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**Highlights**

|                    |   |
|--------------------|---|
| <b>Global</b>      | It was a matter of time! That pesky Chinese circuit-breaker that worked too well in the first few days of 2016 has been suspended after it dragged down regional equity markets in the worst starting week in many years. With the ongoing gorging of equity markets in the new year, it is probably also a matter of time before some policymaker start to announce new stimulus measures to support growth and calm the market panic in our view. This is in line with the frequent bouts of volatility and market indigestion that we see as a recurring theme in 2016 – please do read our 2016 macro outlook and also the 2016 credit compendium reports which were sent out yesterday if you've missed them. Until then, market players are on cue for the US' nonfarm payrolls and unemployment rate - where any downside surprises to the market consensus forecast of +200k and 5.0% respectively may shake market resolve again, albeit our view is that the FOMC was not aiming to hike interest rates again in January, but would probably defer until spring (either 17 March to 28 April), and even then, one poor labour market reading is not likely to deter them. |
| <b>US</b>          | Initial jobless claims fell 10k to 277k while the continuing claims came in a tad higher at 2.23m. The Bloomberg consumer confidence also improved from 43.6 to a 12-week high of 44.2 in the latest reading, marking the 5th straight increase and amid more upbeat views of the state of the economy and personal finances.   |
| <b>EZ</b>          | The Eurozone's retail sales unexpectedly shrank 0.3% mom (+1.4% yoy) in Nov, down from a revised 0.2% mom contraction (+2.4% yoy) in Oct, but the unemployment rate unexpectedly improved from a revised 10.6% to 10.5% during that period. The Eurozone business climate indicator also improved from 0.36 in Nov to 0.41 in Dec, as lower oil prices supported household consumption, whilst the final consumer confidence print was unchanged in Dec at -5.7.  |
| <b>China</b>       | China's FX reserve fell by more than expected US\$108bn in December. Given the dollar index fell slightly in December, the sharp decline of FX reserve is hard to be justified by valuation effects. As such, it signals the capital outflows may have accelerated in December. The sharp decline of FX reserve has raised the hope on further reserve requirement ratio cut. We see a good chance for China to cut RRR once in January to support market sentiment as well as offset the negative impact of capital outflows on liquidity. Meanwhile, China also announced to suspend its equity market circuit breaker rules after four days' unsuccessful trial. China's equity market trading was halt for the second day yesterday after hitting the 7% circuit breaker amid thin liquidity in the first half an hour trading. The correction of policy mistake is likely to support market sentiment in the near term.  |
| <b>Malaysia</b>    | The government is reportedly planning to revise down its 2016 budget given the slump in oil prices. The current budget assumes oil price of USD48/barrel, which looks increasingly untenable. At current oil prices, government revenue see a shortfall of MYR3bn, going by the report.   |
| <b>Commodities</b> | Risk aversion from the Chinese equity sell-off left commodities in the dumps as well. Notably, crude oil fell to its \$33/bbl mark, while safe haven gold rallied past its \$1,100/oz handle. Elsewhere, base metals prices also fell, notably with copper closing \$4,524/MT (-2.1%).  |

## Major Market

- **US:** Wall Street continued its January dump as the selling in Asian bourses spilled over again, prompting the shedding in the Dow -2.32%, S&P500 -2.37% and Nasdaq -3.03%. VIX +21.37% to 24.99. The UST bond rally continued to extend amid the equity de-risking, with the 2- and 10-year bond yields at 0.95% and 2.15% respectively.
- **Singapore:** The STI slumped another 2.65% at 2729.91 yesterday, closing at its lowest since mid-2012, and investors may remain nervous given the Wall Street's overnight slump. Watch if interest bargain hunting interest will emerge, or the STI will continue to carve the bottom closer to the 2700 support level. Expect the SGS bond market to remain supported until the dust in the equity markets and risk appetite settles.
- **Indonesia:** Foreign reserves for December have risen to USD105.93bn, compared to USD100.24bn.
- **Thailand:** Commerce ministry commented that the government will finalise plans to cut rice production to (1) match local demand and (2) raise farmer incomes. Elsewhere, consumer confidence rallied to 76.1 (+1.5) in December.

