

Treasury Advisory
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Products

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Interest Rate Derivatives

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Products

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Highlights

Global	<p>Going negative is back in vogue - the BOJ sprang an unexpected surprise on financial markets last Friday and upped the ante for the ECB by introducing negative interest rates for excess reserves held with the central bank. In a nutshell, the BOJ will operate a three-tier system for financial institution's current accounts from 16 Feb – existing balances will continue to have the 0.1% rate, while 0% will apply to the required reserves at the BOJ and those related to the various lending support programmes, and excess reserves will see -0.1%, with a close 5-4 vote. The risk-on mood was very apparent on Friday and should continue to spillover to the start of this week, albeit many are pondering if this is a race to the bottom for major central banks and could continue to pressure Asian currencies lower.</p> <p>Key data on tap today include US' manufacturing ISM, construction spending personal spending and income, and PCE deflator, and a slew of European and Asian manufacturing PMI cues, including China, and CPI inflation prints from Thailand and Indonesia. The economic data pipeline continues with the US' nonfarm payrolls and unemployment report on Friday. With central bankers clearly back behind the steering wheel of the global economy, market focus will be on RBA (where no change to the 2% cash rate target is anticipated amid a stronger labour market and softer AUD) and RBI (with possibly a smallish chance of a 25bps cut to the RBI repo rate, albeit the pressures from a softening rupee and the budget are considering factors) tomorrow, BOT on Wed (probably static at 1.5%), BOE on Thu (likely on hold at 0.5% bank rate and GBP375b asset purchase program).</p>
US	<p>The University of Michigan sentiment index was lower than expected at 92.0 in Jan, with the current conditions improving to 106.4 but the expectations index deteriorating to 82.7. Elsewhere, the Chicago PMI was unexpectedly strong at 55.6 in Jan, up from 42.9 in Dec, which could bode well for the upcoming manufacturing ISM. Meanwhile, the Milwaukee ISM also improved from 48.53 i to 50.36 in Jan. The actual 4Q15 GDP printed at a soft 0.7% qoq annualised, as personal consumption was revised down to 2.2% and the core PCE at 1.2%, with the employment cost index also steady at 0.6%.</p>
Singapore	<p>Dec bank loans growth fell for the third straight month as we anticipated by 1.2% yoy (-0.7% mom), compared to -0.7% yoy (+0.4% mom) in Nov, dragged down by business loans. This marked the longest yoy decline since 4Q02 amid the cautious business sentiments and slowing economy. The full-year bank loan growth came in at a sluggish 1.1% yoy, which marked the slowest since 2002 (+0.6% yoy), and we suspect that we could continue to see flattish loans growth for 1H16 given weak domestic business sentiments. Manufacturing firms saw a net 22% anticipating less upbeat business outlook in 1H16, whereas a net 18% of services firms are similarly pessimistic. This is a deterioration from the -16% and -6% prints respectively a quarter ago.</p>
China	<p>Growth target for 2016 may be set to be in a range of 6.5% to 7% according to media, lower than around 7% growth target for 2015. This is also in line with market expectation on China's further deceleration due to on-going de-capacity and de-leverage.</p>

