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Highlights

Global	FOMC minutes revealed still differing views - many participants indicated “upside risks to their forecasts for economic growth had increased as a result of prospects for more expansionary fiscal policies in coming years”, but with “inflation still below the committee’s 2 percent objective, it was noted that downside risks to inflation remained and that a moderate undershooting of the longer-run normal unemployment rate could help return inflation to 2 percent”. One concern was that a “sizeable undershooting” of the unemployment rate that could prompt them to “raise the federal funds rate more quickly than currently anticipated”, albeit “several others pointed out that a further rise in the dollar might continue to hold down inflation”. In addition, an evolving fed funds rate path “could also have implications for the reinvestment of proceeds” from maturing debt. Overall, the Committee “expected that economic conditions would evolve in a manner that would warrant only gradual increases in the federal funds rate”. The December minutes reinforces our view that the FOMC remains on a cautious and gradual rate hike trajectory amid an uncertain fiscal and economic outlook. Today’s economic data calendar comprises of services PMI prints from China, Japan, Singapore and US, as well as US’ initial jobless claims and non-manufacturing ISM.
US	Under the lead of consumer discretionary and materials stocks, the S&P 500 and Dow made a renewed push towards their respective psychological resistance levels following the release of Fed’s Dec meeting minutes. The S&P 500 and Dow rose 0.57% and 0.30% respectively to 2270 and 19942, while the Nasdaq gained 0.88%. At current levels, equities appear to price in the positives from fiscal expansion. However, it should be cautioned that, as the Fed minutes reveal, there remain significant uncertainties over the form and timing of the expected fiscal stimulus. VIX continued to retreat, closing at 11.85. Meanwhile, US Treasuries whipsawed, but closed largely unchanged. 2- and 10-year benchmark yields closed at 1.21% and 2.44% respectively.
EZ	Final prints for the Dec services and composite PMIs for the Euro-area were revised higher to 53.7 and 54.4 respectively, led by Germany at 54.3 and 55.2, and lifting optimism that 4Q growth could have accelerated.
SG	The SBF’s SME Committee recommendations for Budget 2017 called for developing globally competitive companies as a third engine of growth, and giving broad-based support to SMEs.
Commo-dities	Crude oil remains in range-bound mode, erasing some of its previous day’s losses for both WTI and Brent closing at \$53.3/bbl (+1.8%) and \$56.5/bbl (+1.8%), respectively. Note American Petroleum Institute (API) indicated declines in US oil inventories by 7.43 million barrels last week while OPEC oil production fell 310k per day amid unplanned disruptions in Nigeria. Gold continued to climb even as the FOMC minutes indicated the possibility of a “somewhat tighter monetary policy than currently anticipated” given a “more expansionary fiscal policy” Elsewhere, the rally strength in crude palm oil futures appears to have ebbed in early January; futures closed lower at MYR3,234/MT yesterday – a key support of MYR3,200/MT is seen.

