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Highlights

Global	<p>The Jan FOMC minutes revealed that while it expects to hike rates “fairly soon”, nevertheless many members “continued to see only a modest risk of a scenario in which the unemployment rate would substantially undershoot its longer-run normal level and inflation pressures would increase significantly”. The perceived less than hawkish FOMC minutes left Treasury bonds higher US stocks flat amid the energy stock pullback, and USD lower as the futures market pricing of the March rate hike probabilities was little changed at 34%. What was also interesting was that the FOMC would now extend the blackout period three days earlier to two Saturdays before the scheduled meeting as part of a revised external communication policy, as well as publish fan charts to display the uncertainty around projections when they release their macroeconomic forecasts. Expect Asian markets to potentially drift with a consolidation bias today, while awaiting the BOK policy decision (likely static). Today’s economic data calendar comprises of US’ US’ initial jobless claims, Chicago PMI, German final 4Q16 GDP prints and Mar GfK consumer confidence, Taiwan’s industrial production and S’pore’s Jan CPI (forecast: +0.6% yoy and 0.3% mom nsa, with core CPI at +1.6% yoy). Speakers include ECB’s Praet and Fed’s Lockhart.</p>
US	<p>Existing home sales surged 3.3% mom to 5.69m in Jan, beating market expectations and followed a revised 1.6% mom decline to 5.51m in Dec, with the median sales prices jumping 7.1% yoy to \$228.9k (fastest increase since Jan16) as inventory fell for the 20th straight month on-year to 1.69m. Meanwhile, Fed’s Powell said “if the economy continues on this path, which is to say reasonable growth and strong job creation, inflation moving back to 2 percent, then my view would be that it will be appropriate to gradually raise interest rates, including fairly soon”.</p>
EZ	<p>German IFO business climate rose unexpectedly from a revised 109.9 in Jan to 111 in Feb, as both current conditions and expectations gauges improved. Centrist rivals Macron and Bayrou agreed on an alliance that avoids splitting the moderate vote and diminishes Marine Le Pen’s election odds.</p>
UK	<p>The UK economy grew a better than expected 0.7% qoq (+2.0% yoy) in 4Q16, revised up from 0.6%, boosted by trade (exports +4.1% while imports fell 0.4%) which lifted full-year growth to 1.8%. Consumption eased from 0.9% to 0.7%, while business investments declined 1%. BOE tips 2017 growth to be 2%, up from 1.4% previously,</p>
SG	<p>For the tender for the \$2.3b re-opening of the March 2027 which closes at noon on Friday, we see value emerging above the 2.3% handle within the 2.3-2.4% range. There is \$7.5b of the 7-year SGS bonds maturing on 1 April, so demand should remain healthy. It is likely that the bid-cover ratio for this auction be capped at 2x given potential uncertainty about the March FOMC meeting being “live”.</p>
KR	<p>The Bank of Korea is slated to meet today, where the central bank is expected to keep its 7-day repo rate unchanged at 1.25%. Elsewhere, IMF data showed that South Korea’s long positions in forwards in foreign currencies stood at US\$39.71bn at end 2016, the lowest since 2012. This data is usually used to calculate how much currency intervention is made by the Bank of Korea.</p>

