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Highlights

Global	So it starts with US president Trump signing an order to withdraw the US from the Trans-Pacific Partnership accord, with market watchers watching what will be his next move to renegotiate NAFTA and institute a “very major” border tax. This left the USD and Wall Street (partly also due to disappointing McDonald’s Corp and Halliburton earnings) trading on the defensive, while Treasury bonds rallied. Separately, US Treasury Secretary nominee Mnuchin also opined that an “excessively strong dollar may have negative short-term implications on the economy” and reiterated his intention to review “the issue of Chinese currency manipulation” which is a “serious infraction of free trade principles and needs to be effectively addressed”. Expect that Asian markets to trade on a cautious tone ahead of the UK Supreme Court’s ruling on Brexit and as market activity winds down for the Chinese New Year holidays. The economic data calendar today comprises of the slew of manufacturing PMIs and US’ existing home sales.
EZ	Eurozone’s consumer confidence improved from -5.1 in Dec to -4.9 in Jan, suggesting a more positive start to 2017 and notwithstanding the higher oil price.
SG	Headline inflation finally resurfaced at +0.2% yoy (+0.2% mom nsa) in December 2016, marking the first positive on-year print since October 2014 (+0.2% yoy) and followed November’s reading of 0.0% yoy (+0.3% mom nsa). Core inflation, excluding accommodation and private road transport, also eased from 1.3% yoy in November to 1.2% yoy in December 2016. This meant that core inflation rose 0.9% yoy for the whole of last year, which is nearly double 2015’s pace of +0.5% yoy. However given that the official 2017 core inflation forecast is set even higher at 1-2% yoy, there is probably still some upside room for core inflation in 2017. Nevertheless the official tone is still fairly relaxed (note “the increase in core inflation will be gradual, given the absence of more generalised demand-induced price pressures”). This denotes a benign inflation outlook with muted cost pressures and slack labour market conditions due to a pullback in hiring intentions, rather than resurgent inflationary pressure across the board. This suggests there is currently no urgency for a monetary policy tweak ahead of the April review. Our 2017 forecast for headline and core CPI are 1% yoy and 1.6% yoy respectively.
Commodities	Palm oil futures have fallen for its fourth consecutive trading day now, a signal that a perceived MYR3,250 – MYR3,300/MT resistance is strongly felt. This is unsurprising as extreme hot weathers introduced by the El Nino phenomenon is all gone now, and a high-base print seen in 2016 would likely see palm oil prices normalise lower into 2017. Elsewhere, the yellow metal gained to \$1,215.6/oz (+0.89%) as more risk-aversion is back on the table, given the US’ withdrawal from the Trans-Pacific Partnership (TPP) accord, with the greenback moving consequentially lower by 0.58% overnight. On the energy space, do note that CFTC reported net-long speculative positions in crude oil have touched record-highs (508,702 in combined positions of futures & options), while the crude oil futures curve have gradually seen some flattening of its backwardation gradient, suggesting some upside bias for crude oil into the year ahead.

