

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

Highlights

Global	Friday's US nonfarm payrolls and unemployment rate met market expectations for a resilient Feb print, hitting 235k and 4.7% respectively, which suggested that the robust Jan streak of 238k and 4.8% was sustained and should be seen as sufficient to let the FOMC proceed with its first rate hike for 2017 later this week, but fell short of a blockbuster surprise. Given the "buy the rumour, sell the fact" interest that emerged for the USD and UST bonds post-NFP, expect Asian markets to be reluctant to deviate from the US lead for this morning. Today also marks a relatively light economic data calendar, comprising of Malaysia's industrial production, Japan's tertiary industry index, HK PPI and US' labor market conditions index, but the week ahead is choc-a-bloc with key central bank deliberations, namely, FOMC who is widely anticipated to hike by 25bps on 15 Mar and unveil its refreshed economic forecasts including the median dots graph (which we think may be premature to see an upgrade to four rate hikes this year), while BOE, SNB, BI and BOJ may still be content to be static in the interim. Fed chair Yellen's press conference is also of note. The Netherlands will also go to the polls on 15 Mar (with Geert Wilders' recent slippage in polls is advantaging PM Rutte's chances, but a coalition government is the most plausible outcome), while G20 finance ministers are meeting in Baden-Baden, Germany where new US Treasury Secretary Mnuchin's debut message could be intolerance for countries that practice currency devaluations for trade benefits. Speakers due today include ECB's Liikanen, Lautenschlaeger and Draghi. German Chancellor Merkel is also meeting US president Trump at the White House tomorrow and the agenda may focus on trade as well.
US	Private payrolls rose 227k in Feb, following +221k in Jan, and marked the strongest increase since Jul. Construction payrolls also rose 58k (strongest in nearly a decade), while manufacturing added 28k jobs (highest since Aug13), whereas retail shed 26k (the most in four years). Net revisions to the previous two months' nonfarm payrolls were +9k. Meanwhile, average hourly earnings also rose 0.2% mom (+2.8% yoy) as expected, following minimum-wage hikes in several states earlier this year, with the average work week unchanged at 34.4 hours, even as the participation rate rose to 63% (highest since Mar16). The US debt ceiling expires on 15 Mar, but the absence of an reinstatement would have no immediate effect until late summer by the Treasury Department shifting funds around and "extraordinary measures".
UK	The draft law for PM May to trigger Brexit is due to return to the House of Commons to decide on amendments made by the House of Lords.
CH	The PBoC held its press conference last Friday. Governor Zhou Xiaochuan has been more positive on RMB outlook this year due to improving economic fundamental.
SG	Retail sales unexpectedly fell for the second straight month by 1.5% mom sa (+2.0% yoy) in Jan, following a revised -0.8% mom sa (+0.7% yoy) in Dec16. Excluding autos, retail sales also fell 1.3% mom sa (+2.0% yoy) in Jan, reversing the +1.0% mom sa (+0.6% yoy) printed in Dec16. The strong surge in supermarket and F&B spending are likely attributable to the CNY festive season. Given the seasonal effects for the Jan-Feb period, we would hesitate to over-interpret the data.