Major Markets

- **US:** Equities ended mixed on Wednesday as market watchers dug into FOMC's January meeting minutes. The Dow gained 0.16% overnight while the S&P and NASDAQ fell 0.11% and 0.09% respectively, largely due to energy stocks being weighed down by crude price movements. VIX continued to creep up by 1.47% to register 11.74. Meanwhile, US Treasuries saw the 2-yr benchmark yield rising to 1.22% while 10-yr benchmark yields took a dip to trade at 2.41%.
- **Singapore:** The STI rallied 0.91% to close at 3122.20 yesterday, but the optimism may dissipate today amid less than hawkish FOMC cues which left US markets adrift overnight. Asian bourses' open this morning also look soft. STI's support and resistance are tipped at 3080 and 3140. The SGS bond yield curve flattened yesterday amid strong corporate bond issuance which was well-received.
- **Hong Kong:** 2016-17 recorded a fiscal surplus of HK\$92.8 billion, as compared to the forecast of HK\$36.8 billion due to the huge surplus from the much higher-than-expected land revenue and stamp duties on properties. The fiscal stimulus for 2017 did not expand significantly but rather remained prudent as the increase in government revenue in 2016 may not be sustainable. Still, the surplus is used to increase expenditure on infrastructure, education, social welfare and healthcare. The set of tax and short-term relief measures will amount to HK\$35.1 billion for 2017-18, down from HK\$38.8 billion from last year. Despite the decrease in the total amount, the relief measures, together with other spending initiatives in the Budget, is expected to boost GDP for 2017 by 1.1%. As the measures mainly support the elderly, the disabled, the poor and the salaried workers, we expect domestic consumption to grow moderately. Elsewhere, the government continues to support the emerging IT sector. This will create more jobs and warrant a strong labor market. Finally, given the increased spending on infrastructure and the expected improvement in domestic consumption on the back of fiscal stimulus, the government forecasts 2017 GDP growth to be at 2% to 3%, compared to our forecast of 2.2%. GDP growth slowed slightly to 1.9% in 2016 from 2.4% in 2015.
- **Indonesia:** Bank Indonesia's Governor Agus Martowardojo said that the central bank is watching out for any inflationary impulse that comes from recent flood across the country, including the agricultural areas in Java. Separately, the government has reportedly given PT Freeport a chance to carry out copper concentrate exports for one year, although the negotiation for the continuation of its license to operate in the country continues.
- **Malaysia:** Inflation for the month of January shot up to 3.2% yoy compared to 1.8% yoy of the previous month. The biggest contributor to the uptick is the transport category, which went up by 5.9%mom, brought on by an increase in petrol prices. Meanwhile, food prices saw a relatively sizable increase of 0.9%mom as well.
- **Commodities:** The FOMC minutes which suggested that "it might be appropriate to raise the federal funds rate again fairly soon" left dollar-denominated commodities sprawling lower. Gold fell for its third consecutive trading day, while crude oil turned south. Other soft commodities such as coffee, sugar and cocoa also partially surrendered previous gains.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-2bps lower across tenors. In the broader dollar space, the spread on JACI IG corporates rose roughly 1bps to 190bps while the yield on JACI HY corporates fell 2bps to 6.69%. 10y UST yields fell 2bps to 2.41%, after dovish Federal Open Market Committee's (FOMC) meeting minutes of a "fairly soon" rate hike failed to match US FOMC's Chairwoman Janet Yellen's hawkish tones.

- **New Issues:** Mizuho Financial Group Inc. priced a USD3.25bn 3-tranche deal, with the USD1.5bn 5-year piece priced at CT5+105bps, tightening from initial guidance of CT5+120bps; a USD1.25bn 5-year piece at 3mL+94bp; and a USD500bn 10-year piece at CT10+125bps, tightening from initial guidance of CT10+140bps. The expected issue ratings are 'A-/A1/NR'. China Jinmao Holdings Group Ltd. priced a USD500mn 5-year bond at CT5+170bps, tightening from initial guidance of CT5+200bps. The expected issue ratings are 'NR/Baa3/BBB-'. UOB priced a EUR500mn 5-year covered bond at MS+10bps, and EUR500mn 3-year covered bonds at MS+45bps, tightening from initial guidance of MS+14bps and MS +50bps respectively. The expected ratings are 'NR/Aaa/AAA'. Chinese residential property developer Xinhua Zhongbao priced a USD700mn 3-year bond at 99.595, tightening from initial guidance in the 6.5% area. The expected issue ratings are 'B-/B3/B'. Central Nippon Expressway Co. Ltd. (wholly owned by Japanese government) may be pricing a potential USD bond issuance tomorrow. Shinhan Financial Group Co. Ltd. scheduled investor meetings from 27 February for a potential USD bond issue. Chugoku Electric Power scheduled investor roadshows from 27 February for a potential USD 3-year bond issue. The expected issue ratings are 'NR/A3/NR'.
- **Rating Changes:** S&P downgraded BIS Industries Ltd. (BIS) corporate credit rating to 'CCC-' from 'B-'. The rating outlook is negative. The rating action reflects S&P's considerations of BIS' current capital structure, which is unsustainable due to the company's limited ability to materially improve its weak earnings and fully refinance its AUD615mn debt due in 2018. Moody's downgraded Parkson Retail Group Limited's (Parkson) corporate family and senior unsecured debt ratings to 'B3' from 'B2'. The rating outlook is negative. The rating action reflects the continued deterioration in Parkson's profitability and cash flows, which has weakened its financial profile to a level that is more commensurate with a B3 rating.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	101.220	-0.15%	USD-SGD	1.4126	-0.56%
USD-JPY	113.310	-0.33%	EUR-SGD	1.4914	-0.37%
EUR-USD	1.0558	0.21%	JPY-SGD	1.2467	-0.22%
AUD-USD	0.7703	0.36%	GBP-SGD	1.7586	-0.75%
GBP-USD	1.2450	-0.18%	AUD-SGD	1.0881	-0.20%
USD-MYR	4.4535	-0.09%	NZD-SGD	1.0156	-0.16%
USD-CNY	6.8778	-0.09%	CHF-SGD	1.3981	-0.63%
USD-IDR	13368	-0.03%	SGD-MYR	3.1391	0.11%
USD-VND	22833	--	SGD-CNY	4.8490	0.15%

