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Highlights

Global	<p>Crude oil prices rebounded overnight, but global risk sentiments were tempered by news that the US' non-manufacturing ISM saw its slowest pace of expansion since February 2014, signalling that the growth engine is slowing. In Asia, however, service PMIs were generally more resilient than their manufacturing PMI readings. Note that Fed's Dudley said in an interview that "it's a little too soon to draw any firm conclusions from what we've seen" but "one thing I think we can say with more confidence is that financial conditions are considerably tighter than they were at the time of the December meeting". This contributed to the market further pricing out the possibility of FOMC rate hike potential this year. Meanwhile, BOT kept its benchmark interest rate unchanged at 1.5% as widely anticipated. Expect market sentiments to remain fragile in Asia today.</p> <p>Market focus will shift to BOE MPC (where we expect no change in the 0.5% bank rate and GBP375b asset purchase program. Though, the inflation report press conference may draw more attention in terms of dousing rate hike expectations for this year?). On the data front, watch for US' durable goods orders, factory orders, initial jobless claims and 4Q15 preliminary nonfarm productivity, UK's Halifax house price, and Thai consumer confidence.</p>
US	<p>Non-manufacturing ISM slid from a revised 55.8 in Dec to 53.5 in Jan, marking it the biggest slide since November 2008, with the new orders gauge sliding from 58.9 to 56.5 and the employment gauge also falling from 56.3 to 52.1 (matching the April 2014 print). The prices paid gauge also contracted for the first time in three months at 46.4 (previously 51). Ten service industries led by finance and insurance, real estate and leasing, saw growth in January, whereas eight industries like mining, education and transportation noted contractions amid concerns about financial markets, global weakness and the effect on sentiments. However, the ADP employment data pointed to +205k gains in January, with December also revised up from 257k to 267k.</p>
S'pore	<p>The Nikkei Singapore PMI improved from 52.1 in Dec to 52.5 in Jan, which is the strongest since February 2015. Meanwhile, Category B COE premiums declined 23% to \$38,610 in yesterday's tender.</p>
China	<p>China's head of economic planning confirmed China's 6.5%-7% growth target for 2016. Meanwhile, China's government bonds were sold off due to concerns that China may tighten its control on wealth management products from banks, which may lead to deleveraging in bond markets despite still easing overall policy. 10-year government bond yield spiked to 3%.</p>
Thailand	<p>BOT left rates unchanged at 1.5% for the sixth consecutive meeting, as widely expected by the market. The committee deems monetary policy as accommodative, citing growth supportive drivers seen in the high disbursement of public expenditure, higher tourist arrivals and expansion in private consumption. Please see our latest Thailand Outlook – Keep Calm and Stay Pat (3 Feb 2016) for more.</p>
Commo- dities	<p>Crude oil prices surged, all thanks to the falling dollar (largest daily fall in 9 weeks) and Russia's comments on its willingness to discuss oil production with the OPEC cartel. Market also appears to have shrugged off the larger-than-expected rise in US oil inventories, likely reasoning that the rise is due to seasonal effects as some oil refineries went off-grid for maintenance.</p>

