

Highlights

Global	<p>A watered down communique, even by G20 standards, will likely leave financial markets bereft of cues to start the week. The G2- statement opined that “the global recovery continues, but it remains uneven and falls short of our ambition for strong, sustainable and balanced growth” and “this year, the G20 group is focused on adopting structural reforms to help economic growth in member countries”. This would involve the use of “all policy tools” available, including monetary, fiscal and structural ones, to foster economic confidence and “preserve and strengthen the recovery”.</p> <p>The economic data calendar today include US’ pending home sales, Chicago PMI, Milwaukee ISM, Eurozone’s Feb CPI, German retail sales, Japan’s housing starts, Thai trade data, and S’pore’s loans growth. To follow will be the global manufacturing PMIs, Fed’s Beige Book and Feb unemployment rate and nonfarm payrolls. Other key events to watch include RBA tomorrow (likely unchanged at 2%), US’ Super Tuesday with 11 Republican nominating contests, Spain’s 2 March vote which socialist leader Sanchez needs an absolute majority (else a simple majority in a second vote on 5 March) to be elected PM. Brexit risks also continue to hover, with former BOE governor King warning that “monetary union has created a conflict between a centralised elite on the one hand, and the forces of democracy at the national level on the other” and “this is extraordinarily dangerous” and the “only way” for uncompetitive countries in southern Europe is to break up the bloc.</p>
US	<p>US’ Jan personal income and spending both strengthened to 0.5% mom, up from 0.3% and 0.1% in Dec, and marking the highest consumer spending in eight months amid improvements in the labour and housing markets. In particular, disposable income rose 0.4% for a second month inflation-adjusted, whilst the savings rate was unchanged at 5.2%. Meanwhile, the 4Q15 GDP growth was revised to 1% annualised, up from a +0.7% estimate previously, as business inventories rose. The core PCE inflation rose 0.3% mom (+1.7% yoy, the strongest pickup since Nov12) and suggesting that inflation while below the Fed’s 2% inflation target was actually picking up and has overshoot the 1.6% Fed’s forecast for 4Q15. This prompted the futures market to hike its June rate hike probability from 24% to 35%. The University of Michigan sentiments was also revised up from 90.7 to 91.7 in Feb, as current and expectations gauges both improved, with the 1-year inflation gauge unchanged at 2.5% but the 5-10 year inflation gauge rose to 2.5%.</p>
SG	<p>Bank loans growth likely contracted for the 4th straight month by 1-2% yoy amid the sluggish macro environment, cautious business sentiments and dampened asset markets.</p>
China	<p>PBoC Governor Zhou Xiaochuan said for the first time that monetary policy is prudent but lean towards easing during his press conference in G20 meeting, however he also called for more support from other policies as monetary policy is not panacea. Nevertheless, China’s Finance Minister Lou Jiwei said monetary policy will continue to play an important role to stimulate global growth while different countries are facing different constraints in terms of fiscal policy. Meanwhile, Zhou also said there is room for household sector to increase leverage amid China’s debt concerns, adding more fuel to already hot property market in tier-1 cities as well as some tier-2 cities.</p>

