

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

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Highlights

Global	<p>The first quarter was largely a rewarding quarter for risk – S&P500 saw its largest quarterly rally since 2015, led by tech stocks whereas financial stocks lagged. Meanwhile, both UST bond yields and the USD slipped in 1Q17 despite the FOMC hiking rates in March and signalling further rate hikes to come this year. Crude oil prices also regained the US\$50 handle.</p> <p>Expect that Asian bourses to open mixed today, as global risk appetite may stay tentative and hesitant if 2Q17 can be a repeat of 1Q17. The economic data calendar today kickstarts with the slew of manufacturing PMIS across Europe and Asia, US' manufacturing ISM, Eurozone's Feb PPI and Thai CPI. Speakers include Fed's Dudley and Harker. Key events to watch this week include RBA tomorrow (likely static at 1.5%), RBI policy decision (likely unchanged on 6 Apr), Trump-Xi meeting on 6-7 Apr to discuss key economic and trade issues (with Trump already tweeting the meeting will be "very difficult" and telling the Financial Times that "if China is not going to solve North Korea, we will"), and US' nonfarm payrolls on 7 Apr.</p>
US	<p>The core PCE deflator rose to 2.1% yoy (+0.1% mom) in Feb, surpassing the Fed's target for the first time since Mar12. Feb personal spending eased to +0.1% mom (previously +0.2%), partly attributable to a rebound in household savings (+0.2% points to 5.6%), while personal income remained at a healthy clip of +0.4% mom (previously +0.5%), reflecting a 0.5% increase in wages (highest in five months). The Chicago PMI also climbed to a two year high of 57.4, amid improved new orders and production notwithstanding the stronger USD, but softer employment. Meanwhile, the University of Michigan sentiment index finally printed at 96.9 in Mar, a tad softer than 97.6, amid slightly slower current conditions and expectation gauges. Fed's Dudley warned that "risks for both economic growth and inflation over the medium to longer term may be shifting gradually to the upside".</p>
JP	<p>The large manufacturer Tankan index rose from 10 in 4Q16 to 12 (forecast: 14) in 1Q17, while the outlook also improved from 8 to 11 (forecast: 13). FY2017 capital investments for all large companies are tipped to rise 0.6%.</p>
SG	<p>Bank loans growth accelerated to nearly double from 2.8% yoy (-0.04% mom) in Jan to 5.2% yoy (1.7% mom) in Feb 2017. This marked the strongest surge since Dec14 in on-year terms, but part of the strength could be due to a low base last year arising from the timing of the CNY festive season. Business loans expanded for the third straight month by 6.4% yoy (2.7% mom) in Feb which is the strongest pace since Nov14. For Jan-Feb17, bank loans growth averaged 4% yoy, which gives us greater confidence in our full-year 2017 loans growth forecast of 7% yoy.</p>
CH	<p>China will launch a new economic zone XiongAn New Area in Hebei province, which consists of three counties with initial cover of 100 square kilometres. The New Area, which is about 130KM south of Beijing, is designed to promote economic integration of Beijing, Tianjin and Hebei. It is the 19th national new area created since 1992. However, it is the first one to be simultaneously endorsed by both the State Council and the Central Committee of the Chinese Communist Party.</p>