Major Markets

- **China:** The CNH appreciated significantly against the dollar on Wednesday with USDCNH coming off from a high of 6.9693 to around 6.87 as a result of loss cutting due to tight liquidity. The CNH overnight HIBOR has remained high above 16% since the new year. The correction of the USDCNH also helped to bring the USDCNY down in the onshore market. Nevertheless, it seems buy on dip remains the key theme for the USDCNH.
- **Hong Kong:** Led by the notable increase in prices of large-size homes, overall housing price index rose by 4.5% yoy and refreshed its historical high in November. The surge was attributed to low borrowing costs and tight home supply. However, as the Fed is expecting a steeper path for rate hikes this year, the higher interest rates ahead may hit the housing market. Moreover, the cooling measures from November appeared to have taken effect in December, with total housing transactions retreating 12% yoy to 3550 units. This is set to suppress the middle class's demand for small to medium size flats in HK. Additionally, with China's curb on individuals' investment in overseas property, we expect housing transactions to drop further in 1Q, with smaller flats taking a harder hit. However, the fear of RMB risks may increasingly propel the affluent Mainland investors to buy foreign luxury homes. This could partially ease the correction in home prices.
- **Singapore:** The STI rallied 0.77% to close at 2921.31 yesterday, and may tag onto the coattails of overnight Wall Street gains to gain further today. STI's resistance and support are tipped at 2940 and 2900 respectively. SGS bond yields firmed yesterday, led by the sell-off in the belly of the curve, and may remain susceptible at the front-end ahead of the 2-year SGS bond re-opening on 26 Jan
- **Indonesia:** President Jokowi reportedly said that there will not be any cabinet reshuffle in the near future. This came after news reports suggesting that a reshuffle might take place to allocate some ministerial posts to Gerindra, an opposition party which might be switching sides to support Jokowi's administration. Separately, Trade Minister Enggartiasno Lukita said that the government is targeting 5.6% yoy growth for the country's non-oil and gas exports this year.
- **Malaysia:** A number of industry associations are reportedly appealing to the government for a review of a levy on foreign workers. Malaysian Iron and Steel Industry Federation, for instance, called for the government to reconsider the implementation of the policy, which started on January 1st this year. It added that the alternative methods of labor-saving process through mechanization and automation systems is difficult and not feasible at this point due to market uncertainties.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened, with swap rates decreasing roughly 1-5bps across tenors. In the broader dollar space, the spread on JACI IG corporates fell roughly 1bps to 196bps while the yield on JACI HY corporates fell 5bps to 6.92%. 10y UST yields changed little at 2.44%, and whipsawed between gains and losses after minutes from the Fed's December meeting showed officials acknowledging inflation risks stemming from potential fiscal policy under the Trump administration.
- **New Issues:** National Australia Bank Ltd. (NAB) priced a USD3.5bn five-tranche deal with a USD1bn 3-year bond priced at CT3+78bps; a USD1bn 5-year bond priced at CT5+90bps; a USD250mn 3-year bond priced at 3mL+59bps; a USD500mn 5-year bond priced at 3mL+89bps; and a USD750mn 10-year bond priced at CT10+108bps. The expected issue ratings are "AA-/Aa2/NR". China Aoyuan Property Group Ltd. launched a USD 3-year bond with final guidance at 6.35%, tightening from the initial guidance of 6.75%. The expected issue ratings are "B-/B3/BB-". BPRL

International Singapore Pte., which is guaranteed by Bharat Petroleum Corporation Ltd., scheduled investor meetings from 5 January for a potential USD bond issuance.

- **Rating Changes:** Moody's placed under review for downgrade Hengdeli Holdings Limited's "Ba3" corporate family rating and the "Ba3" rating of its senior unsecured bonds. The action reflects Hengdeli's announcement that it would make a substantial asset disposal subject to regulatory and independent shareholder approvals and this would "materially change the company's business profile".

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.700	-0.49%	USD-SGD	1.4399	-0.72%
USD-JPY	117.250	-0.42%	EUR-SGD	1.5102	0.06%
EUR-USD	1.0489	0.81%	JPY-SGD	1.2276	-0.33%
AUD-USD	0.7283	0.89%	GBP-SGD	1.7742	-0.05%
GBP-USD	1.2323	0.70%	AUD-SGD	1.0486	0.14%
USD-MYR	4.4975	0.08%	NZD-SGD	1.0031	-0.03%
USD-CNY	6.9342	-0.43%	CHF-SGD	1.4099	-0.13%
USD-IDR	13440	-0.27%	SGD-MYR	3.1096	0.28%
USD-VND	22695	-0.24%	SGD-CNY	4.8148	0.48%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	0.6954	--
2M	-0.3380	--	1M	0.7733	--
3M	-0.3190	--	2M	0.8200	--
6M	-0.2210	--	3M	0.9987	--
9M	-0.1400	--	6M	1.3177	--
12M	-0.0840	--	12M	1.6890	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.04	-5.40	3.90
Italy	-0.16	0.70	1.87
Ireland	-0.54	0.10	0.92
Greece	7.65	--	6.88
Spain	-0.29	4.00	1.43
Russia	2.69	--	4.46

Equity and Commodity

Index	Value	Net change
DJIA	19,942.16	60.40
S&P	2,270.75	12.92
Nasdaq	5,477.01	47.92
Nikkei 225	19,594.16	479.79
STI	2,921.31	22.34
KLCI	1,647.47	11.94
JCI	5,301.18	25.21
Baltic Dry	969.00	16.00
VIX	11.85	-1.00

