

**Tuesday, March 15, 2016**

## DAILY TREASURY OUTLOOK

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### Highlights

|                    |   |
|--------------------|---|
| <b>Global</b>      | Markets continue to be on a wait-and-see mode, given a number of major central bank meetings this week. Bank of Japan is due to conclude its monetary policy meeting today, with market not expecting the central bank to add to its round of extra stimulus in the January meeting. The sense is that the BOJ would still let the market digest the move thus far, especially because the market reaction from the last meeting, including its decision to impose negative rate on a portion of bank balances, turned out to be rather negative. Meanwhile, the FOMC is due to start its two-day meeting today. While there is negligible expectation for rate hike this time round, attention will be paid to the dotplot, to see if the FOMC members are revising down their projected rate hike trajectory this year from the 4 hikes they suggested in December last year. |
| <b>US</b>          | Wall Street ended on a mixed note as market-watchers continue to await the results of the FOMC's meeting. Dow at +0.09%, S&P500 -0.13% and Nasdaq at +0.04%. VIX +2.55 to 16.92. The UST bond market stayed unchanged with 2- and 10-year bond yields at 0.96% and 1.96% respectively.  |
| <b>Singapore</b>   | Retail sales data is slated to be out later this afternoon, where we look for a continued growth of 3.5% yoy and likely supported by motor vehicle growth again. The STI started the week higher, rising by 0.65% to close at 2847.13 on Monday. Top gainers included Hutchison Port Holdings Trust (+3.09%), Genting Singapore PLC (+2.5%) and OCBC Ltd (+1.7%). However, gains were depressed by Sembcorp Marine (-0.58%) and Golden Agri-Resources (-3.57%) as the recent rally in commodity prices seem to have lost some steam. For today, we expect the STI to range between 2822 and 2848 as market-watchers lay in wait for the FOMC meeting.   |
| <b>China</b>       | China's foreign exchange purchase by the central bank fell by CNY227.9 billion in February, signalling that capital outflow pressure remains. However, the pace of decline has moderated significantly after RMB's stabilization since late January. Despite the falling foreign exchange purchase by central bank, total foreign assets in central bank's balance sheet rebounded slightly to CNY24.784 trillion from CNY24.77 trillion.   |
| <b>Indonesia</b>   | Trade data for February is due out today, with market expecting Indonesia to print a trade surplus of around USD100mn. This is much lower than what Bank Indonesia has suggested, at USD1.1bn as it mentioned the support of stronger exports of manufactured goods.  |
| <b>Malaysia</b>    | Governor Zeti Aziz of Bank Negara said that there should not be any over-reliance on monetary policy. Otherwise, there is a possibility that monetary policy would have to over-adjust to bring about the kind of outcome desired. She also noted that ringgit is reflecting medium-term fundamentals.  |
| <b>Commodities</b> | Another day of a dearer greenback left dollar-denominated commodity prices lower, with Brent edging below its \$40/bbl, though the fall may also be due to some play-down of a 20-March oil meeting by both OPEC and non-OPEC members. Still, another date has floated for such meeting – mid April, where should it happen, the possibility of more nations agreeing to a production-freeze may inject further upside to oil prices. Elsewhere, gold continued to fall from its high, as we await the March FOMC meeting result later this week, amid higher rate hike probability indicated by the futures market.  |

