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Highlights

Global	<p>Market confidence clearly remains fragile, as crude oil prices slid below the key US\$30 per barrel handle again overnight amid higher US inventories, coupled with fairly hawkish comments from Fed's George who opined that "while taking a signal from such volatility is warranted, monetary policy cannot respond to every blip in financial markets" and "the recent bout of volatility is not all that unexpected, nor necessarily worrisome". Meanwhile, RBA left its cash rate target unchanged at 2%, but opined that "continued low inflation may provide scope for easier policy, should that be appropriate to lend support to demand". RBI also kept its benchmark rate unchanged at 6.75% for the second straight month, saying it "continues to be accommodative...while awaiting further data on the development of inflation" and flagged the upcoming budget on 29 Feb, indicating structural reforms that "boost growth while controlling spending will create more space for monetary policy to support growth".</p> <p>Today, BOT is likely to keep the benchmark rate unchanged at 1.5% since April 2015. On the data front, keep an eye out for the slew of services and composite PMIs and US' non-manufacturing ISM and ADP employment data.</p>
US	<p>The New York ISM slumped from 62.0 in Dec15 to 54.6 in Jan16, while the IBD/TIPP economic optimism rose from 47.3 in Jan to 47.8 in Feb as confidence in federal policies rose.</p>
Singapore	<p>The headline manufacturing and electronics PMIs both softened further from 49.5 and 48.9 respectively in Dec15 to 49.0 and 48.5 respectively in Jan16. This is consistent with the softening seen in the Nikkei manufacturing PMIs seen in South Korea and Taiwan. Notably, the new export orders for both the overall manufacturing and electronics sectors continued to retract for the 12th straight month, and production and employment also declined, albeit stocks of finished manufactured goods have grown since Apr15. Imports and employment gauges continued to tilt lower as well. This dovetails with the 1H16 business expectations survey for manufacturers which pointed to a more tepid near-term outlook. The EDB expects fixed asset investments to remain moderate at \$8-10 this year due to uncertain global economic conditions. These investments should help generate 20-22k skilled jobs and contribute about \$10-12b in Value Add (VA). Note 2015 saw \$12.3b in VA (2014: \$12.5b) which was the lowest since 2007 (\$11.6b) and the number of jobs expected to be created was 16.8k (even lower than the GFC period).</p>
China	<p>The PBoC further loosened its macro prudential measures on property markets and allowed the cities without house purchase restriction to lower the down payment ratio to as low as 20% for first time buyers from current 25%. Meanwhile, the minimum down payment ratio for the second purchase with no outstanding debt will be cut to 30% from 40%. The move aims to help China to achieve the goal of a de-stocking of housing inventory as set in the Central Working Economic Conference in December 2015.</p> <p>Bloomberg reported that China's banking regulator asked banks to comply with key indicators such as NPL and capital adequacy ratio to avoid systemic risk. Banks may be forced to restructure and senior management may be changed should banks fail to comply with those risk indicators.</p>