Major Market

- **US:** Wall Street recovered yesterday, with its fortunes correlated to the price action of oil these days. Dow +1.13%, S&P500 +0.50% and Nasdaq -0.28%. Energy and material shares led the advance. VIX -1.50% to 21.65. The UST bond market traded with the 2- and 10-year bond yields at 0.73% and 1.89% (+4bps) respectively. Meanwhile, Brainard also largely echoed Dudley by noting that “recent developments reinforce the case for watchful waiting” as EM/China stresses “translates into weaker exports, business investment and manufacturing in the United States, slower progress on hitting the inflation target, and financial tightening through the exchange rate and rising risk spreads on financial assets”.
- **EZ:** The region’s services and composite Markit PMIs were both at 53.6 in January, with Germany leading at 55.0 and 54.5 respectively.
- **Singapore:** The STI declined 1.10% to close at 2550.74 yesterday, and while Wall Street climbed overnight, morning cues from Nikkei and Kospi are mixed, therefore the STI may be stuck in a lacklustre range between 2520-2580. The SGS bond market may remain supported in the interim as risk sentiments remain vulnerable.
- **Hong Kong:** The Hang Seng Index erased previous day’s gain in its fall of 2.34% to 18,991.59, with the Hang Seng China Enterprises Index mirroring the decline (-2.48%) below its 8,000 handle. Equities were dragged mostly on renewed risk aversion given lower oil prices, and exacerbated by China’s implementation of a \$5,000 per transaction limit to overseas purchases of insurance products through UnionPay cards. Elsewhere, the HKD weakened and shortly breached 7.8000 against USD.
- **Indonesia:** The government is going to give a legal guarantee to the China-backed rail operator that was chosen to build Jakarta-Bandung highspeed train. This is to protect them from project cancellation or stoppage during concession caused by a change in government administration. Last year, it chose China over Japan because it did not want to provide a guarantee, making the change of stance a curious one.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the short-end rate increasing 3bps-7bps and the longer-end rate decreasing 2bps. In the broader dollar space, JACI IG corporates widened by 3bps to 239bps while the yield on the JACI HY corporates widened by 1bp to 8.33%. 10y UST increased by 4bps to 1.89%. The deadline for Lippo Karawaci’s USD bond exchange (LPKRIJ’19s for the new LPKR’23s) is today. However, it looks like the new 7NC4 2023 bonds will not be issued today due to market conditions, with the issuer deciding to revisit the market at a later date.
- **Rating Changes:** Fitch downgraded Dalian Wanda Commercial Properties Company and Wanda Properties International Co Ltd from “BBB+” to “BBB”. Outlook is stable. This was due to lower level of contracted sales in 2016 and 2017 which will not be sufficient to support its on-going capex plans and development expenditure. Moody’s downgraded JSW Steel Ltd to “Ba3” from “Ba1”. Outlook is negative. This is due to weaker-than-expected operating performance on lower steel prices, which is expected to continue over the next 12-18 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.288	-1.60%	USD-SGD	1.4136	-1.04%
USD-JPY	117.900	-1.73%	EUR-SGD	1.5699	0.65%
EUR-USD	1.1105	1.70%	JPY-SGD	1.1992	0.69%
AUD-USD	0.7169	1.85%	GBP-SGD	2.0646	0.30%
GBP-USD	1.4603	1.34%	AUD-SGD	1.0134	0.80%
USD-MYR	4.2185	0.24%	NZD-SGD	0.9423	1.26%
USD-CNY	6.5770	-0.04%	CHF-SGD	1.4077	0.41%
USD-IDR	13770	0.58%	SGD-MYR	2.9504	-0.09%
USD-VND	22287	-0.03%	SGD-CNY	4.6117	0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2310	--	O/N	0.3690	--
2M	-0.1980	--	1M	0.4285	--
3M	-0.1610	--	2M	0.5196	--
6M	-0.0940	--	3M	0.6192	--
9M	-0.0440	--	6M	0.8649	--
12M	0.0090	--	12M	1.1379	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.36	-4.00	2.93
Italy	-0.03	-1.40	1.44
Ireland	-0.34	-1.90	0.95
Greece*	10.84	-46.90	9.32
Spain	-0.03	-1.90	1.55
Russia^	3.68	-8.10	6.02

* 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	16,336.66	183.10
S&P	1,912.53	9.50
Nasdaq	4,504.24	-12.70
Nikkei 225	17,191.25	-559.40
STI	2,550.74	-28.50
KLCI	1,633.30	-19.90
JCI	4,596.11	8.70
Baltic Dry	303.00	-7.00
VIX	21.65	-0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.07 (+0.02)	0.72 (--)
5Y	1.85 (-0.01)	1.27 (+0.01)
10Y	2.18 (-0.05)	1.89 (+0.04)
15Y	2.56 (-0.02)	--
20Y	2.61 (-0.02)	--
30Y	2.71 (-0.02)	2.71 (+0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.52	1.56
EURIBOR-OIS	14.10	0.60
TED	28.99	0.65