Major Market

- **US:** Wall Street surged on Friday, thanks to the BOJ's early Chinese new year gift to market players. Dow +2.47%, S&P500 +2.48% and Nasdaq +2.38%. VIX -9.90% to 20.20. On the earnings front, Alphabet Inc is announcing results today. The UST bond market rallied on the back of the BOJ decision, with the 2- and 10-year bond yields at 0.78% and 1.92% respectively. Fed's Williams said he expects a "smidgen" slower pace of tightening compared to Sep15, albeit raising rates is still the "likely" scenario. The University of Michigan's 1-year inflation expectations gauge also rose to 2.5% whereas the 5-10 year inflation gauge was unchanged at 2.7%.
- **EZ:** Eurozone's Jan CPI was unchanged at 0.4% yoy in Jan, but the core CPI edged up 0.1% points to +1.0% yoy. Meanwhile, France's 4Q GDP was unchanged at 0.2% qoq (+1.3% yoy) as a pickup in investments by non-financial corporations (+1.3% in its largest gain in two years) offset the tourism impact from the terrorist attack in Paris.
- **Singapore:** The key contraction was in business loans which deteriorated further for the fourth straight month by 3.7% yoy (-1.3% mom) as the small positive loan growth in building/construction and transport & storage was insufficient to offset the double-digit loan contraction to general commerce, business services, financial institutions and manufacturing industries. Consumer loan growth also eased to 2.7% yoy (+0.2%) as housing/bridging loans also moderated to 4.1% yoy (+0.2% mom) in Dec.
- The weakening sentiments among manufacturers was broad-based across the industries, with the key exception being the biomedical industry where a net 17% anticipated a more positive outlook for the next six months. Both the pharmaceuticals and medical technology companies see new products and strong export demand respectively. Notably a net 6% foresee lower employment in 1H16, but this is unsurprising given yesterday's employment dataset. The most bearish services firms were in the accommodation (-48%), transport & storage (-33%), real estate (-29%) wholesale trade (-27%), and F&B (-27%) amid weaker demand conditions. Only a net +1% of the recreation, community & personal services firms anticipate an improved outlook and is most bullish (+11%) about hiring intentions for 1H16.
- The STI tracked the regional bourses' enthusiasm to rise 2.60% to close at 2629.11 on Friday, marking its first resurfacing above the 2500 handle since 19 Jan. Given the euphoria in Wall Street on Friday and continued morning gains in Kospi, we think there should be sufficient investor interest to sustain the STI for this morning, before the global manufacturing PMI cues sink in. The STI's support and resistance remain at 2600 and 2650 respectively. The SGS bond market had rallied between 2-5bps especially in the shorter tenors into the month-end, and may to continue to ride on momentum today, as market speculation now turns to the ECB for further monetary policy stimulus at the upcoming March policy meeting.
- **Hong Kong:** The Transport and Housing Bureau reported actual private residential construction to be 14,200 units in 2015, 3.7% lower than the 5-year average of 14,740 units from 2010 to 2014. These figures indicate that the supply of private housing was tight. Meanwhile, according to the Transport and Housing Bureau, actual 11,300 units were completed in the whole 2015. However, only a total of 87,000 units will be available in the coming three to four years, which was consistent with the 2016 Policy Address' projection. Looking forward, we believe the rising supply of private houses combined with the uptick in US interest rate would draw down the growth of residential property price markedly in 2016
- Total deposits in HK increased 6.7% yoy in December to HK\$ 10,750 billion with total demand deposits growing 17.6% yoy to HK\$ 1,622 billion. RMB deposits extended the declining trend by shrinking 15.2% yoy for the fourth straight month to RMB 851 billion in December amid market's fear of further depreciation in RMB. Total loan and advances increased slightly by 0.5% mom (3.5% yoy) to HK\$ 7,534 billion. On monthly basis, loans for use outside HK (2.8% yoy) dropped 0.1% again,

indicating that demand for Mainland related loan remained soft amid lower borrowing cost in China.