Major Market

- **US:** Wall Street slumped in tandem with the crude oil prices yesterday, with the Dow -1.80%, S&P500 -1.87% and Nasdaq -2.24%. BP reported a US\$3.3b loss in 4Q and more than US\$6b loss for the whole of last year, while ExxonMobil saw its 4Q profit down 58%. Financial stocks also sold off. VIX +10.01% to 21.98. The UST bond market surged amid the de-risking, with the 2- and 10-year bond yields at 0.75% (below 200-DMA for first time since 28 Oct) and 1.86% (-9bps and the lowest since 17 Apr) respectively. This was notwithstanding George's comments that "despite these headwinds, the US economy has proven itself to be resilient to a wide range of shocks in recent years, including sluggish growth abroad" and "if we wait for the data to provide complete confirmation before making a policy decision, we may well have waited too long" as "monetary policy affects the economy with lags".
- **Singapore:** The STI fell by -0.89% to close at 2579.23 yesterday, and given the overnight slide in Wall Street, Asian bourses looks likely to be awash in a sea of red ink again, albeit China's stock markets were the outperformers yesterday after PBOC injected more liquidity and some property rules were eased. The STI's support and resistance are tipped at 2520 and 2580 respectively. The SGS bond market may track the UST bond market and rally today amid the flight to quality.
- **EZ:** The region's unemployment rate unexpectedly improved 0.1% point to a 4-year low of 10.4%, with a wide disparity between German (record low of 6.2%) versus Italy (also a record low of 11.4%). The ECB tips the unemployment rate to dip to 10.1% in 2017. Meanwhile, PPI fell more than expected by 0.8% mom (-3.0% yoy) in Dec, compared to -0.2% mom (-3.2% yoy) in Nov.
- **Japan:** The March 10-year bond sales to individuals will be scrapped for the first time due to negative rates, according to a Nikkei report.
- **Hong Kong:** Total retail sale growth fell to its lowest in 11 months, declining to -8.5% from -7.8% yoy in December. Despite a deceleration in the decline within the luxury segment, it continued to be a major drag on HK retail sales. Therefore, HK retail sector witnessed broad-based year-on-year decline in various retail outlets, with total retail sales growth in 2015 growth also decreasing 3.7% yoy. In the near term, HK retail sector is likely to be constrained by weak inbound tourism activities and a Chinese economic downturn, resulting in employment being weighed down in this sector. The gloomy prospect for Hong Kong's retail sector further creates more downward pressure on the HK retail shop property market. Thus, more rental concessions by the landlords can also be expected.
- Elsewhere, HK's November overall residential property price rose by 7.04% yoy (5.4% YTD). However, since September 2015's record high, the price index has fallen 4.15%. Residential property transaction volume also plunged to 2,045 units in January from 4,043 units in previous month, and it continues to remain far below the average transaction volume of 4,665 units in 2015. The economic downturn in China, market angst of RMB depreciation combined with the rout in HK stock market drew capital out of HK, weighing on the HKD exchange rate as well as pushing up the interest rate of HKD. The surge in interest rate will certainly add heavier mortgage burdens onto home buyers, therefore deterring demand in the short term.
- **Indonesia:** The government plans to allow foreign investors to own up to 67% stake in air traffic navigation, ground handling and other transport supporting service companies, according to Transportation Minister Ignatius Jonan. Ownership of airports and seaports would remain capped at 49%, however, because it is deemed to be a sovereign issue.
- **Malaysia:** Malaysia Building Society Bhd (MBSB) has reportedly ended its merger discussions with Bank Muamalat. The two banks had been in talks to create an Islamic bank. Previously, MBSB was also involved in a bid to combine with CIMB and RHB, which failed to take place in January 2015.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear steepened, with the shorter end and longer end of the curve inching ~2bps and ~4bps higher respectively. In the broader dollar space, both the JACI IG corporates spread as well as the JACI HY corporate yield widened ~1bp, to 236bps and 8.32% respectively. 10y UST yield fell sharply by 10bps to 1.85%, the lowest in 10 months, driven by the safe haven bid with investor sentiment souring on continued energy and stock market declines.
- **New Issues:** Westpac Banking priced a 3-year CNH130mn bond issue paying 5.4%. Export-Import Bank of Korea priced a 5-year USD400mn green bond issue, at CT5 + 87.5bps, tighter than the initial guidance of +105bps. (Bloomberg)
- **Rating Changes:** S&P downgraded Dalian Wanda Commercial Properties Company from BBB+ *- to BBB. Outlook is negative. This was due to weaker cash flows and aggressive expansion appetite. Shanghai Huayi Group was downgraded by Moody's from Baa3 *- to Baa2. This was driven by expectations of weak earnings and high leverage against the backdrop of an oversupplied commodity chemicals industry. (S&P, Moody's)

