

Highlights

Global	<p>Fed chair Yellen stuck to her guns on the need to hike interest rates this year, arguing that “waiting too long to remove accommodation would be unwise, potentially requiring the FOMC to eventually raise rates rapidly, which could risk disrupting financial markets and pushing the economy into recession” and “I would say that every meeting is live”, essentially keeping the March option live. When questioned, she opined that “we are not basing our judgements about current interest rates on speculation” about fiscal policy, but added it’s “too early to know” what changes in fiscal and economic policies would materialise. She also added that the FOMC will provide guidance on tapering its balance sheet “in the coming months” and “I would anticipate a balance sheet that’s substantially smaller than at the current time”. Meanwhile, Fischer reiterated “I don’t think anyone quite knows what’s going to come out of the process which involves both the administration and Congress in the deciding of fiscal policy and a variety of other things” whereas Bullard sounded a cautionary note that “it is unlikely that fiscal uncertainty will be meaningfully resolved by the March meeting, which is only a few weeks away...why not wait until that gets resolved?” In response to Yellen’s comments, the futures pricing of a March rate hike edged up from 30% to 34% probability, with UST bond yields, the USD and Wall Street all broadly higher. Expect that the Asian bourses markets to open firmer today. Today’s economic calendar include US’ CPI, retail sales, industrial production Empire manufacturing and NAHB housing market index, UK’s ILO unemployment rate and jobless claims, and Singapore’s retail sales. Speakers include Fed’s Lockhart today.</p>
US	<p>US’ PPI surged from 0.2% mom in Dec to 0.6% in Jan, marking the largest increase since Sep12 due to higher gasoline prices. Meanwhile, the NFIB small business optimism also improved from 105.8 to 105.9 in Jan, with regulation and worker shortage being the prominent bugbears. Separately, the newly installed Treasury Secretary Steven Mnuchin said he “will continue to look at” any changes to Russia sanctions in place.</p>
EZ	<p>Germany’s 4Q16 GDP growth accelerated to 0.4% qoq sa (+1.7% yoy), up from a revised 0.1% qoq sa (+1.7% yoy), but fell slightly short of consensus expectations. Meanwhile, the ZEW survey expectations gauges softened for Europe and Germany to 17.1 (previously 23.2) and 10.4 (previously 16.6) respectively. Separately, UK’s CPI accelerated from 1.6% yoy in Dec to 1.8% in Jan, led by food and transport costs, but the core CPI was steady at 1.6%.</p>
SG	<p>Retail sales likely shrank 4.1% mom sa (-0.7% yoy) in Dec amid lacklustre Christmas sales. Market consensus forecast is looking for a less severe 1.9% mom sa contraction (+1.4% yoy) in Dec, versus +0.5% mom sa (+1.1% yoy) in Nov16.</p>
CH	<p>Both China’s CPI and PPI accelerated further in Jan to 2.5% yoy and 6.9% yoy respectively from 2.1% and 5.5% in Dec’16. CPI is likely to fall to around 1% in Feb due to base effect while PPI is expected to go higher further to test 8% in Feb.</p>
CMD	<p>The strong Wall Street (DJIA above 20,500) is a clear sign of risk-taking behaviour, now that copper has gained above its \$6,000/MT since the start of this week, while crude oil appears to be now comfortably above its \$50 (WTI) and \$55/bbl (Brent) handle.</p>

Treasury Advisory
Corporate FX & Structured Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured Products