Major Markets

- **US:** Equities retreated on the first full trading day under President Trump amidst concerns about policies under the new administration. On trade, Trump withdrew from the TPP and mentioned that a “very major” border tax was being considered. Similarly, Obamacare was also rolled back, hitting hospital stocks. Overall, the S&P 500 fell 0.27%, while the Dow and Nasdaq retreated 0.14% and 0.04% respectively. VIX ended at 11.77, higher by 2.0%. The impact of Trump’s protectionist tendencies was also felt in the US Treasury markets as yields continued to decline. Yields were lower by 5-7 bps across the board, with the 2-year yield standing at 1.14%. The 10-year yield closed at 2.40%, trading lower than its 50-DMA at a stage.
- **Singapore:** Price declines were limited to housing & utilities (-3.8% yoy), clothing & footwear (-0.1% yoy) and communication (-0.8% yoy), whereas price increases were led by education (+3.2% yoy), healthcare (+2.9% yoy) and household durables & services (+2.1% yoy). Private road transport costs accelerated from +0.2% in November to +1.7% in December due to higher petrol prices and car park fees. Services inflation also saw an uptick to 1.6% due to higher holiday expenses. For the full-year 2016, headline CPI still fell 0.5% yoy, which is the weakest since 1986 (-1.4% yoy), due to drags from housing & utilities (-4.1% yoy), transport (-2.4% yoy) and communications (-0.4% yoy). However, the tide is clearly turning with the 2017 headline inflation likely to print in positive territory of 1-2% yoy according to official forecasts. Key price pressures include education (+4.0% yoy), food (+2.1% yoy) and transport (+1.3% yoy). Private road transport costs are still tipped higher as a result of expiry of road tax rebate for petrol vehicles, upward revision of car park fees from 1 December 2016, and higher petrol prices, as well as the fading of budgetary measures.
- The STI gained further by 0.48% to close at 3025.48 yesterday, but may find it hard to see further headway today given Trump’s withdrawal from TPP and declines in Wall Street as well as morning slippage by Nikkei and Kospi. Expect the STI support and resistance to be 3000 and 3040 respectively. SGS bonds should remain biddish today given the overnight rally in UST bonds on Trump-inspired flight to safety. There is a \$2.3b (with MAS taking \$200m) 2-year SGS bond re-opening to be auctioned on 26 Jan.
- **Indonesia:** Finance Minister Sri Mulyani reportedly said that, to boost tax revenue this year, the government will adopt a sectoral analysis approach. By picking out sectors that are performing well but without corresponding pick-up in tax payments, her ministry aims to boost compliance.
- **Malaysia:** Datuk Ahmad Maslan, International Trade and Industry Deputy Minister, said that the failure to finalize the TPP following US withdrawal, does not mean that Malaysia’s trade will be curtailed or retarded. He noted that RCEP (Regional Comprehensive Economic Partnership) which involves populous countries such as China and India, can be an alternative boost to trade and is expected to be finalized by year-end.
- **South Korea:** Consumer confidence fell to 93.3 (a print below 100.0 indicates pessimists outnumber optimists) in January 2017, down from 94.1 in the previous month, according to the Bank of Korea.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, as swap rates traded lower by 1-4bps across all tenors. In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 196bps, while the yield on JACI HY Corporates fell 1bps to 6.83%. 10y UST yields fell 7bps yesterday to 2.40%, surging after the newly sworn in U.S. President continued his protectionist tone and vowed a “very major border tax” on imports in a meeting with business leaders.

