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Highlights

Global	<p>With the renewed slide in crude oil prices, Wall Street also took the negative cue and slipped overnight. Hitting the headlines this morning was South Korea's 4Q15 GDP growth which was in line at +3.0% yoy (+0.6% qoq sa), the fastest pace since 3Q14 and marked an improvement from the +2.7% yoy (+1.3% qoq sa) print in 3Q15. With market jitters about global growth and crude oil over-supply returning to haunt the market, expect the flight to safety bid to dominate the market tone today.</p> <p>Key data on tap today include US' Markit services and composite PMIs, S&P/CaseShiller house prices and FHFA house prices, HK trade data, and S'pore's industrial production. The 2-day FOMC meeting also starts today, but the FOMC statement is only due at the end of the meeting, and may not shed much light on the Fed's intended timing for the second rate hike.</p>
US	<p>Dallas Fed manufacturing activity index slipped from a revised -21.6 in Dec15 to a worse-than-expected -34.6 in Jan16, marking the deepest dive in 11 years and tracked the oil price slump to below US\$27 per barrel.</p>
EZ	<p>German IFO business climate slid for the second month from a revised 108.6 in Dec15 to 107.3 in Jan15, with the expectations gauge registering a bigger drop from 104.63 to 102.4 whereas the current assessment gauge also retraced from 112.8 to 112.5. This suggests that global growth forecast downgrades and the China slowdown have impacted business confidence.</p> <p>Meanwhile, ECB president Draghi continued to jawbone the market, saying that "meeting our objective is about credibility" and "if a central bank sets an objective, it can't just move the goalposts when it misses it".</p>
JP	<p>Ahead of the BOJ policy meeting where market is anticipating no change at the moment, rhetoric has emerged to suggest possible tweaks to the inflation target and/or timeline.</p>
Singapore	<p>Headline CPI inflation declined for the 14th straight month, albeit less than expected by 0.6% yoy (flat on-month) in Dec 15, as the drag from private road transport costs eased from -1.7% yoy in Nov to -1.1% in Dec due to higher petrol pump prices (resulting from a low base last year). Core CPI also unexpectedly edged up marginally from +0.2% yoy in Nov 15 to +0.3% yoy in Dec, buoyed by services inflation, particularly education (+3.7% yoy), recreation and culture (+1.4% yoy on the back of more costly holiday travel).</p> <p>For 2016, MAS and MTI noted there is "significant uncertainty over the outlook for average global oil prices for the year as a whole" which warrants them to "closely monitor" and "assess their impact on domestic inflation". We tip 2016 headline and core inflation at -0.4% yoy and +1.0% yoy respectively, implying headline inflation will remain mired in negative yoy territory in at least the first half of this year, whereas core inflation may start to see some very modest upside pressure. Today's Dec industrial production data will likely capped a year of weakness and come in at -5.7% yoy (+3.8% mom sa).</p>
Commodities	<p>Renewed risk aversion was observed once again overnight, seen from lower Wall Street, with growth-related commodities edging lower. Crude oil erased some of its previous gains, with WTI breaking its \$30/bbl support this morning while Brent hovers around \$30/bbl. Do note that crude oil is likely to remain weak on oversupply concerns. Elsewhere, gold was lifted higher to \$1,105/oz likely on safe haven demand.</p>

