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Highlights

Global	<p>Fed chair Yellen's testimony came across with a clearly cautious tone but was a tad less dovish than what market had been anticipating. She was less upbeat on the economic assessment, citing that "the economic outlook is uncertain" and "foreign economic developments, in particular, pose risks to U.S. economic growth", of which "although recent economic indicators do not suggest a sharp slowdown in Chinese growth, declines in the foreign exchange value of the renminbi have intensified uncertainty about China's exchange rate policy and the prospects for its economy". In turn, "this uncertainty led to increased volatility in global financial markets and, against the background of persistent weakness abroad, exacerbated concerns about the outlook for global growth" and "should any of these downside risks materialize, foreign activity and demand for U.S. exports could weaken and financial market conditions could tighten further".</p> <p>Second, she was also concerned about tightening financial conditions, but still expects gradual adjustments in monetary policy. She noted that "financial conditions in the United States have recently become less supportive of growth, with declines in broad measures of equity prices, higher borrowing rates for riskier borrowers, and a further appreciation of the dollar" and "these developments, if they prove persistent, could weigh on the outlook for economic activity and the labour market". However, she opined that "ongoing employment gains and faster wage growth should support the growth of real incomes and therefore consumer spending, and global economic growth should pick up over time, supported by highly accommodative monetary policies abroad" and concluded that "against this backdrop, the Committee expects that with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace in coming years and that labour market indicators will continue to strengthen".</p> <p>Elsewhere, crude oil prices slid further despite a surprise decline in crude supplies reported by EIA. On tap today is a light economic data calendar including US' initial jobless claims, BSP rate decision (likely unchanged at 4%) and Malaysia's industrial production, given that China, Taiwan and Japanese markets are closed.</p>
US	On negative rates, Yellen was non-committal, indicating "that remains a question that we still would need to investigate more thoroughly", but "I do not expect that the FOMC is going to be soon in the situation where it's necessary to cut rates".
UK	The CBI cut the UK's 2016 growth outlook from 2.6+% to 2.3% and also trimmed its 2017 forecast to 2.1% (previously 2.4%), citing that "while there's little current evidence of uncertainty negatively affecting business investment ahead of the EU referendum, this is a potential risk to the UK's solid economic outlook".
SG	Changi Airport saw 2.6% yoy growth to 55.4 million passengers in 2015, with Indian fliers accounting for 3.44 million to stay its 7th largest country market.
FX	With the USD continuing to soften in Asia on Wednesday, our 04 Feb 16 idea to be tactically short USD-SGD (spot ref: 1.4158) reached its 1.3915 objective. Ahead of Yellen's testimony to the House Financial Services committee, we extend our target to 1.3680, trailing the stop to 1.4035.

Major Market

- **US:** Wall Street ended mixed overnight despite initial gains, with the Dow -0.62%, S&P500 -0.02% and Nasdaq +0.35%. VIX -0.94% to 26.29. The UST bond market ended with the 2- and 10-year bond yields at 0.69% and 1.67% (-6bps) respectively, amid strong demand for the \$23b new 10-year bond auction which fetched a 1.73% yield (lowest since 2012) and indirect bidding of 62.3% (third highest on record), albeit the bid-cover ratio was the lowest since Aug at 2.56x. The 2-10 yield curve flattened to 98bps, the narrowest since Dec 2007.
- **Singapore:** The STI saw a poor start after re-opening from the CNY holidays and slid 1.57% to close at 2582.10 yesterday. Given mixed leads from Wall Street overnight and a soft tone in Kospi this morning, the STI may remain trapped in a lacklustre range between 2540-2600 today. The SGS bond yield curve is likely to trade with a supportive tone given the still cautious investor mood, especially with STI resuming its downward trajectory.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded bull-flattened yesterday, with the shorter-end rates trading 4bps-6bps lower while the longer-end rates traded 8bps-10bps lower. IG credits were unchanged with the iTraxx Asia ex-Japan IG index at 165bps. The 10y UST yield fell by 6bps to 1.66% following Chair Yellen's slightly downbeat comments on the US economic outlook.
- **Rating Changes:** Moody's downgraded Toshiba Corp's ratings to "B2" from "Ba2", reflecting Moody's deepening concern over the sustainability of Toshiba's near-term liquidity situation and its ability to maintain positive internal cash flow following its own successive downward earnings revision. The ratings remain under review for downgrade. Moody's upgraded Mitsubishi UFJ Financial Group, Inc. ("MUFG") issuer rating to "A1" from "A2", representing Moody's preliminary credit opinions in advance of the final sale of securities by MUFG. Outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.888	-0.19%	USD-SGD	1.3917	-0.35%
USD-JPY	113.350	-1.53%	EUR-SGD	1.5715	-0.36%
EUR-USD	1.1292	-0.01%	JPY-SGD	1.2277	1.15%
AUD-USD	0.7095	0.35%	GBP-SGD	2.0210	0.00%
GBP-USD	1.4522	0.35%	AUD-SGD	0.9875	0.00%
USD-MYR	4.1217	-1.19%	NZD-SGD	0.9305	0.38%
USD-CNY	6.5743	0.00%	CHF-SGD	1.4292	-0.44%
USD-IDR	13455	-1.15%	SGD-MYR	2.9585	-0.56%
USD-VND	22286	0.04%	SGD-CNY	4.7144	0.29%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2370	--	O/N	0.3771	--
2M	-0.2110	--	1M	0.4285	--
3M	-0.1710	--	2M	0.5156	--
6M	-0.1090	--	3M	0.6205	--
9M	-0.0580	--	6M	0.8659	--
12M	-0.0040	--	12M	1.1306	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.70	2.20	3.71
Italy	0.05	-1.90	1.64
Ireland	-0.30	1.00	1.03
Greece*	14.78	-57.00	10.93
Spain	0.01	-1.00	1.72
Russia^	3.73	1.00	6.01

