

Highlights

Global	<p>Wall Street retreated overnight after the previous session of a Trump-fuelled rally, as US Treasury bond yields and the USD climbed amid the ongoing repricing of March rate hike expectations. Fed's Powell opined that "the case for a rate increase in March has come together, and I do think it's on the table for discussion" and "the balance of risks, which has been to the downside in recent years, has really shifted to being even and perhaps lifted to the upside because of the possibility and indeed likelihood of some fiscal action". The key focus today will be on Fed chair Yellen's speech which could further cement expectations for the March rate hike story. Expect Asian markets to trade on a slightly cautious tone ahead of Yellen's speech. Elsewhere, China is also holding its People's Political Consultative Conference.</p> <p>Today's focus will be on US' non-manufacturing ISM, services and composite PMIs for Europe, China and India, and German retail sales. Other speakers include Fed's Evans, Lacker, Powell, and Fischer.</p>
US	<p>US' initial jobless claims fell 19k to 223k last week, the lowest since Mar73, and bringing the four-week average to 234.25k (low since Apr73), which adds to the case of a robust labor market. Meanwhile, AG Jeff Sessions has recused himself of investigations of Russian interference with the 2016 elections amid controversy over his conversations with the Russian ambassador last year.</p>
EZ	<p>Eurozone's CPI accelerated from 1.8% yoy in Jan to 2.0% in Feb, while the core CPI was unchanged at 0.9%, even as PPI rose 0.7% mom (+3.5% yoy) in Jan, but this data is unlikely to prompt the ECB to change its dovish stance for now. Meanwhile, the unemployment rate was unchanged at 9.6%.</p>
CH	<p>China's banking regulator said yesterday that China has set up 12836 debt committees nationwide to solve debt to resolve problem debt, which involved CNY14.85 trillion.</p>
MA	<p>BNM kept its OPR at 3%, citing that "growth momentum is expected to be sustained in 2017" aided by "growth of domestic demand being sustained".</p>
SG	<p>Manufacturing and electronics PMIs consolidated slightly in Feb, edging down 0.1 and 0.4 points to 50.9 and 51.4 respectively, suggesting a softening in bullish sentiments going ahead into 2Q17. Notably, a more modest rate of expansion in output, new orders, and new export orders gauges were seen even though the manufacturing PMI marked its 6th straight month of expansion. For the electronics PMI which registered its 7th consecutive month of expansion, a similar pullback was seen in output, new orders, new export orders and imports gauges. The input price gauge for both also climbed again in Feb, suggesting sustained pricing pressures. Nevertheless, the softer February data has to be seen in the context of the January readings which were the highest since Nov14 (for overall manufacturing PMI) and Oct14 (for electronics PMI). Still, we remain upbeat on manufacturing growth to hit 6.2% yoy in 1Q17, with full-year growth tipped at 3.4% yoy, partly due to the low base in 2016 and the ongoing electronics recovery.</p>
CMD	<p>A strong dollar amid a 44-year low US jobless claim print left dollar-denominated commodities sprawling lower. Importantly, the implied probability for a Fed rate hike in March has risen to 90%, up from a mere 31.3% at the start of this year.</p>

