DAILY TREASURY OUTLOOK

OCBC Bank

Monday, April 04, 2016

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Highlights

Global	Global risk appetite sank in Asia on Friday, starting 2Q16 on a relatively soft tone, but should improve this week following the better-than-expected US economic prints. US' nonfarm payrolls rose 215k in Mar amid job creation in retail, healthcare, leisure and hospitality, professional services, government hiring and construction, with minimal upward revisions to earlier month's data to bring the 1Q16 average to 209k, albeit the unemployment rate notched up from 4.9% to 5.0% as the labour force participation rate rose from 62.9% to 63.0% (highest since Mar14). Average hourly earnings rose 0.3% mom (+2.3% yoy), recovering from the 0.1% mom decline in Feb, with the average work week unchanged at 34.4 hours. US' manufacturing ISM also surged back into expansion territory from 49.5 in Feb to 51.5 in Mar, with ISM prices paid showing an even bigger improvement from 38.5 to 51.5 as new orders climbed from 51.5 to 58.3. Note China's official manufacturing and non-manufacturing PMI prints, with the former surfacing above the key 50 handle as well in Mar, albeit the Caixin print rose less from 48.0 to 49.5. Meanwhile, the other Asian PMI prints revealed similar improvements for Taiwan (51.1 versus 49.4), Indonesia (50.6 versus 48.7), Malaysia (48.4 versus 47.8) and Vietnam (50.7 versus 50.3). Today's economic data calendar includes US's Feb factory orders, New York ISM and final Mar durable goods orders, Eurozone's unemployment rate, Sentix investor confidence and PPI, and S'pore's manufacturing and electronics PMI. This week's policy decisions/events centre around RBA (likely unchanged at 2% tomorrow), RBI (possible cut to the RBI repurchase and reverse repo rate by 25bps to 6.5% and 5.5% respectively tomorrow), and FOMC' 15-16 Mar minutes (due 7 Apr).
US	The odds for an April rate hike had not moved significantly post-NFP as market consensus remains cautious post-Yellen. Note pockets of weakness as seen in the part-time employment that rose by 135k to 6.12m, the highest since Aug, while the U-6 unemployment rate rose to 9.8% and the slump in manufacturing payrolls (-29k).
Indonesia	According to Kompas daily, President Jokowi has urged his ministers to focus on their work, rather than being sidetracked by talks about cabinet reshuffle. This comes after mounting speculation that the president might be on the cusp of another reshuffle, after he held meetings with various political parties and industrialists.
Commodities	In a rather surprise rhetoric by Saudi Arabia, the Kingdom's crown price Mohammed bin Salman commented that a decision to freeze oil production in the upcoming Doha talks is still dependent on Iran's participation. Crucially, he mentioned that Saudi Arabia will likely strive to boost sales in the scenario where other producers pump more. In response, Iran's oil minister Bijan Zanganeh continued to reject demands to cease increasing oil production, thus dimming possibility for the crude production freeze on Apr 17 to go through. On this, though the possibility for a freeze has become rather bleak given the recent rhetoric by major oil producers, we think it may be premature to conclude that talks will yield little results - oil producers in a natural setting, would welcome higher prices, and an act to lift prices through a production freeze or a variant of such may still occur.

Major Market

- **US:** Equity markets started the new quarter well, with gains across the board. S&P 500 +0.63%, Dow +0.61% and NASDAQ +0.92%. Meanwhile VIX resumed its decline -6.09%. Strong US jobs data contributed to gains in US Treasury yields during the session, before declining at closing. 2- and 10- US Treasury yield 0.72% and 1.77% respectively.

- **Singapore:** MAS will give financial institutions room to experiment with new technologies as it seeks pubic feedback on how a "regulatory sandbox" could work.
- The STI slumped 0.79% to close at 2818.49 on Friday, tracking the sea of red in Asia with the exception of China. Given Friday's more upbeat sentiments from Wall Street, the STI could attempt to trade with a firmer bias today with support and resistance tipped at 2800 and 2850 respectively. Meanwhile, SGS bond yield curve may come under some flattening pressure too.

- **China:** China is going to allow its banks to convert 1 trillion yuan of bad loans into equity for the initial phase of its debt-to-equity plan.

