DAILY TREASURY OUTLOOK

OCBC Bank

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Highlights

Global	The global de-risking resumed as investor appetite continued to sour despite the lack of fresh news with China markets closed for the week and Fed chair Yellen arguing that "I don't think it's mainly our policy" driving "broader fears that have developed in the market about the potential for weakening global growth with spillovers to inflation". Overnight, global equities sought fresh lows for the year, the 10-year UST bond yield pushed down to 1.65%, crude oil lower (WTI at a 12-year low of US$26.21 per barrel), gold prices up to US$1241 per troy oz and the USDJPY at a 15-month low of 112.37. That said, VIX is only up to the 28 handle, which is still below the 1Sep15 level of 31.40. On the central bank front, Sweden's Riskbank cut its repo rate from -0.35% to -0.5% and pledged to use all policy options to revive inflation and keep the Krona from appreciating. Over in Asia, BSP kept its policy rate unchanged at 4% as widely expected, coming shortly after the recent BSP decision to lift the 17-year ban on granting licenses to establish new banks in order to lure new local investors, including allowing existing thrift banks to convert to a universal or commercial bank until end-2017 and fully lifting all restrictions on granting new licenses from January 2018. Separately, On tap today are US' retail sales and University of Michigan confidence, Eurozone's advance 4Q15 GDP growth and Dec industrial production, German CPI and China's monetary aggregates and new Yuan loans data over the weekend. Expect market sentiments to remain shaky with the global equity entering bear market territory.
US	In her testimony to the Senate Banking Committee, Fed chair Yellen reiterated that "it's not what I think is the most likely scenario" to reverse course and cut rates. Meanwhile, initial jobless claims fell 16k to 269k, which was the lowest in seven weeks and underpinned the resilience in the labour market, but was largely ignored by market players.
SG	The STI lost another 1.70% to close at 2538.28 yesterday. Given Wall Street's overnight slump and morning slippage in Kospi and Nikkei, the STI may continue to test the waters closer to the key 2500 support. Resistance is tipped at 2550. The SGS bond yield curve is likely to rally further amid the deleveraging in the equity market.
Australia	In his testimony to a parliamentary panel, RBA governor Stevens opined that a "key question" was whether recent financial turbulence will have a "material negative effect on aggregate demand – in Australia or abroad", but "I don't expect we will be able to answer that question for a little while yet". He pinpointed that "the Chinese economy has become more of a concern for many observers" and "is probably best described as greater uncertainty over the intentions of Chinese policymakers and over whether they will be able to carry off the economic transition China needs".
Indonesia	Indonesia will lift foreign investment limits in 49 sectors – notably foreigners will be allowed to own a majority stake of up to 67% in the healthcare and transport sectors, and up to 100% for cold storage, pharmaceutical raw material manufacturing and restaurants, but those with sovereignty issues like air and sea ports will still be capped at 49%.

Major Market

- **US:** Wall Street slumped overnight, with the Dow -1.60%, S&P500 -1.23% and Nasdaq -0.39%. VIX +7.04% to 28.14. The UST bond market benefited from the flight to safety, with the 2- and 10-year bond yields at 0.65% and 1.65% respectively.

- **Hong Kong:** Due to negative market sentiments, the Hang Seng Index slumped 3.85% to 18545.80 after Chinese New Year holidays.

- **Macau:** As housing transaction volumes rebounded thanks to strong market sentiment and a wave of housing price cuts in the secondary market, new residential mortgage loan (RML) approvals rallied, surging 104.3% mom and 34% yoy to MOP4.98 billion in December, higher than the 2015's average of MOP4.11 billion. However, given the uncertainty on the outlook of the domestic economy, as well as expectations of a slow recovery in the gaming sector amid low profitability of the mass-market segment, we believe that wage growth will slow across all sectors. This may dent the current upbeat sentiment. More noteworthy, with the Fed starting its rate hike cycle, the borrowing cost in Macau will also increase gradually, in turn suppressing demand for mortgage loan and prompting the lower to medium income households to wait for the completion of over 6,000 units of public housing this year.

- **Malaysia:** December's Industrial production figures improved despite expectations of a decrease, rising from November's print of 1.8% to reach 2.7%yoy. Industrial production gains were led by a 5.6% increase in electricity output while mining output continued in negative territory for the 3rd straight month at -1.5%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter-end rates trading 8bps-10bps lower while the longer-end rates traded 12bps-14bps lower. 10y UST yield was level at 1.65%. Elsewhere, Lippo Karawaci received offers totaling USD100.53mn (40.21%) for the bond exchange, which did not meet the minimum new issue condition and as such, the company will not be accepting any offers in this bond exchange. Meanwhile, consent solicitation for their 2019 notes, USD403mn 6.125%'20s and USD150mn 7%'22s is expected to settle on Monday, 16 February 2016. Itraxx Asia ex-Japan IG index widened 10bps while China bank AT1s (eg. BCHINA 6.75% '49 at ~106 levels yielding 4.15%) were surprisingly stable despite the volatility in the subordinated bank capital space in Europe.