Major Market

- **US:** Wall Street quickly surrendered Friday's gains as crude oil prices resumed its southbound trajectory, with the Dow -1.29%, S&P500 -1.56% and Nasdaq -1.58%. VIX +8.10% to 24.15. On the earnings front, Halliburton slipped after a quarterly loss, while Exxon Mobil also followed the crude oil price slide lower. Meanwhile, McDonald's Corp rose after beating analysts' estimates, and Tyco International rose on M&A news. The UST bond market saw the return of flight to safety demand, with the 2- and 10-year bond yields back down to 0.86% and 2.0% respectively. There is a US\$26b 2-year auction tomorrow, followed by US\$15b 2-year floating rate notes and US\$35b 5-year notes on 28 Jan, and US\$29b 7-year notes on 29 Jan.
- **Singapore:** For the full year 2015, headline and core CPI fell 0.5% yoy (2014: +1.0%) and +0.5% (2014: +1.9%) respectively. This would have been the weakest headline and core inflation prints since 1986 and at least 2010 (based on official data, and probably 2009 based on our own estimates) respectively. Both MTI and MAS anticipate MAS core inflation to pick up gradually over the course of the year, as the year-on-year disinflationary effects of budgetary and other one-off measures ease.
- The STI added another modest 0.22% to close at 2582.64 yesterday, but looks set to relinquish some of the last two session's gains today. Given the negative lead from Wall Street and morning retreats by Nikkei and Kospi, the STI could trade lower to test support at 3240, while resistance is at 2600. Expect the SGS bond market to be lifted by the U-turn in global risk appetite, even with the \$2.1b 5-year SGS bond re-opening tomorrow.
- **Indonesia:** Bank Indonesia said that inflation will likely pick up in January due to food prices. Governor Agus Martowardojo was quoted as saying that the year-on-year rate may pick up to 4.38% compared to 3.35% in December.
- **Thailand:** Officials have hinted on extending the rubber subsidy deadline past June 2016 especially if rubber prices stay low. The government had agreed to buy rubber sheet at THB45/kg and aims to purchase 100,000 tonnes of rubber.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 2bps-4bps higher yesterday. In the broader dollar space, JACI IG corporates spread was flat at 237bps, while the yield on the JACI HY corporates increased by 1bp to 8.28%. 10y UST yields decreased by 5bps to 2%. Pacific Andes released a statement saying they are unable to meet the SGD bond repayment of SGD186mn to investors who exercised their put option. Elsewhere, China Oriental offered to buy back all \$114m outstanding of its 7%'17 notes at \$985 per \$1,000 principal amount. The purpose of the buyback is to reduce outstanding indebtedness and eliminate substantially restrictive covenants (Bloomberg).
- **Rating Changes:** Moody's has downgraded Wuzhou International Holdings Limited's corporate family rating to "Caa1" from "B2", citing Wuzhou's increased level of liquidity risk. Outlook is negative. Moody's also downgraded SK E&S Co Ltd's issuer rating to "Baa2" from "Baa1", and its preferred stock rating to "Ba1" from "Baa3", citing SK E&S's delay in implementing deleveraging measures which will hold back recovery in its credit metrics over the next 1-3 years. Outlook is negative. Following the lowering of its oil price assumption on 12 Jan 2016, S&P lowered the following ratings as of 25 Jan 2016:
 1. The long-term corporate credit rating on China Petrochemical Corp. (Sinopec Group) to "A+" from "AA".
 2. The issue ratings on all the outstanding notes that Sinopec Group guarantees to "A+" from "AA-".

3. The long-term corporate credit rating on Sinopec Century Bright Capital Investment Ltd. to “A” from “A+”.
 4. The corporate credit rating on MIE Holdings Corp to “B-“ from “B”.
 5. The long-term corporate credit rating on CNOOC Ltd to “A+” from “AA-“.
 6. The long-term corporate credit rating on CITIC Resources Holdings to “BB-“from “BB”.
 7. The long-term corporate credit rating on China Petroleum & Chemicals Corp to “A+” from “AA-“.
 8. The long-term corporate credit rating on China Petrochemical Corp to “A+” from “AA-“.
 9. The long-term corporate credit rating on China National Offshore Oil Corp to “A+” from “AA-“.
- The outlook is stable for all above rating changes by S&P.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	99.360	-0.21%	USD-SGD	1.4302	0.02%
USD-JPY	118.300	-0.40%	EUR-SGD	1.5517	0.52%
EUR-USD	1.0849	0.49%	JPY-SGD	1.2089	0.42%
AUD-USD	0.6955	-0.67%	GBP-SGD	2.0379	-0.09%
GBP-USD	1.4249	-0.11%	AUD-SGD	0.9947	-0.66%
USD-MYR	4.2695	-0.54%	NZD-SGD	0.9229	-0.55%
USD-CNY	6.5793	0.01%	CHF-SGD	1.4121	0.35%
USD-IDR	13863	0.13%	SGD-MYR	2.9834	-0.89%
USD-VND	22355	-0.18%	SGD-CNY	4.6057	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2310	--	O/N	0.3659	--
2M	-0.1910	--	1M	0.4255	--
3M	-0.1520	--	2M	0.5185	--
6M	-0.0740	--	3M	0.6191	--
9M	-0.0240	--	6M	0.8650	--
12M	0.0320	--	12M	1.1560	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.38	-0.20	3.04
Italy	-0.01	-0.90	1.56
Ireland	-0.31	-0.30	1.06
Greece*	13.85	19.90	9.44
Spain	-0.01	0.00	1.71
Russia^	3.97	-4.10	6.09

* 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	15,885.22	-208.30
S&P	1,877.08	-29.80
Nasdaq	4,518.49	-72.70
Nikkei 225	17,110.91	152.40
STI	2,582.64	5.50
KLCI	1,625.21	--
JCI	4,505.79	49.00
Baltic Dry	354.00	--
VIX	24.15	1.80

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.13 (+0.01)	0.86 (-0.01)
5Y	1.85 (+0.02)	1.44 (-0.04)
10Y	2.39 (+0.03)	2.00 (-0.05)
15Y	2.73 (+0.03)	--
20Y	2.75 (+0.03)	--
30Y	2.83 (+0.02)	2.78 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.91	-0.95
EURIBOR-OIS	13.60	0.50
TED	33.64	1.23