- **Macau:** Hotel guests printed double-digit annual growth for the third consecutive month, ticking up 15.9% yoy to 872,200. This is due to the effect of Lunar New Year and new hotel openings since last May, which attracted an increased number of overnight visitors. However, given the increase in room capacity from the new hotel openings, the hotel occupancy rate fell for its 15th straight month in February to 78.6%. Despite the increase in overnight visitors, Macau's tourism sector recovery is hindered by two major reasons: 1) the prolonged crackdown on corruption in China and 2) Mainland visitors' increasing preference for Japan and South Korea as their travel destinations. Nonetheless, we still expect a fresh wave of new hotel openings this year. Further hotel rate cut amid fiercer competition will attract increasing number of overnight tourists and help to sustain hotel guest growth.
- Gross gaming revenue declined for the 22th straight month in March to MOP17.98 billion, the longest stretch on record. As the effects of festive season dissipated, the annual negative growth of the headline figure widened more than expected from 0.1% in February to 16.3% in March. This is the first figure of a month indicating that Macau's economy remains under downward pressure.

- **Thailand:** Inflation remained in negative territory, falling by another 0.46% yoy (+0.21% mom). Domestic prices were expectedly dragged by lower energy prices (-11.2%), though core inflation (+0.75%) has edged higher for the second consecutive month. Ceteris paribus, the inflation print does reinforce BOT's move to keep its benchmark rate unchanged at 1.50% at its previous meeting given accelerating core inflation, and may surface rather persuasive inducement to keep rates unchanged in its May meeting.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-flattened last Friday, with the short-end rates trading 4bps-6bps higher, while the belly-to-long-end rates traded 2bps-3bps higher. The Itraxx Asia ex-Japan IG index opened at 144bps this morning, broadly level with Friday's close. 10y UST yield fell by 1bp to 1.76%.

- **Rating Changes:** S&P assigned a "BB-" long-term corporate credit rating to Tokyo Electric Power Company (TEPCO) Holdings, a new operating holding company. At the same time, S&P affirmed and withdrew the ratings on TEPCO. The outlook is positive on TEPCO holdings reflecting the potential for the company to further reduce downside credit risk with more stable profitability and refinancing. S&P revised the outlooks on the following four Hong Kong government related entities (GREs) to negative from stable and affirmed their "AAA" ratings: Airport Authority Hong Kong, Kowloon-Canton Railway Corp, MTR Corp Ltd, and Urban Renewal Authority. The outlook revision follows S&P's revision of the outlook on the sovereign credit rating on Hong Kong (Special Administrative Region) on 31 March, 2016. At the same time, S&P also revised the outlook on 20 Chinese GREs and infrastructure entities to negative from stable. S&P also took various rating actions on some banks and nonbank financial institutions (NBFIs) in China and their related subsidiaries in China and Hong Kong after its revision of the rating outlook on China to negative from stable a day earlier.

    - Agricultural Bank of China Ltd ("A"/negative from "A"/stable)
    - Agricultural Development Bank of China ("AA-"/negative from "AA-"/stable)
    - China Development Bank Corp ("AA-"/negative from "AA-"/stable)
    - CDB Leasing Co Ltd ("A+"/negative from "A+"/stable)
    - Export-Import Bank of China ("AA-"/negative from "AA-"/stable)
    - DBS Bank (China) Ltd ("AA-"/negative from "AA-"/stable)
    - Hang Seng Bank (China) Ltd ("AA-"/negative from "AA-"/stable)
    - China International Capital Corp Ltd ("BBB+"/negative)
    - China International Capital Corp Hong Kong Ltd ("BBB+"/negative)

