

Treasury Advisory
Corporate FX & Structured
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Highlights

Global	Market still appears to be tracking sideways as US earnings season kicks off. First out of the gate was Alcoa, an aluminium company, which reported its Q1 earnings after market close, surprising on the downside. Much attention will be paid to whether actual earnings would underperform already fairly subdued expectations, especially for the challenged banking and energy sectors. Meanwhile, for what it is worth, World Bank trimmed its 2016-17 economic growth forecasts for East Asia and Pacific, citing risks over China's growth prospects, financial market volatility and commodity price slump.
China	CPI grew by 2.3% yoy in March, unchanged from Feb's level, but surprised the market on the downside. CPI also fell by 0.4% mom mainly driven by correcting food prices after Chinese New Year season. The reflation trade may be capped by weaker than expected CPI for now. Meanwhile, PPI rebounded by 0.5% mom, first positive growth since May 2014, in line with picture of improving manufacturing data.
Indonesia	Finance Minister Bambang Brodjonegoro said that the government is considering cutting the corporate income tax rate to 20% from the current 25%. It is reviewing tax rates with the upcoming revision to the income tax law in mind. Previously, the government floated its plan to cut income tax rates for individuals, as well, from the current brackets ranging from 5-30%.
Thailand	Opposition to the draft constitution has emerged from political parties including the Democrat Party and the Pheu Thai Party. Both parties had voiced opposition to the charter in unison, questioning the ability of the appointed Senate to intervene in the Prime Minister selection. Importantly, the Pheu Thai Party had called for the charter to be rejected. Elsewhere, note that the World Bank has trimmed Thailand's growth outlook for this year to 2.5%, and 2.6% in 2017, citing weak external demand and policy uncertainty to weigh on private investment.
FX Insights	Despite the increasing saber rattling by Japanese officials, we believe official discomfort stems from the speed of recent yen moves as opposed to drastic overvaluation concerns. We expect visible caution on near term downside probes in the USD-JPY but note that over a slightly longer horizon (e.g., 3M), JPY strength (in line with the likes of the CAD and AUD for example) has largely been a manifestation of endemic broad dollar underperformance. As such, an incremental creep lower in the pair we think cannot be ruled out. With a spot ref at 107.72, we target 104.15 and place a stop at 109.50.
Commodities	The commodity complex has been rallying in general, from energy to precious & base metals, though some losses were seen in soft commodities likely on some profit-taking on sugar after touching its March peak. On the energy front, expectations for something to be done in the upcoming Doha talks is likely mounting, given that (1) no news of a cancellation has been made (note that the March meeting was previously postponed to April's and (2) it remains to be ground knowledge that higher oil prices through the Doha talks would primarily benefit the oil producers and alleviate fiscal concerns. Importantly, we recall Saudi Arabia's rhetoric that there is no point meeting amongst the producers if little consensus is to be done to arrest oil prices, and the ongoing reality of the meeting this Sunday backs such an expectation.