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

Major Markets

- **US:** Equities reached another record as Yellen's testimony confirmed the underlying strength of the US economy. Financials were again the main beneficiaries, while high-yielding sectors like utilities underperformed. Overall, the Dow led gains with a 0.45% rise, and the S&P 500 and Nasdaq added 0.40% and 0.32% respectively. Meanwhile, the VIX revisited multi-year lows, closing at 10.74, down 3.0%. US Treasuries sold off on Yellen's hawkish comments that rate hikes "would likely be appropriate" over the coming meetings. The market has priced in at least two hikes in 2017, with the possibility of a third hike hinging on the March FOMC. 10-year benchmark yield briefly hit 2.5%, before easing to close at 2.47%, up 3 bps. 2-year yields ended at 1.23%, up 3 bps.
- **Singapore:** The STI slumped 1.26% to close at 3072.47 yesterday as profit-taking interest emerged pre-Yellen. Given the overnight lift in Wall Street amid Yellen's optimism, the STI may attempt the 3100 handle again today. SGS bonds may retreat in line with UST bond markets (UST yields rose around 2-4bps yesterday, with the 10-year UST bond yield actually tested 2.5% before stabilizing) amid more hawkish FOMC expectations.
- **China:** The rise of CPI in January was mainly the result of low base and seasonal Chinese New Year factors. Nevertheless, CPI is expected to fall in February as a result of falling food prices after Chinese New Year holiday as well as base effect. We expect the CPI to decline to around 1%. The rapid acceleration of PPI to 6.9% was partially due to low base effect as commodity prices collapsed last January. The PPI is likely to go up higher further to peak around 8% in February due to base effect.
- China's aggregate social financing spiked to a record high of CNY3.74 trillion in January despite PBoC's efforts to contain financial risk. The ballooning off-balance sheet lending to CNY1.24 trillion together with the record high medium to long term loan to household is likely to fuel concern about asset bubbles. Overall speaking, the credit expansion in January has been above policy maker's comfortable zone. This also justified PBoC's move to shift the money market funding curve higher to contain leverage. In addition, PBoC is likely to continue its window guidance to control credit expansion pace in the first quarter.
- There are three takeaways from the latest aggregate social financing. First, off-balance sheet lending spiked to CNY1.24 trillion, highest in record. In particular, trust loan increased by CNY317.5 billion, highest since March 2013. The rebound of shadow banking activity was probably due to tightening property measures as well as window guidance on bank lending, which diverted the funding demand from on-balance sheet lending to off-balance sheet lending. Second, bond issuance continued to shrink for the second month, down by CNY53.9 billion, probably due to rising volatility in the bond market. However, equity financing in January hit a record high of CNY159.9 billion thanks to stable equity market. Nevertheless, percentage of direct financing, which include both bond and equity financing, shrank to only 2.8% lowest since May 2007, due to ballooning off balance sheet lending. Third, foreign currency loan increased by CNY12.6 billion, first positive growth in five months, highest since June 2015. The returning demand for foreign currency liability shows that the concern about RMB depreciation has normalized and market has increasingly accepted the expectation on two-way volatility.
- Zooming into new Yuan loan, housing loan remained strong in January despite tightening measures with medium to long term loan to household increased by a record high of CNY629.3 billion. On positive note, medium to long term loan to corporate also surged to a record high of CNY1.52 trillion. This is probably the result of booming infrastructure projects on the back of proactive fiscal policy.
- Overall speaking, the credit expansion in January has been above policy maker's comfortable zone. This also justified PBoC's move to shift the money market funding curve higher to contain leverage. In addition, PBoC is likely to continue its window guidance to control credit expansion pace in the first quarter.

