DAILY TREASURY OUTLOOK

Treasury Advisory
Corporate FX & Structured Products
Tel: 6349-1888 / 1881
Interest Rate Derivatives
Tel: 6349-1899
Investments & Structured Products
Tel: 6349-1886

GT Institutional Sales
Tel: 6349-1810

OCBC Bank

Tuesday, December 13, 2016

Highlights

Global	Market sentiment appears to have grown more cautious given news about sizable stockmarket drops in China and Hong Kong yesterday. Concerns about money market squeeze arose, with 3-month HIBOR jumping by 10bp to 0.82% yesterday, in part due to a build-up in expectations about Fed funds rate hike for this week and into next year. On the mainland, government bonds continue to see their yields picking up, with 10yr yield inching close to 3.2%, compared to less than 2.75% before US presidential elections.
US	Equities ended mixed on Monday, as the S&P 500 and Nasdaq slipped 0.11% and 0.59% respectively. Losses were led by financials, while early gains in energy stocks moderated alongside crude price movements. The Dow, driven by gains in Pfizer and Exxon, bucked trend to gain 0.20%. VIX rose to 12.64, up 7.6%. Monday also saw two auctions, totaling US$44b, of new 3- and 10-year US Treasuries, yielding 1.452% and 2.485% respectively. Benchmark 10-year yields traded above 2.5%, highest since Sep 2014, before easing to close at 2.47%. 2-year yields were up 1 bp to 1.14%.
SG	Business confidence reportedly slumped to its most pessimistic reading in a year, according to Singapore Commercial Credit Bureau (SCCB)'s quarterly Business Optimism Index (BOI). The index fell to 1.22 percentage points in 1Q17, from a 2.87 percentage point in 4Q16. Both wholesale trade and financial services sectors emerged as the most pessimistic sectors for the upcoming quarter, while tourism emerged as the most optimistic industry. STI remained flat (-0.13%) and closed at 2,951.19, suggesting that market watchers were waiting for more concrete cues from the upcoming FOMC meeting happening later this week. With a relatively quiet week till then, do expect STI to range-bound in a tight range. Gainers included energy names such as Keppel (+5.9%), Sembcorp Industries (+2.75%) and palm oil giant Wilmar (+2.22%), though losses seen in Genting Singapore (-2.55%) and Hong Kong Land Holdings (-2.46%) limited overall gains.
CH	Both equity and bond markets were sold off sharply on Monday for different reasons. The correction in equity market was mainly triggered by CSRC's comments about aggressive acquisition by asset managers while the weak sentiment in the bond market was the result of expectations on tightening bias from PBoC.
MA	Bank Negara's Financial Markets Committee issued a statement on Friday saying that the recent measures to stabilize the ringgit have had encouraging results. It stated, for instance, that the average intra-day movement in the exchange rate has declined from 228 points in November to 68 points in December. It added that the onshore forex market recorded daily average volume of USD8.3bn, and that transactions in the bond market were also healthy with an average daily volume of MYR4.5bn.
Commodities	Crude oil prices moved sideways after touching as high as $57/bbl yesterday morning, as investors cheered on the recent agreement between OPEC and non-OPEC, before closing at $52.83/bbl and $55.69/bbl for WTI and Brent, respectively. Into the week ahead, no major news save for the upcoming FOMC meeting is noteworthy; we continue to look for a 25bps rate hike later this week, with gold prices trending around $1,160/oz.

Major Market

- **Macau:** The rebound in gaming revenue's shored up housing market sentiment further, which allowed the new residential projects to lure more home buyers. In the secondary market, even though sellers raised the asking prices amid market recovery, prospective buyers still showed huge interests. As a result, housing transaction volume edged up at its fastest pace since Nov 2012 by 140.5% yoy to 1022 units in October. In the same month, average housing price jumped 12.7% yoy to MOP89430/sq. m. while new mortgage loans approved rose further by 16.3% yoy to MOP2.87 billion. Looking ahead, the Fed's faster rate hike pace, tighter rules on junket operators, stagnant wage growth and cooling measures together signal that the recent pick-up in demand may be unsustainable. Combined with increasing supply, the stabilization of housing market may come to an end next year. Housing prices and transaction volume are expected to oscillate around their current levels in the coming quarter while we will see moderate downward risks over the rest of 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday as swap rates traded 3-12bps higher across all tenors. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 199bps while the yield on JACI HY corporates increased 3bps to 6.94%. 10y UST yields were steady at 2.47% but traded as high as 2.52% mid-day on the back of higher oil prices that triggered a global bond sell-off.

- **New Issues:** BOCOM Financial Leasing priced a two-tranche deal yesterday with the USD150mn 5-year bond priced at 3.5% while the other tranche of USD150mn 7-year bonds were priced at 4.5%. The expected issue ratings are "A2/NR/NR".