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.32 (+0.02)	1.21 (--)
5Y	1.95 (+0.09)	1.93 (-0.01)
10Y	2.56 (+0.06)	2.44 (-0.01)
15Y	2.85 (+0.08)	--
20Y	2.82 (+0.07)	--
30Y	2.80 (+0.07)	3.04 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.62	-0.36
EURIBOR-OIS	2.80	-0.20
TED	47.59	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.26	1.78%	Coffee (per lb)	1.418	3.20%
Brent (per barrel)	56.46	1.78%	Cotton (per lb)	0.7408	3.20%
Heating Oil (per gallon)	1.6930	0.97%	Sugar (per lb)	0.2089	1.85%
Gasoline (per gallon)	1.6459	1.49%	Orange Juice (per lb)	1.9605	-0.48%
Natural Gas (per MMBtu)	3.2670	-1.80%	Cocoa (per mt)	2,237	3.28%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,644.0	2.62%	Wheat (per bushel)	4.1850	2.95%
Nickel (per mt)	10,173.5	3.13%	Soybean (per bushel)	10.063	1.98%
Aluminium (per mt)	1,687.5	-0.03%	Corn (per bushel)	3.5975	1.12%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,165.3	0.28%	Crude Palm Oil (MYR/MT)	3,234.0	-0.49%
Silver (per oz)	16.552	0.87%	Rubber (JPY/KG)	271.4	3.59%

