

Highlights

Global	<p>Fed chair Yellen essentially cemented expectations for the March rate hike theme last Friday with her comments that “we realise that waiting too long to scale back some of our support could potentially require us to raise rates rapidly sometime down the road” and “I currently see no evidence that the Federal Reserve has fallen behind the curve, and I therefore continue to have confidence in our judgment that a gradual removal of accommodation is likely to be appropriate”. She also opined that “unless unanticipated developments adversely affect the economic outlook, the process of scaling back accommodation likely will not be as slow as it was during the past couple of years” and that the current monetary policy stance was “moderately accommodative” rather than “modestly accommodative” used in her 19 Jan speech. The latter suggests a potentially more hawkish rate hike trajectory. Expect Asian markets to digest Yellen’s hawkish comments and China’s NPC pronouncements (slower growth target of around 6.5%) today. The economic data calendar comprises US’ durable goods orders and factory orders, and Eurozone’s Sentix investor confidence. Speakers for today include BOE’s Haldane and RBNZ’s Spencer. Central bank meetings to watch are RBA (likely steady at 1.5% tomorrow) and ECB (likely to be static on 9 Mar as any taper talk is still months away notwithstanding green economic shoots of late). Of note will be Friday’s key US nonfarm payrolls and unemployment data, for which market is eyeing +190k (previously +227k) and 4.7% (previously 4.8%) respectively for Feb.</p>
US	<p>Non-manufacturing ISM, services improved for the sixth consecutive month and by more than expected from 56.5 in Jan to 57.6 in Feb (market consensus forecast: 56.5), the fastest since Aug14, as new orders, production, orders backlogs and export demand surged.</p>
SG	<p>The Nikkei whole economy PMI eased from 51.6 in Jan to 51.4 in Feb, marking the lowest reading since Oct16. Both the output and the new orders gauges slipped in Feb, marking the lows since Apr16 and Jul16. Export sales were cited as contracting in Feb after expanding for the previous five months. Easing growth inactivity and new business inflows alongside weak business sentiment also prompted more cautious hiring. This was accompanied by subsiding inflationary pressures – while inputs costs rose in Feb, the inflation rate was lower than Jan, and accordingly selling prices were hiked at a slower pace. The pessimism was the greatest recorded in the near 5-year series history. Nevertheless, private sector firms stepped up their purchasing activity in anticipation of growing output, partly attributable to bulk discounts from suppliers which could be a way of moving inventory. Our view is that the whole economy PMI is likely to soften further in the coming months.</p>
CH	<p>China’s Premier Li Keqiang delivered a reform-minded 2017 Government Work Report on Sunday. China officially lowered its growth target to around 6.5% though keeping the option to try higher from previous year’s 6.5-7% range. The lower growth target despite improving economic data in the past few months paved the way for reform and containing financial risk.</p>