- **Macau:** Thanks to several new hotel projects completed since late last May, hotel guests extended growth for the 6th straight month, the fastest pace since May 2013 by 19% yoy to 1,052,900 in December. However, greater room capacity suppressed the occupancy rate down for the 13th straight month by 2.3 percentage points to 82.8% from a year earlier despite increased hotel guests. In 2016, we expect a wave of new hotel openings to attract increasing overnight tourists and help sustain growth in hotel guests. On the other side, hotel occupancy rate is expected to remain around 80% due to prospected increase in available rooms.
- **Indonesia:** Inflation data for the month of January is due out today. We see it printing 4.4%yoy, a sizable pick-up from 3.35% of the previous month. Weather factors such as torrential rains and windy conditions have reduced crop harvests and complicated distribution efforts especially between islands. These will likely result in an uptick in food prices.
- **Malaysia:** Swiss Attorney-General's office has said that it is seeking legal assistance from Malaysia after it found "serious indications" that about USD4bn may have been misappropriated from state companies, as part of its probe into 1MDB allegations.
- **Commodities:** Crude oil rallied once more on Friday on comments from Russia's deputy prime minister, Arkady Dvorkovich said that Russia's oil production may decline if oil prices stay low. The minister had previously alleged that a 5% cut will be discussed at an upcoming OPEC meeting, though the rumour was subsequently denied by anonymous OPEC delegates. Still, a 5% cut by Russia is a substantial fall of 500,000 barrels per day, and would have rallied oil prices should it comes to pass.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 8bps-10bps lower last Friday. In the broader dollar space, JACI IG corporates spread tightened by 6bps to 236bps while the yield on the JACI HY corporates fell by 3bps to 8.33%. 10y UST yield fell by 6bps to 1.92%. Elsewhere, Lippo Karawaci received the quorum needed for their consent solicitation of USD250 7%'19s, USD403.31mn 6.125%'20s and USD150mn 7%'22s. Part of the terms for their consent solicitation includes the removal of substantially all of their restrictive covenants. Lippo Karawaci has also set a minimum YTM of 8.75% for the new 23's.
- **New Issues:** HNA Group re-tapped their 8.125%'18s at a price of 99.5 for an additional USD35mn to yield 8.32%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	99.606	1.11%	USD-SGD	1.4243	-0.25%
USD-JPY	121.140	1.95%	EUR-SGD	1.5424	-1.27%
EUR-USD	1.0831	-1.00%	JPY-SGD	1.1757	-2.16%
AUD-USD	0.7084	0.00%	GBP-SGD	2.0286	-1.08%
GBP-USD	1.4244	-0.82%	AUD-SGD	1.0088	-0.27%
USD-MYR	4.1480	-1.37%	NZD-SGD	0.9234	-0.21%
USD-CNY	6.5760	0.01%	CHF-SGD	1.3919	-1.18%
USD-IDR	13778	-0.68%	SGD-MYR	2.9137	-1.13%
USD-VND	22230	-0.04%	SGD-CNY	4.6104	0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2290	--	O/N	0.3674	-0.0010
2M	-0.1950	-0.0030	1M	0.4250	-0.0012
3M	-0.1620	-0.0020	2M	0.5206	-0.0028
6M	-0.0890	-0.0060	3M	0.6126	-0.0030
9M	-0.0390	-0.0050	6M	0.8603	-0.0055
12M	0.0150	-0.0070	12M	1.1398	-0.0113

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.36	-5.60	2.88
Italy	-0.02	-2.90	1.42
Ireland	-0.34	-2.80	0.95
Greece*	14.00	-53.90	9.58
Spain	-0.02	-2.20	1.51
Russia^	3.64	3.50	5.96

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Equity and Commodity

Index	Value	Net change
DJIA	16,466.30	396.70
S&P	1,940.24	46.90
Nasdaq	4,613.95	107.30
Nikkei 225	17,518.30	476.80
STI	2,629.11	66.70
KLCI	1,667.80	33.30
JCI	4,615.16	12.30
Baltic Dry	317.00	-8.00
VIX	20.20	-2.20

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.10 (-0.07)	0.77 (-0.04)
5Y	1.89 (-0.13)	1.33 (-0.07)
10Y	2.26 (-0.11)	1.92 (-0.06)
15Y	2.61 (-0.11)	--
20Y	2.65 (-0.1)	--
30Y	2.75 (-0.09)	2.74 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.16	0.30
EURIBOR-OIS	13.90	1.10
TED	30.23	1.23

