

## Highlights

|                    |   |
|--------------------|---|
| <b>Global</b>      | <p>Risk appetite continued to strengthen in March, lifted by recovering oil prices and better than expected US economic prints. In particular, US' ADP employment added 214k in Feb, up from the revised 193k in Jan, and setting the stage for the Feb nonfarm payrolls and unemployment report due tomorrow. Meanwhile, the Fed's Beige Book also indicated that "economic activity expanded in most districts" and "across the nation, business contacts were generally optimistic about future economic growth". With the market sentiments for the US having improved of late, note that the Bloomberg consensus forecast for tomorrow's NFP is +195k in Feb, up from +151k in Jan, with unemployment rate tipped to be unchanged at 4.9%.</p> <p>For today, watch for US' non-manufacturing ISM, Markit services and composite PMI, initial jobless claims, factory orders, and Challenger job cuts, UK's Nationwide house price, Eurozone's Jan retail sales, and the slew of services/composite PMIs from Europe and Asia including China's Caixin.</p> |
| <b>US</b>          | <p>The Fed's Beige book elaborated that "consumer spending increased in the majority of districts" and "residential real estate sales rose in most districts since the last report, and home inventories were low in the majority of districts". In addition, "labour market conditions continued to improve, with the majority of districts reporting modest gains" and "wage growth varied considerably, from flat to strong, across all districts, and most districts reported that consumer prices held steady".</p>  |
| <b>Singapore</b>   | <p>A further softening in both headline and electronics sectors to 48.5 (low since Oct12) and 48.2 respectively in Feb, down from Jan readings of 49.0 and 48.5, suggests there is no stabilization yet, albeit this could be partly skewed by the CNY holidays. Given the slide in the gauges for new export orders (down for 13th straight months and looks like a record low since at least Sep09 for the manufacturing sector), total new orders, production, imports and order backlogs, the current picture looks rather grim for manufacturers (although this is generally true across Asia especially in Greater China markets) and does add to the risk of a technical recession for the S'pore economy in 1H16. Today's Nikkei S'pore's PMI will be interesting to watch if it can sustain around the Jan print of 52.5 after bottoming out at 49.5 in May last year, since the services sector is the main engine supporting growth.</p>   |
| <b>China</b>       | <p>Rating agency Moody's downgraded China's outlook to negative from stable despite retaining its Aa3 rating ahead of China's National People's Congress meeting, citing policy implementation risk amid rising government debt and falling reserve. However, Moody's still believed that China's sizeable reserve and ample fiscal room will buy more time for China to implement reforms. Nevertheless, market has largely ignored the news.</p>  |
| <b>Commodities</b> | <p>The market continued to push crude oil futures higher, now with WTI inching towards the \$35/bbl handle, while Brent just seeing a \$2.2/bbl premium. Note that Saudi Arabia raised its oil export price to Asia (+25cents), to the highest since October, while lowering export prices (-20cents) to the US.</p>  |

### Treasury Advisory

#### Corporate FX & Structured Products

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#### Interest Rate Derivatives

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### GT Institutional Sales

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## Major Market

- **US:** Wall Street extended modest gains yesterday, as energy shares took the lead from recovering crude oil prices, lifting the Dow +0.20%, S&P500 +0.41% and Nasdaq +0.29%. VIX -3.45% to 17.09. The UST bond market stabilised slightly, with the 2- and 10-year bond yields only a tad higher at 0.86% and 1.84% respectively.
- **Singapore:** The STI surged 1.66% to close at 2726.96 yesterday, taking the lead from the rally in Asian bourses, especially Nikkei and Shanghai Composite Index. Given the positive overnight Wall Street lead, the STI could attempt to extend its lead further towards the 2740 resistance today, with initial support at 2700. SGS bonds could remain under pressure following a more upbeat Fed's Beige Book and ADP employment print for the US economy, with yields likely to rise modestly today.
- **Indonesia:** A 7.8-Richter scale earthquake struck near the island of Sumatra last evening. Fortunately, early fears about tsunami proved to be unfounded. According to official reports, there were no known deaths and significant material damage.
- **Commodities:** Exxon Mobil Corp CEO Rex Tillerson commented drilling expenditure will continue to drop through the end of 2017 given low oil prices. Elsewhere, India raised its import tax for gold dore to 8.75% (from 8.0%) while a 1% excise tax was introduced for gold jewellery, though keeping its bullion import tax unchanged at 10%. Separately, note that Codelco, the world's biggest copper producer, continues to expect a global copper glut to persist through this year and next.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 1bp-4bps higher yesterday. In the broader dollar space, JACI IG corporates spread tightened by 6bps to 245bps, while the yield on the JACI HY corporates decreased by 5bps to 8.07%. 10y UST yield increased by 2bps to 1.84%.
- **New Issues:** Sumitomo Mitsui FG priced a three-tranche, TLAC-eligible USD1.75bn 5-year bond at CT5+160bps, USD750mn 5-year floating rate note at 3mL+168bps and a USD1.5bn 10-year bond at CT10+195bps. The initial price guidance are "+180bps-185bps", "3-month LIBOR equivalent", and "+215bps-220bps" respectively. The expected security issues are "A/A1/NR". This move comes after MUFG's similar offering last week. The Islamic development bank plans to issue a 5-year dollar Sukuk, with price guidance set at MS+ "50bps-55bps" range. UOB Bank priced EUR500m of 5-year covered bonds at 99.653 to yield 0.32%, the bonds are backed 100% by SGD residential mortgage loans with an expected rating of AAA.
- **Rating Changes:** Fitch downgraded Sri Lankan Airlines, Sri Lankan Telecom PLC, Sri Lankan National Savings Bank, Bank of Ceylon and Sri Lanka Insurance Corp Ltd to "B+" from "BB-". This is following Fitch's downgrade of The Government of Sri Lanka to "B+" on 29 February 2016. Outlook is negative. Fitch also downgraded People's Leasing & Finance PLC, which is based in Sri Lanka, to "B" from "B+". Outlook is negative. Moody's assigned a "Ba3" corporate family rating to Golden Eagle Retail Group to replace the "Ba3" issuer rating previously assigned. Outlook is negative.

