. Expect Asian markets to try to ride on Wall Street's overnight record rally and improved economic optimism. Today's economic data calendar comprises of US' existing home sales and FOMC's Jan minutes (which may reflect greater economic optimism and even some discussion of balance-sheet adjustments down the road), Eurozone and Malaysian CPI, German IFO business climate, 4Q16 GDP growth prints for UK and Hong Kong, and S'pore's COE tender results.
US	Fed's Harker opined that "there's still more data to come before the March meeting and I would want to factor that in before making a final decision, but at this point I would not take March off the table….we're continuing to see strength in the economy". Meanwhile, Kashkari also argued "there's some slack left in the labor market" and it may still have "room to run". Separately, the manufacturing and services PMIs softened slightly to 54.3 (previously 55.0) and 53. (previously 55.6) respectively in Feb, leaving the composite PMI at 54.3 (previously 55.8).
HK	Headline inflation accelerated slightly to 1.3% in January. By section, food inflation decelerated further to 2.8% despite the effect of the Lunar New Year while housing rental inflation held static at 0.3%. Due to the winter sales season and tepid tourist spending, clothing CPI deflated for the 22th consecutive month and was down by 2.9%. Moreover, the downward adjustment in the electricity charge resulted in a notable decline of 8.2% in the utility CPI. On a positive note, as the Lunar New Year was in January this year instead of February last year, the resultant base effect led to higher charges for package tours. This would therefore offset some deflationary pressures. However, this also means that February's overall CPI may grow at a slower rate. In the long term, even though increases in commodity prices will likely translate into some inflationary risks, a stronger HKD could aid in suppressing import prices. Therefore, we expect inflation risks to remain contained with composite CPI to print around 2.3% over 2017.
Commodities	Crude oil prices continue their rally likely on improved risk sentiment, now with Brent edging past its \$56.5/bbl. Market-watchers could have been encouraged by recent OPEC secretary-general Barkindo's comment that "anything less than 100% (compliance) is not satisfactory". Barkindo added that it is still premature to comment if OPEC will need to extend the production curb agreement beyond its six months term. Elsewhere, note that crude palm oil had fallen for four consecutive trading days, with the red oil printing its lowest since November 2016. The fall in prices were mainly due to increased expectations for production to improve further into the year amid falling prices in alternative substitutes such as rapeoil and soyoil.

Major Markets

- **US:** Equities reached yet another record as the rally on Wall Street extended due to gains from utility and consumer staple companies. S&P added another 0.61%, while DJIA and NASDAQ gained 0.58% and 0.41% respectively. VIX edged up by 0.70% to close at 11.57. Meanwhile, US Treasuries weakened on rather dovish comments from Fed's Harker. The 2- and 10-year benchmark yields added 1 – 2 bps, closing at 1.21% and 2.43% respectively.

- **Singapore:** The STI closed nearly flat (-0.08%) at 3094.19 yesterday, but may see a bounce today if US market optimism carries through the Asian session this morning. STI's support and resistance are tipped at 3080 and 3120. SGS bond yields firmed around 2-5bps yesterday, led by selling pressure in the shorter tenors. However, given that UST bonds pared losses yesterday, with the US$26b 2-year note auction fetching the highest bid-cover ratio (2.82x) since August, we may also see SGS bond market somewhat lower but potentially sidelined ahead of the $2.3b (with MAS taking $100m) 10-year SGS bond re-opening tomorrow.

- **Macau:** Inflation accelerated to 1.76% in January, as higher charges for package tours during Lunar New Year and increasing gasoline prices pushed the price index of Recreation & Culture and Transport up by 7.38% and 8.12% respectively. Nevertheless, despite the Lunar New Year effect, the price growth of Food & Non-alcoholic Beverages decelerated further to 1.69% in January. Also, housing and fuels inflation (-1.79%) deflated for the 6th consecutive month. In addition, clothing and footwear prices retreated by 0.88% due to the winter sales season. With the effect of the Lunar New Year dissipating, a stronger MOP may tame import prices and reduce the charges for package tours. Still, base effect may push composite CPI up by 1.5% to 2.0% in 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve changed little yesterday, with 1-year swap rates rising around 1bps. In the broader dollar space, the spread on JACI IG corporates fell roughly 1bps to 189bps while the yield on JACI HY corporates remained unchanged at 6.71%. 10y UST yields rose 2bps to 2.43%, paring earlier declines. UST yields initially declined after weaker than expected February preliminary Markit U.S. Manufacturing and Services PMIs and news of anti-euro French presidential candidate Marine Le Pen polling above 40%. UST yields began to climb after the Philadelphia Fed's Harker said a rate increase in March remains possible.