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	33.62	1.20%	Coffee (per lb)	1.164	-2.35%
Brent (per barrel)	34.74	2.51%	Cotton (per lb)	0.6113	-0.37%
Heating Oil (per gallon)	1.055	2.35%	Sugar (per lb)	0.1314	-0.83%
Gasoline (per gallon)	1.10	2.23%	Orange Juice (per lb)	1.3240	-0.49%
Natural Gas (per MMBtu)	2.298	5.32%	Cocoa (per mt)	2,761	-1.07%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,561.0	0.68%	Wheat (per bushel)	4.7925	1.48%
Nickel (per mt)	8,592	0.35%	Soybean (per bushel)	8.823	1.67%
Aluminium (per mt)	1,520.8	0.28%	Corn (per bushel)	3.7200	1.78%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,116.4	0.07%	Crude Palm Oil (MYR/MT)	2,349.0	-1.59%
Silver (per oz)	14.243	0.08%	Rubber (JPY/KG)	151.1	1.07%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 26 Jan 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	-10,658	-83,121	72,463	Sugar	168,201	205,946	-37,745
Nymex Crude	252,281	229,835	22,446	Cotton	31,117	35,360	-4,243
Gold	68,731	47,072	21,659	Live Cattle	15,443	18,703	-3,260
Wheat	-67,754	-87,189	19,435	Cocoa	27,740	30,723	-2,983
Silver	36,066	27,878	8,188	Soybean	-31,774	-29,003	-2,771
Heating Oil	6,742	-279	7,021	Palladium	4,236	5,200	-964
Copper	-36,781	-43,303	6,522	RBOB Gasoline	74,930	75,563	-633
Lean Hogs	22,024	15,663	6,361	Platinum	22,036	20,564	1,472
Natural Gas	-175,540	-177,943	2,403	Coffee	-20,511	-22,661	2,150

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
01/29/2016 05:00	SK Business Survey Manufacturing	Feb	--	66	68	--
01/29/2016 05:45	NZ Building Permits MoM	Dec	--	2.30%	1.80%	2.40%
01/29/2016 07:00	SK Industrial Production YoY	Dec	-3.30%	-1.90%	-0.30%	-0.10%
01/29/2016 07:30	JN Jobless Rate	Dec	3.30%	3.30%	3.30%	--
01/29/2016 07:30	JN Job-To-Applicant Ratio	Dec	1.26	1.27	1.25	--
01/29/2016 07:30	JN Tokyo CPI YoY	Jan	0.00%	-0.30%	0.00%	0.10%
01/29/2016 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jan	0.10%	-0.10%	0.10%	--
01/29/2016 07:50	JN Industrial Production MoM	Dec P	-0.30%	-1.40%	-0.90%	--
01/29/2016 07:50	JN Industrial Production YoY	Dec P	-0.60%	-1.60%	1.70%	--
01/29/2016 08:30	TA GDP YoY	4Q	-0.60%	-0.28%	-0.63%	--
01/29/2016 08:30	AU PPI QoQ	4Q	--	0.30%	0.90%	--
01/29/2016 08:30	AU Private Sector Credit MoM	Dec	0.60%	0.50%	0.40%	--
01/29/2016 13:00	JN Housing Starts YoY	Dec	0.50%	-1.30%	1.70%	--
01/29/2016 14:30	FR GDP QoQ	4Q A	0.20%	0.20%	0.30%	--
01/29/2016 15:00	GE Retail Sales MoM	Dec	0.40%	-0.20%	0.20%	0.40%
01/29/2016 15:03	PH Bank Lending YoY	Dec	--	12.20%	13.20%	13.50%
01/29/2016 15:30	TH Foreign Reserves	Jan-22	--	\$158.4b	\$158.0b	--
01/29/2016 15:30	TH Exports YoY	Dec	--	-9.10%	-6.60%	--
01/29/2016 15:30	TH BoP Current Account Balance	Dec	\$4360m	\$4879m	\$2997m	--
01/29/2016 15:45	FR CPI EU Harmonized MoM	Jan P	-1.00%	-1.00%	0.20%	--
01/29/2016 15:45	FR CPI EU Harmonized YoY	Jan P	0.40%	0.40%	0.30%	--
01/29/2016 15:45	FR CPI MoM	Jan P	-0.90%	-1.00%	0.20%	--
01/29/2016 15:45	FR CPI YoY	Jan P	0.30%	0.20%	0.20%	--
01/29/2016 17:00	EC M3 Money Supply YoY	Dec	5.20%	4.70%	5.10%	5.00%
01/29/2016 18:00	EC CPI Estimate YoY	Jan	0.40%	0.40%	0.20%	--
01/29/2016 18:00	EC CPI Core YoY	Jan A	0.90%	1.00%	0.90%	--
01/29/2016 21:30	US Employment Cost Index	4Q	0.60%	0.60%	0.60%	--
01/29/2016 21:30	CA GDP MoM	Nov	0.30%	0.30%	0.00%	--
01/29/2016 21:30	US GDP Annualized QoQ	4Q A	0.80%	0.70%	2.00%	--
01/29/2016 21:30	CA Industrial Product Price MoM	Dec	-0.40%	-0.20%	-0.20%	-0.30%
01/29/2016 21:30	US Personal Consumption	4Q A	1.80%	2.20%	3.00%	--
01/29/2016 21:30	US GDP Price Index	4Q A	0.80%	0.80%	1.30%	--
01/29/2016 22:45	US Chicago Purchasing Manager	Jan	45.3	55.6	42.9	--
01/29/2016 23:00	US U. of Mich. Sentiment	Jan F	93	92	93.3	--
02/01/2016 07:00	SK BoP Current Account Balance	Dec	--	\$7459.5m	\$9404.4m	\$9910.3m
02/01/2016 07:30	AU TD Securities Inflation MoM	Jan	--	0.40%	0.20%	--
02/01/2016 08:00	SK Exports YoY	Jan	-10.30%	--	-13.80%	-14.10%
02/01/2016 09:00	CH Manufacturing PMI	Jan	49.6	--	49.7	--
02/01/2016 09:30	SK Nikkei South Korea PMI Mfg	Jan	--	--	50.7	--