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

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised	Relevance
01/04/2017 05:00	SK	Foreign Reserves	Dec	--	\$371.10b	\$371.99b	--	57.1429
01/04/2017 07:00	SK	BoP Current Account Balance	Nov	--	\$8989.2m	\$8719.3m	--	74.2857
01/04/2017 07:00	SK	BoP Goods Balance	Nov	--	\$10522m	\$9830m	--	40
01/04/2017 08:30	JN	Nikkei Japan PMI Mfg	Dec F	--	52.4	51.9	--	90
01/04/2017 11:30	TH	CPI YoY	Dec	0.98%	1.13%	0.60%	--	92.3077
01/04/2017 11:30	TH	CPI Core YoY	Dec	0.78%	0.74%	0.72%	--	69.2308
01/04/2017 13:00	IN	Nikkei India PMI Services	Dec	--	46.8	46.7	--	70
01/04/2017 13:00	IN	Nikkei India PMI Composite	Dec	--	47.6	49.1	--	70
01/04/2017 15:30	TH	Business Sentiment Index	Dec	--	50.3	49.5	--	34.6154
01/04/2017 15:45	FR	Consumer Confidence	Dec	99	99	98	99	80.5556
01/04/2017 16:45	IT	Markit/ADACI Italy Services PMI	Dec	52.6	52.3	53.3	--	70
01/04/2017 16:45	IT	Markit/ADACI Italy Comp PMI	Dec	53	52.9	53.4	--	70
01/04/2017 16:50	FR	Markit France Services PMI	Dec F	52.6	52.9	52.6	--	70
01/04/2017 16:50	FR	Markit France Composite PMI	Dec F	52.8	53.1	52.8	--	70
01/04/2017 16:55	GE	Markit Germany Services PMI	Dec F	53.8	54.3	53.8	--	70
01/04/2017 16:55	GE	Markit/BME Germany Comp PMI	Dec F	54.8	55.2	54.8	--	70
01/04/2017 17:00	EC	Markit Eurozone Services PMI	Dec F	53.1	53.7	53.1	--	70
01/04/2017 17:00	EC	Markit Eurozone Comp PMI	Dec F	53.9	54.4	53.9	--	75
01/04/2017 17:30	UK	Markit/CIPS UK Construction PMI	Dec	52.5	54.2	52.8	--	72.9412
01/04/2017 17:30	UK	Net Lending Sec. on Dwellings	Nov	3.3b	3.2b	3.3b	3.2b	42.3529
01/04/2017 17:30	UK	Mortgage Approvals	Nov	68.5k	67.5k	67.5k	67.4k	83.5294
01/04/2017 17:30	UK	Money Supply M4 MoM	Nov	--	0.40%	1.10%	--	50.5882
01/04/2017 17:30	UK	M4 Money Supply YoY	Nov	--	6.40%	6.60%	--	49.4118
01/04/2017 18:00	EC	CPI Estimate YoY	Dec	1.00%	1.10%	0.60%	--	79.5455
01/04/2017 18:00	EC	CPI Core YoY	Dec A	0.80%	0.90%	0.80%	--	63.6364
01/04/2017 18:00	IT	CPI EU Harmonized MoM	Dec P	0.20%	0.40%	-0.20%	--	84.2105
01/04/2017 18:00	IT	CPI NIC incl. tobacco MoM	Dec P	0.30%	0.40%	-0.10%	--	76.3158
01/04/2017 18:00	IT	CPI NIC incl. tobacco YoY	Dec P	0.30%	0.50%	0.10%	--	65.7895
01/04/2017 18:00	IT	CPI EU Harmonized YoY	Dec P	0.30%	0.50%	0.10%	--	94.7368
01/04/2017 20:00	US	MBA Mortgage Applications	Dec-30	--	0.10%	-12.10%	--	92.3077
01/05/2017 06:30	AU	AIG Perf of Services Index	Dec	--	57.7	51.1	--	39.7059
01/05/2017 07:50	JN	Monetary Base YoY	Dec	--	--	21.50%	--	78.4946
01/05/2017 08:30	TA	CPI YoY	Dec	2.10%	--	1.97%	--	94.7368
01/05/2017 08:30	TA	WPI YoY	Dec	--	--	-0.28%	--	36.8421
01/05/2017 08:30	JN	Nikkei Japan PMI Services	Dec	--	--	51.8	--	70
01/05/2017 08:30	JN	Nikkei Japan PMI Composite	Dec	--	--	52	--	70
01/05/2017 08:30	HK	Nikkei Hong Kong PMI	Dec	--	--	49.5	--	72.7273
01/05/2017 09:00	PH	CPI YoY	Dec	2.60%	--	2.50%	--	87.5
01/05/2017 13:00	JN	Vehicle Sales YoY	Dec	--	--	13.90%	--	66.6667
01/05/2017 16:00	SI	Automobile COE Open Bid Cat B	Jan-05	--	--	51109	--	55.1724
01/05/2017 16:00	SI	Automobile COE Open Bid Cat A	Jan-05	--	--	49751	--	62.069
01/05/2017 16:30	GE	Markit Germany Construction PMI	Dec	--	--	53.9	--	50
01/05/2017 17:10	GE	Markit Germany Retail PMI	Dec	--	--	49.6	--	50
01/05/2017 17:10	EC	Markit Eurozone Retail PMI	Dec	--	--	48.6	--	50
01/05/2017 17:10	FR	Markit France Retail PMI	Dec	--	--	47.3	--	50
01/05/2017 17:10	IT	Markit Italy Retail PMI	Dec	--	--	48.8	--	50
01/05/2017 17:30	UK	Markit/CIPS UK Services PMI	Dec	54.7	--	55.2	--	70
01/05/2017 17:30	UK	Markit/CIPS UK Composite PMI	Dec	55	--	55.2	--	70
01/05/2017 17:30	UK	Official Reserves Changes	Dec	--	--	-\$1826m	--	41.1765
01/05/2017 18:00	EC	PPI MoM	Nov	0.30%	--	0.80%	--	50
01/05/2017 18:00	EC	PPI YoY	Nov	-0.10%	--	-0.40%	--	45.4545
01/05/2017 20:30	US	Challenger Job Cuts YoY	Dec	--	--	-13.00%	--	37.6923
01/05/2017 21:15	US	ADP Employment Change	Dec	175k	--	216k	--	85.3846
01/05/2017 21:30	US	Initial Jobless Claims	Dec-31	260k	--	265k	--	98.4615
01/05/2017 21:30	US	Continuing Claims	Dec-24	2045k	--	2102k	--	68.9231
01/05/2017 21:30	CA	Industrial Product Price MoM	Nov	0.50%	--	0.70%	--	61.9048
01/05/2017 21:30	CA	Raw Materials Price Index MoM	Nov	-1.80%	--	3.30%	--	54.7619
01/05/2017 22:45	US	Markit US Services PMI	Dec F	53.4	--	53.4	--	70
01/05/2017 22:45	US	Markit US Composite PMI	Dec F	--	--	53.7	--	70
01/05/2017 22:45	US	Bloomberg Consumer Comfort	Jan-01	--	--	46	--	68.4615
01/05/2017 23:00	US	ISM Non-Manf. Composite	Dec	56.8	--	57.2	--	78.4615

Source: Bloomberg

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

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