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Major Markets

- **US:** Equities took a breather on Thursday after the spike on Wednesday. Financials, industrials and raw material stocks led declines, as the S&P 500 lost 0.59% and the Dow fell 0.53%. Nasdaq was the worst of the lot, down 0.73%. VIX fell back below 12 to close at 11.81, down 5.8%. Eyes will be on Fischer and Yellen tonight, look out for further reiteration of the hawkish rhetoric. In fact, the market has already fully priced in a rate hike for March, with the implied odds at 90% compared to evens just a week ago. Any differing signals from Fischer and Yellen may lead to a significant reassessment of market conditions. Meanwhile, 2- and 10-year benchmark yields remain largely static, coming in at 1.31% and 2.48% respectively.
- **Singapore:** STI added 0.44% yesterday but may face some profit-taking today ahead of Yellen's speech, given the consolidation in Wall Street overnight. STI's support and resistance are tipped at 3100 and 3150 today. As hawkish Fed rhetoric continued to fuel March rate hike expectations, the UST bill yields have spiked by around 4-5bps, while longer-dated UST bond yields also played catch up. We expect the repricing of a March FOMC rate hike to reverse yesterday's gains in the SGS bond market as well.
- **Hong Kong:** Decline in retail sales moderated further to -0.9% yoy in January. The increases were mainly seen in the sales of food, goods in supermarkets and fuels. This was attributed to the base effect resulting from the different month of the Lunar New Year Holiday this year. On the contrary, declines remained prominent in the sales of clothing, footwear and allied products (-3.6% yoy), consumer durable goods (-17.8% yoy). Also, sales of jewelry, watches and clocks and valuable gifts retreated by 3.9% yoy. Though total visitor arrivals (+4.8% yoy) increased for the second consecutive month in January, tourists' purchasing power appeared to have been suppressed by a stronger HKD. This may continue to weigh on the retail sector. Furthermore, though we expect domestic consumption to grow moderately on a stable labor market and fiscal stimulus, households tend to consume online or overseas as a stronger HKD makes foreign goods and services cheaper. Therefore, even with low base effect, we expect merely 1% to 3% growth in retail sales this year.
- **Malaysia:** BNM sounded a tad more upbeat, noting that "the more positive contribution from the external sector will lead to a better performance of the Malaysian economy". BNM tips that "headline inflation is projected to be higher in 2017, reflecting primarily the pass-through impact of the increase in global oil prices on domestic retail fuel prices.... however....the future trend in global oil prices which remains highly uncertain" and "the cost-driven inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions" and "core inflation is expected to increase modestly". BNM also opined that the currency "has continued to stabilise" and "the implementation of financial market development measures has had a positive impact on the domestic financial markets". Hence, "the stance of monetary policy is accommodative and supportive of economic activity".
- **South Korea:** Industrial production growth decelerated to 1.7% yoy (+3.3% momsa) in Jan 2017, down from a 4.3% print in the previous month.
- **Commodities:** Gold prices fell deeper below its \$1,250/oz handle, while silver plunged 4.0% to print \$17.71/oz. Elsewhere, crude oil tumbles to its lowest since early February, as investors had little news to chew on except that of higher US oil inventories (historical high at 520.2 million barrels as of 24 Feb).