- **New Issues:** Korea Development Bank priced a USD1.5bn 3-tranche deal; with the USD500mn 3-year piece priced at 3mL+45bps, tightening from initial guidance of 3mL+60bps; the USD500mn 5-year piece priced at CT5+82.5bps, tightening from initial guidance of CT5+105bps; and the USD500mn 5-year piece priced at 3mL+70.5bps. The expected issue ratings are 'AA/Aa2/AA-'. Xinyuan Real Estate Co. priced a USD300mn 4-year bond at 7.95%, tightening from initial guidance of 8.5%. The expected issue ratings are 'B-/NR/B'. CITIC Ltd. priced a USD500mn 5-year bond at CT5+120bps and a USD750mn 10-year bond at CT10+142.5bps, tightening from initial guidance of CT5+150bps and CT10+170bps respectively. The expected issue ratings are 'A-/A3/NR'. Hong Kong SAR has set the final guidance for a USD1bn 10-year Sukuk at CT10+70bps. The expected issue ratings are 'AAA/NR/AA+'. China Aircraft Leasing scheduled investor roadshows from 22 February for a potential USD bond issuance. China Jinmao Holdings Group Ltd. (China Jinmao) has scheduled investor calls on 21 February for a potential USD bond issue (issued by Franshion Brilliant Ltd. and guaranteed by China Jinmao). The expected issue ratings are 'NR/Baa3/BBB-'.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.370	0.42%	**USD-SGD**	1.4206	0.18%
USD-JPY	113.680	0.51%	**EUR-SGD**	1.4969	-0.54%
EUR-USD	1.0536	-0.73%	**JPY-SGD**	1.2495	-0.34%
AUD-USD	0.7675	-0.17%	**GBP-SGD**	1.7719	0.27%
GBP-USD	1.2473	0.08%	**AUD-SGD**	1.0903	0.01%
USD-MYR	4.4573	-0.03%	**NZD-SGD**	1.0172	-0.24%
USD-CNY	6.8840	0.08%	**CHF-SGD**	1.4070	-0.50%
USD-IDR	13372	0.13%	**SGD-MYR**	3.1355	-0.29%
USD-VND	22833	0.07%	**SGD-CNY**	4.8418	-0.19%

Equity and Commodity

Index	Value	Net change
DJIA	20,743.00	118.95
S&P	2,365.38	14.22
Nasdaq	5,865.95	27.37
Nikkei 225	19,381.44	130.36
STI	3,094.19	-2.50
KLCI	1,706.55	-6.03
JCI	5,340.99	-18.30
Baltic Dry	778.00	21.00
VIX	11.57	0.08

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	**O/N**	0.6861	--
2M	-0.3410	--	**1M**	0.7772	--
3M	-0.3290	--	**2M**	0.8511	--
6M	-0.2380	--	**3M**	1.0501	--
9M	-0.1690	--	**6M**	1.3571	--
12M	-0.1090	--	**12M**	1.7354	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.25 (+0.04)	1.21 (+0.02)
5Y	1.62 (+0.03)	1.92 (+0.02)
10Y	2.28 (+0.02)	2.43 (+0.01)
15Y	2.55 (+0.02)	--
20Y	2.54 (+0.03)	--
30Y	2.56 (+0.02)	3.04 (+0.02)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
Portugal	0.07	3.00	4.03	4.40	3.73
Italy	0.04	4.50	2.25	6.30	1.95
Ireland	-0.39	-0.80	1.10	1.10	0.80
Greece	8.19	-128.10	7.22	-32.20	6.92
Spain	-0.23	1.70	1.68	7.30	1.38
Russia	1.87	-3.20	4.14	-1.30	3.84

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.20	-1.55
EURIBOR-OIS	2.20	--
TED	53.75	--