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.872	-0.14%	USD-SGD	1.4285	0.41%
USD-JPY	119.970	-0.84%	EUR-SGD	1.5598	0.70%
EUR-USD	1.0919	0.28%	JPY-SGD	1.1910	1.29%
AUD-USD	0.7039	-1.05%	GBP-SGD	2.0584	0.25%
GBP-USD	1.4410	-0.16%	AUD-SGD	1.0054	-0.65%
USD-MYR	4.2085	1.13%	NZD-SGD	0.9306	-0.09%
USD-CNY	6.5798	0.02%	CHF-SGD	1.4019	0.49%
USD-IDR	13691	0.43%	SGD-MYR	2.9530	1.04%
USD-VND	22293	0.06%	SGD-CNY	4.6090	-0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2320	--	O/N	0.3660	--
2M	-0.1980	--	1M	0.4270	--
3M	-0.1620	--	2M	0.5241	--
6M	-0.0940	--	3M	0.6186	--
9M	-0.0440	--	6M	0.8650	--
12M	0.0100	--	12M	1.1403	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.40	1.20	2.98	5.40	2.68
Italy	-0.01	-0.10	1.49	1.80	1.18
Ireland	-0.33	-0.90	0.96	-2.50	0.65
Greece*	11.31	-43.20	9.43	14.80	9.12
Spain	-0.01	0.90	1.59	2.10	1.28
Russia^	3.77	11.50	6.10	8.50	5.79

* 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	16,153.54	-295.60
S&P	1,903.03	-36.40
Nasdaq	4,516.95	-103.40
Nikkei 225	17,750.68	-114.50
STI	2,579.23	-23.20
KLCI	1,653.18	-14.60
JCI	4,587.44	-37.20
Baltic Dry	310.00	-4.00
VIX	21.98	2.00

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.05 (-0.01)	0.72 (-0.08)
5Y	1.86 (-0.01)	1.26 (-0.1)
10Y	2.23 (+0.01)	1.84 (-0.1)
15Y	2.58 (-)	--
20Y	2.63 (+0.01)	--
30Y	2.73 (+0.01)	2.66 (-0.11)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.96	-1.20
EURIBOR-OIS	13.40	0.20
TED	28.34	-3.51