Major Market

- **US:** Wall Street sentiments appear skittish in expectation of a poor earnings season. Equity markets slipped in late trading, erasing gains accumulated during the day. S&P 500 -0.27%, Dow -0.12% and Nasdaq -0.36%. VIX +5.86% rebounded to close at 16.26. US Treasury yields moved in a similar pattern as the equity markets, rising within the day before slipping in late trading. 2-year and 10-year US Treasury yields closed largely unchanged at 0.70% and 1.72% respectively.
- **Singapore:** The STI ended the day relatively flat (+0.03%), up by 0.92 to 2809.24. Ascendas Real Estate Investment Trust (+1.68%), CapitaLand Ltd (+1.34) and Overseas-Chinese Banking Corporation (+1.03%) closed the trading day higher but gains were erased by Jardine Cycle & Carriage Ltd (-1.51%), Singapore Telecommunications Ltd (-1.35%) and Golden Agri-Resources Ltd (-1.22%). For today, we can expect the STI to test the support at 2780 with resistance still pegged at 2830.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was 1-3bps lower across the curve yesterday. Flows in the SGD space have slowed since the end of March, nevertheless there was decent activity in the perpetuals space with buying in FCLSP 4.88% perp-c19 and good 2-way in SCISP 4.75% perp-c20 and OCBC's 3.8% AT1. In the broader dollar space, the spread on the JACI IG corporates was level at 234bps while the yield on the JACI HY corporates was level at 7.57%. Notably, Evergrandes's curve was ~2pts lower post S&P downgrade while the new OLAMSP 4.5% '21 continued to perform, having tightened ~20bps since issuance. 10y UST yield increased by 1bp to 1.73%.
- **New Issues:** JBIC is planning to issue a USD 5-year and USD 10-year bond, with initial guidance at MS+80bps and MS+85bps respectively. The expected ratings for the issue is "A+/A1/NR". Korea Resources priced a USD500mn 5-year bond at CT5+110bps, tightening from an initial guidance of CT5+135bps. The expected rating for the issue is "A+/Aa2/NR". Malaysia is said to be planning a USD1.5bn sukuk, with investor meetings this week.
- **Rating Changes:** Moody's has initiated a "A3" long term rating, "A3" insurance financial strength rating, "Baa1" senior unsecured debt rating to China-based Sunshine Life Insurance Co Ltd. Outlook is stable. This is after Sunshine Life announced investor meetings for a potential USD bond issuance on 6 Apr 2016. Fitch downgraded Yanzhou Coal Mining Company Ltd's long-term foreign-currency issuer default rating 2 notches down to "B" from "BB-". Simultaneously, Fitch has downgraded the rating on the USD1bn dual-tranche notes issued by Yancoal International Resources Development Co Ltd. This is in light of weakening short-term liquidity, sustained high leverage arising from challenging coal-mining industry conditions and higher-than-expected capex. Outlook is negative.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.950	-0.30%	USD-SGD	1.3437	-0.40%
USD-JPY	107.940	-0.12%	EUR-SGD	1.5332	-0.30%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2445	-0.32%
AUD-USD	0.7595	0.52%	GBP-SGD	1.9133	0.41%
GBP-USD	1.4239	0.79%	AUD-SGD	1.0207	0.13%
USD-MYR	3.8888	-0.33%	NZD-SGD	0.9213	0.33%
USD-CNY	6.4592	-0.07%	CHF-SGD	1.4078	-0.42%
USD-IDR	13134	-0.08%	SGD-MYR	2.8899	-0.04%
USD-VND	22295	0.00%	SGD-CNY	4.8067	0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3390	--	O/N	0.3775	--
2M	-0.2880	--	1M	0.4347	--
3M	-0.2480	--	2M	0.5197	--
6M	-0.1340	--	3M	0.6308	--
9M	-0.0720	--	6M	0.8949	--
12M	-0.0100	--	12M	1.2046	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.86	12.10	3.41	6.50	3.30
Italy	-0.01	-1.60	1.34	2.80	1.23
Ireland	-0.34	-0.70	0.83	5.40	0.72
Greece*	10.23	-1.30	8.93	-3.70	8.82
Spain	0.01	-2.00	1.51	-0.60	1.40
Russia^	3.16	-1.40	5.09	-7.80	4.98

* 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	17,556.41	-20.50
S&P	2,041.99	-5.60
Nasdaq	4,833.40	-17.30
Nikkei 225	15,751.13	-70.40
STI	2,809.24	0.90
KLCI	1,715.28	-3.10
JCI	4,786.97	-59.70
Baltic Dry	555.00	16.00
VIX	16.26	0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (-0.02)	0.70 (--)
5Y	1.52 (-0.01)	1.16 (+0.01)
10Y	1.88 (-0.01)	1.73 (+0.01)
15Y	2.25 (-0.01)	--
20Y	2.34 (-0.01)	--
30Y	2.52 (--)	2.56 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.43	0.15
EURIBOR-OIS	9.95	0.25
TED	41.63	0.93

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.36	1.61%	Coffee (per lb)	1.234	2.41%
Brent (per barrel)	42.83	2.12%	Cotton (per lb)	0.6071	1.07%
Heating Oil (per gallon)	1.215	1.19%	Sugar (per lb)	0.1415	-3.68%
Gasoline (per gallon)	1.51	3.01%	Orange Juice (per lb)	1.3705	-1.33%
Natural Gas (per MMBtu)	1.912	-3.92%	Cocoa (per mt)	2,906	1.18%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,663.5	0.29%	Wheat (per bushel)	4.4725	-2.82%
Nickel (per mt)	8,526	0.15%	Soybean (per bushel)	9.283	1.25%
Aluminium (per mt)	1,497.3	-0.61%	Corn (per bushel)	3.5675	-1.52%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,256.7	1.14%	Crude Palm Oil (MYR/MT)	2,633.0	-0.53%
Silver (per oz)	15.976	3.85%	Rubber (JPY/KG)	180.5	1.80%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