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Major Market

- **US:** Wall Street ended mixed on Friday, with the Dow -0.34%, S&P500 -0.19% and Nasdaq +0.18%. VIX +3.66% to 19.81. The UST bond market retreated with the 2- and 10-year bond yields at 0.81% and 1.76% respectively as better than expected economic prints, especially for inflation prompted market players to reassess their rate hike probabilities for the rest of the year.
- **EZ:** Consumer confidence was unchanged at -8.8 in Feb, whilst the German Feb CPI came in softer at +0.4% mom (0% yoy) after falling 0.8% mom (+0.5% yoy) in Jan. France's 4Q15 GDP growth edged up a tad to +0.32% qoq (+1.4% yoy), up from +0.2% qoq (+1.3%yoy), as consumer spending rebounded quickly (+1%) after the 13 Nov terrorist attacks.
- **Singapore:** The STI recovered 1.77% to close at 2649.38 on Friday. Given the disappointing G20 communique, and weak cues from Wall Street and Kospi this morning, the STI could trade sideways between the 3600 support and the 2680 resistance today. SGS bonds are likely to come under some selling pressure today given stronger than expected US' core PCE data and UST's Friday bond slippage.
- **Japan:** Industrial production recovered 3.7% mom (-3.8% yoy) in Jan, while retail sales fell 1.1% mom (-0.1% yoy).
- **Macau:** Unemployment rate held steady at 1.9% in January. However, the delay by casino operators on some projects launched on the Cotai Strip may mean that the labour market might not show significant gain in 1H16. Anyhow, fresh waves of hotel and casino project completions in 2H will gradually underpin employment growth and help absorb redundant employees in the gaming sector. Therefore, we expect the jobless rate to remain stable below 2.0% in 2016.
- **Indonesia:** Finance Minister Bambang Brodjonegoro said that the government remains optimistic that its proposed tax amnesty law will receive parliamentary approval in 2 months. This comes after the parliament has reportedly postponed its discussion of the bill from March 1st as originally planned.
- **Malaysia:** Ruling party UMNO has reportedly suspended Muhyiddin Yassin from his role as its deputy president for undermining the organization. Last July, he was removed from his post as the deputy premier in the cabinet.
- **Thailand:** Deputy Prime Minister Prawit Wongsuwon commented that the National Council for Peace and Order (NCPO) and Prime Minister Prayut Chan-o-cha will not seek to hold power after 2017 polls, according to Bangkok Post.
- **Commodities:** The rally in the dollar index to the highest in more than three weeks dragged many dollar-denominated commodities, especially precious metals. Gold fell 1.44% to its \$1,220/oz handle, while silver staged the largest fall in the year to \$14.689/oz. Crude oil has also fallen, but not to the severity seen in precious metals, likely supported by optimism from favourable US-centric economic prints.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear steepened last Friday, with the short-end rates trading 2bps-3bps lower while the yield on the long-end rates traded 1bp lower. In the broader dollar space, JACI IG corporates spread widened by 1bp to 253bps, while the yield on the JACI HY corporates decreased by 3bps to 8.28%. The 10y UST yield increased by 5bps to 1.76%.
- **Rating Changes:** S&P downgraded Noble Group Ltd to “BB-“from “BB+”, reflecting the uncertainty around the details of Noble’s refinancing and the company’s ability to raise capital in difficult market conditions. Outlook is negative. S&P downgraded Sime Darby Berhad to “BBB+” from “A-“ with a negative outlook, due to uncertainty and execution risks surrounding the timing and magnitude of Sime Darby’s deleveraging plan to protect its balance sheet over the next 18 months, on the backdrop of a weaker ringgit and tough operating conditions. S&P placed Standard Chartered PLC and subsidiaries on CreditWatch with negative implications, in light of a reported weak quarter and pretax loss for the year ended Dec 31. With the bank’s weakened performance, ongoing transformation, increasingly challenging macroeconomic environment, S&P sees elevated uncertainty over the bank’s ability to defend its competitive position, manage its risk exposure, and recover its profitability over the next two to three years.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.148	0.89%	USD-SGD	1.4080	0.44%
USD-JPY	114.000	0.88%	EUR-SGD	1.5397	-0.32%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2350	-0.47%
AUD-USD	0.7126	-1.52%	GBP-SGD	1.9530	-0.22%
GBP-USD	1.3871	-0.65%	AUD-SGD	1.0036	-1.08%
USD-MYR	4.2130	-0.27%	NZD-SGD	0.9332	-0.98%
USD-CNY	6.5404	0.11%	CHF-SGD	1.4130	-0.18%
USD-IDR	13382	-0.23%	SGD-MYR	3.0067	-0.08%
USD-VND	22316	-0.04%	SGD-CNY	4.6536	-0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2640	-0.0020	O/N	0.3745	0.0002
2M	-0.2340	-0.0020	1M	0.4385	--
3M	-0.2020	-0.0010	2M	0.5230	0.0020
6M	-0.1290	-0.0010	3M	0.6351	-0.0005
9M	-0.0750	-0.0030	6M	0.8807	0.0002
12M	-0.0170	-0.0020	12M	1.1610	0.0008

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.77	-13.90	3.08
Italy	0.02	-1.40	1.47
Ireland	-0.26	-4.00	0.91
Greece*	11.79	-28.70	10.31
Spain	0.07	-1.10	1.57
Russia^	3.52	-7.70	5.78

* 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	16,639.97	-57.30
S&P	1,948.05	-3.70
Nasdaq	4,590.47	8.30
Nikkei 225	16,188.41	48.10
STI	2,649.38	46.00
KLCI	1,663.44	5.30
JCI	4,733.15	74.80
Baltic Dry	327.00	2.00
VIX	19.81	0.70

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.05 (-0.01)	0.79 (+0.07)
5Y	1.86 (-0.01)	1.24 (+0.07)
10Y	2.29 (+0.02)	1.76 (+0.05)
15Y	2.68 (+0.02)	--
20Y	2.74 (+0.02)	--
30Y	2.88 (+0.01)	2.64 (+0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.21	-0.30
EURIBOR-OIS	14.60	-0.10
TED	32.48	0.97