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the short-end rates trading 1bp higher while the middle-to-long-end rates traded 4bps-6bps higher. In the broader dollar space, JACI IG corporates spread tightened by 3bps to 230bps, while the yield on the JACI HY corporates decreased by 4bps to 7.9%. 10y UST decreased by 2bps to 1.96%.
- **New Issues:** AMTD Group Co Ltd has scheduled investor meetings in Hong Kong and Singapore for a potential USD500mn issue. ICICI Bank priced a USD700mn 10-year bond at CT10+210bps, tightening from an initial guidance of CT10+215bps. The expected rating for the issue is "NR/Baa3/NR".
- **Rating Changes:** Moody's changed the rating outlooks on MTR Corporation Ltd ("MTRC", with a current rating of "Aa1"), MTR Corporation (C.I.) Ltd, and Kowloon-Canton Railway Corporation ("KCRC", with a current rating of "Aa1") to negative from stable. The rating action follows Moody's change in the outlook on Hong Kong's "Aa1" sovereign ratings to negative on 12 Mar 2016. At the same time, Moody's affirmed all of the above issuer's ratings and senior unsecured ratings. The principal driver of the negative outlook on Hong Kong's rating is the tight linkage between the credit profiles of the Special Administrative Region and China ("Aa3", negative outlook). The linkage manifests itself in the economy, given the very strong trade links between the two; in the financial system and ultimately in the political and institutional arena, given the tensions inherent in the "One Country, Two Systems" policy. Moody's also placed SOHO China Limited's "Ba2" rating on review for downgrade as the company's coverage ratios are weak for the current ratings and liquidity is expected to weaken due to capex for the completion of three projects. Korea Resources Corporation's ("KORES") "aa2" rating is also on review for downgrade by Moody's as the rating agency views the strategic importance of KORES to the government to weaken in the current low commodity price environment compared to other Korean government related issuers given KORES' weaker asset quality and the reduction in its mining investments.

## Key Financial Indicators

### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY     | 96.624    | 0.47%    | USD-SGD | 1.3765    | 0.23%    |
| USD-JPY | 113.820   | -0.04%   | EUR-SGD | 1.5283    | -0.24%   |
| EUR-USD | 1.1132    | 0.00%    | JPY-SGD | 1.2097    | 0.30%    |
| AUD-USD | 0.7515    | -0.66%   | GBP-SGD | 1.9686    | -0.32%   |
| GBP-USD | 1.4302    | -0.56%   | AUD-SGD | 1.0343    | -0.43%   |
| USD-MYR | 4.1050    | 0.43%    | NZD-SGD | 0.9191    | -0.78%   |
| USD-CNY | 6.5000    | 0.08%    | CHF-SGD | 1.3945    | -0.22%   |
| USD-IDR | 13057     | -0.14%   | SGD-MYR | 2.9865    | 0.64%    |
| USD-VND | 22295     | 0.01%    | SGD-CNY | 4.7213    | -0.24%   |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.3010 | --     | O/N   | 0.3725    | --     |
| 2M    | -0.2590 | --     | 1M    | 0.4362    | --     |
| 3M    | -0.2250 | --     | 2M    | 0.5204    | --     |
| 6M    | -0.1310 | --     | 3M    | 0.6339    | --     |
| 9M    | -0.0710 | --     | 6M    | 0.9055    | --     |
| 12M   | -0.0090 | --     | 12M   | 1.2245    | --     |

### Eurozone & Russia Update

|          | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|----------|-----------------------|------------------------|-------------------|
| Portugal | 0.67                  | -0.70                  | 2.93              |
| Italy    | -0.05                 | -0.10                  | 1.31              |
| Ireland  | -0.34                 | 0.20                   | 0.86              |
| Greece*  | 7.20                  | -33.00                 | 8.74              |
| Spain    | 0.00                  | -0.10                  | 1.47              |
| Russia^  | 3.39                  | 0.70                   | 5.63              |
|          |                       |                        | 1.40              |
|          |                       |                        | 5.35              |

