

Highlights

Global	<p>The familiar Goldilocks theme of “not too hot and not too cold” comes to mind as global risk appetite softened after the FOMC statement sounded a tad more cautious in that they are “closely monitoring global economic and financial developments and is assessing their implications for the labour market and inflation, and for the balance of risks to the outlook.” The FOMC had left its monetary policy stance unchanged as widely anticipated. On the economic assessment, FOMC opined that “labour market conditions improved further even as economic growth slowed late last year” and tip that “with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labour market indicators will continue to strengthen”. On inflation, they reiterated that “in light of the current shortfall of inflation from 2%, the Committee will carefully monitor actual and expected progress towards its inflation goal”. Post-FOMC, market expectations for the next rate hike has been further doused, with only a 19% probability at the next FOMC meeting on 16 March and essentially only one 25bp rate hike due this year, contrary to the Fed’s median dots graph of four 25bp rate hikes tipped. Expect market sentiments to be somewhat dampened in the interim. Key data on tap today include US’ initial jobless claims, durable goods orders and pending home sales, Eurozone’s consumer confidence, German CPI, and 4Q15 GDP growth prints from UK and Philippines.</p>
US	<p>New home sales rose more than expected by 10.8% mom to a 10-month high of 544k annual pace in Dec, marking the best year for housing since 2007. Warm weather probably helped, and purchases surged in all four US regions, albeit the median sales prices slipped 4.3% to \$288.9k.</p>
NZ	<p>RBNZ left its OCR unchanged at 2.5%, but noted that “there are many risks around the outlook” which pertain to the “prospects for global growth, particularly around China, global financial market conditions, dairy prices, net immigration, and pressures in the housing market” and concluded that “some further policy easing may be required over the coming year to ensure that future average inflation settles near the middle of the target range”.</p>
S’pore	<p>The \$2.1b 5-year SGS bond re-opening was well-received, fetching an average 1.96% yield to cut off at 2.03% and a bid-cover ratio of 1.97x, which is within our expectations and a very respectable auction on the eve of the FOMC policy decision. The next scheduled SGS bond issue is a new 30-year to be issued on 1 March.</p>
China	<p>Profits of industrial enterprises fell 4.7% yoy in December for the seventh consecutive month. For the whole year of 2015, industrial profits fell by 2.3%, the first annual decline for the past decade. Industries facing excessive capacity are the one hit most. The painful process of de capacity is likely to further weigh down on growth prospects and job market. As such, we expect monetary and fiscal policy to remain supportive in 2016.</p>
Commodities	<p>Crude oil rallied further despite the higher-than-expected gain in US oil inventories (+8.4 million barrels vs est 4.0 million), suggesting that (1) higher oil inventories are largely priced in from API’s previous estimate and (2) higher inventories are regarded as a reaction to refinery maintenance rather than poor demand. Note that refinery utilization rates have fallen 3.2%. Elsewhere, gold was flat as the US Federal Reserve left its target rate unchanged at ¼ to ½ percent, though maintaining its data-dependent stance.</p>

