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Highlights

Global	<p>The old adage that “as January goes, so goes the year” is likely already at play, with sustained fears about manufacturing weakness in China and US prompting indigestion in global equity markets in the first trading day. Notably, the manufacturing PMIs continued to send mixed signals, with US’ manufacturing ISM surprising on the downside whereas the Eurozone (including Greece) expanded for the first time since April 2014 and was the fastest pace in 20 months. Meanwhile, most of the Asian manufacturing PMI cues saw improvements, especially for South Korea and Taiwan which climbed out of contraction territory to register expansions (>50). However, China’s Caixin manufacturing PMI continued to diverge from the official PMI. A light data calendar lies ahead for today and only includes Europe’s CPI, German unemployment change and CPI, so market players will focus on whether the overnight equity sell-off stabilises today.</p>
US	<p>US’ manufacturing ISM unexpectedly slipped from 48.6 in Oct to 48.2 (consensus forecast: 49.0), the weakest since Jun 2009, and adding to market concerns that the US economy is losing steam. The new orders gauge improved from 48.9 to 49.2, but order backlogs narrowed to a 3-year low. Interestingly, export orders rose for the first time in eight months, but imports saw its sharpest decline in more than nine years and the hiring gauge also slipped back to contraction territory. Separately, construction spending also unexpected shrank 0.4% mom in Nov, while the Oct data was revised down from +1.0% to +0.3%.</p>
Singapore	<p>Singapore’s manufacturing PMI improved for the third straight month to 49.5 (+0.3 points) in Dec15, but remained in contraction territory for the sixth consecutive month. Interestingly, the electronics PMI also softened slightly from 49.0 in Nov15 to 48.9 in Dec15. New orders and new export orders for manufacturing and electronics also remain in contraction territory. This corroborates with the North American semiconductor book-to-bill ratio that slid further for a second month to 0.96 in Nov15. This suggests that while demand remains sluggish, the domestic manufacturing outlook is stabilizing and even gradually moving in the right direction. Still, it may be premature to call for the sector to be out of the woods yet, at least for 1Q16. If anything, 1Q tends to be a seasonally slower quarter due to the CNY festive season.</p>
China	<p>The equity market sparked global risk aversion in the first trading day of the New Year as Chinese stock market was closed earlier after triggering the circuit breaker for the first day of implementation. The sharp sell-off of China’s equity was partially due to weak RMB after the USDCNY fixing was set higher at 6.5032 on Monday, breaking the psychological level of 6.5000. RMB will remain the key focus this week as the guidance for global sentiment.</p>
Commodities	<p>The lower oil prices seen yesterday likely reflected that oversupply woes overshadowed geopolitical concerns. The clear winner appears to be gold, commonly regarded as a safe haven asset, which rallied 1.4% to \$1,075/oz. All-in-all, we still remain bearish on gold given our view for the dollar to remain strong into the year amid lacklustre physical and paper demand seen last year. Crude oil on the other hand, underpinned as a growth-related commodity, should eventually move higher on rosier growth prospects and healthy demand.</p>