Major Markets

- **US:** Equities ended the first quarter on a subdued note as the S&P 500 declined 0.23%, Dow fell 0.32%, and Nasdaq ended marginally lower. Financials underperformed, while utilities led gains as US Treasury yields shaded lower. We expect political considerations to continue to drive markets in the second quarter, with eyes on the French elections and Trump's new attempt at tax reforms. Meanwhile, VIX ended sharply higher at 12.37. US Treasury yields shaded lower by 3-4 bps amid mixed signals from Fed speakers, with a moderate Dudley balancing out the more hawkish Rosengren and Williams. The 10-year benchmark yield closed at 2.39%. It has fluctuated on either side of the 2.40% handle over past 6 sessions, highlighting a tug-of-war between the Treasury bulls and bears. 2-year yields stand at 1.25%.
- **Singapore:** Business loans growth was led by business services (up for the fifth consecutive month by 25.2% yoy which is also the highest since Jul14) and financial institutions (growing for the eight straight month by 20.9% which is the fastest since Jul14). Interestingly, loans to general commerce also turned positive (+6.7% yoy) for the first time since Dec14, which if sustained into the coming months could herald green shoots for regional economic and trade activities. Consumer loans also picked up from 3.1% yoy in Jan to 3.6% yoy (0.2% mom) in Feb, as housing/bridging loans remained very resilient (+4.0% yoy). This is unsurprising as developers had sold 977 units in Feb versus 382 units in Jan, which marked the highest Feb sales data since 2012, according to URA data. This uptick in buying momentum came after the government recently recalibrated some of the property cooling measures on 10 Mar, and could lend some continued support to the housing/bridging loan momentum in the near-term.
- STI ended nearly flat at +0.06% to close at 3175.11 on Friday, and may trade in a consolidative range of 3160-3180 today amid mixed leads from Nikkei and Kospi. SGS bond yields closed up 4-7bps on Friday, and may see sustained pressure amid Dudley's more hawkish comments.
- **China:** We think China is very serious about the development of this New Area and it is likely to be the main political legacy of President Xi Jinping. As such, the development of New Area is likely to be the new growth engine for China, which might attract billions of investment.
- **Hong Kong:** Total loans and advances rose by 10.5% yoy in February. Specifically, loans for use in Hong Kong grew by 10.3% yoy as new residential mortgage loans increased markedly by 116% yoy on the latest housing frenzy. Also, property developers at home and from Mainland China might have shown an increased need for funds for land purchases. Given the Fed's dovish tone in March, tight home supply and a panic buying spree of residential units, we expect the housing market to remain resilient this year, in turn underpinning domestic loan demand. On the other hand, loans for use outside of HK rose at its fastest pace since Aug 2015 by 11% yoy in February. The PBOC's tightening bias and Mainland policy support are likely to induce more loan demand from Mainland companies to HK's banking sector. Furthermore, controls on capital outflows by China's authorities have encouraged Mainland corporates to raise funds overseas for M&A deals. Therefore, we expect mainland-related loan business to continue to expand in the coming months.
- RMB deposits were down for the 18th consecutive month by 36.4% yoy to the lowest level since April 2011 in February. China's tightening measures on cross border RMB payments continued to weigh while concerns about RMB risks propelled investors to stay away from RMB-denominated assets. We expect CNH liquidity to remain tight in the near term. As such, the gap between CNH and CNY may persist. Elsewhere, despite a shrinking CNH liquidity pool, CNH swap points continued to move to the left as CNH funding needs have been reducing following the opening up of onshore FX derivative market.
- **Indonesia:** Finance Minister Sri Mulyani said that she is satisfied with tax office operations and implementation of tax amnesty program, according to Bloomberg. She added that the focus will now

be on stepping up tax compliance and that, even though the program – which ended last Friday – had yielded a “very large amount of assets”, total number of participants is still low and there are still high net worth individuals who have not participated.