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	30.34	-5.75%	Coffee (per lb)	1.165	0.39%
Brent (per barrel)	30.50	-5.22%	Cotton (per lb)	0.6160	-1.36%
Heating Oil (per gallon)	0.935	-6.07%	Sugar (per lb)	0.1410	-2.22%
Gasoline (per gallon)	1.03	-4.96%	Orange Juice (per lb)	1.2395	1.89%
Natural Gas (per MMBtu)	2.158	0.89%	Cocoa (per mt)	2,819	-1.85%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,417.0	-0.59%	Wheat (per bushel)	4.8150	1.26%
Nickel (per mt)	8,531	-1.78%	Soybean (per bushel)	8.805	0.46%
Aluminium (per mt)	1,478.8	-0.40%	Corn (per bushel)	3.6975	-0.14%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,105.3	0.82%	Crude Palm Oil (MYR/MT)	2,382.0	--
Silver (per oz)	14.254	1.40%	Rubber (JPY/KG)	153.8	2.47%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
01/25/2016 07:50	JN Trade Balance	Dec	¥117.0b	¥140.2b	-¥379.7b	-¥381.3b
01/25/2016 07:50	JN Trade Balance Adjusted	Dec	¥84.2b	¥36.6b	-¥3.3b	¥22.4b
01/25/2016 07:50	JN Imports YoY	Dec	-16.4	-18	-10.2	--
01/25/2016 08:30	AU NAB Business Conditions	Dec	--	7	10	--
01/25/2016 08:30	AU NAB Business Confidence	Dec	--	3	5	--
01/25/2016 13:00	SI CPI NSA MoM	Dec	-0.10%	0.00%	0.20%	--
01/25/2016 13:00	SI CPI YoY	Dec	-0.70%	-0.60%	-0.80%	--
01/25/2016 13:00	JN Leading Index Cl	Nov F	--	103.5	103.9	--
01/25/2016 16:20	TA Money Supply M1B Daily Avg YoY	Dec	--	6.37%	6.73%	--
01/25/2016 17:00	GE IFO Business Climate	Jan	108.4	107.3	108.7	108.6
01/25/2016 17:00	GE IFO Current Assessment	Jan	112.6	112.5	112.8	--
01/25/2016 17:00	GE IFO Expectations	Jan	104.1	102.4	104.7	104.6
01/25/2016 17:00	IT Industrial Orders NSA YoY	Nov	--	12.10%	2.20%	--
01/25/2016 17:00	IT Industrial Orders MoM	Nov	--	1.60%	4.60%	--
01/25/2016 18:00	IT Retail Sales YoY	Nov	--	-0.10%	1.80%	--
01/25/2016 18:00	IT Retail Sales MoM	Nov	0.50%	0.30%	-0.30%	--
01/25/2016 23:30	US Dallas Fed Manf. Activity	Jan	-14.5	-34.6	-20.1	-21.6
01/26/2016 07:00	SK GDP SA QoQ	4Q P	0.60%	0.60%	1.30%	--
01/26/2016 07:00	SK GDP YoY	4Q P	3.00%	3.00%	2.70%	--
01/26/2016 09:00	PH Trade Balance	Nov	-\$1310m	--	-\$1937m	--
01/26/2016 10:00	NZ Credit Card Spending MoM	Dec	--	--	0.70%	--
01/26/2016 10:00	NZ Credit Card Spending YoY	Dec	--	--	8.50%	--
01/26/2016 10:00	CH Bloomberg Jan. China Economic Survey					
01/26/2016 13:00	SI Industrial Production SA MoM	Dec	1.40%	--	-3.60%	--
01/26/2016 13:00	SI Industrial Production YoY	Dec	-7.20%	--	-5.50%	--
01/26/2016 16:30	HK Exports YoY	Dec	-2.90%	--	-3.50%	--
01/26/2016 16:30	HK Imports YoY	Dec	-7.50%	--	-8.10%	--
01/26/2016 16:30	HK Trade Balance	Dec	-40.7b	--	-33.1b	--
01/26/2016 22:00	US FHFA House Price Index MoM	Nov	0.50%	--	0.50%	--
01/26/2016 22:00	US S&P/CaseShiller 20-City Index NSA	Nov	183.09	--	182.83	--
01/26/2016 22:00	US S&P/CS Composite-20 YoY	Nov	5.67%	--	5.54%	--
01/26/2016 22:45	US Markit US Services PMI	Jan P	54	--	54.3	--
01/26/2016 22:45	US Markit US Composite PMI	Jan P	--	--	54	--
01/26/2016 23:00	US Consumer Confidence Index	Jan	96.5	--	96.5	--
01/26/2016 23:00	US Richmond Fed Manufact. Index	Jan	2	--	6	--
01/26/2016 01/27	TH Customs Trade Balance	Dec	\$1214m	--	\$299m	--
01/26/2016 01/27	TH Customs Imports YoY	Dec	-5.80%	--	-9.53%	--
01/26/2016 01/27	TH Customs Exports YoY	Dec	-6.87%	--	-7.42%	--

Source: Bloomberg

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Co.Reg.no.:193200032W