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

Major Market

- **US:** Wall Street slipped overnight in a familiar pattern of risk-on and risk-off. Dow -1.38%, S&P500 -1.09% and Nasdaq -2.18%. VIX +2.71% to 23.11. The UST bond market was relatively steady, with the 2- and 10-year bond yields at 0.84% and 2.0% respectively. The US\$15b 2-year floating rate notes fetched a bid-cover ratio of 3.67x (previously 3.48x) whilst the US\$35b 5-year notes saw a yield of 1.496% with bid-cover of 2.44x (previous 2.32x) and indirect bid of 53.5% (previous 52.5%). There is a US\$29b 7-year note auction today.
- **Singapore:** The STI ended flat (+0.02%) at 2546.18 yesterday, but may resume its southbound track today given negative overnight cues from Wall Street amid a slightly more cautious FOMC. The STI's support and resistance remain at 2500 and 2580 respectively. As the 5-year SGS bond re-opening auction results were largely within our expectations, expect the SGS bond market to continue to ride on the cautious market sentiment into the month-end.
- **Macau:** 4Q Jobless rate remained stable at 1.9% while underemployment rate fell slightly to 0.5% from 0.6%. External headwinds continue to weigh on gaming sector, causing employment of the gaming sector to drop 6.6% yoy. Due to the flagging retail sales (-7.7% yoy in 3Q), jobs in the wholesale and retail trade sector declined 0.1% mom to 44,600; contracting despite the previous gain. Looking ahead to 2016, more projects launched in Cotai Strip by casino operators will continue to create job opportunities in hotel and construction sectors, offsetting the tepid employment growth in the retail and gaming sectors. Thus, we expect the jobless rate to remain stable below 2.0%.
- **Malaysia:** The anti-graft agency has requested an appeal to the attorney general's decision to clear PM Najib Razak of charges over a USD681mn donation. Meanwhile, the government is due to announce a revision to its 2016 budget. There will be a focus on whether it is sticking to the deficit target of 3.2% of GDP or not.
- **Thailand:** The government's plan to amend the immovable property act in allowing foreign investors to lease state land for up to 99 years (from 50 years) are met with calls from the Pheu Thai Party to put this issue to a public referendum.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded 2bps-4bps lower yesterday. In the broader dollar space, JACI IG corporates spread widened by 2bps to 241bps, while the yield on the JACI HY fell by 2bps to 8.32%. 10y UST yield was flat at 2%.
- **New Issues:** S&P downgraded Nord Anglia Education Inc to "B" from "B+", as they expect Nord Anglia's leverage to stay high over the next 12 months due to the company's high debt and subdued profitability. Outlook is stable. S&P lowered the corporate rating on Mongolian Mining Corp to "CCC-" from "CCC", in light of persisting tough operating conditions and mounting debt maturities as well as a distressed exchange. Outlook is negative. (Bloomberg).
- **Rating Changes:** China Development Bank Corp (CDB) set a final guidance of CT4+85bps for a USD1bn 4-year bond, tightening from initial guidance of CT4+100bps. CDB also priced a reopening of its 2018 bond with EUR1bn priced at MS+75, tightening from initial guidance of MS+85bps. ANZ New Zealand (International) Ltd came to market with a dual tranche deal with the USD750mn 3-year tranche pricing at CT3+115bps, tightening from an initial guidance of CT3+125bps. The remaining tranche is a USD500mn 5-year bond priced at CT5+130bps, tightening from an initial guidance of CT5+140bps. Vista Land & Lifescapes Inc., a Philippine home builder, plans to retap its USD 7.375%'22s at the 102 Area. (Bloomberg).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.902	-0.46%	USD-SGD	1.4324	0.41%
USD-JPY	118.680	0.22%	EUR-SGD	1.5603	0.62%
EUR-USD	1.0893	0.21%	JPY-SGD	1.2070	0.19%
AUD-USD	0.7027	0.31%	GBP-SGD	2.0389	-0.40%
GBP-USD	1.4234	-0.81%	AUD-SGD	1.0063	0.71%
USD-MYR	4.2525	-0.95%	NZD-SGD	0.9213	-0.63%
USD-CNY	6.5780	-0.07%	CHF-SGD	1.4111	0.58%
USD-IDR	13876	-0.07%	SGD-MYR	2.9780	-0.75%
USD-VND	22305	-0.13%	SGD-CNY	4.6028	-0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.2310	--	O/N	0.3657	--
2M	-0.1940	--	1M	0.4306	--
3M	-0.1580	--	2M	0.5256	--
6M	-0.0820	--	3M	0.6211	--
9M	-0.0320	--	6M	0.8643	--
12M	0.0250	--	12M	1.1512	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.41	2.30	2.95
Italy	-0.00	-0.10	1.50
Ireland	-0.31	0.70	1.04
Greece*	14.22	7.00	9.46
Spain	-0.00	0.30	1.62
Russia^	3.70	-13.00	5.98

* 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	15,944.46	-222.80
S&P	1,882.95	-20.70
Nasdaq	4,468.17	-99.50
Nikkei 225	17,163.92	455.00
STI	2,546.18	0.60
KLCI	1,631.54	4.90
JCI	4,583.63	73.20
Baltic Dry	337.00	-8.00
VIX	23.11	0.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.13 (+0.02)	0.83 (-0.01)
5Y	2.01 (+0.19)	1.41 (-0.02)
10Y	2.37 (+0.01)	2.00 (+0.01)
15Y	2.69 (+0.01)	--
20Y	2.72 (+0.02)	--
30Y	2.80 (+0.02)	2.80 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.11	0.08
EURIBOR-OIS	13.20	-0.20
TED	30.27	-0.81