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	32.28	8.03%	Coffee (per lb)	1.216	1.42%
Brent (per barrel)	35.04	7.09%	Cotton (per lb)	0.6194	-0.58%
Heating Oil (per gallon)	1.079	6.70%	Sugar (per lb)	0.1289	-0.77%
Gasoline (per gallon)	1.01	1.29%	Orange Juice (per lb)	1.3565	-0.66%
Natural Gas (per MMBtu)	2.038	0.64%	Cocoa (per mt)	2,837	2.75%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,635.0	1.89%	Wheat (per bushel)	4.8000	1.00%
Nickel (per mt)	8,489	1.43%	Soybean (per bushel)	8.768	-1.07%
Aluminium (per mt)	1,526.5	1.51%	Corn (per bushel)	3.7100	-0.40%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,141.3	1.24%	Crude Palm Oil (MYR/MT)	2,454.0	0.90%
Silver (per oz)	14.734	3.11%	Rubber (JPY/KG)	148.7	-1.85%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
02/03/2016 04:04	US Wards Total Vehicle Sales	Jan	17.30m	17.46m	17.22m	--
02/03/2016 05:00	SK Foreign Reserves	Jan	--	\$367.29b	\$367.96b	--
02/03/2016 05:45	NZ Unemployment Rate	4Q	6.10%	5.30%	6.00%	--
02/03/2016 05:45	NZ Employment Change QoQ	4Q	0.80%	0.90%	-0.40%	-0.50%
02/03/2016 05:45	NZ Employment Change YoY	4Q	1.10%	1.30%	1.50%	--
02/03/2016 08:30	AU Trade Balance	Dec	-2450m	-3535m	-2906m	-2727m
02/03/2016 08:30	AU Building Approvals MoM	Dec	4.50%	9.20%	-12.70%	-12.40%
02/03/2016 08:30	AU Building Approvals YoY	Dec	-7.20%	-2.50%	-8.40%	-7.60%
02/03/2016 09:45	CH Caixin China PMI Services	Jan	--	52.4	50.2	--
02/03/2016 09:45	CH Caixin China PMI Composite	Jan	--	50.1	49.4	--
02/03/2016 10:00	JN Nikkei Japan PMI Services	Jan	--	52.4	51.5	--
02/03/2016 10:00	JN Nikkei Japan PMI Composite	Jan	--	52.6	52.2	--
02/03/2016 10:30	HK Nikkei Hong Kong PMI	Jan	--	46.1	46.4	--
02/03/2016 13:00	IN Nikkei India PMI Services	Jan	--	54.3	53.6	--
02/03/2016 13:00	IN Nikkei India PMI Composite	Jan	--	53.3	51.6	--
02/03/2016 15:15	TH BoT Benchmark Interest Rate	Feb-03	1.50%	1.50%	1.50%	--
02/03/2016 16:00	SI Automobile COE Open Bid Cat A	Feb-03	--	46651	51301	--
02/03/2016 16:45	IT Markit/ADACI Italy Composite PMI	Jan	--	53.8	56	--
02/03/2016 16:45	IT Markit/ADACI Italy Services PMI	Jan	54	53.6	55.3	--
02/03/2016 16:50	FR Markit France Services PMI	Jan F	50.6	50.3	50.6	--
02/03/2016 16:50	FR Markit France Composite PMI	Jan F	50.5	50.2	50.5	--
02/03/2016 16:55	GE Markit Germany Services PMI	Jan F	55.4	55	55.4	--
02/03/2016 16:55	GE Markit/BME Germany Composite PMI	Jan F	54.5	54.5	54.5	--
02/03/2016 17:00	EC Markit Eurozone Services PMI	Jan F	53.6	53.6	53.6	--
02/03/2016 17:00	EC Markit Eurozone Composite PMI	Jan F	53.5	53.6	53.5	--
02/03/2016 17:30	UK Markit/CIPS UK Services PMI	Jan	55.4	55.6	55.5	--
02/03/2016 17:30	UK Markit/CIPS UK Composite PMI	Jan	55	56.1	55.3	--
02/03/2016 18:00	EC Retail Sales MoM	Dec	0.30%	0.30%	-0.30%	0.00%
02/03/2016 18:00	EC Retail Sales YoY	Dec	1.50%	1.40%	1.40%	1.60%
02/03/2016 18:00	IT CPI NIC incl. tobacco MoM	Jan P	-0.20%	-0.20%	0.00%	--
02/03/2016 18:00	IT CPI NIC incl. tobacco YoY	Jan P	0.30%	0.30%	0.10%	--
02/03/2016 18:00	IT CPI EU Harmonized MoM	Jan P	-2.30%	-2.20%	-0.10%	--
02/03/2016 18:00	IT CPI EU Harmonized YoY	Jan P	0.30%	0.40%	0.10%	--
02/03/2016 20:00	US MBA Mortgage Applications	Jan-29	--	-2.60%	8.80%	--
02/03/2016 21:15	US ADP Employment Change	Jan	195k	205k	257k	267k
02/03/2016 22:45	US Markit US Services PMI	Jan F	53.7	53.2	53.7	--
02/03/2016 22:45	US Markit US Composite PMI	Jan F	--	53.2	53.7	--
02/03/2016 23:00	US ISM Non-Manf. Composite	Jan	55.1	53.5	55.3	55.8
02/04/2016 16:30	UK Halifax House Prices MoM	Jan	0.10%	--	1.70%	--
02/04/2016 16:30	UK Halifax House Price 3Mths/Year	Jan	9.00%	--	9.50%	--
02/04/2016 20:00	UK Bank of England Bank Rate	Feb-04	0.50%	--	0.50%	--
02/04/2016 20:00	UK BOE Asset Purchase Target	Feb	375b	--	375b	--
02/04/2016 21:30	US Initial Jobless Claims	Jan-30	277k	--	278k	--
02/04/2016 21:30	US Continuing Claims	Jan-23	2240k	--	2268k	--
02/04/2016 22:45	US Bloomberg Consumer Comfort	Jan-31	--	--	44.6	--
02/04/2016 23:00	US Factory Orders	Dec	-2.80%	--	-0.20%	--
02/04/2016 23:00	US Durable Goods Orders	Dec F	-4.50%	--	-5.10%	--
02/04/2016 23:00	US Durables Ex Transportation	Dec F	--	--	-1.20%	--
02/04/2016 23:00	US Cap Goods Orders Nondef Ex Air	Dec F	--	--	-4.30%	--
02/04/2016 23:00	US Cap Goods Ship Nondef Ex Air	Dec F	--	--	-0.20%	--

Source: Bloomberg

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