* 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	15,914.74	-99.60
S&P	1,851.86	-0.40
Nasdaq	4,283.59	14.80
Nikkei 225	15,713.39	-372.10
STI	2,582.10	-41.10
KLCI	1,644.41	-18.10
JCI	4,732.48	-36.10
Baltic Dry	290.00	-1.00
VIX	26.29	-0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.00 (-0.05)	0.69 (--)
5Y	1.77 (-0.07)	1.12 (-0.03)
10Y	2.07 (-0.09)	1.67 (-0.06)
15Y	2.47 (-0.09)	--
20Y	2.52 (-0.09)	--
30Y	2.62 (-0.08)	2.49 (-0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.75	-0.35
EURIBOR-OIS	13.90	-1.40
TED	31.24	-0.29

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	27.45	-1.75%	Coffee (per lb)	1.148	--
Brent (per barrel)	30.84	1.72%	Cotton (per lb)	0.5888	0.41%
Heating Oil (per gallon)	0.975	--	Sugar (per lb)	0.1338	-0.07%
Gasoline (per gallon)	0.94	4.85%	Orange Juice (per lb)	1.3155	-0.49%
Natural Gas (per MMBtu)	2.046	-2.48%	Cocoa (per mt)	2,825	-0.42%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,444.0	-1.44%	Wheat (per bushel)	4.6125	0.82%
Nickel (per mt)	7,848	-2.61%	Soybean (per bushel)	8.623	-0.12%
Aluminium (per mt)	1,479.0	0.03%	Corn (per bushel)	3.6025	-0.21%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,194.7	-0.33%	Crude Palm Oil (MYR/MT)	2,487.0	-0.40%
Silver (per oz)	15.282	-1.08%	Rubber (JPY/KG)	142.2	0.07%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	08-Jan-16	B	EUR-USD	1.0888	1.1560	1.1045	Risk of Fed/dollar "disappointment"	
2	04-Feb-16	S	USD-SGD	1.4158	1.3680	1.4035	Dollar may stumble further post-Dudley	
3	10-Feb-16	S	USD-JPY	114.50	111.30	116.15	Risk aversion + weakened dollar narrative	
STRUCTURAL								
4	29-Dec-15	S	USD-JPY	120.25	113.45	123.70	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY	
5	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	29-Dec-15	15-Jan-16	B	USD-CAD	1.3886	1.4520	Central bank policy dichotomy in addition to structurally soft crude	+4.38
2	08-Jan-16	19-Jan-16	S	AUD-USD	0.7056	0.6950	Fragile global/equity/commodity/RMB backdrop	+1.47
3	18-Dec-15	19-Jan-16	S	GBP-USD	1.4909	1.4195	Broad dollar strength post-liftoff may be expected to continue to have traction against GBP	+5.03
4	21-Dec-15	21-Jan-16	S	USD-JPY	121.15	117.45	Disappointment towards a less dovish than expected BOJ	+3.06
5	10-Nov-15	21-Jan-16	B	USD-CAD	1.3276	1.4390	USD strength vs. weak crude	+7.75
6	04-Jan-16	01-Feb-16	B	USD-SGD	1.4229	1.4240	Asian FX weakness, RMB jitters	+0.01
7	21-Dec-15	02-Feb-16	S	GBP-USD	1.4917	1.4409	Negative chatter surrounding BREXIT and sustained dissipation towards BOW hawkishness	+3.56
8	05-Feb-16	08-Feb-16	B	AUD-USD	0.7188	0.7060	Dollar in retreat, consolidating commodities	-1.81
9	04-Feb-16	08-Feb-16	S	USD-CAD	1.3760	1.3950	Dollar on the defensive, stabilizing crude	-1.36

