

**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**

<b>Global</b>	<p>Another day of sell-off in Wall Street with the S&amp;P500 closing below 1900 and officially entering correction territory – something that is becoming quite routine in 2016. Fed's Beige Book reported that the economy expanded in 9 of the 12 districts, with 7 citing modest growth, 2 citing moderate growth, and 2 citing flat growth, whilst 1 was upbeat. Notably, there was little wage inflation which could stay the Fed's hand at the 28 Jan FOMC meeting – "Labour markets continued to improve, with employment increases evident in reports from seven Districts. Four Districts mentioned signs of labor market tightening. However, Districts reported little overall change in wage and price pressures, with wage increases running from flat to moderate, while price increases tended to be minimal." Meanwhile, China's larger than expected trade surplus did little to soothe market jitters even though exports rebounded 2.3% yoy and imports shrunk by a smaller 4.0% yoy in Dec15.</p> <p>For today, look for the BOE's MPC to remain reticent on any impending normalisation of monetary policy given the dimming economic outlook, further slump in crude oil prices (with the Nov15 inflation print at a miserly 0.1% only), lingering China concerns, and last but not least Brexit risk. BI is also due to meet. Other key data to watch include US' initial jobless claims and import price index and India's wholesale prices.</p>
<b>US</b>	<p>Fed's Rosengren opined that while the median dots graph provides a "reasonable estimate" there are "downside risks" and "I will remain highly attentive to foreign economic conditions, any weakening of the domestic economic situation, and the path of US inflation". He stressed that "further tightening will require data continuing to be strong enough that growth will be at or above potential, so that the Federal Reserve policy makers can be confident that inflation will reach our 2 percent target". Meanwhile, Evans called for an "even shallower" rate trajectory to a "lower resting point".</p>
<b>China</b>	<p>December trade data improved with exports contracting less than the narrowing of import growth. Export in dollar term fell by 1.4% while import fell by 7.6%. However, export prospects may not look as bright as headline data shows as the better than expected export growth was mainly attributable to significant pickup of demand from Hong Kong. Noting that exports to Hong Kong grew by 10.8% yoy in December after contracting for 9 straight months despite exports to G3 still fell by 1.3% yoy. The strong demand from Hong Kong may be due to frontloading of shipping ahead of Chinese New Year festival or distorted by the cross border CNY-CNH arbitrage. Either way, it may be still too early to expect a sustainable recovery of exports.</p> <p>In addition to better than expected exports, China's trade surplus widened again in December to US\$60.09 billion, up from US\$54.10 billion. Nevertheless, this does not bode well for the picture of China's capital flows. Given the sharp decline of FX reserve in December, it suggests that capital outflows may have accelerated in December.</p>
<b>Commodities</b>	<p>With little energy-related news-flow yesterday, market-watchers eyed closely on the US energy stockpile data out yesterday night. Although crude oil inventories rose a mere 234k barrels vs market expectation of 2 million barrels, the strong surge in gasoline and distillate inventory print left heating oil below \$1.00/gallon, the lowest since 2004, while gasoline fell to a mere \$1.05/gallon (-3.0%).</p>