    S&P affirmed American Home Assurance Co Ltd's "A-" financial strength rating, before withdrawing the ratings. The outlook was stable at the time of the withdrawal. S&P placed the Hong Kong-based subsidiary China Cinda (HK) Holdings Co Ltd on CreditWatch with developing implications, revised from CreditWatch with negative implications. The parent, China-based China Cinda remain on CreditWatch with negative implications. Moody's assigned "A1" issuer rating to the City of Yokohama Japan. On the other hand, S&P withdrew ratings from City of Yokohama Japan, without any further details furnished. Moody's downgraded Hengdeli Holdings Ltd's corporate family rating to "Ba3" from "Ba2", reflecting concerns over a rapid deterioration in the high-end retail watch market in China and Hong Kong. Outlook is negative. Fitch downgraded Steel Authority of India Ltd (SAIL) long-term foreign-currency issuer default rating to 'BB' from "BBB-", citing a deterioration in SAIL's financial profile after a prolonged weakening in international steel prices. The outlook is negative. Fitch also downgraded its rating on both Tata Steel and its subsidiary, Tata Steel UK Holdings Ltd to "BB" from its "BB+". This is due to the negative impact of challenging market conditions in India and the UK. Outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.619	0.03%	**USD-SGD**	1.3508	0.18%
USD-JPY	111.690	-0.78%	**EUR-SGD**	1.5385	0.27%
EUR-USD	1.1132	0.00%	**JPY-SGD**	1.2097	1.00%
AUD-USD	0.7677	0.26%	**GBP-SGD**	1.9219	-0.74%
GBP-USD	1.4227	-0.93%	**AUD-SGD**	1.0369	0.44%
USD-MYR	3.8905	-0.23%	**NZD-SGD**	0.9323	0.09%
USD-CNY	6.4818	0.44%	**CHF-SGD**	1.4105	0.61%
USD-IDR	13167	-0.54%	**SGD-MYR**	2.8856	-0.32%
USD-VND	22295	0.01%	**SGD-CNY**	4.8008	0.08%

Equity and Commodity

Index	Value	Net change
DJIA	17,792.75	107.70
S&P	2,072.78	13.00
Nasdaq	4,914.54	44.70
Nikkei 225	16,164.16	-594.50
STI	2,818.49	-22.40
KLCI	1,710.55	-7.00
JCI	4,843.19	-2.20
Baltic Dry	450.00	21.00
VIX	13.10	-0.90

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3350	-0.0010	**O/N**	0.3791	-0.0040
2M	-0.2790	--	**1M**	0.4374	0.0001
3M	-0.2450	-0.0010	**2M**	0.5210	0.0012
6M	-0.1310	0.0010	**3M**	0.6291	0.0005
9M	-0.0680	0.0010	**6M**	0.9011	0.0014
12M	-0.0020	0.0030	**12M**	1.2134	0.0030

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.83 (+0.02)	0.72 (--)
5Y	1.46 (+0.01)	1.21 (+0.01)
10Y	1.85 (+0.02)	1.77 (--)
15Y	2.25 (+0.01)	--
20Y	2.34 (+0.01)	--
30Y	2.53 (+0.01)	2.60 (-0.01)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.57	-1.80	2.92	-2.40	2.79
Italy	-0.03	-1.20	1.22	-0.10	1.09
Ireland	-0.31	0.20	0.72	-1.30	0.58
Greece*	8.91	-28.00	8.59	0.00	8.45
Spain	-0.01	-0.90	1.44	0.20	1.31
Russia^	3.32	0.00	5.28	-4.00	5.15

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.81	0.50
EURIBOR-OIS	10.03	-0.15
TED	40.53	-2.50

* 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

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	36.79	-4.04%	Coffee (per lb)	1.273	-0.16%
Brent (per barrel)	38.67	-2.35%	Cotton (per lb)	0.5920	1.30%
Heating Oil (per gallon)	1.132	-4.48%	Sugar (per lb)	0.1518	-1.11%
Gasoline (per gallon)	1.40	-1.75%	Orange Juice (per lb)	1.4740	0.14%
Natural Gas (per MMBtu)	1.956	-0.15%	Cocoa (per mt)	2,881	-2.34%
Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	4,835.0	-0.25%	Wheat (per bushel)	4.7575	0.48%
Nickel (per mt)	8,286	-2.02%	memb	9.183	0.82%
Aluminium (per mt)	1,524.3	1.03%	Corn (per bushel)	3.5400	0.71%
Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,222.2	-0.97%	Crude Palm Oil (MYR/MT)	2,717.0	1.00%
Silver (per oz)	15.046	-2.70%	Rubber (JPY/KG)	170.5	0.29%