Equity and Commodity

Index	Value	Net change
DJIA	20,775.60	32.60
S&P	2,362.82	-2.56
Nasdaq	5,860.63	-5.32
Nikkei 225	19,379.87	-1.57
STI	3,122.20	28.01
KLCI	1,708.08	1.53
JCI	5,358.68	17.69
Baltic Dry	806.00	28.00
VIX	11.74	0.17

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	0.6861	--
2M	-0.3410	--	1M	0.7794	--
3M	-0.3290	--	2M	0.8533	--
6M	-0.2380	--	3M	1.0534	--
9M	-0.1710	--	6M	1.3624	--
12M	-0.1110	--	12M	1.7454	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.25 (-)	1.22 (+0.01)
5Y	1.62 (+0.01)	1.90 (-0.02)
10Y	2.27 (-0.01)	2.41 (-0.02)
15Y	2.54 (-0.01)	--
20Y	2.53 (-0.01)	--
30Y	2.54 (-0.01)	3.03 (-0.01)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.05	-2.00	3.97
Italy	0.05	0.40	2.19
Ireland	-0.34	5.00	1.04
Greece	8.25	6.40	7.29
Spain	-0.23	-0.20	1.69
Russia	1.84	-3.10	4.13

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.54	0.34
EURIBOR-OIS	2.40	0.20
TED	52.55	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.59	-0.87%	Coffee (per lb)	1.492	-0.76%
Brent (per barrel)	55.84	-1.45%	Cotton (per lb)	0.7414	0.84%
Heating Oil (per gallon)	1.6296	-0.79%	Sugar (per lb)	0.2071	-0.43%
Gasoline (per gallon)	1.5133	1.29%	Orange Juice (per lb)	1.7385	-0.91%
Natural Gas (per MMBtu)	2.5920	1.09%	Cocoa (per mt)	2,028	-0.10%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,040.0	-0.33%	Wheat (per bushel)	4.4125	1.20%
Nickel (per mt)	10,768.0	-0.43%	Soybean (per bushel)	10.228	-0.34%
Aluminium (per mt)	1,878.5	--	Corn (per bushel)	3.7100	0.47%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,232.0	-0.44%	Crude Palm Oil (MYR/MT)	3,022.0	-0.07%
Silver (per oz)	17.950	-0.28%	Rubber (JPY/KG)	331.0	0.00%