## Major Market

- **US:** The Beige Book also reported that “growth of consumer spending ranged from slight to moderate in most districts, while auto sales were somewhat mixed” and “with the exception of motor vehicles and aerospace, most manufacturing sectors displayed a weakening in activity”. In addition, “most Districts reported that loan demand grew, credit quality improved, or loan delinquencies fell, with credit standards changing little”. Meanwhile, the monthly budget balance swung more than expected from a surplus of \$1.9b in Nov to a deficit of \$14.4b in Dec15. Separately, President Obama’s State of the Union address was non-market moving.
- Wall Street tumbled overnight amid broad-based selling interest, with the Dow -2.21%, S&P500 -2.50% and Nasdaq -3.41%. VIX +12.24% to 25.22. Decliners included Netflix. Financial institutions like Citigroup and JPMorgan are reporting earnings today. With the sustained de-risking in the equity and commodity space, the 2- and 10-year UST bond yields rallied to 0.91% and 2.09% respectively. The US\$21b 10-year bond auction saw strong demand with indirect bidding of 71% (second highest on record) with a yield of 2.09%. There is a US\$13b 30-year bond auction today.
- **Singapore:** The STI manage to finally eke out modest gains of 0.18% to close at 2696.50 yesterday, but may stay under the weather today given Wall Street’s renewed tumble overnight on oil woes. The STI may see support and resistance at 2660 and 2700 respectively. Expect the SGS bond market to remain better bid today, with longer-dated bonds leading gains and the 10-year SGS bond yield could break below the 2.5% handle soon. Meanwhile, short-term interest rates continued to test higher amid the SGD weakness, with the 3-month SOR already crossing the 1.25% handle.
- **Japan:** Machine orders plunged more than expected by 14.4% mom (+1.2% yoy) in Nov, down from +10.7% mom (+10.3% yoy) in Oct, suggesting weakening momentum in future capital spending.
- **China:** On a positive note, China’s imports of crude oil and iron ore by volume grew by 9.3% and 10.8% respectively despite the decline of both imports by value as a result of falling commodity prices. The recent rebound of iron ore imports may indicate the turnaround of investment cycle due to an acceleration of infrastructure investment.
- **Hong Kong:** The government will continue to increase house supply to tackle housing problem as mentioned in yesterday’s 2016 public address. We believe the increasing housing supply coupled with the tightening circle of Fed and HK economic slowdown would add more downward pressure to HK residential property market.
- **Indonesia:** Bank Indonesia is due to announce its monetary policy decision after a two-day meeting today. Market is fairly evenly split in expectations, but we expect BI to ease its policy rate by 25bps. While the ‘China Scare’ may continue to play out, the relative stability of Indonesian Rupiah should give them enough comfort zone to cut, amid a tamer inflation outlook and improvement in current account deficit.
- **Malaysia:** The government is reportedly going to announce cuts in its operating expenditure and revisions in growth forecasts on January 28th. The current version of 2016 Budget assumes an oil price of USD48/barrel, which is looking increasingly untenable.

## Bond Market Updates

- **Market Commentary:** The SGD swap rates bull-flattened yesterday, with the short-end rates trading 1bp-5bps lower while the belly-to-long-end-rates traded 6bps-8bps lower. In the broader Asia dollar space, JACI IG corporate spreads remained flat at 224.5bps while the yield on the JACI HY corporates fell by 2bps to 8.03%. 10y UST fell by 1.05bps to 2.09%.
- **New Issues:** Korea Midland Power priced a USD300m 5.5-year bond at CT5+110bps, tightening from an initial guidance of CT5+125bps. Hong Kong Airlines set final guidance for its USD bond issue (~150m-200m) at 7.25%, tightening from an initial guidance of 7.5%. India Exim priced a USD500m 5.5-year bond at CT5+165bps, tightening from an initial guidance of CT5+180bps. DBS Group Holdings Ltd priced SGD250m fixed rate callable tier 2 bonds (12NC7) at 3.8%. Sumitomo Mitsui Banking Corp came to market with a dual tranche deal with the USD750m 3-year tranche pricing at CT3+95bps, tightening from initial guidance of CT3+110. The remaining tranche is a USD500m FRN priced at 3mL+94bps. Nippon Life Insurance Co. priced USD1.5bn of 30NC10 bonds at 4.7%, tightening from an initial guidance of 5.0%. Hsin Chong Construction Group Ltd provided an initial guidance on 3-year USD bond at 8.5%, and expects the issue to be priced further this week. China Nonferrous Mining Corp plans for a USD bond issue, with investors meeting scheduled on 15 Jan.
- **Rating Changes:** S&P downgraded Tata Steel's long term credit rating to "BB-" from "BB", citing cash flows that will be under pressure over the next 12-24 months due to lower steel prices amidst competitively priced imports. Outlook is stable.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	98.933	-0.04%	<b>USD-SGD</b>	1.4367	-0.10%
<b>USD-JPY</b>	117.680	0.03%	<b>EUR-SGD</b>	1.5627	0.07%
<b>EUR-USD</b>	1.0877	0.17%	<b>JPY-SGD</b>	1.2213	-0.10%
<b>AUD-USD</b>	0.6955	-0.44%	<b>GBP-SGD</b>	2.0698	-0.39%
<b>GBP-USD</b>	1.4407	-0.28%	<b>AUD-SGD</b>	0.9993	-0.54%
<b>USD-MYR</b>	4.3772	-0.83%	<b>NZD-SGD</b>	0.9360	-0.46%
<b>USD-CNY</b>	6.5754	0.04%	<b>CHF-SGD</b>	1.4284	-0.46%
<b>USD-IDR</b>	13835	-0.54%	<b>SGD-MYR</b>	3.0551	-0.30%
<b>USD-VND</b>	22417	-0.06%	<b>SGD-CNY</b>	4.5753	0.11%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.2200	--	<b>O/N</b>	0.3661	--
<b>2M</b>	-0.1790	--	<b>1M</b>	0.4245	--
<b>3M</b>	-0.1440	--	<b>2M</b>	0.5151	--
<b>6M</b>	-0.0530	--	<b>3M</b>	0.6236	--
<b>9M</b>	-0.0060	--	<b>6M</b>	0.8548	--
<b>12M</b>	0.0480	--	<b>12M</b>	1.1561	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
<b>Portugal</b>	0.10	-1.70	2.67
<b>Italy</b>	0.01	-0.10	1.56
<b>Ireland</b>	-0.29	-1.60	1.00
<b>Greece*</b>	8.93	11.30	8.51
<b>Spain</b>	0.01	0.00	1.78
<b>Russia^</b>	4.18	2.70	6.30

