

Treasury Advisory
Corporate FX & Structured
Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured
Products

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GT Institutional Sales

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Highlights

Global	<p>Friday's US nonfarm payrolls rose less than expected by 156k (consensus forecast: 178k) in December, with the previous two months data also revised up by 19k and bringing the 2016 full-year job gains to 2.16m. Private payrolls also rose 144k after a revised 198k print. The unemployment rate also crept higher from a 9-year low of 4.6% in November to 4.7%, largely attributable to higher labor-force participation (62.7%), but what raised market eyebrows was wage growth which accelerated to 0.4% mom (+2.9% yoy which is a cyclical high), which suggests that wage inflation is finally heating up. Elsewhere, China's FX reserves fell to US\$3.015t at end-2016, but the trend likely continued into January given recent intervention.</p> <p>This week kicks off with earnings results from key US banks, US President-elect Trump's first news conference on Wednesday, and BOK rate decision on Friday. Today's economic data calendar comprises of Germany's industrial production and trade, Taiwan's exports, UK's Halifax house prices and Eurozone's unemployment rate.</p>
US	<p>Equities ended the week on a positive note with solid job growth, with Nasdaq leading the way with a 0.60% gain, setting a new record of 5,521. The S&P 500 and Dow rose 0.35% and 0.32% respectively. Eyes will still be on the 20,000 mark this week, as the Dow went excruciatingly close with a 19,999.63 intraday high on Friday. Clearing this psychological resistance may give the equity rally new legs to run higher. VIX continued to retreat, closing at 11.32, down 3.0%. Meanwhile, Fed rhetoric by Mester and positive signs in the labour market triggered renewed declines in US Treasuries. 2- and 10-year benchmark yields rose 5-8 bps to 1.21% and 2.42%.</p> <p>Factory orders fell 2.4% yoy in November, after a revised 2.8% gain in October. Fed rhetoric was somewhat hawkish – Bullard now projects one Fed rate hike to 0.75-1%, noting “there is some upside risk because the new administration wants faster growth”. Lacker also warned of oil price increases and tightening labour market. He also tipped growth at 2.0% this year, followed by 1.75% from 2018, and inflation to rise close to the 2% target. Meanwhile, Evans (known dove) said he was upbeat on growth and potential inflation, but also wary of downside risks.</p>
EZ	<p>Euro-area economic sentiments rose from 106.6 in November to 107.8 in December, the highest since March 2011. However, ECB's Mersch noted that “statistics from just one month is not going to change our position” and “in terms of inflation, it's above all due to energy prices”.</p>
China	<p>The decline of FX reserve in December was due to both valuation effects and capital outflows. The further correction of US Treasury and rise of USD index are likely to lead to the accounting loss for FX reserve. However, the fall of FX reserve in SDR term from 2.254 trillion to 2.239 trillion also shows that capital outflows continued in December.</p>
Commodities	<p>The relatively healthier risk appetite seen in the global market is likely push crude oil higher; crude oil continued to tune higher as the market digested more exports cuts from Saudi Arabia in February, just as the Dow Jones Industrial Average edged towards its 20,000 mark (important psychological handle). Statistically, the Brent had already rallied for three consecutive days for a rise of about 2.8% to \$57.1/bbl on Friday.</p>