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Major Markets

- **US:** Equities ended marginally positive on Friday post-Yellen. Financials and healthcare led gains, while dividend plays, like utilities and REITs, declined on US Treasury yields. While eyes were on Fed and Trump, it is important to note that fundamentals have also supported the recent rally to some extent, with around 73% of S&P 500 component members beating profit estimates. VIX slipped lower by 7.2% to end at 10.96. 10-year US Treasury yields fluctuated around the 2.5% mark as the market digested Yellen's comments, eventually closing unchanged at 2.48%. 2-year benchmark yields closed at 1.31%.
- **Singapore:** STI declined 0.45% on Friday and may trade sideways today within a range of 3100-3150, given Wall Street's muted close on Friday. The UST bill yields continued to push higher amid reinforced March rate hike expectations, and this is likely to provide the dominant trading theme for Asian bond markets, including the SGS, for the interim.
- **Indonesia:** President Joko Widodo is due to welcome PM Malcolm Turnbull of Australia this week, to discuss trade ties and maritime security. This comes after a landmark visit by Saudi Arabia's King Salman last week, which involved 1500 people in his entourage.
- **Malaysia:** The authorities said that they managed to foil a plot by IS militants to undertake large-scale car bomb attacks on targets in Klang Valley. Several suspects were rounded up by the Counter Terrorism Division in multiple raids from Feb 21 to Feb 26.
- **Thailand:** An approximate \$2.2 billion worth of foreign monies have flowed into Thailand's debt market since the start of 2017, according to Bloomberg. The relatively strong inflows, compared to other Asian economies, though a signal of confidence by investors, have also been buoying the baht and making Thailand's exports less competitive.
- **South Korea:** Sales of travel packages to South Korea were allegedly been ordered to cease by China starting 15 March, while Chinese authorities reportedly suspending four Lotte Mart stores for a month. Elsewhere, foreign reserves fell to \$373.91 billion in Feb, down from 374.04 billion in the previous month.
- **Commodities:** News of supply disruption once again lifted energy prices. Specifically, Libya halted oil shipments from Es Sider and Ras Lanuf, two of its biggest oil ports, citing security concerns given militias takeover. Crude oil rallied by more than 1.0% as a result. Elsewhere, gold prices fell 0.52% over the weekend ahead of Fed Yellen's speech.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was relatively flattish last Friday, with the exception of longer tenors (15-30years) trading 2bps lower. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 191bps while the yield on JACI HY corporates rose 2bps to 6.64%. 10y UST yields held steady at 2.48%, as US Federal Reserve Chairwoman Janet Yellen's address at Chicago last Friday remained largely within markets' expectation of an imminent March rate hike. 10y UST yields rose 16bps last week in a quick change of sentiments towards the likelihood of a March rate hike.
- **New Issues:** Gome Electrical Appliances Holding Ltd. priced a USD400mn 3-year bond at par, with a 5% yield which tightened from an initial guidance of 5.5%. The expected issue ratings are 'BB-/NR/NR'.

- **Rating Changes:** Moody's affirmed Australian infrastructure company Ventia Pty Limited's (Ventia) 'Ba2' corporate family rating and senior secured rating. The rating outlook is stable. The rating action follows Ventia's announcement that it will issue an AUD827mn loan facility (by repricing and upsizing the existing AUD707mn loan facility), and Moody's expect that Ventia's credit metrics will remain within the tolerance levels set for its ratings, despite the increase in debt and debt-funded dividend payments. S&P has also announced that Ventia's ratings are not immediately affected by this arrangement. Moody's has revised Future Land Development Holdings Limited's (Future Land) ratings outlook to positive from stable. In addition, Moody's has affirmed Future Land Development Holdings Limited's 'Ba3' corporate family rating and 'B1' senior unsecured debt rating and revised the rating outlook to positive from stable. The rating action reflects Future Land's strong sales execution, growing recurring income, and improving credit metrics.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	101.540	-0.65%	USD-SGD	1.4107	-0.16%
USD-JPY	114.040	-0.32%	EUR-SGD	1.4984	0.94%
EUR-USD	1.0622	1.09%	JPY-SGD	1.2364	0.13%
AUD-USD	0.7596	0.32%	GBP-SGD	1.7344	0.08%
GBP-USD	1.2291	0.20%	AUD-SGD	1.0715	0.15%
USD-MYR	4.4542	0.09%	NZD-SGD	0.9924	-0.53%
USD-CNY	6.9040	0.20%	CHF-SGD	1.4001	0.44%
USD-IDR	13383	0.19%	SGD-MYR	3.1496	-0.14%
USD-VND	22843	0.10%	SGD-CNY	4.8777	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	0.0010	O/N	0.6828	--
2M	-0.3400	--	1M	0.8344	0.0044
3M	-0.3290	--	2M	0.9133	0.0083
6M	-0.2370	0.0010	3M	1.1017	0.0017
9M	-0.1710	0.0010	6M	1.4227	0.0067
12M	-0.1130	0.0010	12M	1.8082	0.0100