- **Malaysia:** According to figures from Bank Negara, loans growth for the month of February was at 5.3%yoy, lower than 5.6% of January. It said that there was an overall slowdown in net financing to the private sector, due to a downtick in loans extended by the banking system as well as in net outstanding issuances of corporate bonds during the month.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards last Friday, with swap rates trading 2-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s and mixed interest in FCLSP 4.15%'27s, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 193bps while the yield on JACI HY fell 3bps to 6.59%. 10y UST yields fell 3bps to 2.39% last Friday, after US Federal Reserve's William Dudley said “a couple” more interest-rate increases this year “seems reasonable” and that there's no “great urgency” to tighten monetary policy.
- **New Issues:** Kookmin Bank scheduled an investor roadshow from 5 April for potential USD covered bond issuance. The expected issue ratings are 'NR/ Aaa/AAA'. Damac Properties Dubai Co. PJSC scheduled investor roadshow from 4 April for potential USD 5-year Sukuk issuance.
- **Rating Changes:** S&P placed China-based Guotai Junan Securities Co. Ltd.'s (GTJA) and its subsidiary Guotai Junan International Holdings Ltd.'s (GTJAI) 'BBB' issuer credit rating on CreditWatch with positive implications. The rating actions reflect S&P's estimate that new equity issuance will boost GTJA's risk-adjusted capital (RAC) ratio before adjustments by around 3 percentage points, other things being equal, in addition to its good financial performance and modest asset growth in 2016. S&P affirmed Quintis Ltd.'s (Quintis) 'B+' corporate credit rating and 'B+' issue rating on the company's senior secured notes. In addition, S&P revised the rating outlook on Quintis Ltd. to negative from stable. The rating action reflects the potential impact of the recent resignation of Quintis' CEO and possible delays in the sale of Indian sandalwood, which could undermine plantation investor confidence and affect the ability of the company to manage its working capital commitment in a seasonal business where the majority of cash flows are realized during the second half of the year. Moody's downgraded Chiyu Banking Corporation Ltd.'s (Chiyu Bank) standalone baseline credit assessment (BCA) to 'Baa1' from 'A3' and adjusted BCA to 'Baa1' from 'A2'. The ratings outlook is stable. The rating action follows the joint announcement by Bank of China Limited and BOC Hong Kong (Holdings) Limited in relation to the completion of the disposal of their 70.49% interest in Chiyu Bank. The rating actions reflects 1) ongoing pressure on the bank's standalone credit assessment, in view of rising asset risk 2) Moody's expectation that the transaction will lead to changes in the bank's risk profile as it expands in Mainland China; 3) the uncertainties related to the bank's transformation of its business model and the execution risks in the integration process; as well as 4) the change in support uplift incorporated in the ratings, given the change in ownership. Moody's revised the outlook on China Vanke Co. Ltd.'s (China Vanke) 'Baa1' issuer rating and 'Baa2' senior unsecured rating on the bonds issued by Vanke Real Estate (Hong Kong) Co. Ltd. (wholly owned subsidiary of China Vanke) and Bestgain Real Estate Limited. In addition, Moody's has affirmed the above ratings. The rating action reflects Moody's expectation that China Vanke's existing management team, business strategy and financial policy will likely continue in the next 12 to 18 months despite possible changes to the board of directors under the latest shareholder composition. Moody's affirmed Jingrui Holdings Limited's (Jingrui) 'B3' corporate family rating and 'Caa1' senior unsecured debt rating. In addition, Moody's revised the ratings outlook of Jingrui to stable from negative. The rating action reflects Moody's expectation that Jingrui's improved sales

execution for property in higher-tier cities in China can be sustained, and will improve the company's credit metrics. Moody's affirmed Li & Fung Limited's (Li & Fung) 'Baa1' issuer rating, provisional '(P)Baa1' senior unsecured MTN rating, 'Baa1' senior unsecured ratings on its bonds, and the 'Baa3' rating on its subordinated perpetual capital securities. The ratings outlook is changed to negative from stable. The rating action reflects Moody's concern that Li & Fung's levels of revenues and profits will continue to decline over the next 12 to 18 months, given the ongoing structural change among its core customer base of department stores and apparel retailers whose profit margins and market share are being pressured by online competitors. Moody's withdrew all ratings of Citibank Japan Limited, which includes the 'Baa2' Baseline Credit Assessment and 'Baa2' Adjusted Baseline Credit Assessment ratings. Moody's withdrew Hua Han Health Industry Holdings Limited's (Hua Han) 'Caa1' corporate family and senior unsecured ratings with a negative outlook. Moody's withdrew the ratings because it believes it has insufficient or otherwise inadequate information to support the maintenance of the ratings. Hua Han has not released its annual results for the fiscal year ended 30 June 2016.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	100.350	-0.06%	USD-SGD	1.3971	-0.08%
USD-JPY	111.390	-0.47%	EUR-SGD	1.4880	-0.30%
EUR-USD	1.0652	-0.21%	JPY-SGD	1.2544	0.42%
AUD-USD	0.7629	-0.16%	GBP-SGD	1.7531	0.56%
GBP-USD	1.2550	0.66%	AUD-SGD	1.0658	-0.23%
USD-MYR	4.4255	0.11%	NZD-SGD	0.9792	0.12%
USD-CNY	6.8872	-0.03%	CHF-SGD	1.3931	-0.24%
USD-IDR	13322	0.05%	SGD-MYR	3.1650	-0.09%
USD-VND	22755	-0.07%	SGD-CNY	4.9306	-0.20%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	0.9217	-0.0050
2M	-0.3390	--	1M	0.9828	--
3M	-0.3290	0.0010	2M	1.0250	-0.0006
6M	-0.2410	--	3M	1.1496	0.0019
9M	-0.1710	0.0010	6M	1.4232	0.0044
12M	-0.1090	--	12M	1.8018	0.0083