Major Markets

- **US:** Equities rose on Friday upon a decent print in nonfarm payrolls. Nasdaq added 0.39% to lead gains, while the S&P 500 and Dow were up 0.33% and 0.22% respectively. Overall, equities declined for the week, dragged down by energy producers amid a falling oil prices, and defensive stocks with the upswing in Treasury yields. Further consolidation ahead of new drivers appears to be in line. Eyes on the Fed's FOMC statement and the subsequent press conference, looking out for any signal on a quickening of the rate hike pace. VIX traded lower for the first time in 5 sessions, down 5.2% to close at 11.66. US Treasury yields fell 2-4 bps as the market judged that nonfarm payrolls were within expectations, and will not likely change the pace of the rate hikes. 2- and 10-year benchmark yields closed at 1.35% and 2.57% respectively.
- **Singapore:** The Spore government announced calibrated adjustments to SSD and TDSR framework from 11 March 2017, namely that the SSD holding period to be reduced from 4 years to 3 years, and the SSD rate will be cut by 4% points for each tier (12% for Y1, 8% for Y2, and 4% for Y3). In addition, the TDSR framework will not be applied to mortgage equity withdrawal loans with LTV ratios of 50% and below, to allow flexibility for some borrowers to monetise their properties in their retirement years. To close a loophole, the government will levy stamp duties on the transfer of equity interest in entities whose primary tangible assets are residential properties in S'pore.
- However, the crux of the matter was that ABSD and LTV limits were retained as the current set of property market measures are deemed to remain necessary to promote a sustainable property market and financial prudence among households. Beyond the kneejerk reaction of property counters, the market impact is likely to be limited as these adjustments probably fell short of what the man on the street was hoping for ie. the easing/lifting of the ABSD rule.
- STI gained 0.47% to close at 3133.35 on Friday, but may be rangebound between 3100-3150 amid muted cues from Friday's Wall Street market performance and mixed morning leads from Kospi and ASX. The longer-dated SGS bond yields climbed by around 3bps on Friday, but given the small gains seen in UST bonds post-NFP, SGS bonds could meander today awaiting further cues from FOMC and other central banks.
- **China:** Although interest rate differential may have short term impact on capital flows, he believes the long term outlook will eventually depend on economic fundamental. For details, please refer to our Greater China week in review report.
- **Indonesia:** Bank Indonesia reportedly said that, going forward, it will seek to keep current account deficit at 1-2% of GDP and inflation at 3-4% to allow interest rates to remain low. Senior Deputy Governor Mirza Adityaswara reportedly said that to reporters, as relayed by Bloomberg
- **Malaysia:** Industrial production data for January is due out today, with market penciling in a climb of 5.8%yoy, compared to 4.7% in December.
- **South Korea:** Ms Park Guen Hye, was ousted from office by the constitutional court on Friday, following her impeachment in Dec 2016 on corruption allegations. Ms Park was South Korea's first female leader, and also the first president in history that was removed from office by impeachment. Reportedly, Korean politicians are mulling over potential changes to the constitution, saying that the current one places too much power on the president. Their proposal for changes is said to be based on power-sharing, where the president is limited to handling foreign and national security, while domestic affairs will be handled by the prime minister.
- **Commodities:** With sustained concerns over higher US oil supplies, the recent US oil rig count print, which edged higher to 617 (+8), merely reinforced further bearish sentiment on future oil movements. WTI sank deeper below its \$50/bbl handle to \$48.49/bbl (-1.6%), while Brent still

appears to be holding up above the critical \$50/bbl handle for now. Market-watchers however shrugged off Russia's recent aim to bring total crude oil production cut to 200,000 barrels per day (bpd) by the end of this month, thus filling 2/3 of its 300,000 bpd cut agreement made late last year. Note that money-managers had reduced their speculative net long holdings for two consecutive weeks ending 7th March, suggesting that the bull run could have lost some momentum and thus explaining the recent slide in oil prices.

