

Highlights

Global	<p>US' manufacturing ISM exceed expectations to print higher for the fourth straight month at 54.7 versus 53.2 previously and marking the highest reading since Dec14. Notably, broad-based strength in new orders (60.2), production (60.3) and employment (53.1) suggested that manufacturers were withstanding the stronger USD well. Nevertheless, the raw material price gauge also rose to 65.5, the highest since Jun11, and could be a nascent sign of inflation. US' construction also accelerated from 0.6% in Oct to 0.9% in Nov. Market optimism over the US economy may sustain in the first trading week of 2017. For today, watch for the Eurozone's services/composite PMIs, as well as the FOMC minutes which could shed some light on the actual extent of hawkishness going ahead.</p>
PMI	<p>Elsewhere, manufacturing PMI cues were mixed - China's official manufacturing PMI eased from 51.7 in Nov to 51.4 in Dec16, but the Caixin PMI improved from 50.9 to 51.9 during the same period. Elsewhere, improvements were registered in Taiwan (56.2 versus 54.7), South Korea (49.4 versus 48.0), static for Malaysia (47.1) and softer for Philippines (55.7), Vietnam (52.4), Indonesia (49.0), and India (back in contraction territory at 49.6).</p>
US	<p>Led by utilities, healthcare and financials, equity markets opened the year positively, with S&P 500 and Nasdaq both rising 0.85%, and the Dow gaining 0.60%. Economic fundamentals appear supportive heading into 2017, with US and China PMI data stronger than expected. With a lift-off in inflation and expansionary fiscal policies in the offing, corporates should also see greater revenue and earnings growth. VIX closed 8.48% lower at 12.85. Meanwhile, US Treasuries fell early in the trading day amid strong economic data and a sell-off in European government bonds. However, the losses were recouped due to strong IG credit issuance and the retreat in oil prices. 2-year benchmark yields closed 2 bps higher at 1.21%, while the 10-year yield was unchanged at 2.44%.</p>
SG	<p>Singapore's manufacturing PMI rose for the second straight month by 0.4 points to 50.6 in Dec16, which is the highest print since Nov14 (at 51.8). New orders, new export orders, production and inventories gauges saw improvements into the end of 2016, which should bode well for 1Q17 manufacturing momentum. Similarly, the electronics PMI also rose 0.7 points to 51.2 in Dec, after easing slightly in Nov (-0.3 points), which also marked the strongest reading since Oct15. The improvement was also driven by an uptick in new orders, new export orders, production and inventory gauges. In particular, demand for OLED displays, dual-lens cameras, fingerprint technology and touch screens could remain key drivers in 2017. Nevertheless, regional PMI cues remain mixed. This suggests that the 1H17 trajectory for manufacturing and electronics may not be completely smooth-sailing.</p>
Commo-dities	<p>Gold strives on uncertainties, and many uncertainties are still being observed as we embark on the first week of 2017. The cautious tone rings loudly simply by observing gold prices, which gained to \$1,162/oz yesterday even as the greenback touched its 14-year high. Elsewhere, both WTI and Brent dipped further likely on profit-taking amid some cautiousness on yesterday's higher US oil rig counts.</p>