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.62	3.98	2.80
Italy	-0.03	3.30	17.00
Ireland	-0.35	3.90	3.00
Greece	7.75	5.60	6.99
Spain	-0.17	2.60	1.80
Russia	2.01	-0.10	4.17

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.60	0.50%	Coffee (per lb)	1.393	--
Brent (per barrel)	52.83	-0.25%	Cotton (per lb)	0.7733	1.44%
Heating Oil (per gallon)	1.5736	0.99%	Sugar (per lb)	0.1676	-0.30%
Gasoline (per gallon)	1.7001	1.12%	Orange Juice (per lb)	1.5700	-2.21%
Natural Gas (per MMBtu)	3.1900	-0.03%	Cocoa (per mt)	2,095	-0.05%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,847.8	-0.71%	Wheat (per bushel)	4.2650	1.31%
Nickel (per mt)	9,979.0	-1.09%	Soybean (per bushel)	9.460	-1.77%
Aluminium (per mt)	1,954.8	-0.52%	Corn (per bushel)	3.6425	1.89%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,247.3	0.18%	Crude Palm Oil (MYR/MT)	2,833.0	0.07%
Silver (per oz)	18.256	0.27%	Rubber (JPY/KG)	270.6	1.01%

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

Equity and Commodity

Index	Value	Net change
DJIA	20,663.22	-65.27
S&P	2,362.72	-5.34
Nasdaq	5,911.74	-2.61
Nikkei 225	18,909.26	-153.96
STI	3,175.11	1.87
KLCI	1,740.09	-9.16
JCI	5,568.11	-24.85
Baltic Dry	1,297.00	-27.00
VIX	12.37	0.83

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.32 (+0.07)	1.25 (-0.03)
5Y	1.76 (+0.04)	1.92 (-0.04)
10Y	2.25 (+0.05)	2.39 (-0.03)
15Y	2.38 (+0.06)	--
20Y	2.43 (+0.06)	--
30Y	2.47 (+0.07)	3.01 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.60	-0.98
EURIBOR-OIS	1.10	-0.84
TED	39.60	1.10

CFTC Commodities Futures and Options

For the week ended: 28 Mar 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	143,887	122,136	21,751	Corn	-43,927	37,856	-81,783
Silver	91,450	79,717	11,733	Soybean	56,309	84,223	-27,914
Live Cattle	142,238	131,272	10,966	Wheat	-108,342	-89,393	-18,949
Copper	29,821	21,861	7,960	Nymex Crude	458,008	474,989	-16,981
Cocoa	-12,894	-19,255	6,361	Coffee	12,890	22,668	-9,778
Palladium	20,464	18,182	2,282	Sugar	102,019	111,686	-9,667
Heating Oil	25,935	25,406	529	Lean Hogs	41,268	49,306	-8,038
Platinum	27,486	28,850	-1,364	Natural Gas	-22,863	-16,221	-6,642
RBOB Gasoline	50,194	52,996	-2,802	Cotton	123,721	126,722	-3,001