Bond Market Updates

- Market Commentary:** The SGD swap curve traded upwards last Friday, with swap rates trading 1-3bps higher across all tenors. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 193bps while the yield on JACI HY corporates rose 2bps to 6.80%. 10y UST yields fell 3bps last Friday to 2.58%, supported by the weaker dollar and short covering.
- New Issues:** SEEK Ltd. scheduled investor meetings from 15 March for potential USD bond issuance while Aluminium Corp. of China Ltd. (Chalco) is undergoing plans to issue USD senior perpetuals.
- Rating Changes:** Moody's affirmed Ascott Residences Trust's (Ascott REIT) 'Baa3' issuer rating and senior unsecured notes rating issued under the MTN program by Ascott REIT MTN Pte. Ltd. (wholly owned subsidiary of Ascott REIT). In addition, Moody's revised the outlook on all ratings to stable from negative. The rating action reflects the improvement in Ascott REIT's credit profile following the announced fully underwritten rights issuance to partially fund the acquisition of Ascott Orchard Singapore (AOS) and the proposed acquisitions of two properties in Germany. Moody's affirmed Fukoku Mutual Life Insurance Company's (Fukoku Life) 'Baa1 (hyb)' subordinated bond rating and revised Fukoku Life's outlook to positive from stable. The rating action reflects the company's sustained strengthening of its capitalization levels over the past few years, driven by the accumulation of retained earnings. Moody's downgraded Hengdeli Holdings Limited's (Hengdeli) corporate family and senior unsecured ratings to 'B1' from 'Ba3', with a negative outlook. The rating action reflects the continued deterioration in Hengdeli's existing operations, as evidenced in its profit warning, as well as the reduction in the company's scale once it completes the sale of its core watch retailing and distribution business in China. Moody's downgraded Hitachi Construction Machinery Co. Ltd's (HCM) issuer rating to 'Baa1' from 'A3', with a negative outlook. The rating action reflects Moody's expectation that the company's leverage will deteriorate materially and that HCM will acquire a majority shareholding in Bradken through a takeover offer process that will end on 24 March pending regulatory approvals. Moody's affirmed LafargeHolcim Ltd.'s (LafargeHolcim) and its subsidiaries' 'Baa2' issuer and senior unsecured ratings, with a negative outlook. The rating affirmation reflects the group's strong operating performance in 2H2016, the associated robust deleveraging path and a sound outlook for 2017 despite some material headwinds, in particular from expected cost inflation. Fitch upgraded PT Indosat Tbk's (Indosat Ooredoo) foreign-currency issuer default rating (IDR) and foreign-currency senior unsecured debt rating to 'BBB+' from 'BBB'. In addition, Fitch affirmed its local-currency IDR at 'BBB+'. The outlook on the ratings is stable. The rating action reflects Indosat Ooredoo's (1) established market position, (2) legal and strategic linkages with its parent, and (3) sufficient free cash flow generation to cover capex. Fitch assigned DBS Bank Ltd's AUD300mn floating-rate notes a final rating of 'AA-'. According to Fitch, the notes are rated at the same level as DBS's 'AA-' Long-Term Issuer Default Rating (IDR), as they constitute direct, unsecured and unsubordinated obligations of the bank, and will rank equally with all its other unsecured, unsubordinated obligations. The notes will be issued through DBS Bank Ltd's Australia Branch under the parent bank's USD30bn global medium-term note program.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	101.250	-0.59%	USD-SGD	1.4126	-0.56%
USD-JPY	114.790	-0.14%	EUR-SGD	1.5079	0.37%
EUR-USD	1.0673	0.91%	JPY-SGD	1.2303	-0.44%
AUD-USD	0.7542	0.48%	GBP-SGD	1.7183	-0.57%
GBP-USD	1.2167	0.02%	AUD-SGD	1.0656	-0.06%
USD-MYR	4.4530	-0.17%	NZD-SGD	0.9776	-0.27%
USD-CNY	6.9093	-0.02%	CHF-SGD	1.3974	-0.44%
USD-IDR	13376	-0.10%	SGD-MYR	3.1402	0.01%
USD-VND	22800	-0.01%	SGD-CNY	4.8842	0.39%

Equity and Commodity

Index	Value	Net change
DJIA	20,902.98	44.79
S&P	2,372.60	7.73
Nasdaq	5,861.73	22.92
Nikkei 225	19,604.61	286.03
STI	3,133.35	14.51
KLCI	1,717.58	0.16
JCI	5,390.68	-11.71
Baltic Dry	1,086.00	22.00
VIX	11.66	-0.64

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.6819	-0.0002
2M	-0.3400	--	1M	0.8906	0.0092
3M	-0.3290	--	2M	0.9583	0.0100
6M	-0.2410	--	3M	1.1212	0.0017
9M	-0.1690	0.0030	6M	1.4260	-0.0042
12M	-0.1090	0.0020	12M	1.8184	0.0042