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	32.78	-0.88%	Coffee (per lb)	1.130	-1.44%
Brent (per barrel)	35.10	-0.54%	Cotton (per lb)	0.5792	-0.41%
Heating Oil (per gallon)	1.051	-1.76%	Sugar (per lb)	0.1391	-2.32%
Gasoline (per gallon)	1.02	-3.73%	Orange Juice (per lb)	1.2480	-1.77%
Natural Gas (per MMBtu)	1.791	4.68%	Cocoa (per mt)	2,882	-1.94%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,706.0	2.28%	Wheat (per bushel)	4.4325	-0.45%
Nickel (per mt)	8,470	1.78%	Soybean (per bushel)	8.550	-0.47%
Aluminium (per mt)	1,560.0	0.21%	Corn (per bushel)	3.5450	-0.28%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,220.4	-1.44%	Crude Palm Oil (MYR/MT)	2,462.0	-0.36%
Silver (per oz)	14.689	-3.17%	Rubber (JPY/KG)	147.4	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 23 Feb 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	178,979	148,626	30,353	Wheat	-110,408	-94,805	-15,603
Nymex Crude	247,126	220,938	26,188	Natural Gas	-188,497	-176,781	-11,716
Soybean	-30,692	-49,365	18,673	Sugar	66,676	75,326	-8,650
Corn	-61,983	-69,423	7,440	Heating Oil	1,801	7,308	-5,507
Lean Hogs	48,407	43,329	5,078	Cotton	-7,126	-4,419	-2,707
Live Cattle	24,623	19,752	4,871	Palladium	4,167	5,928	-1,761
Copper	-23,045	-27,365	4,320	Platinum	33,569	32,414	1,155
Coffee	-7,490	-11,090	3,600	Silver	59,770	56,806	2,964
Cocoa	23,368	19,956	3,412	RBOB Gasoline	88,783	85,705	3,078