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Major Markets

- **Singapore:** The STI kicked off 2017 on a positive note, adding 0.63% to close at 2898.97 yesterday, and may be gunning for the 2900 handle today, given the overnight Wall Street gains. STI's resistance and support are tipped at 2920 and 2890 respectively. SGS bond yields crept higher yesterday, led by the shorter-dated tenors. This comes ahead of the 2-year SGS bond re-opening on 26 Jan, with the issue size announcement on 19 Jan.
- **Thailand:** Prime Minister Prayuth Chan-Ocha confirmed a general election to take place in 2017, in line with the road map crafted earlier.
- **Hong Kong:** Retail sales tumbled 5.5% yoy in November, mainly due to the 14.4% yoy decline in sales of luxury items (including jewelry and watches). This could be attributed to the fourth consecutive month of decline of Mainland visitors in November. A stronger HKD may continue to suppress visitor consumption. On the other hand, the decrease in sales of consumer durable goods and goods in supermarkets reflected sluggishness in domestic consumption. This was amidst the retreat in stock market and households' fear of housing market correction following the cooling measures announced in early November. A relatively stable labor market may however vow some support for local consumer sentiments. Adding on the effect of a low base, we expect to see low single-digit growth on a yearly basis in retail sales over 2017.
- **Indonesia:** Finance Minister Sri Mulyani said that Indonesia's economy most likely expanded by 5% in 2016. She added that household consumption is seen to have grown at 5% in 2016. Overall budget deficit is estimated to be at 2.46% of GDP in 2016. She stressed that Indonesia will continue a stance of budget efficiency in 2017, to ensure accurate budget planning.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened with shorter end swap rates (less than 3Y) increasing by roughly 1bps while the middle to longer end falling by 1-3bps. In the broader dollar space, the spread on JACI IG Corporates remained unchanged at 197bps. Likewise, the yield on JACI HY Corporates held steady at 6.96%. 10Y UST yield was relatively unchanged at 2.45%, after early session losses were pared back after the market absorbed the stronger ISM manufacturing data.
- **New Issues:** Westpac Banking Corporation priced a USD1.75bn two-tranche deal with the USD1.25bn 5-year bond priced at CT5+88bps tightening from initial guidance at CT5+105bps and the USD500mn, 5-year bond priced at 3mL+85bps. The expected issue ratings are "AA-/Aa2/NR". Republic of Korea scheduled an investor roadshow from 9 January onwards for potential USD bond issuance.
- **Rating Changes:** Moody's downgraded Chiyu Banking Corporation Ltd.'s long-term deposit ratings to "A2" from "A1", and its long-term Counterparty Risk Assessment to "A1" from "Aa3". The rating follows Bank of China (Hong Kong)'s (BOCHK) sale-and-purchase agreement with Xiamen International Investment Limited on the proposed disposal by BOCHK of its majority stake in Chiyu Bank.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	103.210	0.42%	USD-SGD	1.4503	-0.03%
USD-JPY	117.750	0.17%	EUR-SGD	1.5093	-0.48%
EUR-USD	1.0405	-0.48%	JPY-SGD	1.2317	-0.19%
AUD-USD	0.7219	0.49%	GBP-SGD	1.7750	-0.35%
GBP-USD	1.2237	-0.33%	AUD-SGD	1.0471	0.46%
USD-MYR	4.4938	0.17%	NZD-SGD	1.0034	-0.11%
USD-CNY	6.9640	0.27%	CHF-SGD	1.4117	-0.40%
USD-IDR	13476	0.02%	SGD-MYR	3.1008	0.16%
USD-VND	22750	-0.05%	SGD-CNY	4.7919	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	0.6921	--
2M	-0.3360	--	1M	0.7717	--
3M	-0.3180	--	2M	0.8194	--
6M	-0.2200	--	3M	0.9979	--
9M	-0.1400	--	6M	1.3177	--
12M	-0.0830	--	12M	1.6857	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.10	3.10	3.91
Italy	-0.17	1.00	1.87
Ireland	-0.54	1.60	0.89
Greece	7.65	--	6.97
Spain	-0.33	1.80	1.42
Russia	2.69	--	4.46

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.33	-2.59%	Coffee (per lb)	1.374	0.26%
Brent (per barrel)	55.47	-2.38%	Cotton (per lb)	0.7178	1.60%
Heating Oil (per gallon)	1.6767	-1.62%	Sugar (per lb)	0.2051	5.13%
Gasoline (per gallon)	1.6218	-2.60%	Orange Juice (per lb)	1.9700	-0.56%
Natural Gas (per MMBtu)	3.3270	-10.66%	Cocoa (per mt)	2,166	1.88%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,500.0	-0.64%	Wheat (per bushel)	4.0650	-0.37%
Nickel (per mt)	9,864.5	-1.11%	Soybean (per bushel)	9.868	-0.98%
Aluminium (per mt)	1,688.0	-0.35%	Corn (per bushel)	3.5575	1.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,162.0	0.89%	Crude Palm Oil (MYR/MT)	3,250.0	0.99%
Silver (per oz)	16.409	2.63%	Rubber (JPY/KG)	262.0	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	19,881.76	119.16
S&P	2,257.83	19.00
Nasdaq	5,429.08	45.97
Nikkei 225	19,114.37	--
STI	2,898.97	18.21
KLCI	1,635.53	-6.20
JCI	5,275.97	-20.74
Baltic Dry	953.00	-8.00
VIX	12.85	-1.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.30 (-0.01)	1.21 (+0.03)
5Y	1.87 (+0.01)	1.94 (+0.01)
10Y	2.49 (+0.02)	2.44 (--)
15Y	2.76 (+0.03)	--
20Y	2.75 (+0.03)	--
30Y	2.74 (+0.02)	3.05 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.98	-0.20
EURIBOR-OIS	3.10	0.20
TED	50.05	--