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.29 (--)	1.35 (-0.02)
5Y	1.70 (--)	2.10 (-0.03)
10Y	2.46 (+0.03)	2.57 (-0.03)
15Y	2.59 (+0.03)	--
20Y	2.62 (+0.03)	--
30Y	2.65 (+0.04)	3.16 (-0.02)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.08	2.60	4.06
Italy	0.03	1.40	2.37
Ireland	-0.36	4.00	1.17
Greece	7.95	-19.20	7.19
Spain	-0.07	4.30	1.89
Russia	2.03	5.40	4.32

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.13	0.49
EURIBOR-OIS	1.10	-1.06
TED	37.98	-1.87

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.49	-1.60%	Coffee (per lb)	1.397	0.65%
Brent (per barrel)	51.37	-1.57%	Cotton (per lb)	0.7729	0.86%
Heating Oil (per gallon)	1.5036	-1.69%	Sugar (per lb)	0.1822	1.22%
Gasoline (per gallon)	1.6001	-1.49%	Orange Juice (per lb)	1.7210	-2.63%
Natural Gas (per MMBtu)	3.0080	1.14%	Cocoa (per mt)	1,967	1.86%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,702.2	0.64%	Wheat (per bushel)	4.2275	-0.76%
Nickel (per mt)	9,841.0	-2.51%	Soybean (per bushel)	9.963	-0.40%
Aluminium (per mt)	1,868.0	0.66%	Corn (per bushel)	3.5800	-0.49%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,201.4	-0.15%	Crude Palm Oil (MYR/MT)	2,990.0	--
Silver (per oz)	16.883	-0.65%	Rubber (JPY/KG)	286.5	1.92%

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

CFTC Commodities Futures and Options

For the week ended: 07 Mar 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Cotton	132,318	124,082	8,236	Gold	131,501	168,104	-36,603
RBOB Gasoline	59,097	56,254	2,843	Sugar	156,658	177,126	-20,468
Live Cattle	113,527	112,913	614	Platinum	37,116	45,610	-8,494
Palladium	17,015	16,498	517	Copper	29,907	38,020	-8,113
Heating Oil	38,157	37,754	403	Nymex Crude	555,917	563,593	-7,676
Natural Gas	-56,117	-56,105	-12	Lean Hogs	48,814	55,663	-6,849
Silver	93,740	94,835	-1,095	Wheat	-38,804	-32,410	-6,394
Cocoa	-29,164	-27,041	-2,123	Coffee	23,411	27,600	-4,189
Soybean	160,945	164,243	-3,298	Corn	195,817	199,836	-4,019