\* 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

### Commodities Futures

| Energy                   | Futures | % chg  | Soft Commodities        | Futures | % chg  |
|--------------------------|---------|--------|-------------------------|---------|--------|
| WTI (per barrel)         | 37.18   | -3.43% | Coffee (per lb)         | 1.256   | 0.96%  |
| Brent (per barrel)       | 39.53   | -2.13% | Cotton (per lb)         | 0.5829  | 1.99%  |
| Heating Oil (per gallon) | 1.197   | -1.77% | Sugar (per lb)          | 0.1542  | 1.92%  |
| Gasoline (per gallon)    | 1.42    | -1.50% | Orange Juice (per lb)   | 1.2735  | 4.90%  |
| Natural Gas (per MMBtu)  | 1.819   | -0.16% | Cocoa (per mt)          | 3,043   | 0.40%  |
| Base Metals              | Futures | % chg  | Grains                  | Futures | % chg  |
| Copper (per mt)          | 4,946.0 | -0.48% | Wheat (per bushel)      | 4.7150  | 0.37%  |
| Nickel (per mt)          | 8,574   | -2.55% | Soybean (per bushel)    | 8.880   | --     |
| Aluminium (per mt)       | 1,528.5 | -1.50% | Corn (per bushel)       | 3.6675  | 0.20%  |
| Precious Metals          | Futures | % chg  | Asian Commodities       | Futures | % chg  |
| Gold (per oz)            | 1,245.1 | -1.14% | Crude Palm Oil (MYR/MT) | 2,529.0 | -0.78% |
| Silver (per oz)          | 15.518  | -0.57% | Rubber (JPY/KG)         | 157.5   | 0.83%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 17,229.13 | 15.80      |
| S&P        | 2,019.64  | -2.50      |
| Nasdaq     | 4,750.28  | 1.80       |
| Nikkei 225 | 17,233.75 | 294.90     |
| STI        | 2,847.06  | 18.20      |
| KLCI       | 1,700.31  | 3.80       |
| JCI        | 4,877.53  | 63.80      |
| Baltic Dry | 393.00    | 5.00       |
| VIX        | 16.92     | 0.40       |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg)    |
|-------|--------------|--------------|
| 2Y    | 1.04 (+0.04) | 0.96 (-)     |
| 5Y    | 1.79 (+0.07) | 1.48 (-0.01) |
| 10Y   | 2.21 (+0.09) | 1.96 (-0.02) |
| 15Y   | 2.57 (+0.07) | --           |
| 20Y   | 2.67 (+0.07) | --           |
| 30Y   | 2.83 (+0.07) | 2.73 (-0.02) |

### Financial Spread (bps)

|             | Value | Change |
|-------------|-------|--------|
| LIBOR-OIS   | 22.74 | -0.75  |
| EURIBOR-OIS | 11.53 | 0.53   |
| TED         | 32.42 | 0.58   |