- **Malaysia:** Kim Jong Nam, the half-brother of North Korean leader Kim Jong Un, was reportedly murdered at Kuala Lumpur's airport on Monday. Malaysia police chief Khalid Abu Bakar was quoted by Bloomberg as stating that a 46-year-old North Korean man, with a travel document identifying him as Kim Chol, had died en route from the airport to hospital.
- **Indonesia:** It's a national holiday in Indonesia today, as 101 areas go to the polls to elect their regional leaders. Focus will be predominantly on the race to lead the capital city of Jakarta, whereby the incumbent Ahok is battling to return to his seat against two other contenders. If no one wins more than 50% of votes in this race, there will be another round in April featuring the top two winners.
- **South Korea:** Jobless rate rose to 3.6% in January, above market consensus for a 3.5% print. Empirically, only around 243 thousand jobs were created in Jan, while a worrying decline of 160 thousand manufacturing jobs were observed as well. Korea's finance ministry commented that weak consumer sentiment, downside risk in domestic demand and corporate restructuring may continue to drag Korea's labour market into the first quarter of the year.
- **Commodities:** Gold continued to fall for its fourth consecutive trading day, especially as the dollar gained overnight on a hawkish comment from Fed chair Yellen.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 3bps to 190bps while the yield on JACI HY Corporates fell 1bps to 6.71%. 10y UST yields rose 3bps to 2.47% yesterday, after Federal Reserve Chairwoman Janet Yellen mentioned that the Fed does not need to wait for the Trump administration's plans on fiscal stimulus to hike rates.
- **New Issues:** Ronshine China Holdings Ltd. priced a USD225mn re-tap of RONXIN 6.95%'19s at 8%, tightening from initial guidance of 8.125%. The expected issue ratings are 'B/B2/B+'. Proven Glory Capital Ltd. priced a USD1bn 5-year bond at CT5+132.5bps, tightening from initial guidance of CT5+165bps; and a USD500mn 10-year bond at CT10+162.5bps, tightening from initial guidance of CT10+190bps. The bonds are guaranteed by Huawei Investment & Holding Co. Apple Inc. is said to price a 30-year USD 4.3% bond in Taiwan, its second Formosa bond issuance since June 2016.
- **Rating Changes:** S&P downgraded Canon Inc.'s (Canon) corporate credit rating by one notch to 'AA-' yesterday, with a stable outlook. The rating action reflects S&P's view that Canon's profitability is in a prolonged decline amid market saturation in its core businesses despite average profitability from planned launches of new products and the benefits of continued cost reductions. S&P withdrew Hua Han Health Industry Holdings Ltd.'s (Hua Han) 'CCC-' corporate credit rating and issue rating, with a negative outlook. The withdrawal followed the rating downgrades to 'CCC-'. S&P announced that they withdrew all the ratings on Hua Han due to heightened information risks. Moody's downgraded Beijing Enterprises Holdings Limited's (BEHL) and Beijing Enterprises Group (BVI) Company Ltd's (BE BVI) issuer ratings to 'Baa1' from 'A3'. In addition, Moody's downgraded the senior unsecured rating on the bonds guaranteed by BEHL/BE BVI to 'Baa1' from 'A3'. The outlook on the ratings is stable. The rating action reflects the significant weakening of BEHL's standalone credit profile, due to its acquisitive appetite and heightened business risks, in particular, its acquisition of EEW Holdings GmbH in March 2016 and announced investment in Verknechonskneftegaz in November 2016.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	101.250	0.29%	USD-SGD	1.4211	-0.20%
USD-JPY	114.260	0.46%	EUR-SGD	1.5032	-0.40%
EUR-USD	1.0578	-0.19%	JPY-SGD	1.2436	-0.67%
AUD-USD	0.7663	0.30%	GBP-SGD	1.7717	-0.67%
GBP-USD	1.2468	-0.46%	AUD-SGD	1.0890	0.08%
USD-MYR	4.4493	0.02%	NZD-SGD	1.0185	-0.33%
USD-CNY	6.8675	-0.18%	CHF-SGD	1.4126	-0.24%
USD-IDR	13330	0.05%	SGD-MYR	3.1377	0.24%
USD-VND	22745	0.31%	SGD-CNY	4.8377	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	0.6872	--
2M	-0.3400	--	1M	0.7700	--
3M	-0.3290	--	2M	0.8478	--
6M	-0.2400	--	3M	1.0390	--
9M	-0.1630	--	6M	1.3379	--
12M	-0.1020	--	12M	1.7104	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.05	-4.50	4.04
Italy	-0.02	-1.20	2.23
Ireland	-0.44	0.20	1.07
Greece	9.33	5.00	7.55
Spain	-0.28	-0.20	1.67
Russia	2.00	-0.50	4.16

Equity and Commodity

Index	Value	Net change
DJIA	20,504.41	92.25
S&P	2,337.58	9.33
Nasdaq	5,782.57	18.62
Nikkei 225	19,238.98	-220.17
STI	3,072.47	-39.16
KLCI	1,708.90	-1.34
JCI	5,380.67	-28.89
Baltic Dry	685.00	-3.00
VIX	10.74	-0.33