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	54.06	1.24%	Coffee (per lb)	1.504	1.73%
Brent (per barrel)	56.66	0.85%	Cotton (per lb)	0.7352	0.05%
Heating Oil (per gallon)	1.6425	0.37%	Sugar (per lb)	0.2080	2.46%
Gasoline (per gallon)	1.4940	-1.49%	Orange Juice (per lb)	1.7545	-0.45%
Natural Gas (per MMBtu)	2.5640	-9.53%	Cocoa (per mt)	2,030	-0.20%
Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	6,060.0	-0.16%	Wheat (per bushel)	4.3600	-1.13%
Nickel (per mt)	10,814.5	-2.67%	Soybean (per bushel)	10.263	-0.61%
Aluminium (per mt)	1,878.5	-0.71%	Corn (per bushel)	3.6925	0.27%
Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,237.5	-0.01%	Crude Palm Oil (MYR/MT)	3,024.0	-1.59%
Silver (per oz)	18.001	-0.16%	Rubber (JPY/KG)	331.0	1.50%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
02/21/2017 08:30	**JN**	**Nikkei Japan PMI Mfg**	**Feb P**	**--**	**53.5**	**52.7**	**--**
02/21/2017 12:30	**JN**	**All Ind Activity Index MoM**	**Dec**	**-0.20%**	**-0.30%**	**0.30%**	**0.40%**
02/21/2017 13:00	JN	Supermarket Sales YoY	Jan	--	-1.60%	-2.00%	--
02/21/2017 14:00	JN	Nationwide Dept Sales YoY	Jan	--	-1.20%	-1.70%	--
02/21/2017 14:00	JN	Tokyo Dept Store Sales YoY	Jan	--	-1.50%	-1.00%	--
02/21/2017 15:45	FR	CPI EU Harmonized MoM	Jan F	-0.20%	-0.30%	-0.20%	--
02/21/2017 15:45	**FR**	**CPI EU Harmonized YoY**	**Jan F**	**1.60%**	**1.60%**	**1.60%**	**--**
02/21/2017 15:45	FR	CPI MoM	Jan F	-0.20%	-0.20%	-0.20%	--
02/21/2017 15:45	**FR**	**CPI YoY**	**Jan F**	**1.40%**	**1.30%**	**1.40%**	**--**
02/21/2017 15:45	FR	CPI Ex-Tobacco Index	Jan	100.48	100.41	100.66	--
02/21/2017 16:00	**FR**	**Markit France Mfg PMI**	**Feb P**	**53.5**	**52.3**	**53.6**	**--**
02/21/2017 16:00	FR	Markit France Services PMI	Feb P	53.9	56.7	54.1	--
02/21/2017 16:00	FR	Markit France Composite PMI	Feb P	53.8	56.2	54.1	--
02/21/2017 16:30	**GE**	**Markit/BME Germany**	**Feb P**	**56**	**57**	**56.4**	**--**
02/21/2017 16:30	GE	Markit Germany Services PMI	Feb P	53.6	54.4	53.4	--
02/21/2017 16:30	GE	Markit/BME Germany Comp PMI	Feb P	54.8	56.1	54.8	--
02/21/2017 16:30	**HK**	**CPI Composite YoY**	**Jan**	**1.60%**	**1.30%**	**1.20%**	**--**
02/21/2017 17:00	**EC**	**Markit Eurozone Mfg PMI**	**Feb P**	**55**	**55.5**	**55.2**	**--**
02/21/2017 17:00	EC	Markit Eurozone Services PMI	Feb P	53.7	55.6	53.7	--
02/21/2017 17:00	**EC**	**Markit Eurozone Comp PMI**	**Feb P**	**54.3**	**56**	**54.4**	**--**
02/21/2017 17:30	UK	Public Finances (PSNCR)	Jan	--	-26.5b	36.3b	--
02/21/2017 17:30	UK	Public Sector Net Borrowing	Jan	-14.4b	-9.8b	6.4b	4.2b
02/21/2017 17:30	UK	PSNB ex Banking Groups	Jan	-14.0b	-9.4b	6.9b	4.7b
02/21/2017 18:14	MU	CPI Composite YoY	Jan	--	1.76%	1.44%	--