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	32.30	2.70%	Coffee (per lb)	1.182	1.29%
Brent (per barrel)	33.10	4.09%	Cotton (per lb)	0.6086	-0.90%
Heating Oil (per gallon)	1.025	5.94%	Sugar (per lb)	0.1358	-3.14%
Gasoline (per gallon)	1.05	-0.14%	Orange Juice (per lb)	1.2425	0.04%
Natural Gas (per MMBtu)	2.189	0.41%	Cocoa (per mt)	2,764	-2.30%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,590.0	1.12%	Wheat (per bushel)	4.7650	-1.70%
Nickel (per mt)	8,632	-0.19%	Soybean (per bushel)	8.830	0.74%
Aluminium (per mt)	1,529.5	2.14%	Corn (per bushel)	3.6925	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,115.8	-0.39%	Crude Palm Oil (MYR/MT)	2,412.0	1.05%
Silver (per oz)	14.459	-0.72%	Rubber (JPY/KG)	150.2	-0.33%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
01/27/2016 07:30	AU Westpac Leading Index MoM	Dec	--	-0.30%	-0.20%	-0.30%
01/27/2016 08:30	AU CPI QoQ	4Q	0.30%	0.40%	0.50%	--
01/27/2016 08:30	AU CPI YoY	4Q	1.60%	1.70%	1.50%	--
01/27/2016 08:30	AU CPI Trimmed Mean QoQ	4Q	0.50%	0.60%	0.30%	--
01/27/2016 08:30	AU CPI Trimmed Mean YoY	4Q	2.10%	2.10%	2.10%	--
01/27/2016 10:00	SK Discount Store Sales YoY	Dec	--	-5.10%	-3.70%	--
01/27/2016 10:00	SK Department Store Sales YoY	Dec	--	-5.70%	1.00%	--
01/27/2016 12:00	VN Exports YTD YoY	Jan	8.60%	2.20%	8.10%	--
01/27/2016 13:00	JN Small Business Confidence	Jan	48.5	47.2	48.3	--
01/27/2016 15:00	GE GfK Consumer Confidence	Feb	9.3	9.4	9.4	--
01/27/2016 15:00	UK Nationwide House PX MoM	Jan	0.60%	0.30%	0.80%	--
01/27/2016 15:00	UK Nationwide House Px NSA YoY	Jan	4.70%	4.40%	4.50%	--
01/27/2016 15:45	FR Consumer Confidence	Jan	96	97	96	--
01/27/2016 17:00	IT Consumer Confidence Index	Jan	117	118.9	117.6	117.7
01/27/2016 17:00	IT Business Confidence	Jan	103.8	103.2	104.1	104
01/27/2016 17:30	UK BBA Loans for House Purchase	Dec	45500	43975	44960	44533
01/27/2016 18:20	MU Unemployment Rate	Dec	--	1.90%	1.90%	--
01/27/2016 20:00	US MBA Mortgage Applications	Jan-22	--	8.80%	9.00%	--
01/27/2016 23:00	US New Home Sales	Dec	500k	544k	490k	491k
01/27/2016 23:00	US New Home Sales MoM	Dec	2.00%	10.80%	4.30%	1.90%
01/28/2016 03:00	US FOMC Rate Decision (Upper Bound)	Jan-27	0.50%	0.50%	0.50%	--
01/28/2016 04:00	NZ RBNZ Official Cash Rate	Jan-28	2.50%	2.50%	2.50%	--
01/28/2016 05:45	NZ Trade Balance	Dec	-131m	-53m	-779m	-799m
01/28/2016 05:45	NZ Exports	Dec	4.38b	4.43b	4.08b	4.07b
01/28/2016 05:45	NZ Imports	Dec	4.48b	4.48b	4.86b	4.87b
01/28/2016 07:50	JN Foreign Buying Japan Stocks	Jan-22	--	--	-¥358.3b	--
01/28/2016 07:50	JN Retail Trade YoY	Dec	0.20%	--	-1.00%	-1.10%
01/28/2016 07:50	JN Retail Sales MoM	Dec	1.00%	--	-2.50%	--
01/28/2016 10:00	PH GDP YoY	4Q	5.90%	--	6.00%	6.10%
01/28/2016 10:30	SI Unemployment rate SA	4Q	2.00%	--	2.00%	--
01/28/2016 15:00	GE Import Price Index MoM	Dec	-1.10%	--	-0.20%	--
01/28/2016 15:00	GE Import Price Index YoY	Dec	-3.10%	--	-3.50%	--
01/28/2016 16:00	GE CPI Saxony MoM	Jan	--	--	0.00%	--
01/28/2016 16:00	GE CPI Saxony YoY	Jan	--	--	0.20%	--
01/28/2016 17:30	UK GDP QoQ	4Q A	0.50%	--	0.40%	--
01/28/2016 17:30	UK GDP YoY	4Q A	1.90%	--	2.10%	--
01/28/2016 18:00	EC Economic Confidence	Jan	106.4	--	106.8	--
01/28/2016 18:00	EC Consumer Confidence	Jan F	-6.3	--	-6.3	--
01/28/2016 21:00	GE CPI MoM	Jan P	-0.80%	--	-0.10%	--
01/28/2016 21:00	GE CPI YoY	Jan P	0.40%	--	0.30%	--
01/28/2016 21:00	GE CPI EU Harmonized MoM	Jan P	-1.00%	--	0.00%	--
01/28/2016 21:00	GE CPI EU Harmonized YoY	Jan P	0.40%	--	0.20%	--
01/28/2016 21:30	US Initial Jobless Claims	Jan-23	281k	--	293k	--
01/28/2016 21:30	US Continuing Claims	Jan-16	2218k	--	2208k	--
01/28/2016 21:30	US Durable Goods Orders	Dec P	-0.70%	--	0.00%	--
01/28/2016 21:30	US Durables Ex Transportation	Dec P	-0.10%	--	0.00%	--
01/28/2016 21:30	US Cap Goods Orders Nondef Ex Air	Dec P	-0.20%	--	-0.30%	--
01/28/2016 21:30	US Cap Goods Ship Nondef Ex Air	Dec P	0.80%	--	-0.60%	--
01/28/2016 22:45	US Bloomberg Consumer Comfort	Jan-24	--	--	44	--
01/28/2016 23:00	US Pending Home Sales MoM	Dec	0.90%	--	-0.90%	--
01/28/2016	MU Hotel Occupancy Rate	Dec	--	--	84.6	--

Source: Bloomberg

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