DAILY TREASURY OUTLOOK

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Wednesday, April 12, 2017

Highlights

Global	Geopolitical concerns lent a risk-off tone to financial markets overnight – US president Trump tweeted that "North Korea is looking for trouble. If China decides to help, that would be great. If Not, we will solve the problem without them! U.S.A.". With lingering market worries about Syria as well, flight to quality was apparent with the 10-year UST and bund yields reaching 2.3% and 0.192% respectively. Expect Asian bourses to sustain the risk-off sentiments for today. Bank of Canada is tipped to maintain its policy rate at 0.5% today. Today's economic data calendar comprises China's CPI/PPI, US' import price index, UK's ILO unemployment rate and jobless claims, India's industrial production, S'pore's retail sales and COE tender results. Speakers include Fed's Kaplan, BOE's Carney and Hammond.
US	JOLTS job openings rose by 118k to a 7-month high of 5.74m in Feb, as the hiring rate eased from 3.7% to 3.6%. There were 1.3 unemployed person for every opening, the fewest since Dec 2000, as construction, healthcare and food services industries posted more openings. Meanwhile, Fed's Williams suggested that normalizing the balance sheet "based on the arithmetic is something like 5 years" and opined that the central bank would probably go slower on both tracks than would be the case if it was just moving on rates or reducing the size of its asset holdings. Bullard also clarified "let me be clear, we're not talking about actual asset sales. I'm not talking about a sales program. I'm just saying let's let some of the stuff mature and not replace it" and "not very much would happen in financial markets when we allowed the reinvestment policy to end".
EZ	Eurozone's industrial production unexpectedly fell 0.3% mom (+1.2% yoy) in Feb due to a drag from energy production. Germany's ZEW sentiment index surged from 12.8 to 19.5 in Mar. Meanwhile, UK's inflation was steady at 2.3% yoy in March (above the BOE's 2% target partly amid the weaker GBP) due to lower airfares, but rose 1.2% yoy annually in their largest increase in three years. Excluding oil and food, core CPI eased from 2% to 1.8% yoy.
JP	The US had also told Japan that it will include the trade deficit as a primary agenda in the upcoming talks, according to Nikkei.
SG	Retail sales likely rose 6.6% yoy (+7.0% mom sa) in Feb, compared to 2.0% yoy (-1.5% mom sa) in Jan.
SK	Unemployment rate fell marginally to 3.7% (-0.3%) in March, though still starkly higher than the 3.0% print seen in 2013. Across the industries, total employed in the business & personal services (+258k, +3.0%) rose the most, while the decline in employment growth seen in the manufacturing space (-8k, -1.8%yoy) continue to suggest sustained headwinds.
Commodities	Safe haven demand soared as gold prices broke above $1,270/oz last night, as concerns over US-N.Korea relationship escalated, while market-watchers eyed closely on US Tillerson's arrival in Russia. Elsewhere, crude oil futures continue to gain into the week as investors digest Saudi Arabia's recent call for another six months of production cuts. Note that Saudi's oil production fell to its lowest since January to 9.9 million barrels per day (bpd) last month.

Major Markets

- **US:** Equities slid on Tuesday as geopolitical tensions over North Korea sparked risk-off trades. The S&P 500 and Nasdaq closed down 0.14% and 0.24%, while the Dow was marginally lower. Technology stocks were the biggest drag, down 0.4% as a whole. VIX continued its recent spike, up 7.3%, to 15.07. Risk aversion also contributed to a rally in US Treasuries. Benchmark yields were lower by 4-7 bps across the board, with the 2-year yield standing at 1.23%. 10-year yields closed below the 2.30% handle, falling through a trading range that held since December 2016. Overall, geopolitical tensions are likely to hold sway over asset markets in the near term, with investors edgy as to whether North Korean issues may spill over to affect US-China relations.

- **Singapore:** STI slipped 0.21% to close at 3174.75 yesterday, and likely remains susceptible to further consolidation amid the risk-off sentiments and weak morning leads from Nikkei and Kospi. STI's support and resistance are tipped at 3140 and 3180 respectively. The SGS bonds rallied yesterday with yields lower by 4-7bps, and may extend gains today as geopolitical anxiety underpin the flight to quality.

