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Corporate FX & Structured
Products

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Interest Rate Derivatives

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Products

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GT Institutional Sales

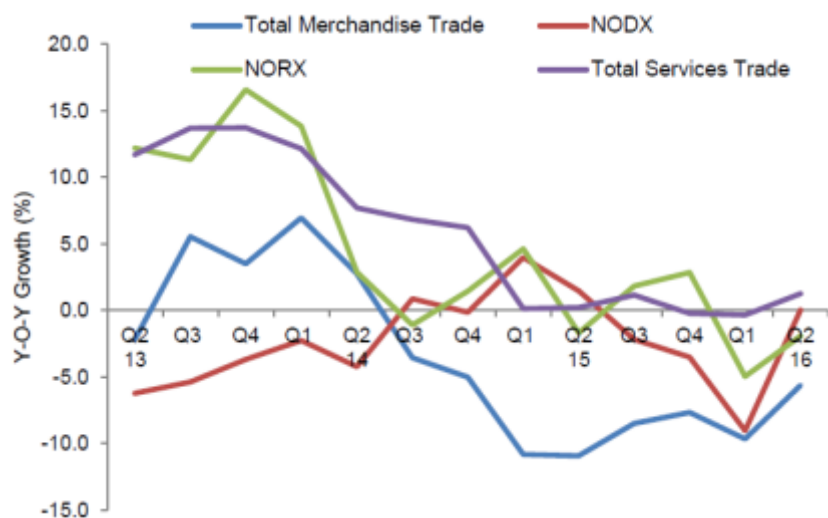
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IES'pore narrows 2016 NODX forecast

Thursday, 11 August 2016

- 2Q16 NODX growth was flat on-year, but actually marked an improvement over the 9% yoy drop in 1Q16 and came on the back of three consecutive quarters of contraction. The narrowing of the full-year 2016 NODX forecast by IESingapore from a more severe contraction of 3-5% yoy to the upper half of the previous range (-3 to -4%) is not totally a surprise, albeit this contrasted with MTI's decision to narrow the 2016 GDP growth forecast to the lower half of the range ie 1-2%.
- Given that 1H16 NODX fell by 4.5% yoy, the full-year NODX forecast adjustment by IESingapore was to account for potential upsides from non-electronics NODX. Looking at the 1H data, NODX of pharmaceuticals rebounded strongly by 7.3% yoy in 2Q after slumping 2.6% in 1Q16, and within electronics NODX, actually disk media products also continued to expand, so these are likely candidates to continue to provide support for 2H NODX.
- Half of the top 10 NODX markets saw positive yoy growth in 2Q16, which was also an improvement from just two in 1Q16. Notably, NODX to Taiwan (+3.0% yoy), US (+2.4%), Hong Kong (+1.5%), Malaysia (+0.6%) and EU28 (+0.6%) were the outperforming markets among the top 10 NODX markets for Singapore in 2Q16, with four of these NODX markets with the exception of Hong Kong registering a rebound from yoy contraction in the previous quarter. While NODX to EU28 may falter in momentum post-Brexit, but may not be as deleterious as initially feared.
- We are maintaining our 2016 NODX growth forecast at -4%. With 1H16 NODX growth at -4.5%, this implies that 2H16 NODX growth could remain in contraction territory, but may subside by a less severe 2.2% yoy in 4Q16 following an expected 4.8% decline in 3Q16.



Source: IESingapore

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