## Bond Market Updates

- **Market Commentary:** SGD swap rates bull-flattened with the short-end rates trading 5bps lower while the belly-to-long-end rates traded 10bps lower yesterday, in view of the capital flight to safer alternatives after pulling out of China. In the broader Asia dollar space, JACI IG corporate spreads widened by 2.78bps while the yield on JACI HY corporates increased by 6.2bps to 7.93%. 10y UST yield fell by 2.47bps to 2.1455%.
- **New Issues:** KEB Hana Bank has scheduled investor meetings from Jan 13 for a possible issue although no further details are available as yet.
- **Rating Changes:** S&P downgraded Noble Group Ltd credit rating to BB+ from BBB- and placed it on watch for further possible downgrade, due to poor earnings visibility amidst a prolonged commodity downturn. Outlook is negative.

## Key Financial Indicators

### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DX      | 98.219    | -0.97%   | USD-SGD | 1.4336    | -0.18%   |
| USD-JPY | 117.670   | -0.68%   | EUR-SGD | 1.5673    | 1.22%    |
| EUR-USD | 1.0932    | 1.40%    | JPY-SGD | 1.2182    | 0.49%    |
| AUD-USD | 0.7012    | -0.85%   | GBP-SGD | 2.0956    | -0.27%   |
| GBP-USD | 1.4618    | -0.08%   | AUD-SGD | 1.0051    | -1.04%   |
| USD-MYR | 4.3952    | -0.11%   | NZD-SGD | 0.9498    | -0.42%   |
| USD-CNY | 6.5929    | 0.56%    | CHF-SGD | 1.4433    | 1.23%    |
| USD-IDR | 13927     | -0.11%   | SGD-MYR | 3.0634    | -0.06%   |
| USD-VND | 22485     | 0.08%    | SGD-CNY | 4.5998    | 0.77%    |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.2140 | --     | O/N   | 0.3661    | --     |
| 2M    | -0.1740 | --     | 1M    | 0.4235    | --     |
| 3M    | -0.1360 | --     | 2M    | 0.5166    | --     |
| 6M    | -0.0440 | --     | 3M    | 0.6201    | --     |
| 9M    | 0.0010  | --     | 6M    | 0.8513    | --     |
| 12M   | 0.0560  | --     | 12M   | 1.1654    | --     |

### Eurozone & Russia Update

|          | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|----------|-----------------------|------------------------|-------------------|
| Portugal | 0.10                  | 3.20                   | 2.60              |
| Italy    | 0.01                  | 2.40                   | 1.55              |
| Ireland  | -0.26                 | 0.40                   | 1.03              |
| Greece*  | 9.67                  | 84.20                  | 8.70              |
| Spain    | 0.00                  | 2.40                   | 1.74              |
| Russia^  | 3.84                  | 0.00                   | 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       | 16,514.10 | -392.40    |
| S&P        | 1,943.09  | -47.20     |
| Nasdaq     | 4,689.43  | -146.30    |
| Nikkei 225 | 17,767.34 | -424.00    |
| STI        | 2,729.91  | -74.40     |
| KLCI       | 1,655.13  | -12.80     |
| JCI        | 4,530.45  | -78.50     |
| Baltic Dry | 445.00    | -22.00     |
| VIX        | 24.99     | 4.40       |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg)    |
|-------|--------------|--------------|
| 2Y    | 1.09 (+0.01) | 0.95 (-0.03) |
| 5Y    | 1.93 (-0.04) | 1.60 (-0.04) |
| 10Y   | 2.43 (-0.1)  | 2.15 (-0.02) |
| 15Y   | 2.72 (-0.09) | --           |
| 20Y   | 2.76 (-0.09) | --           |
| 30Y   | 2.83 (-0.09) | 2.93 (-0.01) |

### Financial Spread (bps)

|             | Value | Change |
|-------------|-------|--------|
| LIBOR-OIS   | 23.11 | --     |
| EURIBOR-OIS | 12.40 | 1.15   |
| TED         | 41.85 | -0.33  |