- **Rating Changes:** Moody's downgraded Tata Steel Ltd's long term corporate family rating to "Ba3" from "Ba1". This is due to weak-than-expected operating performance in key markets, coupled with Moody's opinion that there will be no respite from downward pressure on international steel prices. Outlook is negative.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.562	-0.34%	**USD-SGD**	1.3897	-0.14%
USD-JPY	112.420	-0.82%	**EUR-SGD**	1.5736	0.13%
EUR-USD	1.1323	0.27%	**JPY-SGD**	1.2363	0.70%
AUD-USD	0.7109	0.20%	**GBP-SGD**	2.0120	-0.45%
GBP-USD	1.4477	-0.31%	**AUD-SGD**	0.9880	0.05%
USD-MYR	4.1453	0.57%	**NZD-SGD**	0.9334	0.31%
USD-CNY	6.5743	0.00%	**CHF-SGD**	1.4289	-0.02%
USD-IDR	13463	0.06%	**SGD-MYR**	2.9819	0.79%
USD-VND	22305	0.09%	**SGD-CNY**	4.7285	0.30%

Equity and Commodity

Index	Value	Net change
DJIA	15,660.18	-254.60
S&P	1,829.08	-22.80
Nasdaq	4,266.84	-16.80
Nikkei 225	15,713.39	--
STI	2,538.28	-43.80
KLCI	1,643.95	-0.50
JCI	4,775.86	43.40
Baltic Dry	290.00	--
VIX	28.14	1.90

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2380	--	**O/N**	0.3731	--
2M	-0.2160	--	**1M**	0.4265	--
3M	-0.1750	--	**2M**	0.5148	--
6M	-0.1110	--	**3M**	0.6176	--
9M	-0.0590	--	**6M**	0.8655	--
12M	-0.0010	--	**12M**	1.1336	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.97 (-0.03)	0.65 (-0.04)
5Y	1.69 (-0.07)	1.13 (+0.01)
10Y	1.98 (-0.09)	1.66 (-0.01)
15Y	2.36 (-0.1)	--
20Y	2.41 (-0.11)	--
30Y	2.52 (-0.11)	2.50 (+0.01)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	1.21	51.40	4.11	39.70	3.92
Italy	0.12	7.40	1.71	7.50	1.53
Ireland	-0.28	2.10	1.04	1.30	0.85
Greece*	15.96	118.80	11.57	64.30	11.39
Spain	0.07	5.80	1.78	5.90	1.59
Russia^	3.77	4.30	6.09	7.40	5.90

* 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

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.26	-0.49
EURIBOR-OIS	14.80	1.30
TED	33.74	2.50