Bond Market Updates

- **Market Commentary:** The SGD swap curve was range bound yesterday, with the shorter to medium term tenors trading upwards by 1-2bps while the longer end of the swap curve traded downwards by 1-5bps. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 191bps while the yield on JACI HY corporates rose 1bps to 6.63%. 10y UST yields rose 3bps to 2.48%, with the reserve rate increase on March 15 nearly fully priced in following comments late Wednesday by Federal Reserve Governor Lael Brainard, who said an increase “will likely be appropriate soon”.
- **New Issues:** ICICI Bank Ltd., through its Dubai Branch, priced a USD300mn 5.5-year bond at CT5+135bps, tightening from initial guidance of CT5+155bps. The expected issue ratings are ‘BBB-/Baa3/NR’. China Cinda Finance (2017) I Ltd. priced a USD3bn 4-tranche deal (guaranteed by China Cinda Asset Management Co. Ltd.); with the USD300mn 3-year piece at CT3+150bps, tightening from initial guidance of CT3+180bps; the USD1.3bn 5-year piece at CT5+165bps, tightening from initial guidance of CT5+195bps; the USD700mn 7-year piece at CT7+180bps, tightening from initial guidance of CT7+210bps; and the USD700mn 10-year piece at CT10+195bps, tightening from initial guidance of CT10+225bps. The expected issue ratings are ‘A-/Baa1/A’. Aozora Bank Ltd. priced a USD300mn 3-year bond at CT3+120bps, tightening from initial guidance of CT3+140bps. The expected issue ratings are ‘A/NR/NR’. China Reinsurance Finance Corp Ltd. priced a USD800mn 5-year bond at CT5+150bps, tightening from initial guidance of CT5+175bps. China South City Holdings Ltd. priced a USD300mn 3-year bond at 6.125%, tightening from initial guidance of 6.5%. The expected issue ratings are ‘B-/NR/B’. PCPD Capital Ltd. priced a USD500mn 5-year bond (guaranteed by Pacific Century Premium Developments Ltd.) at 4.75%, tightening from initial guidance of 5%. Lastly, the Government of Mongolia priced a USD600mn 7-year bond at 7.625%, tightening from initial guidance of 8.25%. The expected issue ratings are ‘B-/NR/B-’.
- **Rating Changes:** Fitch placed the ‘BBB+’ ratings of Sime Darby Berhad (Sime Darby) on Rating Watch negative. The rating action follows Sime Darby’s announcement on 27 February 2017 that it will completely divest its stake in previously 100%-owned subsidiaries Sime Darby Plantations (SD Plantation) and Sime Darby Property (SD Property). Fitch stated that Sime Darby’s business profile will weaken considerably as the remaining businesses exhibit (1) higher volatility and cyclicity compared with the plantation business; (2) smaller scale; and (3) lower diversification post-divestment.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	102.200	0.41%	USD-SGD	1.4129	0.28%
USD-JPY	114.410	0.60%	EUR-SGD	1.4844	-0.11%
EUR-USD	1.0507	-0.38%	JPY-SGD	1.2348	-0.33%
AUD-USD	0.7572	-1.37%	GBP-SGD	1.7331	0.05%
GBP-USD	1.2267	-0.21%	AUD-SGD	1.0699	-1.08%
USD-MYR	4.4500	0.04%	NZD-SGD	0.9977	-0.89%
USD-CNY	6.8899	0.12%	CHF-SGD	1.3940	-0.18%
USD-IDR	13357	-0.04%	SGD-MYR	3.1540	-0.12%
USD-VND	22820	0.09%	SGD-CNY	4.8770	-0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.6817	--
2M	-0.3410	--	1M	0.8106	--
3M	-0.3290	--	2M	0.8933	--
6M	-0.2370	--	3M	1.0928	--
9M	-0.1720	--	6M	1.4063	--
12M	-0.1140	--	12M	1.7898	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.05	3.95	3.63
Italy	-0.00	2.14	1.82
Ireland	-0.41	0.98	0.67
Greece	7.99	7.04	6.72
Spain	-0.12	1.70	1.39
Russia	1.82	4.16	-1.20

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.61	-2.27%	Coffee (per lb)	1.422	-0.32%
Brent (per barrel)	55.08	-2.27%	Cotton (per lb)	0.7569	-1.51%
Heating Oil (per gallon)	1.5791	-2.77%	Sugar (per lb)	0.1966	0.92%
Gasoline (per gallon)	1.6433	-2.07%	Orange Juice (per lb)	1.7060	2.43%
Natural Gas (per MMBtu)	2.8040	0.18%	Cocoa (per mt)	1,962	1.61%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,930.0	-1.43%	Wheat (per bushel)	4.3200	-0.80%
Nickel (per mt)	10,734.3	-2.29%	Soybean (per bushel)	10.268	-1.39%
Aluminium (per mt)	1,904.3	-2.06%	Corn (per bushel)	3.7275	-0.80%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,232.9	-1.37%	Crude Palm Oil (MYR/MT)	2,979.0	0.95%
Silver (per oz)	17.705	-4.00%	Rubber (JPY/KG)	306.0	0.43%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,002.97	-112.58
S&P	2,381.92	-14.04
Nasdaq	5,861.22	-42.81
Nikkei 225	19,564.80	171.26
STI	3,136.48	13.71
KLCI	1,715.67	17.98
JCI	5,408.25	45.20
Baltic Dry	904.00	33.00
VIX	11.81	-0.73