### Commodities Futures

| Energy                   | Futures        | % chg        | Soft Commodities         | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 33.27          | -2.06%       | Coffee (per lb)          | 1.185          | -1.25%       |
| Brent (per barrel)       | 33.75          | -1.40%       | Cotton (per lb)          | 0.6143         | -0.92%       |
| Heating Oil (per gallon) | 1.066          | -1.40%       | Sugar (per lb)           | 0.1475         | 2.29%        |
| Gasoline (per gallon)    | 1.15           | -1.36%       | Orange Juice (per lb)    | 1.3765         | -3.77%       |
| Natural Gas (per MMBtu)  | 2.382          | 5.07%        | Cocoa (per mt)           | 2,963          | -0.60%       |
| <b>Base Metals</b>       | <b>Futures</b> | <b>% chg</b> | <b>Grains</b>            | <b>Futures</b> | <b>% chg</b> |
| Copper (per mt)          | 4,524.0        | -2.08%       | Wheat (per bushel)       | 4.6850         | 1.24%        |
| Nickel (per mt)          | 8,475          | -1.21%       | Soybean (per bushel)     | 8.770          | 0.14%        |
| Aluminium (per mt)       | 1,474.5        | -0.10%       | Corn (per bushel)        | 3.5300         | -0.07%       |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
| Gold (per oz)            | 1,107.8        | 1.46%        | Crude Palm Oil (MYR/MT)  | 2,253.0        | -0.66%       |
| Silver (per oz)          | 14.344         | 2.63%        | Rubber (JPY/KG)          | 133.5          | -0.37%       |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