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

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised
02/22/2017 07:30	AU	Westpac Leading Index MoM	Jan --	0.03%	0.44%	0.43%
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 --	7.10%	8.50%	8.60%
02/22/2017 11:05	HK	GDP Annual YoY	2016	1.70%	1.90%	2.40%
02/22/2017 11:06	HK	GDP YoY	4Q	2.00%	3.10%	1.90%
02/22/2017 11:41	HK	GDP SA QoQ	4Q	0.70%	1.20%	0.60%
02/22/2017 12:00	MA	CPI YoY	Jan	2.70%	3.20%	1.80%
02/22/2017 15:00	MA	Foreign Reserves	Feb-15 --	\$95.0b	\$95.0b	--
02/22/2017 17:00	GE	IFO Business Climate	Feb	109.6	111	109.8
02/22/2017 17:00	GE	IFO Expectations	Feb	103	104	103.2
02/22/2017 17:00	GE	IFO Current Assessment	Feb	116.6	118.4	116.9
02/22/2017 17:00	IT	CPI EU Harmonized YoY	Jan F	0.70%	1.00%	0.70%
02/22/2017 17:30	UK	GDP QoQ	4Q P	0.60%	0.70%	0.60%
02/22/2017 17:30	UK	GDP YoY	4Q P	2.20%	2.00%	2.20%
02/22/2017 17:30	UK	Private Consumption QoQ	4Q P	0.70%	0.70%	0.70%
02/22/2017 17:30	UK	Government Spending QoQ	4Q P	0.10%	0.20%	0.00%
02/22/2017 17:30	UK	Gross Fixed Captl Formation QoQ	4Q P	0.20%	0.00%	0.90%
02/22/2017 17:30	UK	Exports QoQ	4Q P	2.00%	4.10%	-2.60%
02/22/2017 17:30	UK	Imports QoQ	4Q P	0.30%	-0.40%	1.40%
02/22/2017 17:30	UK	Index of Services 3M/3M	Dec	0.80%	0.80%	1.00%
02/22/2017 17:30	UK	Total Business Investment QoQ	4Q P	0.10%	-1.00%	0.40%
02/22/2017 17:30	UK	Total Business Investment YoY	4Q P	0.30%	-0.90%	-2.20%
02/22/2017 18:00	EC	CPI MoM	Jan	-0.80%	-0.80%	0.50%
02/22/2017 18:00	EC	CPI YoY	Jan F	1.80%	1.80%	1.80%
02/22/2017 18:00	EC	CPI Core YoY	Jan F	0.90%	0.90%	0.90%
02/22/2017 20:00	US	MBA Mortgage Applications	Feb-17 --	-2.00%	-3.70%	--
02/22/2017 21:30	CA	Retail Sales MoM	Dec	0.00%	-0.50%	0.20%
02/22/2017 21:30	CA	Retail Sales Ex Auto MoM	Dec	0.50%	-0.30%	0.10%
02/22/2017 23:00	US	Existing Home Sales	Jan	5.55m	5.69m	5.49m
02/22/2017 23:00	US	Existing Home Sales MoM	Jan	1.10%	3.30%	-2.80%
02/23/2017 07:50	JN	PPI Services YoY	Jan	0.50%	--	0.40%
02/23/2017 07:50	JN	Japan Buying Foreign Bonds	Feb-17 --	--	¥297.4b	--
02/23/2017 07:50	JN	Japan Buying Foreign Stocks	Feb-17 --	--	¥96.7b	--
02/23/2017 07:50	JN	Foreign Buying Japan Bonds	Feb-17 --	--	¥99.2b	--
02/23/2017 07:50	JN	Foreign Buying Japan Stocks	Feb-17 --	--	¥175.6b	--
02/23/2017 08:30	AU	Private Capital Expenditure	4Q	-0.50%	--	-4.00%
02/23/2017 13:00	SI	CPI YoY	Jan	0.60%	--	0.20%
02/23/2017 13:00	SI	CPI NSA MoM	Jan	0.20%	--	0.20%
02/23/2017 13:00	JN	Leading Index CI	Dec F --	--	105.2	--
02/23/2017 13:00	JN	Coincident Index	Dec F --	--	115.2	--
02/23/2017 15:00	GE	GDP SA QoQ	4Q F	0.40%	--	0.40%
02/23/2017 15:00	GE	GDP WDA YoY	4Q F	1.70%	--	1.70%
02/23/2017 15:00	GE	GDP NSA YoY	4Q F	1.20%	--	1.20%
02/23/2017 15:00	GE	GfK Consumer Confidence	Mar	10.1	--	10.2
02/23/2017 15:45	FR	Manufacturing Confidence	Feb	106	--	106
02/23/2017 15:45	FR	Production Outlook Indicator	Feb --	--	8	--
02/23/2017 16:00	TA	Industrial Production YoY	Jan	2.95%	--	6.25%
02/23/2017 17:00	IT	Retail Sales MoM	Dec	0.20%	--	-0.70%
02/23/2017 17:00	IT	Retail Sales YoY	Dec	0.90%	--	0.80%
02/23/2017 21:30	US	Chicago Fed Nat Activity Index	Jan	0	--	0.14
02/23/2017 21:30	US	Initial Jobless Claims	Feb-18	240k	--	239k
02/23/2017 21:30	US	Continuing Claims	Feb-11	2068k	--	2076k
02/23/2017 22:00	US	House Price Purchase Index QoQ	4Q	--	--	1.50%
02/23/2017 22:00	US	FHFA House Price Index MoM	Dec	0.50%	--	0.50%
02/23/2017 22:45	US	Bloomberg Consumer Comfort	Feb-19	--	--	48.1
02/23/2017	SK	BoK 7-Day Repo Rate	Feb-23	1.25%	--	1.25%
02/23/2017	MU	Visitor Arrivals	Jan	--	--	2814t
02/23/2017 02/27	TH	Car Sales	Jan	--	--	86858

Source: Bloomberg

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