Date	Time	Event		Survey	Actual	Prior	Revised
03/31/2017	05:45	NZ Building Permits MoM	Feb	--	14.00%	0.80%	2.10%
03/31/2017	07:00	SK Industrial Production YoY	Feb	7.20%	6.60%	1.70%	1.40%
03/31/2017	07:30	JN Jobless Rate	Feb	3.00%	2.80%	3.00%	--
03/31/2017	07:30	JN Job-To-Applicant Ratio	Feb	1.44	1.43	1.43	--
03/31/2017	07:30	JN Natl CPI YoY	Feb	0.20%	0.30%	0.40%	--
03/31/2017	07:30	JN Tokyo CPI Ex-Fresh Food YoY	Mar	-0.20%	-0.40%	-0.30%	--
03/31/2017	07:50	JN Industrial Production YoY	Feb P	3.90%	4.80%	3.70%	--
03/31/2017	08:00	NZ ANZ Business Confidence	Mar	--	11.3	16.6	--
03/31/2017	09:00	CH Mfg PMI	Mar	51.7	51.8	51.6	--
03/31/2017	14:00	UK Nationwide House Px NSA YoY	Mar	4.00%	3.50%	4.50%	--
03/31/2017	14:45	FR CPI EU Harmonized YoY	Mar P	1.40%	1.40%	1.40%	--
03/31/2017	14:45	FR CPI YoY	Mar P	1.20%	1.10%	1.20%	--
03/31/2017	15:30	TH Foreign Reserves	Mar-24	--	\$180.8b	\$180.4b	--
03/31/2017	15:30	TH BoP Current Account Balance	Feb	\$4605m	\$5735m	\$5008m	--
03/31/2017	16:30	UK GDP YoY	4Q F	2.00%	1.90%	2.00%	--
03/31/2017	17:00	IT CPI EU Harmonized YoY	Mar P	1.60%	1.30%	1.60%	--
03/31/2017	17:00	EC CPI Estimate YoY	Mar	1.80%	1.50%	2.00%	--
03/31/2017	20:30	CA GDP MoM	Jan	0.30%	0.60%	0.30%	--
03/31/2017	20:30	US Personal Income	Feb	0.40%	0.40%	0.40%	0.50%
03/31/2017	20:30	US Personal Spending	Feb	0.20%	0.10%	0.20%	--
03/31/2017	21:45	US Chicago Purchasing Manager	Mar	56.9	57.7	57.4	--
03/31/2017	22:00	US U. of Mich. Sentiment	Mar F	97.6	96.9	97.6	--
04/01/2017	08:00	SK Exports YoY	Mar	12.80%	--	20.20%	--
04/01/2017	09:45	CH Caixin China PMI Mfg	Mar	51.7	51.2	51.7	--
04/03/2017	07:50	JN Tankan Large Mfg Index	1Q	14	--	10	--
04/03/2017	07:50	JN Tankan Large Mfg Outlook	1Q	13	--	8	--
04/03/2017	07:50	JN Tankan Large All Industry Capex	1Q	-0.30%	--	5.50%	--
04/03/2017	08:30	ID Nikkei Indonesia PMI Mfg	Mar	--	--	49.3	--
04/03/2017	08:30	VN Nikkei Vietnam PMI Mfg	Mar	--	--	54.2	--
04/03/2017	08:30	JN Nikkei Japan PMI Mfg	Mar F	--	--	52.6	--
04/03/2017	08:30	SK Nikkei South Korea PMI Mfg	Mar	--	--	49.2	--
04/03/2017	09:30	AU Retail Sales MoM	Feb	0.30%	--	0.40%	--
04/03/2017	11:30	TH CPI YoY	Mar	1.30%	--	1.44%	--
04/03/2017	13:00	IN Nikkei India PMI Mfg	Mar	--	--	50.7	--
04/03/2017	14:30	AU Commodity Index SDR YoY	Mar	--	--	56.00%	--
04/03/2017	15:45	IT Markit/ADACI Italy Mfg PMI	Mar	55.1	--	55	--
04/03/2017	15:50	FR Markit France Mfg PMI	Mar F	53.4	--	53.4	--
04/03/2017	15:55	GE Markit/BME Germany Mfg PMI	Mar F	58.3	--	58.3	--
04/03/2017	16:00	EC Markit Eurozone Mfg PMI	Mar F	56.2	--	56.2	--
04/03/2017	16:30	UK Markit UK PMI Mfg SA	Mar	55	--	54.6	--
04/03/2017	21:00	SI Purchasing Managers Index	Mar	50.8	--	50.9	--
04/03/2017	21:30	CA Markit Canada Mfg PMI	Mar	--	--	54.7	--
04/03/2017	21:45	US Markit US Mfg PMI	Mar F	53.5	--	53.4	--
04/03/2017	22:00	US ISM Manufacturing	Mar	57.2	--	57.7	--
04/03/2017	22:00	US ISM Prices Paid	Mar	66	--	68	--
04/03/2017	22:00	US Construction Spending MoM	Feb	1.00%	--	-1.00%	--
04/03/2017		ID CPI YoY	Mar	3.80%	--	3.83%	--

Source: Bloomberg

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