Major Markets

- **Singapore:** The STI may extend gains today, following Wall Street's Friday performance, after rising 0.29% to 2962.63 on Friday. STI's resistance and support are tipped at 3000 and 2960 respectively. With the uplift in UST bond yields following Friday's NFP data, SGS bond yields are likely to firm today as well.
- **Indonesia:** Bank Indonesia said that it has estimated inflation to be at 0.6-0.7% mom in January. Governor Agus Martowardojo said that electricity subsidy cut will add inflationary pressure even as volatile food prices ease. He added that rising cost of LPG and electricity will add 0.8-1.1ppt to 2017 inflation. Separately, Deputy Governor Perry Warjiyo reportedly said that BI sees a small room for monetary loosening and that it will consider issue of increased administered prices in deciding its monetary policy stance.
- **Malaysia:** Foreign reserves stood at USD94.6bn as of 30 December 2016, a fall from USD96.4bn as of 15 December. According to Bank Negara, the reserves are sufficient to finance 8.8 months of retained imports and is 1.3 times short-term external debt, supported by FDI inflows and current account surplus but offset by some foreign portfolio outflow. Meanwhile, November's exports came at 7.8%yoy, better than 2.5% expected with supportive upticks in export figures to key countries such as US, China and Singapore.
- **Thailand:** Roof-high flash floods in southern Thailand occurred as heavy rains sustained over many days. The downpour is expected to persist at least two more days, according to Thailand's Meteorological Department. The floods are said to hamper tourist arrivals while inundating farmland.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened on Friday, with swap rates rising by 4-7bps across all tenors. In the broader dollar space, the spread on the JACI IG Corporates increased 2bps to 198bps while the yield on JACI HY Corporates changed little, staying at around 6.81%. 10y UST yield increased by 8bps to 2.40%, paring weekly advance following December's employment report and showing fresh signs of strength in the U.S labour market – bolstering the case for higher interest rates.
- **New Issues:** Mapletree Investments Pte. Ltd. scheduled investor road shows from 10 January for possible perp issuance. Taikang Insurance Group Inc. scheduled investor road shows from 9-10 January for possible USD bond issuance. The expected issue ratings are "NR/NR/BBB+".
- **Rating Changes:** S&P placed its 'A-' corporate credit rating and its 'cnAA' Greater China regional scale rating on China Mengniu Dairy Co. Ltd. (Mengniu) on CreditWatch with negative implications. In addition, S&P placed their 'A-' issue rating and 'cnAA' Greater China regional scale rating on the company's outstanding senior unsecured notes on CreditWatch, with negative implications. S&P placed Mengniu on CreditWatch and this reflects Mengniu's potentially higher financial burden following its proposed increase in its stake in China Modern Dairy Holdings Ltd. Moody's has placed Dalian Wanda Commercial Properties Co. (DWCP) and Wanda Commercial Properties (HK) Co. 'Baa2' and 'Baa3' issuer rating respectively on review for downgrade. The review for downgrade reflects Moody's concerns that credit metrics will weaken in the next 12-18 months, driven by Moody's expectation of increased debt from its sizeable development of retail malls and lower property sales. Moody's has assigned an 'A1' Issuer rating and a 'Prime-1' short-term issuer rating to Suimitomo Mitsui Financial Group, Inc. (SMFG), with stable outlook. This reflects Moody's incorporation of a "Very High" level of government support probability in both the senior unsecured

bond rating of SMFG and the deposit rating of SMBC. Fitch affirmed Beijing Energy Holdings Co. Ltd.'s (BEH) Issuer Default Rating (IDR) and senior unsecured rating at 'A+', with stable outlook. In addition, Fitch also affirmed yuan-denominated notes issued by Jingneng Clean Energy Investment Holdings Limited and euro-denominated notes issued by Beijing Energy Investment Holdings Limited at 'A+' as these notes are supported by BEH via a keepwell agreement, liquidity support and equity interest purchase covenants. The rating changes reflect Fitch's internal credit assessment of the Beijing Municipality, which has close relationship with the China sovereign. Fitch placed Hengdeli Holdings Limited (Hengdeli) IDR of 'B+' and senior unsecured rating of 'B+' with Recovery Rating of 'RR4' on Rating Watch Negative (RWN). The rating actions follow Hengdeli's proposal to dispose its core operations to its founder and chairman, as the company plans to use most of the proceeds from the disposal to repay nearly all of the remaining businesses' debt. Fitch is of the view that the remaining operations (should the disposal be completed) will not warrant a 'B+' rating". Fitch has withdrawn AXA Insurance Singapore Pte. Ltd. 'AA-' Insurer Financial Strength rating, as the entity no longer exists. This entity had merged into AXA Life Insurance Singapore Private Limited (with the surviving entity renamed as AXA Insurance Pte Ltd). AXA Insurance Pte Ltd has been assigned a rating of 'AA-'.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.220	0.69%	USD-SGD	1.4390	0.75%
USD-JPY	117.020	1.45%	EUR-SGD	1.5155	0.03%
EUR-USD	1.0532	-0.71%	JPY-SGD	1.2299	-0.66%
AUD-USD	0.7301	-0.50%	GBP-SGD	1.7682	-0.32%
GBP-USD	1.2287	-1.06%	AUD-SGD	1.0493	0.12%
USD-MYR	4.4725	-0.30%	NZD-SGD	1.0016	-0.17%
USD-CNY	6.9241	0.69%	CHF-SGD	1.4133	-0.08%
USD-IDR	13371	0.03%	SGD-MYR	3.1187	-0.34%
USD-VND	22556	-0.27%	SGD-CNY	4.8198	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	0.6910	-0.0012
2M	-0.3400	-0.0010	1M	0.7633	-0.0022
3M	-0.3210	--	2M	0.8278	0.0033
6M	-0.2290	-0.0030	3M	1.0101	0.0008
9M	-0.1460	-0.0010	6M	1.3243	0.0033
12M	-0.0870	-0.0020	12M	1.6846	-0.0044