- **Rating Changes:** S&P downgraded Dalian Wanda Commercial Properties Co. Ltd.'s (Wanda) corporate credit rating to "BBB-" from "BBB" with a negative outlook. At the same time, the corporate credit rating on Wanda Commercial Properties (Hong Kong) Co. Ltd. was downgraded to "BB+" from "BBB-". The outlook is negative. The downgrades reflect the deterioration in Wanda's leverage and expectation that it will remain elevated over the next two years due to slow execution of its asset-light strategy and increased capital expenditure. Moody's affirmed the "Baa2" issue rating on Far East Hospitality Trust and revised its outlook to negative from stable. The revision reflects the weakening of the company's financial profile due to lower earnings.

OCBC Bank

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.030	-0.55%	USD-SGD	1.4235	-0.52%
USD-JPY	115.020	-0.26%	EUR-SGD	1.5138	0.17%
EUR-USD	1.0635	0.70%	JPY-SGD	1.2375	-0.26%
AUD-USD	0.7497	0.64%	GBP-SGD	1.8045	0.26%
GBP-USD	1.2679	0.85%	AUD-SGD	1.0673	0.10%
USD-MYR	4.4245	--	NZD-SGD	1.0236	0.25%
USD-CNY	6.9069	-0.02%	CHF-SGD	1.4047	-0.20%
USD-IDR	13331	0.09%	SGD-MYR	3.0903	-0.57%
USD-VND	22628	0.29%	SGD-CNY	4.8423	0.28%

Equity and Commodity

Index	Value	Net change
DJIA	19,796.43	39.58
S&P	2,256.96	-2.57
Nasdaq	5,412.54	-31.96
Nikkei 225	19,155.03	158.66
STI	2,952.19	-3.94
KLCI	1,641.42	--
JCI	5,308.13	--
Baltic Dry	1,069.00	-21.00
VIX	12.64	0.89

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4342	--
2M	-0.3370	--	1M	0.6800	--
3M	-0.3160	--	2M	0.7714	--
6M	-0.2170	--	3M	0.9565	--
9M	-0.1380	--	6M	1.2960	--
12M	-0.0810	--	12M	1.6484	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.26 (+0.04)	1.14 (+0.01)
5Y	1.89 (+0.08)	1.89 (--)
10Y	2.50 (+0.09)	2.47 (--)
15Y	2.83 (+0.09)	--
20Y	2.89 (+0.1)	--
30Y	2.88 (+0.09)	3.15 (--)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
Portugal	0.23	-3.20	3.83	-1.60	3.43
Italy	-0.11	-1.80	2.00	-4.50	1.60
Ireland	-0.48	1.30	0.99	0.20	0.59
Greece	7.65	--	6.72	2.50	6.32
Spain	-0.28	-3.40	1.50	-1.50	1.10
Russia	2.49	-4.80	4.52	3.10	4.12

Financial Spread (bps)

