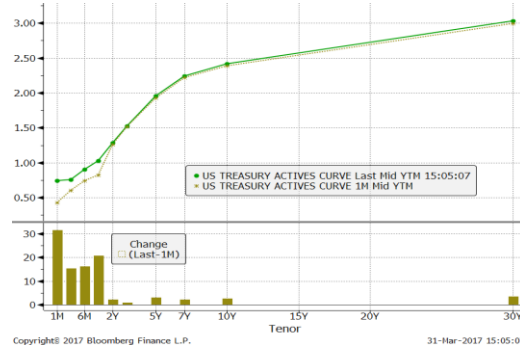


## Fundamental Highlights

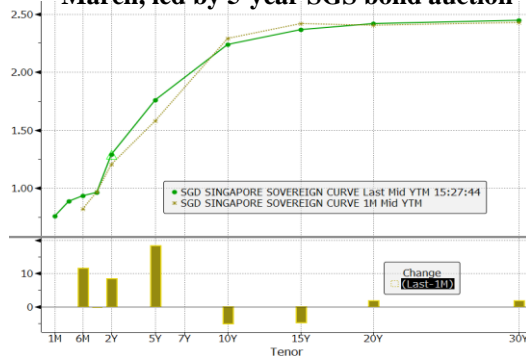
### April showers before May flowers?

With the March FOMC rate hike coupled with no significant changes to the FOMC statement or median dots graph (ie. “dovish hike”) and president Trump’s failure to get his American Healthcare Act pass in the House of Representatives, markets were left with few fresh catalysts going into the quarter-end. While Trump is refocusing on his tax reform plans, it remains to be seen if he will gain better traction this time. Fed rhetoric also suggests no consensus to go beyond two more rate hikes this year, with Rosengren and Williams preferring more, but Fischer and Bullard thinking otherwise. Meanwhile, UK PM May has formally triggered Article 50 while the Dutch elections went smoothly. Looking ahead, Trump’s impending meeting with China’s Xi will be closely watched, given he has initiated a trade abuse study to find “cheating or inappropriate behaviour”. France goes to the polls on 23 April, with a subsequent run-off on 7 May with Macron and Le Pen leading. ECB and BOJ are both meeting on 27 April, so any suggestions of retreating from their currently dovish stance could whipsaw markets.

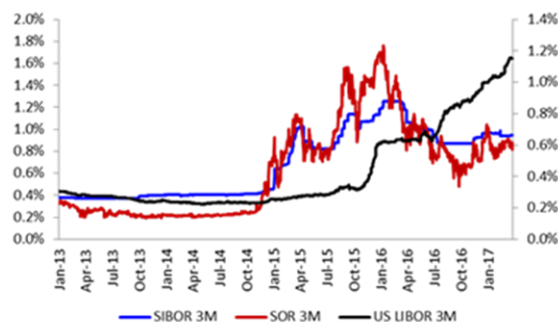
### Shorter-dated USD bills reacted more to FOMC hike in March, whereas UST bonds round-tripped.



### The SGS bond curve bear-flattened in March, led by 5-year SGS bond auction



### The 3-month SOR and SIBOR largely ignored the March FOMC rate hike.



## SGS Review and Outlook

### More green shoots for the S’pore economy in 1Q17.

Bank loans growth accelerated to nearly double from 2.8% yoy (-0.04% mom) in Jan to 5.2% yoy (1.7% mom) in Feb 2017, marking the strongest yoy surge since Dec14 but also likely skewed the low base last year. Business loans grew for the third straight month by 6.4% yoy (2.7% mom) in Feb which is the strongest pace since Nov14. This was led by loans to business services (up for the fifth consecutive month by 25.2% yoy which is also the highest since Jul14) and financial institutions (growing for the eight straight month by 20.9% which is the fastest since Jul14). Interestingly, loans to general commerce also turned positive (+6.7% yoy) for the first time since Dec14, which if sustained could herald green shoots for regional trade activities. Consumer loans also picked up from 3.1% yoy in Jan to 3.6% yoy (0.2% mom) in Feb, as housing loans remained very resilient (+4.0% yoy). Developers had sold 977 units in Feb (highest since 2012) versus 382 units in Jan, according to URA data. This uptick in buying momentum came after the government recently recalibrated some of the property cooling measures on 10 Mar. For Jan-Feb17, bank loans growth averaged 4% yoy. We tip full-year 2017 loans growth at 7% yoy. It is premature to read the recent reversion to the stronger side of the SGD NEER band as a harbinger for a return to a mild appreciation slope at the April MPS, as growth-inflation dynamics remain within policymakers’ comfort zones. The new \$2.6b 5-year SGS bond auction fetched an average yield of 1.65% with a 10bp tail to cut-off at 1.75% and a bid-cover ratio of 1.9x. Next up is a 30-year SGS bond re-opening on 1Jun17.

### Group Treasury

#### Treasury Research & Strategy

Selena Ling

(65) 6530 4887

[Lingssselena@ocbc.com.sg](mailto:Lingssselena@ocbc.com.sg)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.