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.22	0.20	4.05
Italy	-0.07	2.40	1.96
Ireland	-0.50	0.40	0.97
Greece	7.65	--	6.86
Spain	-0.25	0.60	1.54
Russia	2.69	--	4.46

Equity and Commodity

Index	Value	Net change
DJIA	19,963.80	64.51
S&P	2,276.98	7.98
Nasdaq	5,521.06	33.12
Nikkei 225	19,454.33	-66.36
STI	2,962.63	8.49
KLCI	1,675.49	15.67
JCI	5,347.02	21.52
Baltic Dry	963.00	-20.00
VIX	11.32	-0.35

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.26 (-0.02)	1.21 (+0.05)
5Y	1.86 (-0.04)	1.92 (+0.08)
10Y	2.45 (-0.05)	2.42 (+0.07)
15Y	2.75 (-0.03)	--
20Y	2.73 (-0.02)	--
30Y	2.72 (-0.02)	3.01 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.62	0.33
EURIBOR-OIS	2.80	0.10
TED	49.75	0.59

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.99	0.43%	Coffee (per lb)	1.429	-0.63%
Brent (per barrel)	57.10	0.37%	Cotton (per lb)	0.7399	0.28%
Heating Oil (per gallon)	1.7032	0.53%	Sugar (per lb)	0.2075	-0.14%
Gasoline (per gallon)	1.6340	-0.23%	Orange Juice (per lb)	1.8555	-2.80%
Natural Gas (per MMBtu)	3.2850	0.37%	Cocoa (per mt)	2,261	-0.04%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,590.0	0.18%	Wheat (per bushel)	4.2325	-0.70%
Nickel (per mt)	10,197.3	-0.49%	Soybean (per bushel)	9.860	-1.74%
Aluminium (per mt)	1,715.0	0.66%	Corn (per bushel)	3.5800	-0.90%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,173.4	-0.67%	Crude Palm Oil (MYR/MT)	3,200.0	--
Silver (per oz)	16.519	-0.71%	Rubber (JPY/KG)	271.0	-0.40%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 03 Jan 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	22,761	5,311	17,450	Soybean	132,656	145,568	-12,912
RBOB Gasoline	76,614	65,738	10,876	Nymex Crude	499,035	502,646	-3,611
Sugar	179,669	170,712	8,957	Coffee	13,896	16,975	-3,079
Wheat	-80,575	-89,397	8,822	Natural Gas	-2,288	-251	-2,037
Cotton	114,381	108,010	6,371	Lean Hogs	55,006	56,589	-1,583
Heating Oil	55,307	49,242	6,065	Copper	44,374	45,653	-1,279
Silver	61,085	58,787	2,298	Gold	90,118	91,185	-1,067
Live Cattle	114,921	113,487	1,434	Palladium	14,478	14,460	18
Cocoa	-10,062	-10,843	781	Platinum	24,487	24,410	77