02/21/2017 22:45	**US**	**Markit US Manufacturing PMI**	**Feb P**	**55.4**	**54.3**	**55**	**--**
02/21/2017 22:45	US	Markit US Services PMI	Feb P	55.8	53.9	55.6	--
02/21/2017 22:45	US	Markit US Composite PMI	Feb P	--	54.3	55.8	--
02/22/2017 07:30	**AU**	**Westpac Leading Index MoM**	**Jan**	**--**	**--**	**0.44%**	**--**
02/22/2017 08:30	AU	Wage Price Index QoQ	4Q	0.50%	--	0.40%	--
02/22/2017 08:30	AU	Wage Price Index YoY	4Q	1.90%	--	1.90%	--
02/22/2017 10:00	NZ	Credit Card Spending YoY	Jan	--	--	8.50%	--
02/22/2017 12:00	**MA**	**CPI YoY**	**Jan**	**2.70%**	**--**	**1.80%**	**--**
02/22/2017 15:00	MA	Foreign Reserves	Feb-15	--	--	$95.0b	--
02/22/2017 16:00	SI	Automobile COE Open Bid Cat B	Feb-22	--	--	48209	--
02/22/2017 16:00	SI	Automobile COE Open Bid Cat A	Feb-22	--	--	48401	--
02/22/2017 16:00	SI	Automobile COE Open Bid Cat E	Feb-22	--	--	48556	--
02/22/2017 16:30	HK	GDP SA QoQ	4Q	0.70%	--	0.60%	--
02/22/2017 16:30	**HK**	**GDP YoY**	**4Q**	**2.00%**	**--**	**1.90%**	**--**
02/22/2017 17:00	**GE**	**IFO Business Climate**	**Feb**	**109.6**	**--**	**109.8**	**--**
02/22/2017 17:00	**GE**	**IFO Expectations**	**Feb**	**103**	**--**	**103.2**	**--**
02/22/2017 17:00	**GE**	**IFO Current Assessment**	**Feb**	**116.6**	**--**	**116.9**	**--**
02/22/2017 17:00	**IT**	**CPI EU Harmonized YoY**	**Jan F**	**0.70%**	**--**	**0.70%**	**--**
02/22/2017 17:30	**UK**	**GDP QoQ**	**4Q P**	**0.60%**	**--**	**0.60%**	**--**
02/22/2017 17:30	**UK**	**GDP YoY**	**4Q P**	**2.20%**	**--**	**2.20%**	**--**
02/22/2017 17:30	UK	Private Consumption QoQ	4Q P	0.70%	--	0.70%	--
02/22/2017 17:30	UK	Government Spending QoQ	4Q P	0.10%	--	0.00%	--
02/22/2017 17:30	UK	Gross Fixed Cap Formation QoQ	4Q P	0.20%	--	0.90%	--
02/22/2017 17:30	UK	Exports QoQ	4Q P	2.00%	--	-2.60%	--
02/22/2017 17:30	UK	Imports QoQ	4Q P	0.30%	--	1.40%	--
02/22/2017 17:30	UK	Index of Services 3M/3M	Dec	0.80%	--	1.00%	--
02/22/2017 17:30	UK	Total Business Investment QoQ	4Q P	0.10%	--	0.40%	--
02/22/2017 17:30	UK	Total Business Investment YoY	4Q P	0.30%	--	-2.20%	--
02/22/2017 18:00	**EC**	**CPI MoM**	**Jan**	**-0.80%**	**--**	**0.50%**	**0.50%**
02/22/2017 18:00	**EC**	**CPI YoY**	**Jan F**	**1.80%**	**--**	**1.80%**	**1.10%**
02/22/2017 18:00	EC	CPI Core YoY	Jan F	0.90%	--	0.90%	--
02/22/2017 20:00	**US**	**MBA Mortgage Applications**	**Feb-17**	**--**	**--**	**-3.70%**	**--**
02/22/2017 21:30	**CA**	**Retail Sales MoM**	**Dec**	**0.00%**	**--**	**0.20%**	**--**
02/22/2017 21:30	CA	Retail Sales Ex Auto MoM	Dec	0.50%	--	0.10%	--
02/22/2017 23:00	**US**	**Existing Home Sales**	**Jan**	**5.55m**	**--**	**5.49m**	**--**
02/22/2017 23:00	US	Existing Home Sales MoM	Jan	1.10%	--	-2.80%	--

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