- **Hong Kong:** The government announced a 15% stamp duty on home buyers who purchases multiple flats under one deal, with effect from 12 April 2017. This can be regarded as a top-up measure to fill the loophole of the cooling measures from last November and may to some extent tame speculative demand. However, it is possible that developers which have been taking advantage of the latest panic buying spree will offer to pay the extra stamp duty for the buyers, in turn making the measures ineffective.

- **Macau:** Housing transactions dropped by 22.8% mom to 547 deals in February. New residential mortgage loans approved decreased by 25.8% mom to MOP2.59 billion. Furthermore, housing prices dipped for the second consecutive month by 1% mom and has edged down 14.8% so far this year. In fact, potential homebuyers tend to be less active during Lunar New Year Holiday which was in January this year. However, February's indicators performed worse than January's, indicating that the improvement in the housing market might have been decelerating. Therefore, even though a modest increase in Prime Rate is expected in 2H, housing demand may not be strong enough to sustain the growth traction in the housing market due to moderate domestic economic growth, stagnant wage gain and increasing home supply. In this case, we expect average house price to drop by around 5% yoy in 2017. Still, slight upward risks could not be eliminated as some undeveloped plots of lands being reclaimed after the leases expire may hinder the growth of new home supply. A stronger-than-expected economic recovery on the back of gaming sector's resilience in 1H could also underpin housing demand.

- **Indonesia:** Government has reportedly scrapped its plan to tax unoccupied apartments, according to Jakarta Post citing Sofyan Djalil, the Agrarian and Spatial Planning Minister. The concern is that the tax plan would have exacerbated the impact from a slowdown in property industry.

- **Malaysia:** Industrial production grew by 4.7% yoy, compared to market expectation of 6.1% yoy in February. It is driven by expansion in manufacturing sector, which grew by 6.5% yoy, with subsector of electrical and electronic products performing well.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 2-5bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OUESP 3.75%'22s, SOCGEN 4.3%'26s, and mixed interest in OUESP 3.8%'20s, BAERVX 5.9%'49s. In the broader dollar space, the spread on JACI IG corporates rose 2bps to 198bps while the yield on JACI HY changed little at 6.56%. 10y UST yields fell 7bps yesterday to 2.30%, tumbling to the lowest closing levels of 2017, as geopolitical tensions flared up and political risk surrounding the French presidential election intensified.

- **New Issues:** Barminco Finance Pty Limited priced a USD350mn 5NC2 bonds at 6.625%. The expected issue ratings are 'NR/B2/NR'. Korea Expressway Corporation priced a USD400mn 3-year bond at 3mL+70bps, tightening from initial guidance of 3mL+85bps. The expected issue ratings are 'AA/Aa2/NR'. Bank of China Limited, Dubai Branch priced a USD650mn 3-year bond at 3mL+77bps, tightening from initial guidance of 3mL+100bps. The expected issue ratings are 'NR/A1/A'. Bank of China Limited, Macau Branch priced a USD1.05bn 2-tranche deal; with the USD750mn 5-year piece at CT5+112.5bps, tightening from initial guidance of CT5+135bps, and the USD300mn 10-year piece at CT10+135bps, tightening from initial guidance of CT10+155bps. The expected issue ratings are 'NR/A1/A'. CITIC Securities Finance MTN Co. priced a USD800mn 2-tranche deal (guaranteed by CITIC Securities Company Ltd); with the USD300mn 3-year piece at CT3+135bps, tightening from initial guidance of CT3+155bps, and the USD500mn 5-year piece at CT5+150bps, tightening from initial guidance of CT5+170bps. The expected issue ratings are 'NR/Baa1/NR'. Yida China Holdings Ltd. priced a USD300mn 3-year bond at 7.5%, tightening from initial guidance at 7.75%. The expected issue ratings are 'B-/B3/B'. China Oil & Gas Group Ltd. priced a USD350mn 5NC3 bond at 4.625%, tightening from initial guidance of 5%. The expected issue ratings are 'BB/Ba2/NR'. Oil India International Pte. priced a USD500mn 10-year bond (guaranteed by Oil India Ltd.) at CT10+172.5bps, tightening from initial guidance of CT10+200bps. The expected issue ratings are 'NR/Baa2/BBB-'. Golden Wheel Tiandi Holdings Company Ltd. priced a USD200mn re-tap of its 8.25% bond (maturing in 3 Nov 2019) at 101.2367. Nanyang Commercial Bank hired banks for potential USD AT1 bond issuance. Daiwa Securities Group Inc. hired banks for potential USD 5-year bond issuance. The expected issue ratings are 'A-/Baa1/NR'.