| Date Time        | Event                              | Survey | Actual    | Prior     | Revised   |
|------------------|------------------------------------|--------|-----------|-----------|-----------|
| 01/07/2016 03:00 | US U.S. Fed Fed Minutes            |        |           |           |           |
| 01/07/2016 07:50 | JN Foreign Buying Japan Stocks     | Jan-01 | --        | ¥135.7b   | ¥88.4b    |
| 01/07/2016 08:30 | AU Trade Balance                   | Nov    | -2985m    | -2906m    | -3305m    |
| 01/07/2016 08:30 | AU Building Approvals MoM          | Nov    | -3.00%    | -12.70%   | 3.90%     |
| 01/07/2016 11:00 | PH Budget Balance PHP              | Nov    | --        | 6.0b      | -27.0b    |
| 01/07/2016 12:00 | MA Exports YoY                     | Nov    | 12.00%    | 6.30%     | 16.70%    |
| 01/07/2016 12:00 | MA Trade Balance MYR               | Nov    | 12.00b    | 10.24b    | 12.16b    |
| 01/07/2016 15:00 | GE Retail Sales MoM                | Nov    | 0.50%     | 0.20%     | -0.40%    |
| 01/07/2016 15:00 | GE Retail Sales YoY                | Nov    | 3.70%     | 2.30%     | 2.10%     |
| 01/07/2016 15:00 | GE Factory Orders MoM              | Nov    | 0.10%     | 1.50%     | 1.80%     |
| 01/07/2016 16:00 | UK Halifax House Prices MoM        | Dec    | 0.50%     | 1.70%     | -0.20%    |
| 01/07/2016 16:00 | PH Foreign Reserves                | Dec    | --        | \$80.6b   | \$80.6b   |
| 01/07/2016 16:27 | HK Foreign Reserves                | Dec    | --        | \$358.8b  | \$355.8b  |
| 01/07/2016 16:30 | GE Markit Germany Construction PMI | Dec    | --        | 55.5      | 52.5      |
| 01/07/2016 16:42 | CH Foreign Reserves                | Dec    | \$3415.0b | \$3330.4b | \$3438.3b |
| 01/07/2016 17:00 | SI Foreign Reserves                | Dec    | --        | \$247.75b | \$247.09b |
| 01/07/2016 17:10 | GE Markit Germany Retail PMI       | Dec    | --        | 50.5      | 49.6      |
| 01/07/2016 17:10 | EC Markit Eurozone Retail PMI      | Dec    | --        | 49        | 48.5      |
| 01/07/2016 17:10 | FR Markit France Retail PMI        | Dec    | --        | 46.6      | 47.8      |
| 01/07/2016 17:10 | IT Markit Italy Retail PMI         | Dec    | --        | 50.2      | 47.7      |
| 01/07/2016 18:00 | EC Economic Confidence             | Dec    | 106       | 106.8     | 106.1     |
| 01/07/2016 18:00 | EC Consumer Confidence             | Dec F  | -5.7      | -5.7      | -5.7      |
| 01/07/2016 18:00 | EC Unemployment Rate               | Nov    | 10.70%    | 10.50%    | 10.70%    |
| 01/07/2016 18:00 | EC Retail Sales MoM                | Nov    | 0.20%     | -0.30%    | -0.10%    |
| 01/07/2016 18:00 | EC Retail Sales YoY                | Nov    | 2.00%     | 1.40%     | 2.50%     |
| 01/07/2016 18:00 | MA Foreign Reserves                | Dec-31 | --        | \$95.3b   | \$94.9b   |
| 01/07/2016 21:30 | US Initial Jobless Claims          | Jan-02 | 275k      | 277k      | 287k      |
| 01/07/2016 21:30 | US Continuing Claims               | Dec-26 | 2200k     | 2230k     | 2198k     |
| 01/07/2016 22:45 | US Bloomberg Consumer Comfort      | Jan-03 | --        | 44.2      | 43.6      |
| 01/08/2016 08:22 | ID Foreign Reserves                | Dec    | --        | \$105.93b | \$100.24b |
| 01/08/2016 08:30 | AU Retail Sales MoM                | Nov    | 0.40%     | 0.40%     | 0.50%     |
| 01/08/2016 09:30 | JN Labor Cash Earnings YoY         | Nov    | 0.70%     | --        | 0.70%     |
| 01/08/2016 13:00 | JN Leading Index Cl                | Nov P  | 103.9     | --        | 104.2     |
| 01/08/2016 13:30 | AU Foreign Reserves                | Dec    | --        | --        | A\$68.2b  |
| 01/08/2016 15:00 | GE Industrial Production SA MoM    | Nov    | 0.50%     | --        | 0.20%     |
| 01/08/2016 15:00 | GE Trade Balance                   | Nov    | 20.2b     | --        | 22.5b     |
| 01/08/2016 15:00 | GE Current Account Balance         | Nov    | 21.0b     | --        | 23.0b     |
| 01/08/2016 15:00 | GE Exports SA MoM                  | Nov    | 0.50%     | --        | -1.20%    |
| 01/08/2016 15:00 | GE Imports SA MoM                  | Nov    | 1.00%     | --        | -3.40%    |
| 01/08/2016 15:30 | TH Foreign Reserves                | Dec-30 | --        | --        | \$157.4b  |
| 01/08/2016 15:45 | FR Trade Balance                   | Nov    | -3947m    | --        | -4582m    |
| 01/08/2016 15:45 | FR Industrial Production MoM       | Nov    | -0.30%    | --        | 0.50%     |
| 01/08/2016 15:45 | FR Manufacturing Production MoM    | Nov    | 0.10%     | --        | -0.50%    |
| 01/08/2016 16:00 | TA Trade Balance                   | Dec    | \$3.30b   | --        | \$2.75b   |
| 01/08/2016 16:00 | TA Exports YoY                     | Dec    | -13.00%   | --        | -16.90%   |
| 01/08/2016 16:00 | TA Imports YoY                     | Dec    | -12.50%   | --        | -13.70%   |
| 01/08/2016 17:30 | UK Visible Trade Balance GBP/Mn    | Nov    | -£10,500  | --        | -£11,827  |
| 01/08/2016 17:30 | UK Trade Balance Non EU GBP/Mn     | Nov    | -£3,250   | --        | -£3,729   |
| 01/08/2016 17:30 | UK Trade Balance                   | Nov    | -£2,700   | --        | -£4,140   |
| 01/08/2016 21:30 | CA Building Permits MoM            | Nov    | -2.90%    | --        | 9.10%     |
| 01/08/2016 21:30 | CA Unemployment Rate               | Dec    | 7.10%     | --        | 7.10%     |
| 01/08/2016 21:30 | CA Net Change in Employment        | Dec    | 8.0k      | --        | -35.7k    |
| 01/08/2016 21:30 | US Change in Nonfarm Payrolls      | Dec    | 200k      | --        | 211k      |
| 01/08/2016 21:30 | US Change in Manufact. Payrolls    | Dec    | -2k       | --        | -1k       |
| 01/08/2016 21:30 | US Unemployment Rate               | Dec    | 5.00%     | --        | 5.00%     |
| 01/08/2016 23:00 | US Wholesale Inventories MoM       | Nov    | -0.10%    | --        | -0.10%    |
| 01/08/2016 01/12 | IN Local Car Sales                 | Dec    | --        | --        | 173111    |
| 01/08/2016 01/13 | VN Domestic Vehicle Sales YoY      | Dec    | --        | --        | 52.80%    |

Source: Bloomberg

| <b><u>OCBC Treasury Research</u></b>   |   |  |
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