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

CFTC Commodities Futures and Options

For the week ended: 29 Mar 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	-29,476	-77,105	47,629	Live Cattle	45,678	57,101	-11,423
Soybean	93,245	67,426	25,819	Silver	53,902	62,747	-8,845
Sugar	231,067	215,444	15,623	RBOB Gasoline	81,005	86,670	-5,665
Natural Gas	-169,798	-181,595	11,797	Copper	-4,313	787	-5,100
Wheat	-93,239	-102,370	9,131	Cotton	-28,816	-25,951	-2,865
Lean Hogs	71,517	70,517	1,000	Platinum	30,341	32,971	-2,630
Coffee	28,276	28,693	-417	Gold	214,114	216,341	-2,227
Cocoa	35,983	36,784	-801	Palladium	7,328	8,895	-1,567
Nymex Crude	363,422	364,597	-1,175	Heating Oil	3,912	5,347	-1,435

Source: CFTC

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised	Relevance
04/01/2016 07:00	**SK**	**CPI MoM**	**Mar**	**0.00%**	**-0.30%**	**0.50%**	**--**	**78.7879**
04/01/2016 07:00	**SK**	**CPI YoY**	**Mar**	**1.30%**	**1.00%**	**1.30%**	**--**	**87.8788**
04/01/2016 07:00	SK	BoP Current Account Balance	Feb	--	$7507.7m	$7063.6m	$6820.9m	72.7273
04/01/2016 07:50	**JN**	**Tankan Large Mfg Index**	**1Q**	**8**	**6**	**12**	**--**	**89.2473**
04/01/2016 07:50	**JN**	**Tankan Large Mfg Outlook**	**1Q**	**7**	**3**	**7**	**--**	**82.7957**
04/01/2016 07:50	**JN**	**Tankan Large Non-Mfg Index**	**1Q**	**24**	**22**	**25**	**--**	**81.7204**
04/01/2016 07:50	**JN**	**Tankan Large Non-Mfg**	**1Q**	**20**	**17**	**18**	**--**	**80.6452**
04/01/2016 07:50	**JN**	**Tankan Large All Ind Capex**	**1Q**	**-0.70%**	**-0.90%**	**10.80%**	**--**	**84.9462**
04/01/2016 08:00	**SK**	**Exports YoY**	**Mar**	**-10.90%**	**-8.20%**	**-12.20%**	**--**	**90.9091**
04/01/2016 08:00	SK	Imports YoY	Mar	-14.30%	-13.80%	-14.60%	--	60.6061
04/01/2016 09:00	**CH**	**Manufacturing PMI**	**Mar**	**49.4**	**50.2**	**49**	**--**	**86.4865**
04/01/2016 09:00	CH	Non-manufacturing PMI	Mar	--	53.8	52.7	--	62.1622
04/01/2016 09:30	**SK**	**Nikkei South Korea PMI Mfg**	**Mar**	**--**	**49.5**	**48.7**	**--**	**90**
04/01/2016 09:45	**CH**	**Caixin China PMI Mfg**	**Mar**	**48.3**	**49.7**	**48**	**--**	**90**
04/01/2016 10:00	**JN**	**Nikkei Japan PMI Mfg**	**Mar F**	**--**	**49.1**	**49.1**	**--**	**90**
04/01/2016 10:00	ID	CPI YoY	Mar	4.50%	4.45%	4.42%	--	86.3636
04/01/2016 10:00	ID	CPI Core YoY	Mar	3.57%	3.50%	3.59%	--	68.1818
04/01/2016 10:30	**TA**	**Nikkei Taiwan PMI Mfg**	**Mar**	**--**	**51.1**	**49.4**	**--**	**90**
04/01/2016 11:00	**ID**	**Nikkei Indonesia PMI Mfg**	**Mar**	**--**	**50.6**	**48.7**	**--**	**90**
04/01/2016 11:30	**TH**	**CPI YoY**	**Mar**	**-0.43%**	**-0.46%**	**-0.50%**	**--**	**92**
04/01/2016 11:30	TH	CPI Core YoY	Mar	0.80%	0.75%	0.68%	--	68
04/01/2016 12:00	**VN**	**Nikkei Vietnam PMI Mfg**	**Mar**	**--**	**50.7**	**50.3**	**--**	**90**