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-)	1.31 (+0.02)
5Y	1.64 (-0.01)	2.02 (+0.03)
10Y	2.35 (-)	2.48 (+0.03)
15Y	2.47 (-)	--
20Y	2.45 (-)	--
30Y	2.48 (-)	3.07 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.68	1.28
EURIBOR-OIS	2.30	-0.10
TED	47.34	--

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
03/02/2017 00:34	IT	Budget Balance	Feb	--	-8.2b	2.0b	--
03/02/2017 07:00	SK	Industrial Production YoY	Jan	2.10%	1.70%	4.30%	4.20%
03/02/2017 07:50	JN	Monetary Base YoY	Feb	--	21.40%	22.60%	--
03/02/2017 07:50	JN	Japan Buying Foreign Bonds	Feb-24	--	-¥202.0b	¥48.2b	¥47.7b
03/02/2017 07:50	JN	Japan Buying Foreign Stocks	Feb-24	--	¥159.5b	¥164.9b	--
03/02/2017 07:50	JN	Foreign Buying Japan Bonds	Feb-24	--	¥367.9b	-¥141.2b	--
03/02/2017 07:50	JN	Foreign Buying Japan Stocks	Feb-24	--	-¥261.1b	-¥127.9b	-¥127.7b
03/02/2017 08:30	AU	Trade Balance	Jan	A\$3800m	A\$1302m	A\$3511m	A\$3334m
03/02/2017 08:30	AU	Building Approvals YoY	Jan	-11.60%	-12.00%	-11.40%	-11.70%
03/02/2017 08:30	SK	Nikkei South Korea PMI Mfg	Feb	--	49.2	49	--
03/02/2017 13:41	PH	Budget Balance PHP	Dec	--	-118.2b	-19.1b	--
03/02/2017 15:00	GE	Import Price Index YoY	Jan	5.50%	6.00%	3.50%	--
03/02/2017 15:00	MA	BNM Overnight Policy Rate	Mar-02	3.00%	3.00%	3.00%	--
03/02/2017 16:30	HK	Retail Sales Value YoY	Jan	-1.00%	-0.90%	-2.90%	--
03/02/2017 16:30	HK	Retail Sales Volume YoY	Jan	-2.00%	-1.40%	-2.80%	-2.90%
03/02/2017 17:00	IT	Unemployment Rate	Jan P	12.00%	11.90%	12.00%	11.90%
03/02/2017 17:30	UK	Markit/CIPS UK Construction PMI	Feb	52	52.5	52.2	--
03/02/2017 18:00	EC	PPI YoY	Jan	3.20%	3.50%	1.60%	--
03/02/2017 18:00	EC	Unemployment Rate	Jan	9.60%	9.60%	9.60%	--
03/02/2017 18:00	EC	CPI Estimate YoY	Feb	2.00%	2.00%	1.80%	--
03/02/2017 18:00	EC	CPI Core YoY	Feb A	0.90%	0.90%	0.90%	--
03/02/2017 21:00	SI	Purchasing Managers Index	Feb	51	50.9	51	--
03/02/2017 21:00	SI	Electronics Sector Index	Feb	--	51.4	51.8	--
03/02/2017 21:30	CA	Quarterly GDP Annualized	4Q	2.00%	2.60%	3.50%	3.80%
03/02/2017 21:30	US	Initial Jobless Claims	Feb-25	245k	223k	244k	242k
03/02/2017 21:30	US	Continuing Claims	Feb-18	2060k	2066k	2060k	2063k
03/02/2017 22:45	US	Bloomberg Consumer Comfort	Feb-26	--	49.8	48	--
03/03/2017 06:30	AU	AiG Perf of Services Index	Feb	--	49	54.5	--
03/03/2017 07:00	SK	BoP Current Account Balance	Jan	--	\$5277.8m	\$7869.2m	--
03/03/2017 07:00	SK	CPI YoY	Feb	1.80%	1.90%	2.00%	--