## Key Financial Indicators

### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 98.214    | -0.14%   | <b>USD-SGD</b> | 1.3968    | -0.27%   |
| <b>USD-JPY</b> | 113.480   | -0.46%   | <b>EUR-SGD</b> | 1.5182    | -0.26%   |
| <b>EUR-USD</b> | 1.1132    | 0.00%    | <b>JPY-SGD</b> | 1.2310    | 0.21%    |
| <b>AUD-USD</b> | 0.7295    | 1.67%    | <b>GBP-SGD</b> | 1.9665    | 0.63%    |
| <b>GBP-USD</b> | 1.4078    | 0.90%    | <b>AUD-SGD</b> | 1.0189    | 1.39%    |
| <b>USD-MYR</b> | 4.1670    | -0.06%   | <b>NZD-SGD</b> | 0.9325    | 0.44%    |
| <b>USD-CNY</b> | 6.5510    | -0.02%   | <b>CHF-SGD</b> | 1.4016    | -0.17%   |
| <b>USD-IDR</b> | 13301     | -0.34%   | <b>SGD-MYR</b> | 2.9705    | -0.10%   |
| <b>USD-VND</b> | 22304     | 0.01%    | <b>SGD-CNY</b> | 4.6777    | 0.32%    |

### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.2700 | --     | <b>O/N</b> | 0.3679    | --     |
| <b>2M</b>  | -0.2410 | --     | <b>1M</b>  | 0.4353    | --     |
| <b>3M</b>  | -0.2070 | --     | <b>2M</b>  | 0.5175    | --     |
| <b>6M</b>  | -0.1350 | --     | <b>3M</b>  | 0.6316    | --     |
| <b>9M</b>  | -0.0800 | --     | <b>6M</b>  | 0.8827    | --     |
| <b>12M</b> | -0.0260 | --     | <b>12M</b> | 1.1790    | --     |

### Eurozone & Russia Update

|                 | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|-----------------|-----------------------|------------------------|-------------------|
| <b>Portugal</b> | 0.64                  | -2.30                  | 3.04              |
| <b>Italy</b>    | -0.05                 | -0.40                  | 1.46              |
| <b>Ireland</b>  | -0.31                 | 1.70                   | 0.94              |
| <b>Greece*</b>  | 11.04                 | -70.10                 | 9.91              |
| <b>Spain</b>    | -0.02                 | 0.40                   | 1.57              |
| <b>Russia^</b>  | 3.48                  | 2.10                   | 5.73              |

\* 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 |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 16,899.32 | 34.20      |
| <b>S&amp;P</b>    | 1,986.45  | 8.10       |
| <b>Nasdaq</b>     | 4,703.42  | 13.80      |
| <b>Nikkei 225</b> | 16,746.55 | 661.00     |
| <b>STI</b>        | 2,726.96  | 44.60      |
| <b>KLCI</b>       | 1,691.03  | 20.20      |
| <b>JCI</b>        | 4,836.20  | 56.20      |
| <b>Baltic Dry</b> | 335.00    | 3.00       |
| <b>VIX</b>        | 17.09     | -0.60      |

### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.05 (+0.02) | 0.84 (--)    |
| <b>5Y</b>  | 1.85 (+0.03) | 1.34 (+0.02) |
| <b>10Y</b> | 2.26 (+0.03) | 1.84 (+0.02) |
| <b>15Y</b> | 2.66 (+0.03) | --           |
| <b>20Y</b> | 2.73 (+0.03) | --           |
| <b>30Y</b> | 2.87 (+0.03) | 2.68 (-0.01) |

### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 20.46 | -1.75  |
| <b>EURIBOR-OIS</b> | 14.70 | 0.10   |
| <b>TED</b>         | 33.99 | 3.39   |

### Commodities Futures

| Energy                   | Futures | % chg  | Soft Commodities        | Futures | % chg  |
|--------------------------|---------|--------|-------------------------|---------|--------|
| WTI (per barrel)         | 34.66   | 0.76%  | Coffee (per lb)         | 1.134   | 0.76%  |
| Brent (per barrel)       | 36.93   | 0.33%  | Cotton (per lb)         | 0.5804  | -0.36% |
| Heating Oil (per gallon) | 1.107   | 0.64%  | Sugar (per lb)          | 0.1467  | 1.95%  |
| Gasoline (per gallon)    | 1.31    | 0.55%  | Orange Juice (per lb)   | 1.2285  | -0.36% |
| Natural Gas (per MMBtu)  | 1.678   | -3.67% | Cocoa (per mt)          | 2,940   | 0.58%  |
| Base Metals              | Futures | % chg  | Grains                  | Futures | % chg  |
| Copper (per mt)          | 4,790.0 | 1.57%  | Wheat (per bushel)      | 4.4275  | 0.97%  |
| Nickel (per mt)          | 8,702   | 0.50%  | Soybean (per bushel)    | 8.543   | 0.41%  |
| Aluminium (per mt)       | 1,584.5 | 0.91%  | Corn (per bushel)       | 3.5450  | 0.21%  |
| Precious Metals          | Futures | % chg  | Asian Commodities       | Futures | % chg  |
| Gold (per oz)            | 1,241.8 | 0.89%  | Crude Palm Oil (MYR/MT) | 2,448.0 | -1.05% |
| Silver (per oz)          | 15.003  | 1.83%  | Rubber (JPY/KG)         | 152.4   | 3.32%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