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.05	0.10	3.94
Italy	-0.04	-3.40	2.10
Ireland	-0.37	4.30	1.02
Greece	7.99	0.50	7.05
Spain	-0.19	-6.40	1.68
Russia	1.82	0.20	4.17

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.33	1.37%	Coffee (per lb)	1.413	-0.67%
Brent (per barrel)	55.90	1.49%	Cotton (per lb)	0.7728	2.10%
Heating Oil (per gallon)	1.5936	0.92%	Sugar (per lb)	0.1952	-0.71%
Gasoline (per gallon)	1.6531	0.60%	Orange Juice (per lb)	1.7485	2.49%
Natural Gas (per MMBtu)	2.8270	0.82%	Cocoa (per mt)	1,989	1.38%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,917.0	-0.22%	Wheat (per bushel)	4.3375	0.41%
Nickel (per mt)	10,944.0	1.95%	Soybean (per bushel)	10.270	0.02%
Aluminium (per mt)	1,884.8	-1.02%	Corn (per bushel)	3.7475	0.54%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,226.5	-0.52%	Crude Palm Oil (MYR/MT)	3,000.0	0.70%
Silver (per oz)	17.697	-0.05%	Rubber (JPY/KG)	303.0	-0.98%

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

Equity and Commodity

Index	Value	Net change
DJIA	21,005.71	2.74
S&P	2,383.12	1.20
Nasdaq	5,870.75	9.53
Nikkei 225	19,469.17	-95.63
STI	3,122.34	-14.14
KLCI	1,708.38	-7.29
JCI	5,391.22	-17.04
Baltic Dry	939.00	35.00
VIX	10.96	-0.85

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-)	1.31 (-)
5Y	1.64 (-)	2.01 (-0.01)
10Y	2.35 (-)	2.48 (-)
15Y	2.47 (-)	--
20Y	2.45 (-)	--
30Y	2.48 (-)	3.07 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.07	-0.38
EURIBOR-OIS	2.30	--
TED	40.60	-5.93

CFTC Commodities Futures and Options

For the week ended: 28 Feb 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	168,104	129,253	38,851	Wheat	-32,410	2,109	-34,519
Silver	94,835	86,783	8,052	Sugar	177,126	205,353	-28,227
Platinum	45,610	39,752	5,858	Nymex Crude	563,593	586,229	-22,636
Live Cattle	112,913	109,939	2,974	Soybean	164,243	182,000	-17,757
Cotton	124,082	121,990	2,092	Corn	199,836	210,841	-11,005
Heating Oil	37,754	37,691	63	Cocoa	-27,041	-19,838	-7,203
Palladium	16,498	16,673	-175	Lean Hogs	55,663	62,231	-6,568
RBOB Gasoline	56,254	58,938	-2,684	Natural Gas	-56,105	-51,352	-4,753
Coffee	27,600	31,011	-3,411	Copper	38,020	42,406	-4,386