Date	Time	Event		Survey	Actual	Prior	Revised
03/10/2017	08:30	AU Home Loans MoM	Jan	-1.00%	0.50%	0.40%	0.20%
03/10/2017	08:30	AU Investment Lending	Jan	--	4.20%	-1.00%	-0.80%
03/10/2017	08:30	AU Owner-Occupier Loan Value MoM	Jan	--	-0.20%	1.30%	1.10%
03/10/2017	09:00	PH Exports YoY	Jan	10.50%	22.50%	4.50%	6.30%
03/10/2017	09:00	PH Imports YoY	Jan	10.00%	9.10%	19.10%	--
03/10/2017	09:00	PH Trade Balance	Jan	-\$2985m	-\$2314m	-\$2564m	--
03/10/2017	11:30	TH Consumer Confidence Economic	Feb	--	64.3	63.1	--
03/10/2017	13:00	SI Retail Sales YoY	Jan	0.80%	2.00%	0.40%	0.70%
03/10/2017	13:00	IN Local Car Sales	Feb	--	172623	186523	--
03/10/2017	15:00	GE Trade Balance	Jan	18.0b	14.8b	18.7b	--
03/10/2017	15:00	GE Current Account Balance	Jan	15.5b	12.8b	24.0b	24.8b
03/10/2017	15:00	GE Exports SA MoM	Jan	2.00%	2.70%	-3.30%	-2.80%
03/10/2017	15:00	GE Imports SA MoM	Jan	0.50%	3.00%	0.00%	0.10%
03/10/2017	15:30	TH Foreign Reserves	Mar-03	--	\$181.8b	\$181.3b	--
03/10/2017	15:45	FR Industrial Production YoY	Jan	0.40%	-0.40%	1.30%	0.90%
03/10/2017	15:45	FR Manufacturing Production YoY	Jan	0.30%	-1.30%	0.60%	0.10%
03/10/2017	17:00	IT Unemployment Rate Quarterly	4Q	11.70%	11.90%	11.60%	--
03/10/2017	17:30	UK Industrial Production YoY	Jan	3.20%	3.20%	4.30%	--
03/10/2017	17:30	UK Manufacturing Production YoY	Jan	2.90%	2.70%	4.00%	4.20%
03/10/2017	17:30	UK Visible Trade Balance GBP/Mn	Jan	£11,100	£10,833	£10,890	£10,915
03/10/2017	17:30	UK Trade Balance Non EU GBP/Mn	Jan	£2,425	£2,447	£2,114	£2,527
03/10/2017	17:30	UK Trade Balance	Jan	£3,100	£1,966	£3,304	£2,026
03/10/2017	20:00	IN Industrial Production YoY	Jan	0.50%	2.70%	-0.40%	-0.10%
03/10/2017	21:00	UK NIESR GDP Estimate	Feb	0.60%	0.60%	0.70%	0.80%
03/10/2017	21:30	CA Unemployment Rate	Feb	6.80%	6.60%	6.80%	--
03/10/2017	21:30	US Change in Nonfarm Payrolls	Feb	200k	235k	227k	238k
03/10/2017	21:30	CA Net Change in Employment	Feb	-5.0k	15.3k	48.3k	--
03/10/2017	21:30	CA Full Time Employment Change	Feb	--	105.1	15.8	--
03/10/2017	21:30	US Change in Private Payrolls	Feb	215k	227k	237k	221k
03/10/2017	21:30	CA Part Time Employment Change	Feb	--	-89.8	32.4	--
03/10/2017	21:30	US Change in Manufact. Payrolls	Feb	10k	28k	5k	11k
03/10/2017	21:30	CA Participation Rate	Feb	--	65.8	65.9	--
03/10/2017	21:30	US Unemployment Rate	Feb	4.70%	4.70%	4.80%	--
03/10/2017	21:30	US Average Hourly Earnings MoM	Feb	0.30%	0.20%	0.10%	0.20%
03/11/2017	03:00	US Monthly Budget Statement	Feb	-\$190.0b	-\$192.0b	-\$192.6b	--
03/13/2017	04:30	NZ REINZ House Sales YoY	Feb	--	-14.20%	-14.70%	--
03/13/2017	05:45	NZ Food Prices MoM	Feb	--	0.20%	2.80%	--
03/13/2017	07:50	JN PPI MoM	Feb	0.20%	--	0.60%	--
03/13/2017	07:50	JN PPI YoY	Feb	1.00%	--	0.50%	--
03/13/2017	07:50	JN Machine Orders YoY	Jan	-3.70%	--	6.70%	--
03/13/2017	12:00	MA Industrial Production YoY	Jan	5.80%	--	4.70%	--
03/13/2017	12:30	JN Tertiary Industry Index MoM	Jan	0.10%	--	-0.40%	--
03/13/2017	16:30	HK PPI YoY	4Q	--	--	3.90%	--
03/13/2017	16:30	HK Industrial Production YoY	4Q	--	--	-0.10%	--
03/13/2017	17:00	IT Industrial Production WDA YoY	Jan	3.20%	--	6.60%	--
03/13/2017	17:00	IT Industrial Production MoM	Jan	-0.80%	--	1.40%	--
03/13/2017	03:31	IN BoP Current Account Balance	4Q	-\$12.00b	--	-\$3.40b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W