Source: CFTC

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	19-Feb-16	S	USD-JPY	112.8400	109.30	114.65	Iffy FOMC & background risk aversion	
2	26-Feb-16	S	GBP-USD	1.3985	1.3620	1.4170	Slightly dovish BOE stance, referendum concerns.	
STRUCTURAL								
3	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	04-Jan-16	01-Feb-16	B	USD-SGD	1.4229	1.4240	Asian FX weakness, RMB jitters	+0.01
2	21-Dec-15	02-Feb-16	S	GBP-USD	1.4917	1.4409	Negative chatter surrounding BREXIT and sustained dissipation towards BOE hawkishness	+3.56
3	05-Feb-16	08-Feb-16	B	AUD-USD	0.7188	0.7060	Dollar in retreat, consolidating commodities	-1.81
4	04-Feb-16	08-Feb-16	S	USD-CAD	1.3760	1.3950	Dollar on the defensive, stabilizing crude	-1.36
5	29-Dec-15	10-Feb-16	S	USD-JPY	120.25	113.45	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY	+5.86
6	10-Feb-16	11-Feb-16	S	USD-JPY	114.50	112.62	Risk aversion + weakened dollar narrative	+1.67
7	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158	1.4035	Dollar may stumble further post-Dudley	+0.85
8	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888	1.1045	Risk of Fed/dollar "disappointment"	+1.42
9	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
02/26/2016 05:45	NZ Trade Balance	Jan	-271m	8m	-53m	-38m
02/26/2016 07:30	JN Tokyo CPI Ex Food, Energy YoY	Feb	0.40%	0.50%	0.40%	--
02/26/2016 08:05	UK GfK Consumer Confidence	Feb	3	0	4	--
02/26/2016 12:48	MU Unemployment Rate	Jan	--	1.90%	1.90%	--
02/26/2016 13:00	SI Industrial Production SA MoM	Jan	-2.20%	9.30%	2.00%	-5.40%
02/26/2016 13:00	SI Industrial Production YoY	Jan	-5.10%	-0.50%	-7.90%	-11.90%
02/26/2016 13:30	VN Exports YTD YoY	Feb	5.60%	2.90%	2.20%	--
02/26/2016 15:30	TH Foreign Reserves	Feb-19	--	\$167.1b	\$165.6b	--
02/26/2016 15:45	FR PPI MoM	Jan	--	-0.80%	-1.20%	--
02/26/2016 15:45	FR CPI EU Harmonized MoM	Feb P	0.40%	0.30%	-1.10%	--
02/26/2016 15:45	FR CPI EU Harmonized YoY	Feb P	0.10%	-0.10%	0.30%	--
02/26/2016 15:45	FR CPI MoM	Feb P	0.40%	0.20%	-1.00%	--
02/26/2016 15:45	FR CPI YoY	Feb P	0.00%	-0.20%	0.20%	--
02/26/2016 15:45	FR GDP YoY	4Q P	1.30%	1.40%	1.30%	--
02/26/2016 16:00	TA Industrial Production YoY	Jan	-6.05%	-5.65%	-6.17%	-5.85%
02/26/2016 18:00	EC Consumer Confidence	Feb F	--	-8.8	-8.8	--
02/26/2016 21:00	GE CPI YoY	Feb P	0.10%	0.00%	0.50%	--
02/26/2016 21:00	GE CPI EU Harmonized YoY	Feb P	0.00%	-0.20%	0.40%	--
02/26/2016 21:30	US GDP Annualized QoQ	4Q S	0.40%	1.00%	0.70%	--
02/26/2016 21:30	US Personal Consumption	4Q S	2.20%	2.00%	2.20%	--
02/26/2016 21:30	US GDP Price Index	4Q S	0.80%	0.90%	0.80%	--
02/26/2016 21:30	US Core PCE QoQ	4Q S	1.20%	1.30%	1.20%	--
02/26/2016 23:00	US Personal Income	Jan	0.40%	0.50%	0.30%	--
02/26/2016 23:00	US Personal Spending	Jan	0.30%	0.50%	0.00%	0.10%
02/26/2016 23:00	US PCE Core MoM	Jan	0.20%	0.30%	0.00%	0.10%
02/26/2016 23:00	US U. of Mich. Sentiment	Feb F	91	91.7	90.7	--
02/29/2016 05:00	SK Business Survey Manufacturing	Mar	--	66	66	--
02/29/2016 05:30	NZ ANZ Business Confidence	Feb	--	7.1	23	--
02/29/2016 05:45	NZ Building Permits MoM	Jan	--	-8.20%	2.30%	--
02/29/2016 07:50	JN Industrial Production MoM	Jan P	3.20%	3.70%	-1.70%	--
02/29/2016 07:50	JN Industrial Production YoY	Jan P	-3.80%	-3.80%	-1.90%	--
02/29/2016 07:50	JN Retail Trade YoY	Jan	0.10%	-0.10%	-1.10%	--
02/29/2016 08:00	AU Melbourne Institute Inflation MoM	Feb	--	--	0.40%	--
02/29/2016 08:30	AU Private Sector Credit MoM	Jan	0.50%	--	0.50%	--
02/29/2016 13:00	JN Housing Starts YoY	Jan	-0.30%	--	-1.30%	--
02/29/2016 13:00	JN Annualized Housing Starts	Jan	0.870m	--	0.860m	--
02/29/2016 15:00	GE Import Price Index MoM	Jan	-1.00%	--	-1.20%	--
02/29/2016 15:00	GE Retail Sales YoY	Jan	1.80%	--	1.50%	--
02/29/2016 15:30	TH Exports YoY	Jan	--	--	-9.10%	--
02/29/2016 15:30	TH Trade Balance	Jan	--	--	\$3220m	--
02/29/2016 15:30	TH BoP Current Account Balance	Jan	\$2977m	--	\$4879m	--
02/29/2016 17:30	UK Mortgage Approvals	Jan	74.0k	--	70.8k	--
02/29/2016 17:30	UK Money Supply M4 MoM	Jan	--	--	-0.20%	--
02/29/2016 18:00	EC CPI Estimate YoY	Feb	0.00%	--	0.30%	--
02/29/2016 18:00	EC CPI Core YoY	Feb A	0.90%	--	1.00%	--
02/29/2016 18:00	IT CPI NIC incl. tobacco MoM	Feb P	-0.20%	--	-0.20%	--
02/29/2016 18:00	IT CPI NIC incl. tobacco YoY	Feb P	0.00%	--	0.30%	--
02/29/2016 18:00	IT CPI EU Harmonized YoY	Feb P	0.10%	--	0.40%	--
02/29/2016 21:30	CA Raw Materials Price Index MoM	Jan	-3.30%	--	-5.00%	--
02/29/2016 22:45	US Chicago Purchasing Manager	Feb	52.5	--	55.6	--
02/29/2016 23:00	US Pending Home Sales MoM	Jan	0.50%	--	0.10%	--
02/29/2016 23:30	US Dallas Fed Manf. Activity	Feb	-30	--	-34.6	--

Source: Bloomberg

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