Major Market

- **US:** Wall Street tanked for the first trading day of 2016, with the Dow -1.58%, S&P500 -1.53% and Nasdaq -2.08%, as US' manufacturing ISM data disappointed amid weak market sentiments. Decliners included tech stocks like Amazon. VIX +5.32% to 18.21. The UST bonds gained amid the risk-off sentiments, with the 2- and 10-year bond yields at 1.04% and 2.25% (-3bps) respectively.
- **Singapore:** The STI declined another 1.62% to close at 2835.97 yesterday, awash in a sea of red in the Asian bourses. Given Wall Street's overnight tumble and continued morning slippage by Nikkei, it remains to be seen if equity markets will stabilise later today. The STI may trade in a range of 2800-2850. The SGS bond market may remain supported today amid the lingering risk-aversion. Meanwhile, ADB kicked off SGD corporate bond issuance with a \$100m tap of its 2018 notes.
- **Hong Kong:** Decline in value of HK total retail sales widened significantly from 3.0% yoy to 10-month low of 7.8% yoy in November. The luxury segment remained the major drag on HK retail sales, which value contracted for the 14th straight month by 20.6% yoy. Data reflected sagging tourism amid global economic weakness, China's anti-corruption campaign as well as strengthening HKD compared with currencies of other major travel destinations. In the near term, fragile HK retail sector could continue to weigh on employment. Furthermore, subdued prospect for Hong Kong's retail sector will also translate into more downward pressure on the retail shop property market.
- **Macau:** Gross gaming revenue dropped at the slowest pace since January 2015 by 21.2% yoy to MOP18.34 billion in the last month of 2015. The reading for 2015 plunged 34.3% yoy to MOP 230.84 billion, the lowest since 2010's MOP188.34 billion. Though focus from casino operators has shifted to the mass market from the VIP market, the former's lower profitability means that the gaming revenue will not return to the peak of 2014 in the medium term, thus making the pace of recovery slow and gradual. Moreover, government allocated fewer gambling tables to new casinos than requested, making it more difficult for the mass market's revenue to catch up. One bright side is a continuous growth of the middle class in Asia, especially China, which will support the casino operators with their new business strategy. Though we expect gross gaming revenue to decrease at a slower pace, it may still post an annual fall of around 5% this year. Persistent decline of gaming revenue would therefore continue to weigh on Macau's economy which contracted for the 5th straight quarter by 24.2% yoy in 3Q 2015.
- **Indonesia:** Inflation for the month of December was at 3.35% yoy. While that came above market expectation of 3.0%, it nonetheless marked the tamest inflation print since early 2000. Moreover, it has also opened up the room for Bank Indonesia to start cutting rate from the current 7.5% level this month.
- **Thailand:** The clampdown on corruption continues, with DPM Wissanu Krea-ngam commenting that he will present a third list of allegedly corrupt officials to PM Prayuth in the next two days. Elsewhere, the government warned that consumer prices this year may not turn positive on low oil prices.

Bond Market Updates

- **Market Commentary:** The SGD swap rates flattened yesterday with the short-end-rates increasing by 1-2bps while the belly to long-end-rates dropped by 1-2bps. Flows in the SGD corporate space were light with mixed interest in LMRTSP 4.48%'17 and KEPSP 3.10%'20. In the broader Asia dollar space, JACI IG corporates increased 2.56bps to 217.5bps while JACI HY corporates further dipped 6bps to 7.96%. 10y UST yields fell 2.66bps to 2.42% amidst broad stock market volatility to start the new year.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.869	0.24%	USD-SGD	1.4242	0.40%
USD-JPY	119.440	-0.65%	EUR-SGD	1.5426	0.09%
EUR-USD	1.0831	-0.29%	JPY-SGD	1.1924	1.07%
AUD-USD	0.7191	-1.30%	GBP-SGD	2.0959	0.27%
GBP-USD	1.4716	-0.14%	AUD-SGD	1.0241	-0.89%
USD-MYR	4.3470	1.23%	NZD-SGD	0.9615	-0.75%
USD-CNY	6.5335	0.61%	CHF-SGD	1.4212	-0.02%
USD-IDR	13943	1.12%	SGD-MYR	3.0511	0.36%
USD-VND	22495	0.04%	SGD-CNY	4.5873	-0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2050	--	O/N	0.2745	--
2M	-0.1650	--	1M	0.4295	--
3M	-0.1310	--	2M	0.5149	--
6M	-0.0400	--	3M	0.6127	--
9M	0.0040	--	6M	0.8462	--
12M	0.0600	--	12M	1.1780	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.09	-2.00	2.55
Italy	0.00	3.40	1.55
Ireland	-0.20	0.20	1.11
Greece*	7.70	15.80	8.15
Spain	-0.02	-2.60	1.72
Russia^	3.81	7.70	6.06