Commodities Futures

Energy	**Futures**	**% chg**	**Soft Commodities**	**Futures**	**% chg**
WTI (per barrel)	26.21	-4.52%	Coffee (per lb)	1.130	-1.53%
Brent (per barrel)	30.06	-2.53%	Cotton (per lb)	0.5842	-0.78%
Heating Oil (per gallon)	0.979	0.43%	Sugar (per lb)	0.1307	-2.32%
Gasoline (per gallon)	0.94	-0.08%	Orange Juice (per lb)	1.2995	-1.22%
Natural Gas (per MMBtu)	1.994	-2.54%	Cocoa (per mt)	2,766	-2.09%
Base Metals	**Futures**	**% chg**	**Grains**	**Futures**	**% chg**
Copper (per mt)	4,445.0	0.02%	Wheat (per bushel)	4.5825	-0.65%
Nickel (per mt)	7,562	-3.64%	Soybean (per bushel)	8.735	1.30%
Aluminium (per mt)	1,482.0	0.20%	Corn (per bushel)	3.6025	--
Precious Metals	**Futures**	**% chg**	**Asian Commodities**	**Futures**	**% chg**
Gold (per oz)	1,247.9	4.45%	Crude Palm Oil (MYR/MT)	2,490.0	0.12%
Silver (per oz)	15.794	3.35%	Rubber (JPY/KG)	142.2	0.00%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
02/11/2016 03:00	**US**	**Monthly Budget Statement**	**Jan**	**$50.0b**	**$55.2b**	**-$17.5b**	**--**
02/11/2016 05:30	**NZ**	**BusinessNZ Manufacturing PMI**	**Jan**	**--**	**57.9**	**56.7**	**57**
02/11/2016 07:30	**NZ**	**REINZ House Sales YoY**	**Jan**	**--**	**4.30%**	**3.50%**	**--**
02/11/2016 08:01	UK	RICS House Price Balance	Jan	52%	49%	50%	49%
02/11/2016 12:00	MA	Industrial Production YoY	Dec	1.00%	2.70%	1.80%	--
02/11/2016 16:00	**PH**	**BSP Overnight Borrowing Rate**	**Feb-11**	**4.00%**	**4.00%**	**4.00%**	**--**
02/11/2016 21:30	**US**	**Initial Jobless Claims**	**Feb-06**	**280k**	**269k**	**285k**	**--**
02/11/2016 21:30	CA	New Housing Price Index MoM	Dec	0.20%	0.10%	0.20%	--
02/11/2016 21:30	US	Continuing Claims	Jan-30	2245k	2239k	2255k	2260k
02/11/2016 22:45	US	Bloomberg Consumer Comfort	Feb-07	--	44.5	44.2	--
02/12/2016 05:45	**NZ**	**Food Prices MoM**	**Jan**	**--**	**2.00%**	**-0.80%**	**--**
02/12/2016 07:50	JN	Foreign Buying Japan Stocks	Feb-05	--	--	-¥364.1b	--
02/12/2016 08:30	**AU**	**Home Loans MoM**	**Dec**	**3.00%**	**--**	**1.80%**	**--**
02/12/2016 08:30	AU	Owner-Occupier Loan Value MoM	Dec	--	--	2.40%	--
02/12/2016 13:00	IN	Local Car Sales	Jan	--	--	172671	--
02/12/2016 15:00	**GE**	**CPI MoM**	**Jan F**	**-0.80%**	**--**	**-0.80%**	**--**
02/12/2016 15:00	**GE**	**CPI YoY**	**Jan F**	**0.50%**	**--**	**0.50%**	**--**
02/12/2016 15:00	**GE**	**GDP SA QoQ**	**4Q P**	**0.30%**	**--**	**0.30%**	**--**
02/12/2016 15:00	GE	GDP WDA YoY	4Q P	1.40%	--	1.70%	--
02/12/2016 15:00	**GE**	**GDP NSA YoY**	**4Q P**	**1.70%**	**--**	**1.80%**	**--**
02/12/2016 15:30	**TH**	**Foreign Reserves**	**Feb-05**	**--**	**--**	**$160.1b**	**--**
02/12/2016 15:45	FR	Non-Farm Payrolls QoQ	4Q P	0.00%	--	0.00%	--
02/12/2016 17:00	**IT**	**GDP WDA QoQ**	**4Q P**	**0.30%**	**--**	**0.20%**	**--**
02/12/2016 17:00	**IT**	**GDP WDA YoY**	**4Q P**	**1.20%**	**--**	**0.80%**	**--**
02/12/2016 18:00	EC	Industrial Production SA MoM	Dec	0.30%	--	-0.70%	--
02/12/2016 18:00	EC	Industrial Production WDA YoY	Dec	0.70%	--	1.10%	--
02/12/2016 18:00	**EC**	**GDP SA QoQ**	**4Q A**	**0.30%**	**--**	**0.30%**	**--**
02/12/2016 18:00	**EC**	**GDP SA YoY**	**4Q A**	**1.50%**	**--**	**1.60%**	**--**
02/12/2016 20:00	**IN**	**Industrial Production YoY**	**Dec**	**-0.50%**	**--**	**-3.20%**	**--**
02/12/2016 20:00	IN	CPI YoY	Jan	5.40%	--	5.61%	--
02/12/2016 21:30	**US**	**Import Price Index MoM**	**Jan**	**-1.50%**	**--**	**-1.20%**	**--**
02/12/2016 21:30	**US**	**Retail Sales Advance MoM**	**Jan**	**0.10%**	**--**	**-0.10%**	**--**
02/12/2016 21:30	US	Retail Sales Ex Auto MoM	Jan	0.00%	--	-0.10%	--
02/12/2016 21:30	US	Retail Sales Ex Auto and Gas	Jan	0.30%	--	0.00%	--
02/12/2016 23:00	**US**	**U. of Mich. Sentiment**	**Feb P**	**92.3**	**--**	**92**	**--**
02/11/2016 02/13	**VN**	**Domestic Vehicle Sales YoY**	**Jan**	**--**	**--**	**44.90%**	**--**
02/11/2016 02/15	CH	New Yuan Loans CNY	Jan	1900.0b	--	597.8b	--
02/11/2016 02/15	CH	Money Supply M1 YoY	Jan	14.70%	--	15.20%	--
02/11/2016 02/15	**CH**	**Money Supply M2 YoY**	**Jan**	**13.50%**	**--**	**13.30%**	**--**
02/11/2016 02/20	ID	Local Auto Sales	Jan	--	--	73264	--
02/12/2016 02/15	IN	Imports YoY	Jan	--	--	-3.90%	--
02/12/2016 02/15	**IN**	**Exports YoY**	**Jan**	**--**	**--**	**-14.70%**	**--**

Source: Bloomberg

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