Date	Time	Event		Survey	Actual	Prior	Revised
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 Jobless Rate	Jan	3.00%	3.00%	3.10%	--
03/03/2017	07:30	JN Job-To-Applicant Ratio	Jan	1.44	1.43	1.43	--
03/03/2017	07:30	JN Overall Household Spending YoY	Jan	-0.40%	-1.20%	-0.30%	--
03/03/2017	07:30	JN Natl CPI YoY	Jan	0.40%	0.40%	0.30%	--
03/03/2017	07:30	JN Natl CPI Ex Fresh Food YoY	Jan	0.00%	0.10%	-0.20%	--
03/03/2017	07:30	JN Tokyo CPI YoY	Feb	-0.10%	-0.30%	0.10%	--
03/03/2017	07:30	JN Tokyo CPI Ex-Fresh Food YoY	Feb	-0.20%	-0.30%	-0.30%	--
03/03/2017	08:30	JN Nikkei Japan PMI Services	Feb	--	51.3	51.9	--
03/03/2017	08:30	JN Nikkei Japan PMI Composite	Feb	--	52.2	52.3	--
03/03/2017	08:30	HK Nikkei Hong Kong PMI	Feb	--	49.6	49.9	--
03/03/2017	09:45	CH Caixin China PMI Composite	Feb	--	52.6	52.2	--
03/03/2017	09:45	CH Caixin China PMI Services	Feb	--	52.6	53.1	--
03/03/2017	12:00	MA Exports YoY	Jan	15.00%	13.60%	10.70%	10.70%
03/03/2017	12:00	MA Trade Balance MYR	Jan	8.43b	4.71b	8.72b	8.72b
03/03/2017	13:00	IN Nikkei India PMI Services	Feb	--	50.3	48.7	--
03/03/2017	13:00	IN Nikkei India PMI Composite	Feb	--	50.7	49.4	--
03/03/2017	15:00	GE Retail Sales YoY	Jan	0.70%	2.30%	-1.10%	0.40%
03/03/2017	15:30	TH Foreign Reserves	Feb-24	--	\$181.3b	\$180.9b	--
03/03/2017	16:45	IT Markit/ADACI Italy Services PMI	Feb	52.8	54.1	52.4	--
03/03/2017	16:45	IT Markit/ADACI Italy Comp PMI	Feb	53.1	54.8	52.8	--
03/03/2017	16:50	FR Markit France Services PMI	Feb F	56.7	56.4	56.7	--
03/03/2017	16:50	FR Markit France Composite PMI	Feb F	56.2	55.9	56.2	--
03/03/2017	16:55	GE Markit Germany Services PMI	Feb F	54.4	54.4	54.4	--
03/03/2017	16:55	GE Markit/BME Germany Composite	Feb F	56.1	56.1	56.1	--
03/03/2017	17:00	EC Markit Eurozone Services PMI	Feb F	55.6	55.5	55.6	--
03/03/2017	17:00	EC Markit Eurozone Comp PMI	Feb F	56	56	56	--
03/03/2017	17:00	IT GDP WDA YoY	4Q F	1.10%	1.00%	1.10%	--
03/03/2017	17:30	UK Markit/CIPS UK Services PMI	Feb	54.1	53.3	54.5	--
03/03/2017	17:30	UK Markit/CIPS UK Composite PMI	Feb	55.6	53.8	55.5	55.4
03/03/2017	18:00	EC Retail Sales YoY	Jan	1.50%	1.20%	1.10%	1.20%
03/03/2017	22:45	US Markit US Services PMI	Feb F	54	53.8	53.9	--
03/03/2017	22:45	US Markit US Composite PMI	Feb F	--	54.1	54.3	--
03/03/2017	23:00	US ISM Non-Manf. Composite	Feb	56.5	57.6	56.5	--
03/06/2017	05:00	SK Foreign Reserves	Feb	--	\$373.91b	\$374.04b	--
03/06/2017	08:30	AU Retail Sales MoM	Jan	0.40%	--	-0.10%	--
03/06/2017	16:30	GE Markit Germany Construction PMI	Feb	--	--	52	--
03/06/2017	17:10	GE Markit Germany Retail PMI	Feb	--	--	50.3	--
03/06/2017	17:10	EC Markit Eurozone Retail PMI	Feb	--	--	50.1	--
03/06/2017	17:10	FR Markit France Retail PMI	Feb	--	--	53.1	--
03/06/2017	17:10	IT Markit Italy Retail PMI	Feb	--	--	45.6	--
03/06/2017	23:00	US Factory Orders	Jan	1.00%	--	1.30%	--
03/06/2017	23:00	US Durable Goods Orders	Jan F	1.00%	--	1.80%	--
03/06/2017	23:00	US Durables Ex Transportation	Jan F	0.10%	--	-0.20%	--
03/06/2017	23:00	US Cap Goods Orders Nondef Ex Air	Jan F	--	--	-0.40%	--
03/06/2017	23:00	US Cap Goods Ship Nondef Ex Air	Jan F	--	--	-0.60%	--

Source: Bloomberg

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