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.23 (-0.04)	1.23 (+0.03)
5Y	1.65 (-0.03)	1.96 (+0.05)
10Y	2.25 (-0.04)	2.47 (+0.03)
15Y	2.47 (-0.03)	--
20Y	2.47 (-0.06)	--
30Y	2.51 (-0.06)	3.06 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	34.28	0.14
EURIBOR-OIS	2.00	0.10
TED	50.60	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.20	0.51%	Coffee (per lb)	1.437	-0.42%
Brent (per barrel)	55.97	0.68%	Cotton (per lb)	0.7632	-0.38%
Heating Oil (per gallon)	1.6382	0.67%	Sugar (per lb)	0.2047	2.35%
Gasoline (per gallon)	1.5467	0.14%	Orange Juice (per lb)	1.7000	1.74%
Natural Gas (per MMBtu)	2.9050	-1.32%	Cocoa (per mt)	1,929	2.12%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,021.0	-1.39%	Wheat (per bushel)	4.4950	-0.61%
Nickel (per mt)	10,732.0	0.49%	Soybean (per bushel)	10.450	-0.88%
Aluminium (per mt)	1,879.0	0.59%	Corn (per bushel)	3.7425	-0.33%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,223.9	-0.04%	Crude Palm Oil (MYR/MT)	3,282.0	0.98%
Silver (per oz)	17.889	0.38%	Rubber (JPY/KG)	349.5	-0.85%