\* 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
<b>DJIA</b>	16,151.41	-364.80
<b>S&amp;P</b>	1,890.28	-48.40
<b>Nasdaq</b>	4,526.06	-159.90
<b>Nikkei 225</b>	17,715.63	496.70
<b>STI</b>	2,696.50	4.70
<b>KLCI</b>	1,642.54	1.20
<b>JCI</b>	4,537.18	24.70
<b>Baltic Dry</b>	394.00	-8.00
<b>VIX</b>	25.22	2.80

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.16 (-0.01)	0.91 (-0.02)
<b>5Y</b>	2.03 (-0.04)	1.53 (-0.01)
<b>10Y</b>	2.53 (-0.05)	2.09 (-0.01)
<b>15Y</b>	2.81 (-0.06)	--
<b>20Y</b>	2.84 (-0.05)	--
<b>30Y</b>	2.91 (-0.05)	2.88 (--)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	23.76	0.35
<b>EURIBOR-OIS</b>	11.10	-0.53
<b>TED</b>	40.33	-1.18

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	30.48	0.13%	Coffee (per lb)	1.148	0.39%
Brent (per barrel)	30.31	-1.78%	Cotton (per lb)	0.6214	0.89%
Heating Oil (per gallon)	0.969	-2.09%	Sugar (per lb)	0.1447	2.99%
Gasoline (per gallon)	1.05	-2.95%	Orange Juice (per lb)	1.3135	-0.49%
Natural Gas (per MMBtu)	2.269	0.53%	Cocoa (per mt)	2,892	1.12%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,392.0	0.92%	Wheat (per bushel)	4.7800	-0.68%
Nickel (per mt)	8,358	1.87%	Soybean (per bushel)	8.990	0.93%
Aluminium (per mt)	1,469.5	1.24%	Corn (per bushel)	3.5800	0.35%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,087.1	0.18%	Crude Palm Oil (MYR/MT)	2,260.0	1.62%
Silver (per oz)	14.156	2.95%	Rubber (JPY/KG)	138.9	5.15%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
01/13/2016 07:00	NZ QV House Prices YoY	Dec --	14.20%	15.00%	--
01/13/2016 07:00	SK Unemployment rate SA	Dec	3.50%	3.40%	3.40%
01/13/2016 07:50	JN Money Stock M2 YoY	Dec	3.30%	3.00%	3.30%
01/13/2016 07:50	JN Money Stock M3 YoY	Dec	2.70%	2.50%	2.70%
01/13/2016 10:55	CH Trade Balance	Dec	\$51.30b	\$60.09b	\$54.10b
01/13/2016 10:55	CH Exports YoY	Dec	-8.00%	-1.40%	-6.80%
01/13/2016 10:55	CH Imports YoY	Dec	-11.00%	-7.60%	-8.70%
01/13/2016 15:45	FR CPI EU Harmonized MoM	Dec	0.10%	0.20%	-0.20%
01/13/2016 15:45	FR CPI EU Harmonized YoY	Dec	0.20%	0.30%	0.10%
01/13/2016 15:45	FR CPI MoM	Dec	0.10%	0.20%	-0.20%
01/13/2016 15:45	FR CPI YoY	Dec	0.10%	0.20%	0.00%
01/13/2016 15:45	FR CPI Ex-Tobacco Index	Dec	125.9	126.03	125.75
01/13/2016 18:00	EC Industrial Production SA MoM	Nov	-0.30%	-0.70%	0.60%
01/13/2016 18:00	EC Industrial Production WDA YoY	Nov	1.30%	1.10%	1.90%
01/13/2016 20:00	US MBA Mortgage Applications	Jan-08 --		21.30%	-11.60%