* 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	17,148.94	-276.10
S&P	2,012.66	-31.30
Nasdaq	4,903.09	-104.30
Nikkei 225	18,450.98	-582.70
STI	2,835.97	-46.80
KLCI	1,653.37	-39.10
JCI	4,525.92	-67.10
Baltic Dry	473.00	-5.00
VIX	20.70	2.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.05 (-0.02)	1.04 (-0.01)
5Y	1.92 (+0.02)	1.73 (-0.03)
10Y	2.57 (-0.02)	2.24 (-0.03)
15Y	2.87 (-0.03)	--
20Y	2.91 (-0.03)	--
30Y	2.97 (-0.04)	2.99 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.42	-0.40
EURIBOR-OIS	10.90	0.50
TED	44.90	-0.10

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	36.76	-0.76%	Coffee (per lb)	1.239	-2.21%
Brent (per barrel)	37.22	-0.16%	Cotton (per lb)	0.6261	-1.06%
Heating Oil (per gallon)	1.126	2.33%	Sugar (per lb)	0.1497	-1.77%
Gasoline (per gallon)	1.29	1.86%	Orange Juice (per lb)	1.4360	2.57%
Natural Gas (per MMBtu)	2.334	-0.13%	Cocoa (per mt)	3,124	-2.71%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,609.5	-2.03%	Wheat (per bushel)	4.5825	-2.50%
Nickel (per mt)	8,473	-3.58%	Soybean (per bushel)	8.645	-0.77%
Aluminium (per mt)	1,472.5	-2.19%	Corn (per bushel)	3.5150	-2.02%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,075.2	1.41%	Crude Palm Oil (MYR/MT)	2,290.0	-4.50%
Silver (per oz)	13.841	0.28%	Rubber (JPY/KG)	140.0	-4.96%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Event	Survey	Actual	Prior	Revised
04/01/2016 06:30	AU AiG Perf of Mfg Index	Dec	--	51.9	52.5
04/01/2016 08:00	SI GDP SAAR QoQ	4Q A	1.00%	5.70%	1.90%
04/01/2016 08:00	SI GDP YoY	4Q A	1.20%	2.00%	1.90%
04/01/2016 09:35	JN Nikkei Japan PMI Mfg	Dec F	--	52.6	52.5
04/01/2016 09:40	SK Nikkei South Korea PMI Mfg	Dec	--	50.7	49.1
04/01/2016 09:45	CH Caixin China PMI Mfg	Dec	48.9	48.2	48.6
04/01/2016 09:50	TA Nikkei Taiwan PMI Mfg	Dec	--	51.7	49.5
04/01/2016 10:00	VN Nikkei Vietnam PMI Mfg	Dec	--	51.3	49.4
04/01/2016 11:00	ID Nikkei Indonesia PMI Mfg	Dec	--	47.8	46.9
04/01/2016 11:30	TH CPI YoY	Dec	-0.76%	-0.85%	-0.97%
04/01/2016 11:30	TH CPI Core YoY	Dec	0.77%	0.68%	0.88%
04/01/2016 11:30	TH CPI NSA MoM	Dec	-0.34%	-0.39%	-0.32%
04/01/2016 12:06	ID CPI YoY	Dec	3.00%	3.35%	4.89%
04/01/2016 12:06	ID CPI NSA MoM	Dec	0.61%	0.96%	0.21%
04/01/2016 12:06	ID CPI Core YoY	Dec	4.19%	3.95%	4.77%
04/01/2016 13:00	IN Nikkei India PMI Mfg	Dec	--	49.1	50.3
04/01/2016 13:30	AU Commodity Index AUD	Dec	--	71.2	75.6
04/01/2016 13:30	AU Commodity Index YoY	Dec	--	-23.30%	-22.00%
04/01/2016 16:00	GE CPI Saxony MoM	Dec	--	0.00%	0.10%
04/01/2016 16:00	GE CPI Saxony YoY	Dec	--	0.20%	0.40%
04/01/2016 16:30	HK Retail Sales Value YoY	Nov	-6.40%	-7.80%	-3.00%
