

Highlights

Global	Even as US president Trump casts his eye towards recalculating US trade deficits to bolster its case for renegotiating trade deals, concerns over the upcoming French presidential election with the race wide open nine weeks ahead of the vote saw some consolidation in global risk appetite that lifted bonds higher. Meanwhile, German Chancellor Merkel opined that “if we still had the deutsche mark, it would be valued differently than the euro is now...but that’s an independent monetary policy over which I as chancellor have zero influence” in a likely response to Navarro’s criticism of Germany for benefiting from a “grossly undervalued” currency. Elsewhere, a by-election in Sarawak over the weekend went largely uncontested. Expect Asian markets to also take a breather with the US’ Presidents’ Day holiday today, and await further market cues. Today’s economic calendar is relatively light and comprises of Thailand’s 4Q16 GDP growth and Taiwan’s export orders. Market’s main focus will be on Singapore’s Budget 2017 where we tip a mild deficit of \$0.99b (0.2% of GDP) for FY17 after FY16 surplus outturn is likely to exceed on the upside at \$5.05b (1.2% of GDP), with a continuing focus on economic restructuring, skills upgrading, building local capabilities, internationalisation and innovation. For the week ahead, there are the FOMC Jan minutes (due on Wed), RBA minutes and BOE governor Mark Carney’s testimony before the UK Parliament’s Treasury Committee tomorrow and BOK policy decision (likely static on Thur).
US	President Trump confused Swedes when he referred to a terror-linked incident in Sweden.
CH	China’s funding structure has shifted recently following the turmoil in the bond market. Despite the spike of issuance yields in the onshore bond market, average loan costs remained unchanged in 2016 according to the latest 4Q PBoC monetary policy report.
MA	PM Najib said that the Employees Provident Fund declared a good dividend despite challenging economic conditions. The retirement fund announced a dividend of 5.7% amounting to MYR 37.08bn to contributors. He reportedly said on his blog that “The payout is good enough despite the challenging conditions last year, when many countries faced sluggish growth.”
ID	Bank Indonesia said that it expects February inflation to be at 3.95% yoy, with 0.35% mom inflation based on survey in second week of the month. Governor Agus Martowardojo reportedly said that it expects inflation to ease in February compared to previous month.
TH	Fourth quarter growth prints will be out later this morning, where we had pencilled in a 3.2% yoy 4Q16 growth print. Should our expectation come to pass, full-year’s economic performance will grow at a 3.3% clip.
Commodities	With little news permeating global energy markets, Asian commodity-investors will likely focus on other Asian-centric commodities, like Crude Palm Oil (CPO). Importantly, CPO futures are now sitting at its three-month low, and dangerously creeping just above its MYR3,000/MT over the weekend. As written in our latest Weekly Commodities Outlook , we opined that CPO prices have effectively peaked, while higher production and lower substitute prices should eventually drag CPO prices lower into the year.

Treasury Advisory Corporate FX & Structured Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