- **New Issues:** Industrial Bank of Korea priced USD300mn 3-year bonds at CT3+85bps, tightening from initial guidance of CT3+95bps. The expected issue ratings are 'AA-/Aa2/AA-'. Shui On Development (Holding) Ltd. priced a USD500mn 4-year bond at 5.875%, tightening from initial guidance of 6.25%. Siam Commercial Bank PCL priced a USD400mn 5.5-year bond at CT5+130bps, tightening from initial guidance of CT5+150bps. The expected issue ratings are 'BBB+/Baa1/BBB+'. Biostime International Holdings Ltd. priced a USD200mn re-tap of its June 2021 notes at 104.50, with initial guidance in the 104.25 area. The expected issue ratings are 'BB-/Ba3/NR'. In the SGD space, GLL IHT Pte. issued SGD200mn 5-year bonds (guaranteed by GuocoLand Ltd.) at 4%, tightening from initial guidance of low 4% area. The issue is unrated.
- **Rating Changes:** S&P affirmed Melco Crown (Macau) Ltd.'s (Melco Crown) 'BB' corporate credit rating with a negative outlook. In addition, S&P affirmed Melco Crown's 'BB-' issue rating on the senior unsecured notes that MCE Finance Ltd. issued (guaranteed by Melco Crown), and removed all ratings from CreditWatch. Melco Crown was placed on CreditWatch with negative implications on 19 December 2016. The rating actions reflect S&P's belief that Melco Crown's debt service capability is unlikely to weaken materially following its ultimate parent's proposed debt-funded purchase of 13.4% of the issue shares of Melco Crown Entertainment Ltd. S&P revised Biostime International Holdings Ltd.'s (BIH) outlook to stable from positive. In addition, S&P affirmed BIH's 'BB' issue rating on the company's senior unsecured notes. The rating action reflects S&P's view that BIH's proposed primarily debt-funded acquisition of the minority shares of Swisse Wellness Group and the prolonged regulatory uncertainty for distribution of vitamin, herbal, mineral and health products in China will delay the company's debt reduction plan to beyond the next 12 months. S&P revised to stable from negative the outlooks on the core captive insurers of BHP Billiton Ltd. (BPHB) – BHP Billiton Marine & General Insurances Pty Ltd. (M&G) and Stein Insurance Co. Ltd. (Stein). In addition, S&P affirmed the 'A' ratings on the captive insurers. The rating action follows S&P's outlook revision on BHPB on 20 January. S&P revised Honda Motor Co. Ltd.'s outlook to negative from stable on its 'A+' corporate credit rating. In addition, S&P affirmed the 'A+' long-term and 'A-1' short-term corporate credit ratings on Honda and its rated subsidiaries. The rating action reflects a rise in risks that may prevent Honda from sustaining higher profitability than similarly rated peers amidst a challenging environment for the company. Fitch assigned Asahi Mutual Life Insurance Co.'s USD350m 7.25% NC5 perp a final rating of 'BB-'. The subordinated bonds are rated one notch below Asahi Life's Long-Term IDR to reflect Fitch's baseline assumption of "below average" recovery.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.160	-0.58%	USD-SGD	1.4178	-0.60%
USD-JPY	112.710	-1.67%	EUR-SGD	1.5262	-0.01%
EUR-USD	1.0765	0.58%	JPY-SGD	1.2580	1.13%
AUD-USD	0.7584	0.38%	GBP-SGD	1.7771	0.69%
GBP-USD	1.2535	1.29%	AUD-SGD	1.0753	-0.22%
USD-MYR	4.4400	-0.16%	NZD-SGD	1.0255	0.33%
USD-CNY	6.8537	-0.33%	CHF-SGD	1.4228	-0.09%
USD-IDR	13369	-0.31%	SGD-MYR	3.1260	0.24%
USD-VND	22540	-0.14%	SGD-CNY	4.8281	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.6883	--
2M	-0.3390	--	1M	0.7753	--
3M	-0.3280	--	2M	0.8506	--
6M	-0.2410	--	3M	1.0434	--
9M	-0.1550	--	6M	1.3582	--
12M	-0.1000	--	12M	1.7329	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.08	-0.40	3.79
Italy	-0.10	-0.80	1.99
Ireland	-0.45	-14.10	1.00
Greece	6.98	-19.10	6.99
Spain	-0.28	-0.60	1.44
Russia	2.47	-3.40	4.32