04/01/2016 16:30	HK Retail Sales Volume YoY	Nov	-2.90%	-6.00%	1.20%
04/01/2016 16:45	IT Markit/ADACI Italy Manufacturing	Dec	54.9	55.6	54.9
04/01/2016 16:50	FR Markit France Manufacturing PMI	Dec F	51.6	51.4	51.6
04/01/2016 16:55	GE Markit/BME Germany Mfg PMI	Dec F	53	53.2	53
04/01/2016 17:00	EC Markit Eurozone Mfg PMI	Dec F	53.1	53.2	53.1
04/01/2016 17:30	UK Mortgage Approvals	Nov	69.8k	70.4k	69.6k
04/01/2016 17:30	UK Money Supply M4 MoM	Nov	--	0.40%	0.60%
04/01/2016 17:30	UK M4 Money Supply YoY	Nov	--	0.50%	0.20%
04/01/2016 17:30	UK Markit UK PMI Manufacturing SA	Dec	52.8	51.9	52.7
04/01/2016 21:00	GE CPI MoM	Dec P	0.20%	-0.10%	0.10%
04/01/2016 21:00	GE CPI YoY	Dec P	0.60%	0.30%	0.40%
04/01/2016 21:00	GE CPI EU Harmonized MoM	Dec P	0.20%	0.00%	0.10%
04/01/2016 21:00	GE CPI EU Harmonized YoY	Dec P	0.40%	0.20%	0.30%
04/01/2016 21:00	SI Purchasing Managers Index	Dec	--	49.5	49.2
04/01/2016 22:30	CA RBC Canadian Mfg PMI	Dec	--	47.5	48.6
04/01/2016 22:45	US Markit US Manufacturing PMI	Dec F	51.1	51.2	51.3
04/01/2016 23:00	US Construction Spending MoM	Nov	0.60%	-0.40%	1.00%
04/01/2016 23:00	US ISM Manufacturing	Dec	49	48.2	48.6
04/01/2016 23:00	US ISM Prices Paid	Dec	35.5	33.5	35.5
05/01/2016 01:00	IT New Car Registrations YoY	Dec	--	18.70%	23.47%
05/01/2016 01:16	IT Budget Balance	Dec	--	2.5b	-6.5b
05/01/2016 07:00	SK BoP Current Account Balance	Nov	--	\$9404.4m	\$8961.6m
05/01/2016 07:50	JN Monetary Base YoY	Dec	--	--	32.50%
05/01/2016 09:00	PH CPI YoY	Dec	1.40%	--	1.10%
05/01/2016 09:00	PH CPI NSA MoM	Dec	--	--	0.50%
05/01/2016 13:00	JN Vehicle Sales YoY	Dec	--	--	0.30%
05/01/2016 16:20	TA Foreign Reserves	Dec	--	--	\$424.61b
05/01/2016 16:55	GE Unemployment Change (000's)	Dec	-8k	--	-13k
05/01/2016 16:55	GE Unemployment Claims Rate SA	Dec	6.30%	--	6.30%
05/01/2016 17:00	GE CPI Brandenburg MoM	Dec	--	--	0.00%
05/01/2016 17:30	UK Markit/CIPS UK Construction PMI	Dec	56	--	55.3
05/01/2016 18:00	EC CPI Estimate YoY	Dec	0.30%	--	0.20%
05/01/2016 18:00	EC CPI Core YoY	Dec A	1.00%	--	0.90%
05/01/2016 18:00	IT CPI NIC incl. tobacco MoM	Dec P	0.10%	--	-0.40%
05/01/2016 18:00	IT CPI NIC incl. tobacco YoY	Dec P	0.20%	--	0.10%
05/01/2016 18:00	IT CPI EU Harmonized MoM	Dec P	0.20%	--	-0.50%
05/01/2016 18:00	IT CPI EU Harmonized YoY	Dec P	0.40%	--	0.20%
05/01/2016 21:30	CA Industrial Product Price MoM	Nov	0.10%	--	-0.50%
05/01/2016 21:30	CA Raw Materials Price Index MoM	Nov	-2.50%	--	0.40%
05/01/2016 10/01	UK Halifax House Prices MoM	Dec	0.50%	--	-0.20%
05/01/2016 10/01	UK Halifax House Price 3Mths/Year	Dec	9.00%	--	9.00%

Source: Bloomberg

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