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GT Institutional Sales

Tel: 6349-1810

Major Markets

- **US:** The rally from healthy corporate profits, economic expansion and the prospect of tax cuts and deregulations continued to bring the equity markets to new heights last week. The DJIA added another 0.02%, while the S&P and Nasdaq gained 0.17% and 0.41% respectively. VIX fell 2.30% to close at 11.49. Meanwhile, US Treasuries strengthened with the 2- and 10-yr benchmark yields trading at 1.12% and 2.42% respectively.
- **Singapore:** NODX expanded by 8.6% yoy (+5% mom sa) after chalking up 9.1% yoy (-2.4% mom sa) in Dec16 and 15.6% yoy in Nov16. Electronics exports in particular grew for the third straight month by 6.1% yoy in Jan17, marking a healthy start to the new year, boost by exports of ICs and parts of ICs, whilst non-electronics exports also expanded by 9.9% yoy as higher exports of petrochemicals (+37.1% yoy) offset weakness in pharmaceuticals (-12.6% yoy). S'pore's NODX to China surged (+36.9% yoy), Taiwan (+75.3% yoy), Korea (+51.5% yoy) and Hong Kong (+16.7% yoy), giving credence to the Greater Chinese market trade pickup story. However, NODX to EU28 market shrank 25.2% yoy and NDOX to Malaysia fell 3.7% yoy. For 2016, NODX fell 2.8% yoy, versus +1.5% in 2015. Both electronic and non-electronics NODX fell in 2016 by 4.0% and 2.3% yoy respectively, down from 0.5% and 1.9% growth in 2015. Momentum in manufacturing and exports should hold up at least in 1H17 due to the green shoots in the global and regional manufacturing PMI data, as well as growth stabilization within Asia. While policy uncertainties pertaining to the Trump administrations remain, we tip NODX to revert to positive growth of 0-2% yoy, with some potential upside should the anti-globalisation and anti-trade sentiments not fully materialize.
- The STI extended gains to rise 0.35% to close at 3107.65 on Friday, but may consolidate in a 3080-3102 range today amid mixed leads from Wall Street on Friday and morning cues from Kospi. SGS bonds are likely to be better bid today, taking Friday's UST bond rally into account, with a potential flattening yield curve bias. The MAS will auction \$2.3b (with MAS taking \$100m) of the 10-year SGS bond maturing in March 2027 with the tender closing at noon on 24 Feb.
- **China:** Corporates have shifted their funding channel to on-balance sheet and off-balance sheet lending from the bond market. Nevertheless, the development of China's onshore bond market is unlikely to be deterred by the recent bond market volatility. In fact, total outstanding of bond has increased by 30.8% yoy in 2016 to CNY63.8 trillion, suggesting that China may bypass Japan as the world's second largest bond market in the next 1-2 years. PBoC said in its monetary policy report that it will continue to gradually open its bond market to foreign investors.
- On monetary policy, PBoC admitted in the latest monetary policy report that in order to support growth, prudent monetary policy may lean towards easing at certain period. However, PBoC hinted that monetary policy is likely to be kept tight in 2017 for two reasons including higher inflationary expectation and asset bubbles in property market.
- **Macau:** HKEX announced to roll out USD/CNH options contracts on Mar 20. We expect that the wider range of hedging tools will help deepen the offshore RMB market.
- **South Korea:** Fourth quarter growth prints will be out later this morning, where we had pencilled in a 3.2% yoy 4Q16 growth print. Should our expectation come to pass, full-year's economic performance will grow at a 3.3% clip.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was relatively flattish last Friday, with the shorter end of the curve trading 1-2bps higher while the medium and longer tenors traded 1bp lower. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 190bps while the yield on JACI HY Corporates held steady at 6.71%. 10y UST yield fell 3bps last Friday to 2.41%, taking direction from European debt markets as European Government Bonds (EGB) rallied on safe haven demand due to France political risk.
- **New Issues:** Xinhua Zhongbao Co. Ltd. scheduled investor roadshows from 20 February for potential USD bond issuance. The expected issue ratings are 'B-/B3/B'. China Cinda Asset Management Co. Ltd. has approached banks to submit proposals for multi-tranche deals.
- **Rating Changes:** Moody's assigned Xinhua Zhongbao Co. Ltd. (Xinghu Zhongbao) a 'B2' corporate family rating and a '(P)B3' senior unsecured rating to the proposed USD notes to be issued by Xinhua (BVI) Holding Co. Ltd. (guaranteed by Xinhua Zhongbao), a subsidiary of Xinhua Zhongbao. The rating outlook is stable. The rating action reflects the company's good track record in sales execution on residential properties in the Yangtze River Delta, and the higher-than-peer average gross profit margin for its property developments. Fitch assigned an Issuer Default Rating (IDR) of 'B' while S&P assigned a corporate credit rating of 'B' to Xinghu Zhongbao. The rating outlooks by both rating agencies are stable. Moody's downgraded Yuexiu Real Estate Investment Trust's (Yuexiu REIT) issuer rating to 'Baa3' from 'Baa2', senior unsecured rating on the notes issued under the program to 'Baa3' from 'Baa2', and the senior unsecured rating on the MTN program of Yuexiu REIT MTN Company Limited to '(P)Baa3' from '(P)Baa2'. The rating outlooks are stable. The rating action reflects Moody's expectation that Yuexiu REIT will show only slow improvements to its elevated debt leverage position over the next 12 to 18 months. According to Moody's, the high leverage resulting from the debt-funded acquisition of Yuexiu Tower no longer supports the trust's previous 'Baa2' issuer rating.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.950	0.51%	USD-SGD	1.4185	0.13%
USD-JPY	112.840	-0.35%	EUR-SGD	1.5062	-0.39%
EUR-USD	1.0616	-0.54%	JPY-SGD	1.2571	0.49%
AUD-USD	0.7664	-0.39%	GBP-SGD	1.7607	-0.47%
GBP-USD	1.2412	-0.62%	AUD-SGD	1.0887	-0.11%
USD-MYR	4.4530	-0.02%	NZD-SGD	1.0189	-0.23%
USD-CNY	6.8665	0.20%	CHF-SGD	1.4147	-0.43%
USD-IDR	13333	0.08%	SGD-MYR	3.1451	0.10%
USD-VND	22795	0.14%	SGD-CNY	4.8415	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	0.0010	O/N	0.6861	--
2M	-0.3410	-0.0010	1M	0.7794	-0.0011
3M	-0.3290	-0.0010	2M	0.8533	-0.0050
6M	-0.2390	--	3M	1.0523	-0.0042
9M	-0.1690	-0.0030	6M	1.3574	-0.0064
12M	-0.1090	-0.0030	12M	1.7354	-0.0097