### Key Economic Indicators

| Date Time               |           | Event                              |              | Survey        | Actual        | Prior          | Revised   |
|-------------------------|-----------|------------------------------------|--------------|---------------|---------------|----------------|-----------|
| 03/14/2016 07:50        | JN        | Machine Orders MoM                 | Jan          | 1.90%         | 15.00%        | 4.20%          | 1.00%     |
| 03/14/2016 07:50        | JN        | Machine Orders YoY                 | Jan          | -3.80%        | 8.40%         | -3.60%         | --        |
| 03/14/2016 10:00        | NZ        | Non Resident Bond Holdings         | Feb          | --            | 68.30%        | 67.60%         | --        |
| <b>03/14/2016 14:30</b> | <b>IN</b> | <b>Wholesale Prices YoY</b>        | <b>Feb</b>   | <b>-0.19%</b> | <b>-0.91%</b> | <b>-0.90%</b>  | <b>--</b> |
| 03/14/2016 18:00        | EC        | Industrial Production SA MoM       | Jan          | 1.70%         | 2.10%         | -1.00%         | -0.50%    |
| 03/14/2016 18:00        | EC        | Industrial Production WDA YoY      | Jan          | 1.60%         | 2.80%         | -1.30%         | -0.10%    |
| 03/14/2016 20:00        | IN        | CPI YoY                            | Feb          | 5.52%         | 5.18%         | 5.69%          | --        |
| 03/15/2016 08:30        | AU        | New Motor Vehicle Sales MoM        | Feb          | --            | --            | 0.50%          | --        |
| 03/15/2016 08:30        | AU        | New Motor Vehicle Sales YoY        | Feb          | --            | --            | 5.10%          | --        |
| <b>03/15/2016 12:30</b> | <b>JN</b> | <b>Industrial Production MoM</b>   | <b>Jan F</b> | <b>--</b>     | <b>--</b>     | <b>3.70%</b>   | <b>--</b> |
| 03/15/2016 12:30        | JN        | Industrial Production YoY          | Jan F        | --            | --            | -3.80%         | --        |
| 03/15/2016 12:30        | JN        | Capacity Utilization MoM           | Jan          | --            | --            | -1.00%         | --        |
| <b>03/15/2016 12:30</b> | <b>JN</b> | <b>Tertiary Industry Index MoM</b> | <b>Jan</b>   | <b>0.30%</b>  | <b>--</b>     | <b>-0.60%</b>  | <b>--</b> |
| 03/15/2016 13:00        | SI        | Retail Sales SA MoM                | Jan          | 1.90%         | --            | -2.10%         | --        |
| <b>03/15/2016 13:00</b> | <b>SI</b> | <b>Retail Sales YoY</b>            | <b>Jan</b>   | <b>3.10%</b>  | <b>--</b>     | <b>2.90%</b>   | <b>--</b> |
| 03/15/2016 15:45        | FR        | CPI EU Harmonized MoM              | Feb F        | 0.30%         | --            | 0.30%          | --        |
| <b>03/15/2016 15:45</b> | <b>FR</b> | <b>CPI EU Harmonized YoY</b>       | <b>Feb F</b> | <b>-0.10%</b> | <b>--</b>     | <b>-0.10%</b>  | <b>--</b> |
| 03/15/2016 15:45        | FR        | CPI MoM                            | Feb F        | 0.20%         | --            | 0.20%          | --        |
| <b>03/15/2016 15:45</b> | <b>FR</b> | <b>CPI YoY</b>                     | <b>Feb F</b> | <b>-0.20%</b> | <b>--</b>     | <b>-0.20%</b>  | <b>--</b> |
| 03/15/2016 15:45        | FR        | CPI Ex-Tobacco Index               | Feb          | 99.28         | --            | 99.07          | --        |
| <b>03/15/2016 17:00</b> | <b>IT</b> | <b>CPI EU Harmonized YoY</b>       | <b>Feb F</b> | <b>-0.20%</b> | <b>--</b>     | <b>-0.20%</b>  | <b>--</b> |
| <b>03/15/2016 20:30</b> | <b>US</b> | <b>Retail Sales Advance MoM</b>    | <b>Feb</b>   | <b>-0.20%</b> | <b>--</b>     | <b>0.20%</b>   | <b>--</b> |
| 03/15/2016 20:30        | US        | Retail Sales Ex Auto MoM           | Feb          | -0.20%        | --            | 0.10%          | --        |
| 03/15/2016 20:30        | US        | Retail Sales Ex Auto and Gas       | Feb          | 0.20%         | --            | 0.40%          | --        |
| <b>03/15/2016 20:30</b> | <b>US</b> | <b>PPI Final Demand MoM</b>        | <b>Feb</b>   | <b>-0.20%</b> | <b>--</b>     | <b>0.10%</b>   | <b>--</b> |
| 03/15/2016 20:30        | US        | PPI Ex Food and Energy MoM         | Feb          | 0.10%         | --            | 0.40%          | --        |
| 03/15/2016 20:30        | US        | PPI Final Demand YoY               | Feb          | 0.10%         | --            | -0.20%         | --        |
| 03/15/2016 20:30        | US        | PPI Ex Food and Energy YoY         | Feb          | 1.20%         | --            | 0.60%          | --        |
| <b>03/15/2016 20:30</b> | <b>US</b> | <b>Empire Manufacturing</b>        | <b>Mar</b>   | <b>-10.5</b>  | <b>--</b>     | <b>-16.64</b>  | <b>--</b> |
| <b>03/15/2016</b>       | <b>ID</b> | <b>Trade Balance</b>               | <b>Feb</b>   | <b>\$108m</b> | <b>--</b>     | <b>\$51m</b>   | <b>--</b> |
| 03/15/2016              | ID        | Exports YoY                        | Feb          | -14.75%       | --            | -20.72%        | --        |
| <b>03/15/2016</b>       | <b>PH</b> | <b>Overseas Remittances YoY</b>    | <b>Jan</b>   | <b>3.50%</b>  | <b>--</b>     | <b>4.90%</b>   | <b>--</b> |
| 03/15/2016              | PH        | Overseas Workers Remittances       | Jan          | \$2050m       | --            | \$2470m        | --        |
| 03/15/2016 03/20        | ID        | Local Auto Sales                   | Feb          | --            | --            | 84885          | --        |
| 03/14/2016 03/18        | IN        | Imports YoY                        | Feb          | --            | --            | -11.00%        | --        |
| <b>03/14/2016 03/18</b> | <b>IN</b> | <b>Exports YoY</b>                 | <b>Feb</b>   | <b>--</b>     | <b>--</b>     | <b>-13.60%</b> | <b>--</b> |

Source: Bloomberg

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