FX Trade Ideas

FX Trade Ideas									
	Inception		B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	04-Mar-16		S	USD-SGD	1.3881	1.3380	1.3755	Brightening risk appetite, vulnerable broad dollar	
2	30-Mar-16		B	EUR-USD	1.1297	1.1630	1.1130	Dollar negativity post-Yellen	
3	11-Apr-16		S	USD-JPY	107.72	104.15	109.50	JPY still not drastically overvalued, endemic USD weakness	
	STRUCTURAL								
4	03-Feb-16		S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
5	18-Feb-16		B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
6	01-Mar-16		S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
7	07-Mar-16		B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
	RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	14-Mar-16	15-Mar-16	B	GBP-USD	1.4380		1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	-1.41
2	18-Mar-16	24-Mar-16	B	EUR-USD	1.1321		1.1150	Tilt in policy balance after ECB and FOMC	-1.53
3	18-Feb-16	31-Mar-16	S	USD-SGD	1.4034		1.4335	USD vulnearbility, stabilization in RMB, equities/commodities	+4.54
4	03-Mar-16	08-Apr-16	B	AUD-USD	0.7284		0.7410	Stabilizing commodities/equities, coupled with recent upside aussie	+3.19
5	29-Feb-16	08-Apr-16	S	USD-CAD	1.3533		1.3139	Bottoming crude	+2.98

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
04/11/2016 07:50	JN Machine Orders MoM	Feb	-12.00%	-9.20%	15.00%
04/11/2016 07:50	JN Machine Orders YoY	Feb	-2.40%	-0.70%	8.40%
04/11/2016 09:30	AU Home Loans MoM	Feb	2.00%	1.50%	-3.90%
04/11/2016 09:30	CH CPI YoY	Mar	2.40%	2.30%	2.30%
04/11/2016 09:30	CH PPI YoY	Mar	-4.60%	-4.30%	-4.90%
04/11/2016 12:00	MA Industrial Production YoY	Feb	3.90%	3.90%	3.20%
04/11/2016 16:00	TA Trade Balance	Mar	\$4.31b	\$4.50b	\$4.16b
04/11/2016 16:00	TA Exports YoY	Mar	-9.50%	-11.40%	-11.80%
04/11/2016 16:00	TA Imports YoY	Mar	-15.00%	-17.00%	-13.10%
04/11/2016 16:00	IT Industrial Production MoM	Feb	-0.90%	-0.60%	1.90%
04/11/2016 16:00	IT Industrial Production NSA YoY	Feb	--	5.20%	0.70%
04/12/2016 07:10	NZ REINZ House Sales YoY	Mar	--	8.20%	5.70%
04/12/2016 09:00	PH Exports YoY	Feb	-3.20%	--	-3.90%
04/12/2016 09:30	AU NAB Business Conditions	Mar	--	--	8
04/12/2016 09:30	AU NAB Business Confidence	Mar	--	--	3
04/12/2016 14:00	JN Machine Tool Orders YoY	Mar P	--	--	-22.50%
04/12/2016 14:00	GE CPI MoM	Mar F	0.80%	--	0.80%
04/12/2016 14:00	GE CPI YoY	Mar F	0.30%	--	0.30%
04/12/2016 14:00	GE CPI EU Harmonized MoM	Mar F	0.80%	--	0.80%
04/12/2016 14:00	GE CPI EU Harmonized YoY	Mar F	0.10%	--	0.10%
04/12/2016 15:30	TH Foreign Reserves	Apr-08	--	--	\$175.5b
04/12/2016 16:30	UK CPI MoM	Mar	0.30%	--	0.20%
04/12/2016 16:30	UK CPI YoY	Mar	0.40%	--	0.30%
04/12/2016 16:30	UK CPI Core YoY	Mar	1.30%	--	1.20%
04/12/2016 16:30	UK Retail Price Index	Mar	260.8	--	260
04/12/2016 16:30	UK RPI MoM	Mar	0.30%	--	0.50%
04/12/2016 16:30	UK RPI YoY	Mar	1.40%	--	1.30%
04/12/2016 16:30	UK PPI Output NSA MoM	Mar	0.20%	--	0.10%
04/12/2016 16:30	UK PPI Output NSA YoY	Mar	-1.00%	--	-1.10%
04/12/2016 16:30	UK ONS House Price YoY	Feb	--	--	7.90%
04/12/2016 20:00	IN CPI YoY	Mar	5.00%	--	5.18%
04/12/2016 20:00	IN Industrial Production YoY	Feb	0.60%	--	-1.50%
04/12/2016 20:30	US Import Price Index MoM	Mar	1.00%	--	-0.30%
04/11/2016 04/15	CH New Yuan Loans CNY	Mar	1100.0b	--	726.6b
04/11/2016 04/15	CH Money Supply M1 YoY	Mar	18.40%	--	17.40%
04/11/2016 04/15	CH Money Supply M2 YoY	Mar	13.50%	--	13.30%
04/11/2016 04/20	ID Local Auto Sales	Mar	--	--	88250

Source: Bloomberg

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