Equity and Commodity

Index	Value	Net change
DJIA	19,799.85	-27.40
S&P	2,265.20	-6.11
Nasdaq	5,552.94	-2.39
Nikkei 225	18,891.03	-246.88
STI	3,025.48	14.40
KLCI	1,671.31	6.42
JCI	5,250.97	-3.34
Baltic Dry	914.00	-11.00
VIX	11.77	0.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.13 (-0.02)	1.14 (-0.05)
5Y	1.76 (-0.03)	1.86 (-0.07)
10Y	2.31 (-0.03)	2.40 (-0.07)
15Y	2.62 (-0.04)	--
20Y	2.70 (-0.03)	--
30Y	2.71 (-0.03)	2.99 (-0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	36.14	0.73
EURIBOR-OIS	2.50	--
TED	54.60	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.75	0.63%	Coffee (per lb)	1.554	1.44%
Brent (per barrel)	55.23	-0.47%	Cotton (per lb)	0.7463	2.18%
Heating Oil (per gallon)	1.6265	-1.18%	Sugar (per lb)	0.2064	2.28%
Gasoline (per gallon)	1.5667	0.04%	Orange Juice (per lb)	1.6245	-2.29%
Natural Gas (per MMBtu)	3.2430	1.22%	Cocoa (per mt)	2,165	1.17%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,795.0	0.82%	Wheat (per bushel)	4.3325	1.17%
Nickel (per mt)	9,669.0	0.06%	Soybean (per bushel)	10.578	-0.91%
Aluminium (per mt)	1,845.8	0.11%	Corn (per bushel)	3.6950	-0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,215.6	0.89%	Crude Palm Oil (MYR/MT)	3,231.0	-0.09%
Silver (per oz)	17.186	0.90%	Rubber (JPY/KG)	306.8	1.12%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
01/23/2017 08:30	TA	Unemployment Rate	Dec	3.83%	3.82%	3.84%	--
01/23/2017 12:22	MU	Visitor Arrivals	Dec	--	2814t	2589t	--
01/23/2017 12:30	JN	All Industry Activity Index MoM	Nov	0.40%	0.30%	0.20%	0.00%
01/23/2017 13:00	JN	Supermarket Sales YoY	Dec	--	-2.00%	0.80%	--
01/23/2017 13:00	SI	CPI YoY	Dec	0.10%	0.20%	0.00%	--
01/23/2017 13:00	SI	CPI NSA MoM	Dec	0.10%	0.20%	0.30%	--
01/23/2017 13:00	JN	Leading Index CI	Nov F	--	102.8	102.7	--
01/23/2017 13:00	JN	Coincident Index	Nov F	--	115	115.1	--
01/23/2017 16:00	TA	Industrial Production YoY	Dec	8.00%	6.25%	8.83%	9.11%
01/23/2017 16:30	HK	CPI Comp YoY	Dec	1.30%	1.20%	1.20%	--
01/23/2017 18:00	EC	Euro Area 3Q Government Deficit					
01/23/2017 18:00	EC	Euro Area 3Q Government Debt					
01/23/2017 21:30	CA	Wholesale Trade Sales MoM	Nov	0.50%	0.20%	1.10%	1.30%
01/23/2017 23:00	EC	Consumer Confidence	Jan A	-4.8	-4.9	-5.1	--
01/24/2017 05:00	SK	Consumer Confidence	Jan	--	93.3	94.2	94.1
01/23/2017 01/27	TH	Car Sales	Dec	--	--	64771	--
01/23/2017 01/30	ID	Motorcycle Sales	Dec	--	--	570923	--
01/23/2017 01/30	ID	Local Auto Sales	Dec	--	--	99935	--
01/24/2017 08:30	JN	Nikkei Japan PMI Mfg	Jan P	--	--	52.4	--
01/24/2017 12:30	TH	Customs Exports YoY	Dec	9.40%	--	10.20%	--
01/24/2017 12:30	TH	Customs Imports YoY	Dec	8.40%	--	3.00%	--
01/24/2017 12:30	TH	Customs Trade Balance	Dec	\$1785m	--	\$1543m	--
01/24/2017 16:00	FR	Markit France Mfg PMI	Jan P	53.4	--	53.5	--
01/24/2017 16:00	FR	Markit France Services PMI	Jan P	53.2	--	52.9	--
01/24/2017 16:00	FR	Markit France Comp PMI	Jan P	53.2	--	53.1	--
01/24/2017 16:30	GE	Markit/BME Germany Mfg PMI	Jan P	55.4	--	55.6	--
01/24/2017 16:30	GE	Markit Germany Services PMI	Jan P	54.5	--	54.3	--
01/24/2017 16:30	GE	Markit/BME Germany Comp PMI	Jan P	55.3	--	55.2	--
01/24/2017 17:00	EC	Markit Eurozone Mfg PMI	Jan P	54.8	--	54.9	--
01/24/2017 17:00	EC	Markit Eurozone Services PMI	Jan P	53.8	--	53.7	--
01/24/2017 17:00	EC	Markit Eurozone Comp PMI	Jan P	54.5	--	54.4	--
01/24/2017 17:30	UK	Public Finances (PSNCR)	Dec	--	--	13.5b	--
01/24/2017 17:30	UK	Public Sector Net Borrowing	Dec	6.8b	--	12.2b	--
01/24/2017 17:30	UK	PSNB ex Banking Groups	Dec	6.7b	--	12.6b	--
01/24/2017 22:45	US	Markit US Mfg PMI	Jan P	54.5	--	54.3	--
01/24/2017 23:00	US	Existing Home Sales	Dec	5.51m	--	5.61m	--
01/24/2017 23:00	US	Existing Home Sales MoM	Dec	-1.80%	--	0.70%	--
01/24/2017 23:00	US	Richmond Fed Manufact. Index	Jan	7	--	8	--
01/24/2017	VN	CPI YoY	Jan	5.00%	--	4.74%	--
01/24/2017 01/25	VN	Trade Balance	Jan	-\$34m	--	-\$300m	--
01/24/2017 01/25	VN	Retail Sales YTD YoY	Jan	--	--	10.20%	--
01/24/2017 01/25	VN	Imports YTD YoY	Jan	23.00%	--	4.60%	--
01/24/2017 01/25	VN	Exports YTD YoY	Jan	17.00%	--	8.60%	--
01/24/2017 01/25	VN	Industrial Production YoY	Jan	--	--	8.30%	--

Source: Bloomberg

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