- **Rating Changes:** S&P downgraded China-based oil and gas exploration and production company MIE Holdings Corp.'s (MIE) long-term corporate credit rating and long-term issue rating on the company's senior unsecured notes to 'CCC' from 'B-'. The rating outlook is negative. The rating action reflects S&P's view that MIE's liquidity is likely to remain weak and the company faces heightened refinancing risk on its outstanding U.S. dollar notes. Moody's affirmed Cheung Kong Property Holdings Limited's (CKP) 'A2' issuer rating, as well as the senior unsecured rating and provisional '(P)A2' senior unsecured rating on the guaranteed medium term note (MTN) program of CK Property Finance (MTN) Limited. The ratings outlook is stable. The rating action reflects Moody's expectation that CKP will be prudent in its non-property investments, maintain property development and investment as its core businesses, and adopt prudent financial management to keep debt leverage at low levels. Moody's upgraded Indika Energy Tbk PT's (Indika) the corporate family rating (CFR) of to 'B2' from 'Caa1'. In addition, Moody's upgraded the ratings on 3 of the company's senior secured notes issued by its subsidiaries to 'B2' from 'Caa1'. The outlook on the ratings is stable. The rating action reflects the significant improvement in the company's liquidity profile and debt maturity profile following the successful refinancing of its 2018 notes. Moody's assigned Nanjing Yang Zi State-Owned Investment Group (Nanjing Yang Zi) a first-time 'Baa1' issuer rating. The rating outlook is stable. The rating action reflects the very close ties that the company maintains with the Nanjing Municipal People's Government (Nanjing Government, unrated) and the strong oversight implemented by the municipal government over its operations. Fitch affirmed Yanzhou Coal Mining Company Limited's (Yanzhou) Foreign-Currency Issuer Default Rating (IDR) at 'B'. In addition, Fitch revised the rating outlook to stable from negative. The rating action reflects the significant improvement in the operating environment from higher coal prices, which has reduced the overall risks for Yanzhou. Fitch downgraded China-based homebuilder Sunshine 100 China Holdings Ltd's (Sunshine 100) senior unsecured rating and the rating on the outstanding USD215 million senior notes to 'CCC' from 'CCC+'. In addition, Fitch affirmed the Foreign-Currency Issuer Default Rating (IDR) at 'B-', and maintained the Negative Outlook on the ratings. The rating action reflects Fitch's expectations that recovery prospects in the event of a default had deteriorated further because Sunshine's onshore debt - which ranks ahead of its US dollar senior notes - had increased by CNY5.5 billion in 2016, which exceeded its adjusted inventory increase of CNY1.5 billion.

OCBC Bank

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.710	-0.31%	USD-SGD	1.4037	-0.10%
USD-JPY	109.620	-1.19%	EUR-SGD	1.4884	-0.04%
EUR-USD	1.0605	0.08%	JPY-SGD	1.2804	1.08%
AUD-USD	0.7499	-0.03%	GBP-SGD	1.7534	0.50%
GBP-USD	1.2491	0.61%	AUD-SGD	1.0525	-0.15%
USD-MYR	4.4335	-0.06%	NZD-SGD	0.9769	-0.16%
USD-CNY	6.8921	-0.16%	CHF-SGD	1.3931	--
USD-IDR	13281	-0.04%	SGD-MYR	3.1553	--
USD-VND	22655	-0.02%	SGD-CNY	4.9134	-0.02%

Equity and Commodity

Index	Value	Net change
DJIA	20,651.30	-6.72
S&P	2,353.78	-3.38
Nasdaq	5,866.77	-14.15
Nikkei 225	18,747.87	-50.01
STI	3,174.75	-6.70
KLCI	1,735.84	-3.68
JCI	5,627.93	-16.37
Baltic Dry	1,262.00	31.00
VIX	15.07	1.02