	Value	Change
LIBOR-OIS	31.35	0.44
EURIBOR-OIS	3.40	--
TED	42.35	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.83	2.58%	Coffee (per lb)	1.381	1.84%
Brent (per barrel)	55.69	2.50%	Cotton (per lb)	0.7169	1.26%
Heating Oil (per gallon)	1.6717	2.09%	Sugar (per lb)	0.1925	0.05%
Gasoline (per gallon)	1.5430	2.37%	Orange Juice (per lb)	2.0450	-3.99%
Natural Gas (per MMBtu)	3.5070	-6.38%	Cocoa (per mt)	2,233	3.24%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,768.0	-1.00%	Wheat (per bushel)	4.0125	0.25%
Nickel (per mt)	11,253.3	-1.51%	Soybean (per bushel)	10.310	-0.63%
Aluminium (per mt)	1,736.8	-1.07%	Corn (per bushel)	3.5450	0.57%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,163.5	0.35%	Crude Palm Oil (MYR/MT)	3,123.0	--
Silver (per oz)	17.116	1.30%	Rubber (JPY/KG)	250.5	5.83%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
12/12/2016 07:50	**JN**	**Machine Orders MoM**	**Oct**	**1.10%**	**4.10%**	**-3.30%**	**--**
12/12/2016 07:50	JN	Machine Orders YoY	Oct	-4.90%	-5.60%	4.30%	--
12/12/2016 07:50	JN	PPI MoM	Nov	0.30%	0.40%	-0.10%	--
12/12/2016 07:50	**JN**	**PPI YoY**	**Nov**	**-2.30%**	**-2.20%**	**-2.70%**	**--**
12/12/2016 08:01	UK	Rightmove House Prices MoM	Dec	--	-2.10%	-1.10%	--
12/12/2016 08:01	UK	Rightmove House Prices YoY	Dec	--	3.40%	4.50%	--
12/12/2016 12:30	**JN**	**Tertiary Industry Index MoM**	**Oct**	**0.30%**	**0.20%**	**-0.10%**	**-0.30%**
12/12/2016 14:00	JN	Machine Tool Orders YoY	Nov P	--	-5.60%	-8.90%	--
12/13/2016 03:00	US	Monthly Budget Statement	Nov	-$133.3b	-$136.7b	-$64.6b	-$64.5b
12/13/2016 08:30	AU	NAB Business Conditions	Nov	--	--	6	--
12/13/2016 08:30	AU	NAB Business Confidence	Nov	--	--	4	--
12/13/2016 10:00	**CH**	**Industrial Production YoY**	**Nov**	**6.10%**	**--**	**6.10%**	**--**
12/13/2016 10:00	CH	Industrial Production YTD YoY	Nov	6.00%	--	6.00%	--
12/13/2016 10:00	CH	Retail Sales YoY	Nov	10.20%	--	10.00%	--
12/13/2016 10:00	CH	Retail Sales YTD YoY	Nov	10.30%	--	10.30%	--
12/13/2016 10:00	CH	Fixed Assets Ex Rural YTD YoY	Nov	8.30%	--	8.30%	--
12/13/2016 15:00	GE	CPI MoM	Nov F	0.10%	--	0.10%	--
12/13/2016 15:00	GE	CPI YoY	Nov F	0.80%	--	0.80%	--
12/13/2016 15:00	GE	CPI EU Harmonized MoM	Nov F	0.00%	--	0.00%	--
12/13/2016 15:00	**GE**	**CPI EU Harmonized YoY**	**Nov F**	**0.70%**	**--**	**0.70%**	**--**
12/13/2016 16:30	HK	Industrial Production YoY	3Q	--	--	-0.50%	--
12/13/2016 16:30	HK	PPI YoY	3Q	--	--	0.40%	--
12/13/2016 17:00	**IT**	**Industrial Production MoM**	**Oct**	**0.20%**	**--**	**-0.80%**	**--**
12/13/2016 17:00	IT	Industrial Production WDA YoY	Oct	1.50%	--	1.80%	--
12/13/2016 17:00	IT	Industrial Production NSA YoY	Oct	--	--	1.90%	--
12/13/2016 17:30	UK	CPI MoM	Nov	0.20%	--	0.10%	--
12/13/2016 17:30	UK	CPI YoY	Nov	1.10%	--	0.90%	--
12/13/2016 17:30	**UK**	**CPI Core YoY**	**Nov**	**1.30%**	**--**	**1.20%**	**--**
12/13/2016 17:30	UK	Retail Price Index	Nov	265.4	--	264.8	--
12/13/2016 17:30	UK	RPI MoM	Nov	0.20%	--	0.00%	--
12/13/2016 17:30	UK	RPI YoY	Nov	2.10%	--	2.00%	--
12/13/2016 17:30	UK	RPI Ex Mort Int.Payments (YoY)	Nov	2.30%	--	2.20%	--
12/13/2016 17:30	UK	PPI Output NSA MoM	Nov	0.20%	--	0.60%	--
12/13/2016 17:30	UK	PPI Output NSA YoY	Nov	2.50%	--	2.10%	--
12/13/2016 18:00	GE	ZEW Survey Current Situation	Dec	59	--	58.8	--
12/13/2016 18:00	**GE**	**ZEW Survey Expectations**	**Dec**	**14**	**--**	**13.8**	**--**
12/13/2016 18:00	EC	ZEW Survey Expectations	Dec	--	--	15.8	--
12/13/2016 19:00	US	NFIB Small Business Optimism	Nov	96.7	--	94.9	--
12/13/2016 20:00	IN	CPI YoY	Nov	3.90%	--	4.20%	--
12/13/2016 21:30	US	Import Price Index MoM	Nov	-0.40%	--	0.50%	--
12/12/2016 12/15	CH	New Yuan Loans CNY	Nov	720.0b	--	651.3b	--
12/12/2016 12/15	**CH**	**Money Supply M2 YoY**	**Nov**	**11.50%**	**--**	**11.60%**	**--**
12/13/2016 12/15	IN	Imports YoY	Nov	--	--	8.10%	--
12/13/2016 12/15	IN	Exports YoY	Nov	--	--	9.60%	--
01/06/2017 12/13	SI	GDP YoY	4Q A	--	--	1.10%	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research	**Credit Research**
Selena Ling	**Andrew Wong**
LingSSSelena@ocbc.com	WongVKAM@ocbc.com
Emmanuel Ng	**Wong Liang Mian (Nick)**
NgCYEmmanuel@ocbc.com	NickWong@ocbc.com
Wellian Wiranto	**Ezien Hoo**
WellianWiranto@ocbc.com	EzienHoo@ocbc.com
Tommy Xie Dongming	**Wong Hong Wei**
XieD@ocbc.com	WongHongWei@ocbc.com
Barnabas Gan	
BarnabasGan@ocbc.com	
Terence Wu	
TerenceWu@ocbc.com	