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	Relevance
01/03/2017 01:00	IT	New Car Registrations YoY	Dec --	13.06%	8.19%	8.47%	47.3684
01/03/2017 02:11	IT	Budget Balance	Dec --	8.9b	-7.0b	--	42.1053
01/03/2017 06:30	AU	AiG Perf of Mfg Index	Dec --	55.4	54.2	--	67.6471
01/03/2017 08:00	SI	GDP YoY	4Q A	0.30%	1.80%	1.10%	89.6552
01/03/2017 08:00	SI	GDP SAAR QoQ	4Q A	4.00%	9.10%	-2.00%	79.3103
01/03/2017 08:30	ID	Nikkei Indonesia PMI Mfg	Dec --	49	49.7	--	90
01/03/2017 08:30	VN	Nikkei Vietnam PMI Mfg	Dec --	52.4	54	--	90
01/03/2017 08:30	TA	Nikkei Taiwan PMI Mfg	Dec --	56.2	54.7	--	90
01/03/2017 09:45	CH	Caixin China PMI Mfg	Dec --	50.9	51.9	50.9	90
01/03/2017 12:05	ID	CPI YoY	Dec --	3.04%	3.02%	3.58%	86.9565
01/03/2017 12:05	ID	CPI NSA MoM	Dec	0.45%	0.42%	0.47%	60.8696
01/03/2017 12:09	ID	CPI Core YoY	Dec	3.11%	3.07%	3.07%	65.2174
01/03/2017 13:30	AU	Commodity Index SDR YoY	Dec --	45.50%	32.10%	28.70%	83.3333
01/03/2017 13:30	AU	Commodity Index AUD	Dec --	116.8	109.7	106.9	66.6667
01/03/2017 15:45	FR	CPI EU Harmonized MoM	Dec P	0.50%	0.30%	0.00%	69.4444
01/03/2017 15:45	FR	CPI EU Harmonized YoY	Dec P	0.90%	0.80%	0.70%	75
01/03/2017 15:45	FR	CPI YoY	Dec P	0.80%	0.60%	0.50%	94.4444
01/03/2017 16:00	GE	CPI Saxony YoY	Dec --	1.80%	0.80%	--	42.3729
01/03/2017 16:30	HK	Retail Sales Value YoY	Nov --	-3.20%	-5.50%	-2.90%	95.4545
01/03/2017 16:30	HK	Retail Sales Volume YoY	Nov	-3.00%	-5.60%	-2.70%	54.5455
01/03/2017 16:55	GE	Unemployment Change (000's)	Dec --	-5k	-17k	-5k	89.8305
01/03/2017 16:55	GE	Unemployment Claims Rate SA	Dec	6.00%	6.00%	6.00%	72.8814
01/03/2017 21:00	GE	CPI YoY	Dec P	1.40%	1.70%	0.80%	88.1356
01/03/2017 21:00	GE	CPI MoM	Dec P	0.60%	0.70%	0.10%	86.4407
01/03/2017 21:00	GE	CPI EU Harmonized MoM	Dec P	0.60%	1.00%	0.00%	74.5763
01/03/2017 21:00	GE	CPI EU Harmonized YoY	Dec P	1.30%	1.70%	0.70%	76.2712
01/03/2017 21:00	SI	Purchasing Managers Index	Dec --	50.1	50.6	50.2	75.8621
01/03/2017 21:00	SI	Electronics Sector Index	Dec --	51.2	50.5	--	37.931
01/03/2017 22:30	CA	RBC Canadian Mfg PMI	Dec --	51.8	51.5	--	90
01/03/2017 22:45	US	Markit US Manufacturing PMI	Dec F	54.2	54.3	54.2	90
01/03/2017 23:00	US	ISM Manufacturing	Dec --	53.8	54.7	53.2	96.1538
01/03/2017 23:00	US	ISM Prices Paid	Dec	55.5	65.5	54.5	74.6154
01/03/2017 23:00	US	Construction Spending MoM	Nov --	0.50%	0.90%	0.50%	80.7692