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9272	--
2M	-0.3390	--	1M	0.9883	--
3M	-0.3320	--	2M	1.0261	--
6M	-0.2410	--	3M	1.1557	--
9M	-0.1790	--	6M	1.4221	--
12M	-0.1180	--	12M	1.7984	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.22 (-0.02)	1.23 (-0.04)
5Y	1.66 (-0.02)	1.83 (-0.07)
10Y	2.20 (-0.03)	2.30 (-0.07)
15Y	2.34 (-0.03)	--
20Y	2.41 (-0.03)	--
30Y	2.44 (-0.03)	2.93 (-0.06)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
Portugal	0.40	-4.40	3.85	3.40	3.65
Italy	-0.02	2.40	2.28	4.00	2.08
Ireland	-0.36	1.20	0.96	2.80	0.76
Greece	7.34	-10.20	6.72	-6.30	6.51
Spain	-0.19	1.50	1.64	3.10	1.44
Russia	2.12	-1.30	4.15	-0.90	3.95

Financial Spread (bps)

	Value	Change
LIBOR-OIS	20.84	-0.05
EURIBOR-OIS	2.35	0.55
TED	35.51	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.40	0.60%	Coffee (per lb)	1.402	0.25%
Brent (per barrel)	56.23	0.45%	Cotton (per lb)	0.7501	-0.19%
Heating Oil (per gallon)	1.6506	0.20%	Sugar (per lb)	0.1672	0.54%
Gasoline (per gallon)	1.7577	-0.02%	Orange Juice (per lb)	1.6175	-3.49%
Natural Gas (per MMBtu)	3.1500	-2.72%	Cocoa (per mt)	1,972	0.87%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,749.6	0.15%	Wheat (per bushel)	4.3325	1.05%
Nickel (per mt)	9,784.5	-3.35%	Soybean (per bushel)	9.393	-0.27%
Aluminium (per mt)	1,906.8	-0.31%	Corn (per bushel)	3.6650	-0.14%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,271.2	1.61%	Crude Palm Oil (MYR/MT)	2,838.0	0.21%
Silver (per oz)	18.254	1.89%	Rubber (JPY/KG)	272.7	-6.83%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
04/11/2017 09:00	**PH**	**Exports YoY**	**Feb**	**19.40%**	**11.00%**	**22.50%**	**24.00%**
04/11/2017 09:00	PH	Imports YoY	Feb	22.70%	20.30%	9.10%	12.20%
04/11/2017 09:00	PH	Trade Balance	Feb	-$1832m	-$1728m	-$2314m	-$2469m
04/11/2017 09:30	AU	NAB Business Conditions	Mar	--	14	9	--
04/11/2017 09:30	**AU**	**NAB Business Confidence**	**Mar**	**--**	**6**	**7**	**--**
04/11/2017 12:00	MA	Industrial Production YoY	Feb	6.10%	4.70%	3.50%	--
04/11/2017 14:00	IN	Local Car Sales	Mar	--	190065	172623	--
04/11/2017 14:00	JN	Machine Tool Orders YoY	Mar P	--	22.60%	9.10%	--
04/11/2017 16:30	**UK**	**CPI MoM**	**Mar**	**0.30%**	**0.40%**	**0.70%**	**--**
04/11/2017 16:30	**UK**	**CPI YoY**	**Mar**	**2.30%**	**2.30%**	**2.30%**	**--**
04/11/2017 16:30	**UK**	**CPI Core YoY**	**Mar**	**1.90%**	**1.80%**	**2.00%**	**--**
04/11/2017 16:30	UK	Retail Price Index	Mar	269.5	269.3	268.4	--
04/11/2017 16:30	UK	RPI MoM	Mar	0.40%	0.30%	1.10%	--
04/11/2017 16:30	UK	RPI YoY	Mar	3.20%	3.10%	3.20%	--
04/11/2017 16:30	UK	RPI Ex Mort Int.Payments (YoY)	Mar	3.50%	3.40%	3.50%	--
04/11/2017 16:30	UK	PPI Input NSA YoY	Mar	17.00%	17.90%	19.10%	19.40%
04/11/2017 16:30	**UK**	**PPI Output NSA MoM**	**Mar**	**0.10%**	**0.40%**	**0.20%**	**--**
04/11/2017 16:30	**UK**	**PPI Output NSA YoY**	**Mar**	**3.40%**	**3.60%**	**3.70%**	**--**
04/11/2017 16:30	UK	PPI Output Core NSA YoY	Mar	2.50%	2.50%	2.40%	--