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	29.88	-5.50%	Coffee (per lb)	1.199	1.78%
Brent (per barrel)	32.72	-4.44%	Cotton (per lb)	0.6230	0.83%
Heating Oil (per gallon)	1.011	-2.47%	Sugar (per lb)	0.1299	1.25%
Gasoline (per gallon)	1.00	-7.59%	Orange Juice (per lb)	1.3655	1.75%
Natural Gas (per MMBtu)	2.025	-5.90%	Cocoa (per mt)	2,761	-3.73%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,549.0	-0.24%	Wheat (per bushel)	4.7525	--
Nickel (per mt)	8,369	-0.70%	Soybean (per bushel)	8.863	0.62%
Aluminium (per mt)	1,503.8	-1.34%	Corn (per bushel)	3.7250	0.34%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,127.3	-0.05%	Crude Palm Oil (MYR/MT)	2,432.0	3.53%
Silver (per oz)	14.289	-0.38%	Rubber (JPY/KG)	151.5	-1.37%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
02/02/2016 01:00	IT New Car Registrations YoY	Jan	--	17.44%	18.70%	19.20%
02/02/2016 07:00	SK CPI MoM	Jan	0.40%	0.00%	0.30%	--
02/02/2016 07:00	SK CPI YoY	Jan	1.10%	0.80%	1.30%	--
02/02/2016 07:50	JN Monetary Base YoY	Jan	--	28.90%	29.50%	--
02/02/2016 08:00	NZ ANZ Commodity Price	Jan	--	-2.30%	-1.80%	--
02/02/2016 11:30	AU RBA Cash Rate Target	Feb-02	2.00%	2.00%	2.00%	--
02/02/2016 13:30	IN RBI Cash Reserve Ratio	Feb-02	4.00%	4.00%	4.00%	--
02/02/2016 13:30	IN RBI Repurchase Rate	Feb-02	6.75%	6.75%	6.75%	--
02/02/2016 13:30	IN RBI Reverse Repo Rate	Feb-02	5.75%	5.75%	5.75%	--
02/02/2016 16:30	HK Retail Sales Value YoY	Dec	-4.30%	-8.50%	-7.80%	--
02/02/2016 16:30	HK Retail Sales Volume YoY	Dec	-2.10%	-6.10%	-6.00%	--
02/02/2016 16:55	GE Unemployment Change (000's)	Jan	-8k	-20k	-14k	-16k
02/02/2016 16:55	GE Unemployment Claims Rate SA	Jan	6.30%	6.20%	6.30%	--
02/02/2016 17:30	UK Markit/CIPS UK Construction PMI	Jan	57.5	55	57.8	--
02/02/2016 18:00	EC PPI MoM	Dec	-0.60%	-0.80%	-0.20%	--
02/02/2016 18:00	EC Unemployment Rate	Dec	10.50%	10.40%	10.50%	--
02/02/2016 21:00	SI Purchasing Managers Index	Jan	49.7	49	49.5	--
02/03/2016 05:00	SK Foreign Reserves	Jan	--	\$367.29b	\$367.96b	--
02/03/2016 05:45	NZ Unemployment Rate	4Q	6.10%	5.30%	6.00%	--
02/03/2016 05:45	NZ Employment Change YoY	4Q	1.10%	1.30%	1.50%	--
02/03/2016 08:30	AU Trade Balance	Dec	-2450m	--	-2906m	--
02/03/2016 08:30	AU Building Approvals MoM	Dec	4.50%	--	-12.70%	--
02/03/2016 08:30	AU Building Approvals YoY	Dec	-7.20%	--	-8.40%	--
02/03/2016 09:45	CH Caixin China PMI Services	Jan	--	--	50.2	--
02/03/2016 09:45	CH Caixin China PMI Composite	Jan	--	--	49.4	--
02/03/2016 10:00	JN Nikkei Japan PMI Services	Jan	--	--	51.5	--
02/03/2016 10:00	JN Nikkei Japan PMI Composite	Jan	--	--	52.2	--
02/03/2016 10:30	HK Nikkei Hong Kong PMI	Jan	--	--	46.4	--
02/03/2016 13:00	IN Nikkei India PMI Services	Jan	--	--	53.6	--
02/03/2016 13:00	IN Nikkei India PMI Composite	Jan	--	--	51.6	--
02/03/2016 15:15	TH BoT Benchmark Interest Rate	Feb-03	1.50%	--	1.50%	--
02/03/2016 16:00	SI Automobile COE Open Bid Cat A	Feb-03	--	--	51301	--
02/03/2016 16:45	IT Markit/ADACI Italy Composite PMI	Jan	--	--	56	--
02/03/2016 16:45	IT Markit/ADACI Italy Services PMI	Jan	54	--	55.3	--
02/03/2016 16:50	FR Markit France Services PMI	Jan F	50.6	--	50.6	--
02/03/2016 16:50	FR Markit France Composite PMI	Jan F	50.5	--	50.5	--
02/03/2016 16:55	GE Markit Germany Services PMI	Jan F	55.4	--	55.4	--
	Markit/BME Germany Composite					
02/03/2016 16:55	GE PMI	Jan F	54.5	--	54.5	--
02/03/2016 17:00	EC Markit Eurozone Services PMI	Jan F	53.6	--	53.6	--
02/03/2016 17:00	EC Markit Eurozone Composite PMI	Jan F	53.5	--	53.5	--
02/03/2016 17:30	UK Markit/CIPS UK Services PMI	Jan	55.4	--	55.5	--
02/03/2016 17:30	UK Markit/CIPS UK Composite PMI	Jan	55	--	55.3	--
02/03/2016 18:00	EC Retail Sales MoM	Dec	0.30%	--	-0.30%	--
02/03/2016 18:00	IT CPI NIC incl. tobacco MoM	Jan P	-0.20%	--	0.00%	--
02/03/2016 18:00	IT CPI NIC incl. tobacco YoY	Jan P	0.30%	--	0.10%	--
02/03/2016 18:00	IT CPI EU Harmonized MoM	Jan P	-2.30%	--	-0.10%	--
02/03/2016 18:00	IT CPI EU Harmonized YoY	Jan P	0.30%	--	0.10%	--
02/03/2016 20:00	US MBA Mortgage Applications	Jan-29	--	--	8.80%	--
02/03/2016 21:15	US ADP Employment Change	Jan	193k	--	257k	--
02/03/2016 22:45	US Markit US Services PMI	Jan F	53.7	--	53.7	--
02/03/2016 22:45	US Markit US Composite PMI	Jan F	--	--	53.7	--
02/03/2016 23:00	US ISM Non-Manf. Composite	Jan	55.1	--	55.3	55.8

Source: Bloomberg

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