01/14/2016 03:00	US Monthly Budget Statement	Dec	-\$10.0b	-\$14.4b	\$1.9b
01/14/2016 07:50	JN Machine Orders MoM	Nov	-7.30%	-14.40%	10.70%
01/14/2016 07:50	JN Machine Orders YoY	Nov	6.30%	1.20%	10.30%
01/14/2016 07:50	JN PPI MoM	Dec	-0.40%	-0.30%	-0.10%
01/14/2016 07:50	JN PPI YoY	Dec	-3.50%	-3.40%	-3.60%
01/14/2016 08:30	AU Employment Change	Dec	-10.0k	--	71.4k
01/14/2016 08:30	AU Unemployment Rate	Dec	5.90%	--	5.80%
01/14/2016 08:30	AU Full Time Employment Change	Dec	--	--	41.6k
01/14/2016 08:30	AU Participation Rate	Dec	65.20%	--	65.30%
01/14/2016 14:00	JN Machine Tool Orders YoY	Dec P --	--	--	-17.70%
01/14/2016 14:30	IN Wholesale Prices YoY	Dec	-1.15%	--	-1.99%
01/14/2016 17:00	IT Industrial Production MoM	Nov	0.20%	--	0.50%
01/14/2016 17:00	IT Industrial Production WDA YoY	Nov	2.50%	--	2.90%
01/14/2016 17:00	IT Industrial Production NSA YoY	Nov	--	--	-0.30%
01/14/2016 20:00	UK Bank of England Bank Rate	Jan-14	0.50%	--	0.50%
01/14/2016 20:00	UK BOE Asset Purchase Target	Jan	375b	--	375b
01/14/2016 21:30	US Import Price Index MoM	Dec	-1.30%	--	-0.40%
01/14/2016 21:30	US Initial Jobless Claims	Jan-09	275k	--	277k
01/14/2016 21:30	CA New Housing Price Index MoM	Nov	0.20%	--	0.30%
01/14/2016 21:30	US Continuing Claims	Jan-02	2210k	--	2230k
01/14/2016 22:45	US Bloomberg Consumer Comfort	Jan-10	--	--	44.2
01/14/2016	SK BoK 7-Day Repo Rate	Jan-14	1.50%	--	1.50%
01/14/2016	ID Bank Indonesia Reference Rate	Jan-14	7.25%	--	7.50%
01/14/2016 01/19	IN Exports YoY	Dec	--	--	-24.40%
01/14/2016 01/19	IN Imports YoY	Dec	--	--	-30.30%
01/14/2016 01/20	ID Local Auto Sales	Dec	--	--	86979
01/13/2016 01/15	CH Money Supply M2 YoY	Dec	13.60%	--	13.70%
01/13/2016 01/15	CH Money Supply M1 YoY	Dec	15.50%	--	15.70%
01/13/2016 01/15	CH New Yuan Loans CNY	Dec	700.0b	--	708.9b

Source: Bloomberg

<b><u>OCBC Treasury Research</u></b>		
<b><u>Macro Research</u></b> <b>Selena Ling</b> LingSSSelena@ocbc.com <b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com <b>Wellian Wiranto</b> WellianWiranto@ocbc.com <b>Tommy Xie Dongming</b> XieD@ocbc.com <b>Barnabas Gan</b> BarnabasGan@ocbc.com	<b><u>Credit Research</u></b> <b>Andrew Wong</b> WongVKAM@ocbc.com <b>Wong Liang Mian (Nick)</b> NickWong@ocbc.com <b>Koh Jun Ming, Nicholas</b> NicholasKoh@ocbc.com	<b><u>Wing Hang</u></b> <b>Kam Liu</b> kamyliu@ocbcwh.com <b>Carie Li</b> carierli@ocbcwh.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