02/01/2016 09:45	CH	Caixin China PMI Mfg	Jan	48.1	--	48.2	--
02/01/2016 10:00	JN	Nikkei Japan PMI Mfg	Jan F	--	--	52.4	--
02/01/2016 10:30	TA	Nikkei Taiwan PMI Mfg	Jan	--	--	51.7	--
02/01/2016 11:00	ID	Nikkei Indonesia PMI Mfg	Jan	--	--	47.8	--
02/01/2016 11:00	TH	CPI YoY	Jan	-0.46%	--	-0.85%	--
02/01/2016 11:00	TH	CPI Core YoY	Jan	0.56%	--	0.68%	--
02/01/2016 12:00	VN	Nikkei Vietnam PMI Mfg	Jan	--	--	51.3	--
02/01/2016 13:00	IN	Nikkei India PMI Mfg	Jan	--	--	49.1	--
02/01/2016 13:30	AU	Commodity Index YoY	Jan	--	--	-23.30%	--
		Markit/ADACI Italy Manufacturing					
02/01/2016 16:45	IT	PMI	Jan	54.8	--	55.6	--
02/01/2016 16:50	FR	Markit France Manufacturing PMI	Jan F	50	--	50	--
		Markit/BME Germany					
02/01/2016 16:55	GE	Manufacturing PMI	Jan F	52.1	--	52.1	--
		Markit Eurozone Manufacturing					
02/01/2016 17:00	EC	PMI	Jan F	52.3	--	52.3	--
02/01/2016 17:30	UK	Mortgage Approvals	Dec	69.6k	--	70.4k	--
02/01/2016 17:30	UK	Markit UK PMI Manufacturing SA	Jan	51.6	--	51.9	--
02/01/2016 21:30	US	Personal Income	Dec	0.20%	--	0.30%	--
02/01/2016 21:30	US	Personal Spending	Dec	0.10%	--	0.30%	--
02/01/2016 22:30	CA	RBC Canadian Manufacturing PMI	Jan	--	--	47.5	--
02/01/2016 22:45	US	Markit US Manufacturing PMI	Jan F	52.7	--	52.7	--
02/01/2016 23:00	US	ISM Manufacturing	Jan	48.5	--	48.2	48
02/01/2016 23:00	US	ISM Prices Paid	Jan	35	--	33.5	--
02/01/2016 23:00	US	Construction Spending MoM	Dec	0.60%	--	-0.40%	--
02/01/2016	ID	CPI NSA MoM	Jan	0.66%	--	0.96%	--

Source: Bloomberg

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