04/01/2016 13:30	**AU**	**Commodity Index YoY**	**Mar**	**--**	**-15.40%**	**-21.60%**	**-22.20%**	**83.3333**
04/01/2016 14:00	**UK**	**Nationwide House PX MoM**	**Mar**	**0.40%**	**0.80%**	**0.30%**	**0.40%**	**90.9091**
04/01/2016 15:30	**TH**	**Foreign Reserves**	**Mar-25**	**--**	**$173.1b**	**$172.8b**	**--**	**80**
04/01/2016 15:45	**IT**	**Markit Italy Manu PMI**	**Mar**	**52.5**	**53.5**	**52.2**	**--**	**90**
04/01/2016 15:50	**FR**	**Markit FR Manufacturing PMI**	**Mar F**	**49.6**	**49.6**	**49.6**	**--**	**90**
04/01/2016 15:55	**GE**	**Markit Germany MFG PMI**	**Mar F**	**50.4**	**50.7**	**50.4**	**--**	**90**
04/01/2016 16:00	**EC**	**Markit EZ Manufacturing PMI**	**Mar F**	**51.4**	**51.6**	**51.4**	**--**	**90**
04/01/2016 16:30	**UK**	**Markit UK PMI Manufacturing**	**Mar**	**51.2**	**51**	**50.8**	**--**	**90**
04/01/2016 20:30	**US**	**Change in Nonfarm Payrolls**	**Mar**	**205k**	**215k**	**242k**	**245k**	**99.1935**
04/01/2016 20:30	US	Change in Manufact. Payrolls	Mar	2k	-29k	-16k	-18k	69.4355
04/01/2016 20:30	**US**	**Unemployment Rate**	**Mar**	**4.90%**	**5.00%**	**4.90%**	**--**	**89.2742**
04/01/2016 21:30	**CA**	**RBC CA Manufacturing PMI**	**Mar**	**--**	**51.5**	**49.4**	**--**	**90**
04/01/2016 21:45	**US**	**Markit US Manufacturing PMI**	**Mar F**	**51.5**	**51.5**	**51.4**	**--**	**90**
04/01/2016 22:00	**US**	**ISM Manufacturing**	**Mar**	**51**	**51.8**	**49.5**	**--**	**95.9677**
04/01/2016 22:00	**US**	**U. of Mich. Sentiment**	**Mar F**	**90.5**	**91**	**90**	**--**	**93.5484**
04/04/2016 07:50	**JN**	**Monetary Base YoY**	**Mar**	**--**	**--**	**29.00%**	**--**	**79.5699**
04/04/2016 09:00	**AU**	**Melbourne Inflation MoM**	**Mar**	**--**	**--**	**-0.20%**	**--**	**81.1594**
04/04/2016 09:30	**AU**	**Retail Sales MoM**	**Feb**	**0.40%**	**--**	**0.30%**	**--**	**91.3043**
04/04/2016 09:30	**AU**	**Building Approvals MoM**	**Feb**	**2.50%**	**--**	**-7.50%**	**--**	**94.2029**
04/04/2016 13:00	**IN**	**Nikkei India PMI Mfg**	**Mar**	**--**	**--**	**51.1**	**--**	**90**
04/04/2016 16:30	UK	Markit UK Construction PMI	Mar	54.1	--	54.2	--	71.0843
04/04/2016 17:00	EC	PPI MoM	Feb	-0.50%	--	-1.00%	--	51.1628
04/04/2016 17:00	EC	Unemployment Rate	Feb	10.30%	--	10.30%	--	74.4186
04/04/2016 21:00	**SI**	**Purchasing Managers Index**	**Mar**	**--**	**--**	**48.5**	**--**	**75**
04/04/2016 22:00	**US**	**Factory Orders**	**Feb**	**-1.80%**	**--**	**1.60%**	**--**	**87.0968**
04/04/2016 22:00	**US**	**Durable Goods Orders**	**Feb F**	**-2.80%**	**--**	**-2.80%**	**--**	**92.7419**
04/04/2016 22:00	US	Durables Ex Transportation	Feb F	-1.00%	--	-1.00%	--	74.1935

Source: Bloomberg

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