03/03/2017 07:30	JN	Natl CPI Ex Food, Energy YoY	Jan	--	--	0.00%	--
03/03/2017 07:30	JN	Tokyo CPI Ex Food, Energy YoY	Feb	--	--	0.00%	--
03/03/2017 07:30	JN	Jobless Rate	Jan	3.00%	--	3.10%	--
03/03/2017 07:30	JN	Job-To-Applicant Ratio	Jan	1.44	--	1.43	--
03/03/2017 07:30	JN	Overall Household Spending YoY	Jan	-0.40%	--	-0.30%	--
03/03/2017 07:30	JN	Natl CPI YoY	Jan	0.40%	--	0.30%	--
03/03/2017 07:30	JN	Natl CPI Ex Fresh Food YoY	Jan	0.00%	--	-0.20%	--
03/03/2017 07:30	JN	Tokyo CPI YoY	Feb	-0.10%	--	0.10%	--
03/03/2017 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Feb	-0.20%	--	-0.30%	--
03/03/2017 08:00	NZ	ANZ Commodity Price	Feb	--	--	-0.10%	--
03/03/2017 08:30	JN	Nikkei Japan PMI Services	Feb	--	--	51.9	--
03/03/2017 08:30	JN	Nikkei Japan PMI Composite	Feb	--	--	52.3	--
03/03/2017 08:30	HK	Nikkei Hong Kong PMI	Feb	--	--	49.9	--
03/03/2017 09:45	CH	Caixin China PMI Composite	Feb	--	--	52.2	--
03/03/2017 09:45	CH	Caixin China PMI Services	Feb	--	--	53.1	--
03/03/2017 12:00	MA	Exports YoY	Jan	15.00%	--	10.70%	--
03/03/2017 12:00	MA	Imports YoY	Jan	10.20%	--	11.50%	--
03/03/2017 12:00	MA	Trade Balance MYR	Jan	8.43b	--	8.72b	--
03/03/2017 13:00	IN	Nikkei India PMI Services	Feb	--	--	48.7	--
03/03/2017 13:00	IN	Nikkei India PMI Composite	Feb	--	--	49.4	--
03/03/2017 15:00	GE	Retail Sales YoY	Jan	0.70%	--	-1.10%	--
03/03/2017 15:30	TH	Foreign Reserves	Feb-24	--	--	\$180.9b	--
03/03/2017 16:45	IT	Markit/ADACI Italy Services PMI	Feb	52.8	--	52.4	--
03/03/2017 16:45	IT	Markit/ADACI Italy Comp PMI	Feb	53.1	--	52.8	--
03/03/2017 16:50	FR	Markit France Services PMI	Feb F	56.7	--	56.7	--
03/03/2017 16:50	FR	Markit France Comp PMI	Feb F	56.2	--	56.2	--
03/03/2017 16:55	GE	Markit Germany Services PMI	Feb F	54.4	--	54.4	--
03/03/2017 16:55	GE	Markit/BME Germany Comp PMI	Feb F	56.1	--	56.1	--
03/03/2017 17:00	EC	Markit Eurozone Services PMI	Feb F	55.6	--	55.6	--
03/03/2017 17:00	EC	Markit Eurozone Comp PMI	Feb F	56	--	56	--
03/03/2017 17:00	IT	GDP WDA YoY	4Q F	1.10%	--	1.10%	--
03/03/2017 17:30	UK	Markit/CIPS UK Services PMI	Feb	54.1	--	54.5	--
03/03/2017 17:30	UK	Markit/CIPS UK Comp PMI	Feb	55.6	--	55.5	--
03/03/2017 18:00	EC	Retail Sales YoY	Jan	1.50%	--	1.10%	--
03/03/2017 22:45	US	Markit US Services PMI	Feb F	54	--	53.9	--
03/03/2017 22:45	US	Markit US Comp PMI	Feb F	--	--	54.3	--
03/03/2017 23:00	US	ISM Non-Manf. Composite	Feb	56.5	--	56.5	--

Source: Bloomberg

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