04/11/2017 17:00	EC	Industrial Production SA MoM	Feb	0.10%	-0.30%	0.90%	0.30%
04/11/2017 17:00	EC	Industrial Production WDA YoY	Feb	1.90%	1.20%	0.60%	0.20%
04/11/2017 17:00	**GE**	**ZEW Survey Current Situation**	**Apr**	**77.5**	**80.1**	**77.3**	**--**
04/11/2017 17:00	EC	ZEW Survey Expectations	Apr	--	26.3	25.6	--
04/11/2017 17:00	**GE**	**ZEW Survey Expectations**	**Apr**	**14.8**	**19.5**	**12.8**	**--**
04/11/2017 18:00	US	NFIB Small Business Optimism	Mar	104.7	104.7	105.3	--
04/12/2017 07:00	**SK**	**Unemployment rate SA**	**Mar**	**3.80%**	**3.70%**	**4.00%**	**--**
04/12/2017 07:50	**JN**	**Machine Orders MoM**	**Feb**	**3.60%**	**--**	**-3.20%**	**--**
04/12/2017 07:50	JN	Machine Orders YoY	Feb	2.50%	--	-8.20%	--
04/12/2017 07:50	JN	PPI MoM	Mar	0.30%	--	0.20%	--
04/12/2017 07:50	**JN**	**PPI YoY**	**Mar**	**1.40%**	**--**	**1.00%**	**--**
04/12/2017 07:50	JN	Bank Lending Incl Trusts YoY	Mar	--	--	2.80%	--
04/12/2017 07:50	JN	Bank Lending Ex-Trusts YoY	Mar	3.00%	--	2.90%	--
04/12/2017 08:30	**AU**	**Westpac Consumer Conf SA**	**Apr**	**--**	**--**	**0.10%**	**--**
04/12/2017 09:30	**CH**	**CPI YoY**	**Mar**	**1.00%**	**--**	**0.80%**	**--**
04/12/2017 09:30	**CH**	**PPI YoY**	**Mar**	**7.50%**	**--**	**7.80%**	**--**
04/12/2017 13:00	SI	Retail Sales SA MoM	Feb	0.30%	--	-1.50%	--
04/12/2017 13:00	**SI**	**Retail Sales YoY**	**Feb**	**1.70%**	**--**	**2.00%**	**--**
04/12/2017 15:30	**TH**	**Foreign Reserves**	**Apr-07**	**--**	**--**	**$180.9b**	**--**
04/12/2017 16:00	SI	Automobile COE Open Bid Cat A	Apr-12	--	--	51765	--
04/12/2017 16:00	SI	Automobile COE Open Bid Cat B	Apr-12	--	--	54000	--
04/12/2017 16:00	SI	Automobile COE Open Bid Cat E	Apr-12	--	--	54501	--
04/12/2017 16:30	**UK**	**Claimant Count Rate**	**Mar**	**--**	**--**	**2.10%**	**--**
04/12/2017 16:30	**UK**	**Jobless Claims Change**	**Mar**	**--**	**--**	**-11.3k**	**--**
04/12/2017 16:30	**UK**	**ILO Unemployment Rate 3M**	**Feb**	**4.70%**	**--**	**4.70%**	**--**
04/12/2017 19:00	**US**	**MBA Mortgage Applications**	**Apr-07**	**--**	**--**	**-1.60%**	**--**
04/12/2017 20:00	IN	CPI YoY	Mar	3.92%	--	3.65%	--
04/12/2017 20:00	**IN**	**Industrial Production YoY**	**Feb**	**1.30%**	**--**	**2.70%**	**--**
04/12/2017 20:30	**US**	**Import Price Index MoM**	**Mar**	**-0.20%**	**--**	**0.20%**	**--**
04/12/2017 20:30	US	Import Price Index YoY	Mar	4.00%	--	4.60%	--
04/12/2017 22:00	**CA**	**Bank of Canada Rate Decision**	**Apr-12**	**0.50%**	**--**	**0.50%**	**--**
04/12/2017 22:00	CA	BoC April Monetary Policy Report					
04/12/2017 04/15	**CH**	**Money Supply M2 YoY**	**Mar**	**11.10%**	**--**	**11.10%**	**--**
04/12/2017 04/15	CH	Money Supply M1 YoY	Mar	19.30%	--	21.40%	--
04/12/2017 04/15	CH	Money Supply M0 YoY	Mar	4.00%	--	3.30%	--
04/12/2017 04/15	CH	New Yuan Loans CNY	Mar	1200.0b	--	1170.0b	--
04/10/2017 04/13	PH	Budget Balance PHP	Feb	--	--	2.2b	--

Source: Bloomberg

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