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

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
02/14/2017	04:30	NZ REINZ House Sales YoY	Jan	--	-14.70%	-10.70%	--
02/14/2017	05:00	SK Export Price Index YoY	Jan	--	7.40%	6.30%	6.60%
02/14/2017	05:00	SK Import Price Index YoY	Jan	--	13.20%	9.20%	9.20%
02/14/2017	05:45	NZ Food Prices MoM	Jan	--	2.80%	-0.80%	--
02/14/2017	06:56	VN Domestic Vehicle Sales YoY	Jan	--	-10.50%	18.50%	--
02/14/2017	08:30	AU NAB Business Conditions	Jan	--	16	11	10
02/14/2017	08:30	AU NAB Business Confidence	Jan	--	10	6	--
02/14/2017	09:30	CH CPI YoY	Jan	2.40%	2.50%	2.10%	--
02/14/2017	09:30	CH PPI YoY	Jan	6.50%	6.90%	5.50%	--
02/14/2017	12:30	JN Industrial Production MoM	Dec F	--	0.70%	0.50%	--
02/14/2017	12:30	JN Industrial Production YoY	Dec F	--	3.20%	3.00%	--
02/14/2017	12:30	JN Capacity Utilization MoM	Dec	--	0.60%	3.00%	--
02/14/2017	14:30	IN Wholesale Prices YoY	Jan	4.35%	5.25%	3.39%	--
02/14/2017	15:00	GE GDP NSA YoY	4Q P	1.40%	1.20%	1.50%	--
02/14/2017	15:00	GE CPI YoY	Jan F	1.90%	1.90%	1.90%	--
02/14/2017	15:00	GE CPI MoM	Jan F	-0.60%	-0.60%	-0.60%	--
02/14/2017	15:00	GE CPI EU Harmonized YoY	Jan F	1.90%	1.90%	1.90%	--
02/14/2017	17:00	IT GDP WDA QoQ	4Q P	0.30%	0.20%	0.30%	--
02/14/2017	17:03	CH Money Supply M2 YoY	Jan	11.30%	11.30%	11.30%	--
02/14/2017	17:03	CH Money Supply M1 YoY	Jan	20.20%	14.50%	21.40%	--
02/14/2017	17:03	CH Money Supply M0 YoY	Jan	8.90%	19.40%	8.10%	--
02/14/2017	17:03	CH New Yuan Loans CNY	Jan	2440.0b	2030.0b	1040.0b	--
02/14/2017	17:30	UK CPI MoM	Jan	-0.50%	-0.50%	0.50%	--
02/14/2017	17:30	UK CPI YoY	Jan	1.90%	1.80%	1.60%	--
02/14/2017	17:30	UK CPI Core YoY	Jan	1.70%	1.60%	1.60%	--
02/14/2017	17:30	UK Retail Price Index	Jan	266.2	265.5	267.1	--
02/14/2017	17:30	UK RPI YoY	Jan	2.80%	2.60%	2.50%	--
02/14/2017	17:30	UK PPI Output NSA YoY	Jan	3.20%	3.50%	2.70%	2.80%
02/14/2017	17:30	UK PPI Output Core NSA YoY	Jan	2.20%	2.40%	2.10%	--
02/14/2017	18:00	EC Industrial Production SA MoM	Dec	-1.50%	-1.60%	1.50%	--
02/14/2017	18:00	GE ZEW Survey Current Situation	Feb	77	76.4	77.3	--
02/14/2017	18:00	EC ZEW Survey Expectations	Feb	--	17.1	23.2	--
02/14/2017	18:00	GE ZEW Survey Expectations	Feb	15	10.4	16.6	--
02/14/2017	18:00	EC GDP SA QoQ	4Q P	0.50%	0.40%	0.50%	--
02/14/2017	18:00	EC GDP SA YoY	4Q P	1.80%	1.70%	1.80%	--
02/14/2017	19:00	US NFIB Small Business Optimism	Jan	105	105.9	105.8	--
02/14/2017	21:30	US PPI Final Demand MoM	Jan	0.30%	0.60%	0.30%	0.20%
02/14/2017	21:30	US PPI Final Demand YoY	Jan	1.50%	1.60%	1.60%	--
02/14/2017	21:30	US PPI Ex Food and Energy YoY	Jan	1.10%	1.20%	1.60%	--
02/15/2017	07:00	SK Unemployment rate SA	Jan	3.50%	3.60%	3.40%	3.50%
02/15/2017	07:30	AU Westpac Consumer Conf SA	Feb	--	2.30%	0.10%	--
02/15/2017	08:30	AU New Motor Vehicle Sales YoY	Jan	--	--	0.20%	--
02/15/2017	13:00	SI Retail Sales YoY	Dec	1.40%	--	1.10%	--
02/15/2017	16:00	TA GDP YoY	4Q F	2.60%	--	2.58%	--
02/15/2017	17:30	UK Claimant Count Rate	Jan	2.30%	--	2.30%	--
02/15/2017	17:30	UK Jobless Claims Change	Jan	0.5k	--	-10.1k	--
02/15/2017	17:30	UK ILO Unemployment Rate 3M	Dec	4.80%	--	4.80%	--
02/15/2017	18:00	EC Trade Balance SA	Dec	22.0b	--	22.7b	--
02/15/2017	20:00	US MBA Mortgage Applications	Feb-10	--	--	2.30%	--
02/15/2017	21:30	CA Manufacturing Sales MoM	Dec	0.30%	--	1.50%	--
02/15/2017	21:30	US Empire Manufacturing	Feb	7	--	6.5	--
02/15/2017	21:30	US CPI MoM	Jan	0.30%	--	0.30%	--
02/15/2017	21:30	US CPI Ex Food and Energy MoM	Jan	0.20%	--	0.20%	--
02/15/2017	21:30	US CPI YoY	Jan	2.40%	--	2.10%	--
02/15/2017	21:30	US CPI Ex Food and Energy YoY	Jan	2.10%	--	2.20%	--
02/15/2017	21:30	US CPI Core Index SA	Jan	--	--	249.93	250.013
02/15/2017	21:30	US Retail Sales Advance MoM	Jan	0.10%	--	0.60%	--
02/15/2017	21:30	US Retail Sales Ex Auto MoM	Jan	0.40%	--	0.20%	--
02/15/2017	22:15	US Industrial Production MoM	Jan	0.00%	--	0.80%	--
02/15/2017	22:15	US Capacity Utilization	Jan	75.40%	--	75.50%	--
02/15/2017	23:00	US NAHB Housing Market Index	Feb	67	--	67	--
02/15/2017	23:00	US Business Inventories	Dec	0.40%	--	0.70%	--
02/15/2017		PH Overseas Remittances YoY	Dec	-1.60%	--	18.50%	--
02/15/2017		PH Overseas Workers Remittances	Dec	\$2542m	--	\$2217m	--
02/15/2017	02/16	US Mortgage Delinquencies	4Q	--	--	4.52%	--
02/15/2017	02/17	IN Exports YoY	Jan	--	--	5.70%	--
02/15/2017	02/17	IN Imports YoY	Jan	--	--	0.50%	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W