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.01	4.03	4.60
Italy	-0.01	2.19	3.40
Ireland	-0.41	1.07	0.70
Greece	9.95	7.84	5.70
Spain	-0.24	1.64	3.30
Russia	1.90	4.14	-2.30

Equity and Commodity

Index	Value	Net change
DJIA	20,624.05	4.28
S&P	2,351.16	3.94
Nasdaq	5,838.58	23.68
Nikkei 225	19,234.62	-112.91
STI	3,107.65	10.96
KLCI	1,707.68	0.09
JCI	5,350.93	-27.07
Baltic Dry	741.00	31.00
VIX	11.49	-0.27

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.21 (-)	1.19 (-0.01)
5Y	1.60 (-0.03)	1.90 (-0.03)
10Y	2.26 (-)	2.41 (-0.03)
15Y	2.52 (+0.01)	--
20Y	2.49 (+0.02)	--
30Y	2.54 (+0.02)	3.02 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.75	2.99
EURIBOR-OIS	2.20	0.10
TED	53.97	0.09

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.40	0.07%	Coffee (per lb)	1.478	1.03%
Brent (per barrel)	55.81	0.29%	Cotton (per lb)	0.7348	-2.04%
Heating Oil (per gallon)	1.6364	0.45%	Sugar (per lb)	0.2030	-0.29%
Gasoline (per gallon)	1.5166	-0.53%	Orange Juice (per lb)	1.7625	1.00%
Natural Gas (per MMBtu)	2.8340	-0.70%	Cocoa (per mt)	2,034	-1.83%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,960.0	-0.67%	Wheat (per bushel)	4.4100	-1.51%
Nickel (per mt)	11,011.8	-0.18%	Soybean (per bushel)	10.325	-1.08%
Aluminium (per mt)	1,871.3	-0.87%	Corn (per bushel)	3.6825	-1.41%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,237.6	-0.19%	Crude Palm Oil (MYR/MT)	3,094.0	-1.81%
Silver (per oz)	18.030	-0.24%	Rubber (JPY/KG)	330.1	-4.90%

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

CFTC Commodities Futures and Options

For the week ended: 14 Feb 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	205,809	144,010	61,799	Sugar	197,326	213,702	-16,376
Wheat	-14,365	-49,246	34,881	Gold	110,437	121,369	-10,932
Nymex Crude	557,570	527,866	29,704	Heating Oil	38,024	45,219	-7,195
Soybean	195,921	176,402	19,519	Copper	44,855	51,516	-6,661
Natural Gas	-35,381	-43,510	8,129	Live Cattle	111,845	118,119	-6,274
Silver	83,864	77,172	6,692	Coffee	27,025	28,974	-1,949
Cotton	131,179	127,317	3,862	Cocoa	-20,408	-18,553	-1,855
Palladium	16,732	15,934	798	Platinum	39,646	40,494	-848
Lean Hogs	64,018	64,054	-36	RBOB Gasoline	70,178	70,999	-821