01/04/2017 05:00	SK	Foreign Reserves	Dec --	\$371.10b	\$371.99b	--	57.1429
01/04/2017 07:00	SK	BoP Current Account Balance	Nov --	\$8989.2m	\$8719.3m	--	74.2857
01/04/2017 07:00	SK	BoP Goods Balance	Nov --	\$10522m	\$9830m	--	40
01/04/2017 08:30	JN	Nikkei Japan PMI Mfg	Dec F --	--	51.9	--	90
01/04/2017 11:30	TH	CPI YoY	Dec --	0.96%	0.60%	--	92.3077
01/04/2017 11:30	TH	CPI NSA MoM	Dec	0.21%	-0.06%	--	46.1538
01/04/2017 11:30	TH	CPI Core YoY	Dec	0.78%	0.72%	--	69.2308
01/04/2017 13:00	IN	Nikkei India PMI Services	Dec --	--	46.7	--	70
01/04/2017 13:00	IN	Nikkei India PMI Composite	Dec --	--	49.1	--	70
01/04/2017 15:00	SI	Automobile COE Open Bid Cat E	Jan-04 --	--	50389	--	41.3793
01/04/2017 15:30	TH	Business Sentiment Index	Dec --	--	49.5	--	34.6154
01/04/2017 15:45	FR	Consumer Confidence	Dec --	99	98	--	80.5556
01/04/2017 16:45	IT	Markit/ADACI Italy Services PMI	Dec	52.6	53.3	--	70
01/04/2017 16:45	IT	Markit/ADACI Italy Comp PMI	Dec	53	53.4	--	70
01/04/2017 16:50	FR	Markit France Services PMI	Dec F	52.6	52.6	--	70
01/04/2017 16:50	FR	Markit France Composite PMI	Dec F	52.8	52.8	--	70
01/04/2017 16:55	GE	Markit Germany Services PMI	Dec F	53.8	53.8	--	70
01/04/2017 16:55	GE	Markit/BME Germany Comp PMI	Dec F	54.8	54.8	--	70
01/04/2017 17:00	EC	Markit Eurozone Services PMI	Dec F	53.1	53.1	--	70
01/04/2017 17:00	EC	Markit Eurozone Composite PMI	Dec F	53.9	53.9	--	75
01/04/2017 17:30	UK	Markit/CIPS UK Constr PMI	Dec	52.5	52.8	--	72.9412
01/04/2017 17:30	UK	Mortgage Approvals	Nov --	68.5k	67.5k	--	83.5294
01/04/2017 17:30	UK	Money Supply M4 MoM	Nov --	--	1.10%	--	50.5882
01/04/2017 17:30	UK	M4 Money Supply YoY	Nov --	--	6.60%	--	49.4118
01/04/2017 18:00	EC	CPI Estimate YoY	Dec --	1.00%	0.60%	--	79.5455
01/04/2017 18:00	EC	CPI Core YoY	Dec A	0.80%	0.80%	--	63.6364
01/04/2017 18:00	IT	CPI EU Harmonized MoM	Dec P	0.20%	-0.20%	--	84.2105
01/04/2017 18:00	IT	CPI NIC incl. tobacco MoM	Dec P	0.30%	-0.10%	--	76.3158
01/04/2017 18:00	IT	CPI NIC incl. tobacco YoY	Dec P	0.30%	0.10%	--	65.7895
01/04/2017 18:00	IT	CPI EU Harmonized YoY	Dec P	0.30%	0.10%	--	94.7368
01/04/2017 20:00	US	MBA Mortgage Applications	Dec-30 --	--	--	--	92.3077
01/04/2017 01/05	US	Wards Domestic Vehicle Sales	Dec	13.70m	13.85m	--	40
01/04/2017 01/05	US	Wards Total Vehicle Sales	Dec	17.70m	17.75m	--	44.6154

Source: Bloomberg

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