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Tuesday, January 12, 2016

Highlights

Global	With the new week underway, but familiar themes of China and commodity weakness continues to weigh on market sentiments, amid a light data calendar day (apart from news of David Bowie's passing). Notably, Fed's Lockhart sounded a tad more hawkish, citing that he favoured continued monetary policy tightening this year and March is a "live meeting", albeit the FOMC forecasts are a projection rather than a promise. For today, on tap are US" IBD/TIPP economic optimism and JOLTS job opening, UK's industrial production and NIESR GDP estimate for Dec, Japan's Eco Watchers survey and India's CPI and industrial production. Speakers include Fed's Fischer, ECB's Praet and BOE's Carney.
US	Labour market conditions index rose from a revised 2.7 in Nov to 2.9 in Dec, suggesting robust employment conditions.
EZ	Eurozone's Sentix investor confidence undershot market expectations to retreat from 15.7 in Dec15 to 9.6 in Jan16 (market forecast: 11.4), reflecting softer current situation and expectation gauges.
S'pore	The STI remained in the doldrums and lost 1.54% to close at 2708.85 yesterday, and may continue to be choppy today given weak morning cues from Nikkei, albeit Kospi is currently trading on a more stable footing. The STI may see support and resistance at 2680 and 2720 respectively. Expect the SGS bond market, which was pressured yesterday, to see cautious trading. Elsewhere, the Committee on the Future Economy will focus on Investments in people and knowledge, Innovation, Integration and Internationalisation.
China	The PBoC chief economist Ma Jun further clarified how PBoC is going to manage its RMB policy via basket currency. Ma also said the central bank will guide the market to calculate what the implied USDCNY exchange rate in order to keep the basket currency stable. Meanwhile, the PBoC also encourages the market makers to take stable basket currency into account when submit the daily fixing. We reiterate our view that 100 is likely to the near term defence for RMB Index.
Malaysia	Moody's cut its outlook on Malaysia's sovereign rating from positive to neutral, citing how external pressures have led to deterioration in the country's economic growth and credit metrics. Industrial production for the month of November grew by 1.8% yoy. That is sizably lower than the 4.1% market expected and 4.2% achieved in the month prior, and in line with the subpar export figures that were released earlier.
Commo-dities	Market-watchers eying on higher US crude oil inventories (+1.9 million barrels according to Bloomberg poll) will likely spook oil prices even lower if it comes to pass. Elsewhere, the initial public offering proposed by Saudi Aramco is price negative for crude oil prices as well, as it suggests that Saudi Arabia is shoring up funds to weather low oil prices longer.

Major Market

- **US:** Wall Street managed to stabilise overnight, with the Dow +0.32%, S&P500 +0.09% and Nasdaq -0.12%. VIX -10.03% to 24.30. The UST bond yields were at 0.94% and 2.18% (+6bps) respectively, pressured by Lockhart's somewhat hawkish comments and ahead of the US\$234b 3-year note sale today and upcoming sales of US\$34b of 10- and 30-year bonds later this week.