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
02/17/2017	05:30	NZ BusinessNZ Mfg PMI	Jan --		51.6	54.5	54.2
02/17/2017	05:45	NZ Retail Sales Ex Inflation QoQ	4Q	1.00%	0.80%	0.90%	0.80%
02/17/2017	08:00	SI GDP YoY	4Q F	2.50%	2.90%	1.80%	--
02/17/2017	08:00	SI GDP SAAR QoQ	4Q F	12.60%	12.30%	9.10%	--
02/17/2017	08:30	SI Non-oil Domestic Exports SA MoM	Jan	-1.40%	5.00%	1.00%	-2.40%
02/17/2017	08:30	SI Electronic Exports YoY	Jan --		6.10%	5.70%	--
02/17/2017	08:30	SI Non-oil Domestic Exports YoY	Jan	9.60%	8.60%	9.40%	9.10%
02/17/2017	15:30	TH Foreign Reserves	Feb-10 --		\$180.3b	\$180.4b	--
02/17/2017	16:31	HK Composite Interest Rate	Jan --		0.32%	0.31%	--
02/17/2017	17:00	EC ECB Current Account SA	Dec --		31.0b	36.1b	36.4b
02/17/2017	17:06	IT Current Account Balance	Dec --		5535m	4640m	--
02/17/2017	17:27	ID Local Auto Sales	Dec --		86573	99935	--
02/17/2017	17:27	ID Motorcycle Sales	Dec --		437764	570923	--
02/17/2017	17:30	UK Retail Sales Ex Auto Fuel MoM	Jan	0.70%	-0.20%	-2.00%	-2.20%
02/17/2017	17:30	UK Retail Sales Ex Auto Fuel YoY	Jan	3.90%	2.60%	4.90%	4.70%
02/17/2017	17:30	UK Retail Sales Inc Auto Fuel MoM	Jan	1.00%	-0.30%	-1.90%	-2.10%
02/17/2017	17:30	UK Retail Sales Inc Auto Fuel YoY	Jan	3.40%	1.50%	4.30%	4.10%
02/17/2017	21:30	CA Int'l Securities Transactions	Dec --		10.23b	7.24b	7.26b
02/17/2017	23:00	US Leading Index	Jan	0.50%	0.60%	0.50%	--
02/20/2017	05:00	SK PPI YoY	Jan --		3.70%	1.80%	--
02/20/2017	05:45	NZ PPI Output QoQ	4Q --		1.50%	1.00%	--
02/20/2017	05:45	NZ PPI Input QoQ	4Q --		1.00%	1.50%	--
02/20/2017	07:50	JN Trade Balance	Jan	-¥625.9b	--	¥641.4b	--
02/20/2017	07:50	JN Trade Balance Adjusted	Jan	¥275.5b	--	¥356.7b	--
02/20/2017	07:50	JN Exports YoY	Jan	5.00%	--	5.40%	--
02/20/2017	08:01	UK Rightmove House Prices MoM	Feb --		--	0.40%	--
02/20/2017	08:01	UK Rightmove House Prices YoY	Feb	2.80%	--	3.20%	--
02/20/2017	10:30	TH GDP SA QoQ	4Q	0.70%	--	0.60%	--
02/20/2017	10:30	TH GDP YoY	4Q	3.00%	--	3.20%	--
02/20/2017	15:00	GE PPI YoY	Jan	2.00%	--	1.00%	--
02/20/2017	15:00	GE PPI MoM	Jan	0.30%	--	0.40%	--
02/20/2017	15:00	JN Convenience Store Sales YoY	Jan --		--	0.50%	--
02/20/2017	16:00	TA Export Orders YoY	Jan	7.40%	--	6.30%	--
02/20/2017	16:20	TA BoP Current Account Balance	4Q --		--	\$17090m	--
02/20/2017	16:30	HK Unemployment Rate SA	Jan	3.30%	--	3.30%	--
02/20/2017	21:30	CA Wholesale Trade Sales MoM	Dec	0.40%	--	0.20%	--
02/20/2017	23:00	EC Consumer Confidence	Feb A	-4.9	--	-4.9	--
02/20/2017		PH BoP Overall	Jan --		--	-\$214m	--
02/20/2017	02/28	PH Budget Balance PHP	Jan --		--	--	--

Source: Bloomberg

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