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
02/10/2016 07:30	AU Westpac Consumer Conf SA MoM	Feb	--	4.20%	-3.50%	--
02/10/2016 07:50	JN PPI MoM	Jan	-0.70%	-0.90%	-0.30%	-0.40%
02/10/2016 07:50	JN PPI YoY	Jan	-2.80%	-3.10%	-3.40%	-3.50%
02/10/2016 08:00	AU HIA New Home Sales MoM	Dec	--	6.00%	-2.70%	--
02/10/2016 09:00	PH Exports YoY	Dec	1.00%	-3.00%	-1.10%	--
02/10/2016 15:45	FR Industrial Production MoM	Dec	0.30%	-1.60%	-0.90%	--
02/10/2016 15:45	FR Industrial Production YoY	Dec	1.70%	-0.70%	2.80%	3.00%
02/10/2016 15:45	FR Manufacturing Production MoM	Dec	0.30%	-0.80%	0.40%	0.60%
02/10/2016 15:45	FR Manufacturing Production YoY	Dec	1.70%	0.50%	2.80%	3.00%
02/10/2016 17:00	IT Industrial Production MoM	Dec	0.30%	-0.70%	-0.50%	--
02/10/2016 17:00	IT Industrial Production WDA YoY	Dec	1.40%	-1.00%	0.90%	1.10%
02/10/2016 17:00	IT Industrial Production NSA YoY	Dec	--	2.10%	4.20%	4.30%
02/10/2016 17:30	UK Industrial Production MoM	Dec	-0.10%	-1.10%	-0.70%	-0.80%
02/10/2016 17:30	UK Industrial Production YoY	Dec	1.00%	-0.40%	0.90%	0.70%
02/10/2016 17:30	UK Manufacturing Production MoM	Dec	0.10%	-0.20%	-0.40%	-0.30%
02/10/2016 17:30	UK Manufacturing Production YoY	Dec	-1.40%	-1.70%	-1.20%	--
02/10/2016 20:00	US MBA Mortgage Applications	Feb-05	--	9.30%	-2.60%	--
02/10/2016 23:00	UK NIESR GDP Estimate	Jan	--	0.40%	0.60%	0.50%
02/11/2016 03:00	US Monthly Budget Statement	Jan	\$50.0b	\$55.2b	-\$17.5b	--
02/11/2016 05:30	NZ BusinessNZ Manufacturing PMI	Jan	--	57.9	56.7	57
02/11/2016 07:30	NZ REINZ House Sales YoY	Jan	--	4.30%	3.50%	--
02/11/2016 08:01	UK RICS House Price Balance	Jan	52%	--	50%	--
02/11/2016 12:00	MA Industrial Production YoY	Dec	1.00%	--	1.80%	--
02/11/2016 16:00	PH BSP Overnight Borrowing Rate	Feb-11	4.00%	--	4.00%	--
02/11/2016 21:30	US Initial Jobless Claims	Feb-06	280k	--	285k	--
02/11/2016 21:30	CA New Housing Price Index MoM	Dec	0.20%	--	0.20%	--
02/11/2016 21:30	US Continuing Claims	Jan-30	2245k	--	2255k	--
02/11/2016 22:45	US Bloomberg Consumer Comfort	Feb-07	--	--	44.2	--
02/10/2016 02/13	VN Domestic Vehicle Sales YoY	Jan	--	--	44.90%	--
02/10/2016 02/15	CH Money Supply M1 YoY	Jan	14.70%	--	15.20%	--
02/10/2016 02/15	CH Money Supply M2 YoY	Jan	13.50%	--	13.30%	--
02/10/2016 02/20	ID Local Auto Sales	Jan	--	--	73264	--
02/11/2016 02/15	IN Local Car Sales	Jan	--	--	172671	--
02/10/2016 02/15	CH New Yuan Loans CNY	Jan	1900.0b	--	597.8b	--

Source: Bloomberg

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