Bond Market Updates

- **Market Commentary:** The SGD swap rates flattened yesterday with the short-end rates trading 1bps-4bps higher while the belly-to-long-end rates fell by 3bps-4bps. In the broader Asia dollar space, JACI IG corporate spreads widened by 2.23bps to 223.1 while the yield on the JACI HY corporates increased by 3bps to 7.98%. 10y UST increased by 5.98bps to 2.1754%.
- **New Issues:** Ascendas Pte Ltd has launched a SGD200m 7-year bond issue, with FPT of 3.5%, tightening from the ITP of 3.65% with the orderbook in excess of SGD300m. Mapletree Investment Pte Ltd also priced SGD200m of 3-year bonds at 2.92%. Evergrande Real Estate Group Ltd priced USD300m of 3-year bonds at 8%, and a separate USD400m of 3-year private notes at 7.8%. Hong Kong Airlines International Holdings Ltd is planning a USD 3-year bond issue, with IPT of 7% area. Export-Import Bank of India is planning for a USD bond issue, but no further details were provided.
- **Rating Changes:** S&P upgraded Fufeng Group Ltd's long-term local issuer credit rating to "BB+" from "BB", to reflect S&P's expectations that Fufeng's financial risk profile will strengthen over the next 12-24 months due to low funding costs in China. Outlook is stable. Moody's downgraded Evergrande Real Estate Group Ltd's corporate family rating to "B2" from "B1", citing Evergrande's highly acquisitive appetite and debt-funded strategy for acquisitions for the downgrade. Outlook is negative. Moody's also downgraded the long -term ratings of Credit Suisse AG to "A1" from "Aa3", due to the expectation that Credit Suisse's profitability will remain weak over the next 2 years.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.725	0.19%	USD-SGD	1.4345	-0.58%
USD-JPY	117.760	0.43%	EUR-SGD	1.5577	-1.07%
EUR-USD	1.0859	-0.58%	JPY-SGD	1.2177	-1.05%
AUD-USD	0.6995	0.60%	GBP-SGD	2.0862	-0.39%
GBP-USD	1.4543	0.18%	AUD-SGD	1.0034	0.02%
USD-MYR	4.3853	-0.15%	NZD-SGD	0.9410	-0.33%
USD-CNY	6.5711	-0.36%	CHF-SGD	1.4325	-1.22%
USD-IDR	13862	-0.44%	SGD-MYR	3.0539	-0.08%
USD-VND	22450	-0.04%	SGD-CNY	4.5810	0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2180	--	O/N	0.3662	--
2M	-0.1770	--	1M	0.4238	--
3M	-0.1430	--	2M	0.5150	--
6M	-0.0510	--	3M	0.6211	--
9M	-0.0030	--	6M	0.8508	--
12M	0.0510	--	12M	1.1551	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.11	1.20	2.65	4.20	2.11
Italy	0.01	1.30	1.59	5.70	1.04
Ireland	-0.27	-0.10	1.02	2.50	0.48
Greece*	8.79	-70.70	8.51	-17.10	7.97
Spain	0.01	1.20	1.80	9.10	1.26
Russia^	4.12	28.30	6.22	16.10	5.68

* 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	16,398.57	52.10
S&P	1,923.67	1.60
Nasdaq	4,637.99	-5.60
Nikkei 225	17,697.96	--
STI	2,708.85	-42.40
KLCI	1,637.59	-20.00
JCI	4,465.48	-80.80
Baltic Dry	415.00	-14.00
VIX	24.30	-2.70

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.14 (+0.02)	0.93 (--)
5Y	2.04 (+0.04)	1.59 (+0.03)
10Y	2.54 (+0.03)	2.18 (+0.06)
15Y	2.83 (+0.03)	--
20Y	2.86 (+0.03)	--
30Y	2.94 (+0.03)	2.97 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.81	0.42
EURIBOR-OIS	12.35	0.75
TED	43.39	0.61