Source: CFTC

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	Relevance	
01/06/2017	07:50	JN Foreign Buying Japan Bonds	Dec-30	--	¥828.1b	--	--	46.2366
01/06/2017	07:50	JN Foreign Buying Japan Stocks	Dec-30	--	¥58.5b	--	--	52.6882
01/06/2017	08:00	JN Labor Cash Earnings YoY	Nov	0.20%	0.20%	0.10%	--	59.1398
01/06/2017	08:30	AU Trade Balance	Nov	-A\$550m	A\$1243m	-A\$1541m	-A\$1119m	86.7647
01/06/2017	12:00	MA Exports YoY	Nov	2.50%	7.80%	-8.60%	-8.60%	50
01/06/2017	12:00	MA Trade Balance MYR	Nov	10.25b	9.03b	9.76b	9.76b	57.1429
01/06/2017	15:00	GE Retail Sales MoM	Nov	-0.90%	-1.80%	2.40%	2.50%	66.1017
01/06/2017	15:00	GE Retail Sales YoY	Nov	1.20%	3.20%	-1.00%	-0.80%	64.4068
01/06/2017	15:00	GE Factory Orders MoM	Nov	-2.40%	-2.50%	4.90%	5.00%	91.5254
01/06/2017	15:00	GE Factory Orders WDA YoY	Nov	3.60%	3.00%	6.30%	--	62.7119
01/06/2017	15:00	MA Foreign Reserves	Dec-30	--	\$94.6b	\$96.4b	--	64.2857
01/06/2017	15:30	TH Foreign Reserves	Dec-30	--	\$171.9b	\$172.3b	--	80.7692
01/06/2017	15:45	FR Trade Balance	Nov	-4800m	-4377m	-5202m	-5154m	61.1111
01/06/2017	16:30	HK Foreign Reserves	Dec	--	\$386.2b	\$385.0b	\$385.1b	68.1818
01/06/2017	17:02	PH Foreign Reserves	Dec	--	\$81.1b	\$82.7b	\$81.5b	54.1667
01/06/2017	18:00	EC Economic Confidence	Dec	106.8	107.8	106.5	106.6	52.2727
01/06/2017	18:00	EC Consumer Confidence	Dec F	-5.1	-5.1	-5.1	--	81.8182
01/06/2017	18:00	EC Retail Sales MoM	Nov	-0.40%	-0.40%	1.10%	1.40%	59.0909
01/06/2017	18:00	EC Retail Sales YoY	Nov	1.90%	2.30%	2.40%	3.00%	56.8182
01/06/2017	21:30	US Trade Balance	Nov	-\$45.4b	-\$45.2b	-\$42.6b	-\$42.4b	84.7328
01/06/2017	21:30	CA Int'l Merchandise Trade	Nov	-1.60b	0.53b	-1.13b	-1.02b	59.5238
01/06/2017	21:30	CA Unemployment Rate	Dec	6.90%	6.90%	6.80%	--	90.4762
01/06/2017	21:30	US Change in Nonfarm Payrolls	Dec	175k	156k	178k	204k	99.2366
01/06/2017	21:30	CA Net Change in Employment	Dec	-2.5k	53.7k	10.7k	--	85.7143
01/06/2017	21:30	US Change in Manufact. Payrolls	Dec	0k	17k	-4k	-7k	69.4656
01/06/2017	21:30	US Unemployment Rate	Dec	4.70%	4.70%	4.60%	--	89.313
01/06/2017	23:00	US Factory Orders	Nov	-2.30%	-2.40%	2.70%	2.80%	87.7863
01/06/2017	23:00	US Durable Goods Orders	Nov F	-4.60%	-4.50%	-4.60%	--	93.1298
01/06/2017	23:00	US Durables Ex Transportation	Nov F	0.20%	0.60%	0.50%	--	74.5038
01/06/2017	23:00	US Cap Goods Orders Nondef Ex Air	Nov F	--	0.90%	0.90%	--	61.0687
01/06/2017	23:00	US Cap Goods Ship Nondef Ex Air	Nov F	--	0.20%	0.20%	--	60.3053
01/06/2017		VN Domestic Vehicle Sales YoY	Dec	--	--	25.70%	--	77.7778
01/07/2017	10:47	CH Foreign Reserves	Dec	\$3010.0b	\$3010.5b	\$3051.6b	--	58.3333
01/09/2017	08:30	AU Building Approvals YoY	Nov	-5.70%	--	-24.90%	--	66.1765
01/09/2017	08:30	AU ANZ Job Advertisements MoM	Dec	--	--	1.70%	--	60.2941
01/09/2017	13:30	AU Foreign Reserves	Dec	--	--	A\$69.9b	--	47.0588
01/09/2017	15:00	GE Industrial Production SA MoM	Nov	0.60%	--	0.30%	--	93.2203
01/09/2017	15:00	GE Industrial Production WDA YoY	Nov	1.90%	--	1.20%	--	67.7966
01/09/2017	15:00	GE Trade Balance	Nov	20.3b	--	19.3b	19.4b	61.0169
01/09/2017	15:00	GE Current Account Balance	Nov	22.1b	--	18.4b	--	50.8475
01/09/2017	15:00	GE Exports SA MoM	Nov	0.50%	--	0.50%	--	57.6271
01/09/2017	15:30	FR Bank of France Bus. Sentiment	Dec	101	--	101	--	52.7778
01/09/2017	16:00	TA Trade Balance	Dec	\$4.35b	--	\$4.27b	--	52.6316
01/09/2017	16:00	TA Exports YoY	Dec	10.80%	--	12.10%	--	73.6842
01/09/2017	16:30	UK Halifax House Prices MoM	Dec	0.30%	--	0.20%	--	76.4706
01/09/2017	18:00	EC Unemployment Rate	Nov	9.80%	--	9.80%	--	70.4545
01/09/2017	01/12	IN Local Car Sales	Dec	--	--	173606	--	55

Source: Bloomberg

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