| Date Time        | Event                               | Survey | Actual | Prior     | Revised   |           |
|------------------|-------------------------------------|--------|--------|-----------|-----------|-----------|
| 03/02/2016 07:00 | NZ QV House Prices YoY              | Feb    | --     | 11.60%    | 12.60%    | --        |
| 03/02/2016 07:00 | SK Industrial Production SA MoM     | Jan    | -1.00% | -1.80%    | 1.30%     | 0.50%     |
| 03/02/2016 07:00 | SK Industrial Production YoY        | Jan    | -0.60% | -1.90%    | -1.90%    | -2.20%    |
| 03/02/2016 07:00 | SK BoP Current Account Balance      | Jan    | --     | \$7063.6m | \$7459.5m | \$7375.1m |
| 03/02/2016 07:50 | JN Monetary Base YoY                | Feb    | --     | 29.00%    | 28.90%    | --        |
| 03/02/2016 08:00 | AU HIA New Home Sales MoM           | Jan    | --     | 3.10%     | 6.00%     | --        |
| 03/02/2016 08:30 | AU GDP SA QoQ                       | 4Q     | 0.40%  | 0.60%     | 0.90%     | 1.10%     |
| 03/02/2016 08:30 | AU GDP YoY                          | 4Q     | 2.50%  | 3.00%     | 2.50%     | 2.70%     |
| 03/02/2016 09:30 | SK Nikkei South Korea PMI Mfg       | Feb    | --     | 48.7      | 49.5      | --        |
| 03/02/2016 17:30 | UK Markit/CIPS UK Construction PMI  | Feb    | 55.5   | 54.2      | 55        | --        |
| 03/02/2016 18:00 | EC PPI MoM                          | Jan    | -1.00% | -1.00%    | -0.80%    | --        |
| 03/02/2016 20:00 | US MBA Mortgage Applications        | Feb-26 | --     | -4.80%    | -4.30%    | --        |
| 03/02/2016 21:00 | SI Purchasing Managers Index        | Feb    | 48.9   | 48.5      | 49        | --        |
| 03/02/2016 21:15 | US ADP Employment Change            | Feb    | 190k   | 214k      | 205k      | 193k      |
| 03/03/2016 07:00 | SK CPI MoM                          | Feb    | 0.10%  | 0.50%     | 0.00%     | --        |
| 03/03/2016 07:00 | SK CPI YoY                          | Feb    | 0.90%  | 1.30%     | 0.80%     | --        |
| 03/03/2016 08:00 | NZ ANZ Commodity Price              | Feb    | --     | --        | -2.30%    | --        |
| 03/03/2016 08:30 | AU Trade Balance                    | Jan    | -3200m | --        | -3535m    | --        |
| 03/03/2016 09:45 | CH Caixin China PMI Services        | Feb    | --     | --        | 52.4      | --        |
| 03/03/2016 09:45 | CH Caixin China PMI Composite       | Feb    | --     | --        | 50.1      | --        |
| 03/03/2016 10:00 | JN Nikkei Japan PMI Services        | Feb    | --     | --        | 52.4      | --        |
| 03/03/2016 10:00 | JN Nikkei Japan PMI Composite       | Feb    | --     | --        | 52.6      | --        |
| 03/03/2016 10:30 | HK Nikkei Hong Kong PMI             | Feb    | --     | --        | 46.1      | --        |
| 03/03/2016 13:00 | IN Nikkei India PMI Services        | Feb    | --     | --        | 54.3      | --        |
| 03/03/2016 13:00 | IN Nikkei India PMI Composite       | Feb    | --     | --        | 53.3      | --        |
| 03/03/2016 15:00 | UK Nationwide House PX MoM          | Feb    | 0.40%  | --        | 0.30%     | --        |
| 03/03/2016 15:00 | UK Nationwide House Px NSA YoY      | Feb    | 4.90%  | --        | 4.40%     | --        |
| 03/03/2016 16:30 | UK Halifax House Prices MoM         | Feb    | 0.00%  | --        | 1.70%     | --        |
| 03/03/2016 16:30 | UK Halifax House Price 3Mths/Year   | Feb    | 10.40% | --        | 9.70%     | --        |
| 03/03/2016 16:30 | HK Retail Sales Value YoY           | Jan    | -8.20% | --        | -8.50%    | --        |
| 03/03/2016 16:30 | HK Retail Sales Volume YoY          | Jan    | -5.10% | --        | -6.10%    | --        |
| 03/03/2016 16:45 | IT Markit/ADACI Italy Services PMI  | Feb    | 52.8   | --        | 53.6      | --        |
| 03/03/2016 16:45 | IT Markit/ADACI Italy Composite PMI | Feb    | --     | --        | 53.8      | --        |
| 03/03/2016 16:50 | FR Markit France Services PMI       | Feb F  | 49.8   | --        | 49.8      | --        |
| 03/03/2016 16:50 | FR Markit France Composite PMI      | Feb F  | 49.8   | --        | 49.8      | --        |
| 03/03/2016 16:55 | GE Markit Germany Services PMI      | Feb F  | 55.1   | --        | 55.1      | --        |
| 03/03/2016 16:55 | GE Markit/BME Germany Composite PMI | Feb F  | 53.8   | --        | 53.8      | --        |
| 03/03/2016 17:00 | EC Markit Eurozone Services PMI     | Feb F  | 53     | --        | 53        | --        |
| 03/03/2016 17:00 | EC Markit Eurozone Composite PMI    | Feb F  | 52.7   | --        | 52.7      | --        |
| 03/03/2016 17:30 | UK Markit/CIPS UK Services PMI      | Feb    | 55.1   | --        | 55.6      | --        |
| 03/03/2016 17:30 | UK Markit/CIPS UK Composite PMI     | Feb    | 55.7   | --        | 56.1      | --        |
| 03/03/2016 18:00 | EC Retail Sales MoM                 | Jan    | 0.10%  | --        | 0.30%     | --        |
| 03/03/2016 18:00 | EC Retail Sales YoY                 | Jan    | 1.30%  | --        | 1.40%     | --        |
| 03/03/2016 21:30 | US Initial Jobless Claims           | Feb-27 | 270k   | --        | 272k      | --        |
| 03/03/2016 21:30 | US Continuing Claims                | Feb-20 | 2250k  | --        | 2253k     | --        |
| 03/03/2016 22:45 | US Markit US Services PMI           | Feb F  | 50     | --        | 49.8      | --        |
| 03/03/2016 22:45 | US Markit US Composite PMI          | Feb F  | --     | --        | 50.1      | --        |
| 03/03/2016 22:45 | US Bloomberg Consumer Comfort       | Feb-28 | --     | --        | 44.2      | --        |
| 03/03/2016 23:00 | US ISM Non-Manf. Composite          | Feb    | 53.1   | --        | 53.5      | --        |
| 03/03/2016 23:00 | US Factory Orders                   | Jan    | 2.10%  | --        | -2.90%    | --        |
| 03/03/2016 23:00 | US Durable Goods Orders             | Jan F  | --     | --        | 4.90%     | --        |
| 03/03/2016 23:00 | US Durables Ex Transportation       | Jan F  | --     | --        | 1.80%     | --        |
| 03/03/2016 23:00 | US Cap Goods Orders Nondef Ex Air   | Jan F  | --     | --        | 3.90%     | --        |
| 03/03/2016 23:00 | US Cap Goods Ship Nondef Ex Air     | Jan F  | --     | --        | -0.40%    | --        |

Source: Bloomberg

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