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	31.41	-5.28%	Coffee (per lb)	1.145	-3.82%
Brent (per barrel)	31.55	-5.96%	Cotton (per lb)	0.6150	0.16%
Heating Oil (per gallon)	1.015	-3.54%	Sugar (per lb)	0.1415	-2.14%
Gasoline (per gallon)	1.11	-1.30%	Orange Juice (per lb)	1.3290	1.57%
Natural Gas (per MMBtu)	2.396	-3.07%	Cocoa (per mt)	2,902	-3.81%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,387.0	-2.19%	Wheat (per bushel)	4.6900	-1.99%
Nickel (per mt)	8,238	-3.42%	Soybean (per bushel)	8.810	0.17%
Aluminium (per mt)	1,458.8	-2.18%	Corn (per bushel)	3.5175	-1.47%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,096.2	-0.15%	Crude Palm Oil (MYR/MT)	2,239.0	-1.06%
Silver (per oz)	13.866	-0.37%	Rubber (JPY/KG)	133.8	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
01/11/2016 05:45	NZ Building Permits MoM	Nov --	1.80%	5.10%	5.40%
01/11/2016 08:30	AU ANZ Job Advertisements MoM	Dec --	-0.10%	1.30%	1.10%
01/11/2016 12:00	MA Manufacturing Sales Value YoY	Nov --	2.20%	6.50%	6.40%
01/11/2016 12:00	MA Industrial Production YoY	Nov 4.10%	1.80%	4.20%	--
01/11/2016 13:00	IN Local Car Sales	Dec --	172671	173111	--
01/11/2016 17:24	VN Domestic Vehicle Sales YoY	Dec --	44.90%	52.80%	--
01/11/2016 17:30	EC Sentix Investor Confidence	Jan 11.4	9.6	15.7	--
	Bank of Italy Report on Balance-Sheet				
01/11/2016 18:00	IT Aggregates				
01/11/2016 21:15	CA Housing Starts	Dec 200.0k	173.0k	211.9k	212.0k
01/11/2016 23:00	CA Bloomberg Nanos Confidence	Jan-08 --	53.8	53.8	--
	Labor Market Conditions Index				
01/11/2016 23:00	US Change	Dec 0.4	2.9	0.5	2.7
01/11/2016 23:30	CA Business Outlook Future Sales	4Q 10	16	16	--
01/11/2016 23:30	CA BoC Senior Loan Officer Survey	4Q --	5.6	4.4	--
	ANZ Roy Morgan Weekly Consumer				
01/12/2016 06:30	AU Confidence Index	Jan-10 --	114.1	116.3	--
01/12/2016 07:50	JN BoP Current Account Balance	Nov ¥895.0b	¥1143.5b	¥1458.4b	--
01/12/2016 07:50	JN BoP Current Account Adjusted	Nov ¥1512.9b	¥1423.5b	¥1493.7b	--
01/12/2016 07:50	JN Trade Balance BoP Basis	Nov -¥158.7b	-¥271.5b	¥200.2b	--
01/12/2016 07:50	JN Bank Lending Incl Trusts YoY	Dec --	2.20%	2.30%	--
01/12/2016 07:50	JN Bank Lending Ex-Trusts YoY	Dec 2.30%	2.20%	2.30%	--
01/12/2016 08:00	NZ ANZ Commodity Price	Dec --	--	-5.60%	--
01/12/2016 08:01	UK BRC Sales Like-For-Like YoY	Dec 0.50%	--	-0.40%	--
01/12/2016 08:30	AU Credit Card Balances	Nov --	--	\$A50.6b	--
01/12/2016 08:30	AU Credit Card Purchases	Nov --	--	\$A24.8b	--
01/12/2016 09:00	PH Exports YoY	Nov -15.00%	--	-10.80%	--
01/12/2016 09:00	PH Exports	Nov --	--	\$4590.3m	--
01/12/2016 13:00	JN Consumer Confidence Index	Dec 42.4	--	42.6	--
01/12/2016 14:00	JN Eco Watchers Survey Current	Dec 46.6	--	46.1	--
01/12/2016 14:00	JN Eco Watchers Survey Outlook	Dec 48	--	48.2	--
01/12/2016 15:30	FR Bank of France Bus. Sentiment	Dec 99	--	98	--
01/12/2016 17:30	UK Industrial Production MoM	Nov 0.00%	--	0.10%	--
01/12/2016 17:30	UK Industrial Production YoY	Nov 1.70%	--	1.70%	--
01/12/2016 17:30	UK Manufacturing Production MoM	Nov 0.10%	--	-0.40%	--
01/12/2016 17:30	UK Manufacturing Production YoY	Nov -0.80%	--	-0.10%	--
01/12/2016 19:00	US NFIB Small Business Optimism	Dec 95	--	94.8	--
01/12/2016 20:00	IN CPI YoY	Dec 5.50%	--	5.41%	--
01/12/2016 20:00	IN Industrial Production YoY	Nov 2.00%	--	9.80%	--
01/12/2016 23:00	UK NIESR GDP Estimate	Dec --	--	0.60%	--
01/12/2016 23:00	US JOLTS Job Openings	Nov 5450	--	5383	--
01/12/2016 23:00	US IBD/TIPP Economic Optimism	Jan 47.5	--	47.2	--
01/11/2016 01/15	CH Foreign Direct Investment YoY CNY	Dec 3.10%	--	1.90%	--
01/12/2016 01/20	ID Local Auto Sales	Dec --	--	86979	--
01/12/2016 01/20	ID Motorcycle Sales	Dec --	--	535682	--
01/12/2016 01/15	CH New Yuan Loans CNY	Dec 700.0b	--	708.9b	--
01/12/2016 01/15	CH Aggregate Financing CNY	Dec 1150.0b	--	1020.0b	1018.1b
01/12/2016 01/15	CH Money Supply M2 YoY	Dec 13.60%	--	13.70%	--
01/12/2016 01/15	CH Money Supply M1 YoY	Dec 15.50%	--	15.70%	--
01/12/2016 01/15	CH Money Supply M0 YoY	Dec 3.50%	--	3.20%	--
01/12/2016 01/15	CH Money Supply M0 YoY	Dec 3.50%	--	3.20%	--

Source: Bloomberg

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