

Highlights

Global	<p>With a touch of risk-off sentiments seeping into financial markets, it was another day of mixed trading - the Dow eked out gains as optimism over Trump's fiscal policies finally gave way to the slump in energy shares, UST bonds overcame initial losses and the 10-year bond yield dipped below 2.4%, whereas the USD strengthened even as the GBP bounced. Fed rhetoric saw Harker saying that "March is on the table" and "we saw some very good job numbers last week, continued good news around GDP and GDP growth, and continued signs that the labor market is strengthening". Meanwhile, Kashkari sounded more cautious, indicating that "we are still coming up somewhat short on our inflation mandate, and we may not have yet reached maximum employment...That suggests that somewhat accommodative monetary policy would still be appropriate to close those gaps".</p> <p>Expect that the Asian markets to trade on a slightly cautious footing this morning. Today's economic data calendar comprises of US' MBA mortgage applications, Japan's Eco Watchers survey, Malaysia's Dec trade data, and S'pore's COE tender results. All eyes on RBI who is tipped to cut 25bps, BOT who is likely on hold at 1.5%, and early tomorrow morning we get RBNZ who is also likely to hold its official cash rate at 1.75%.</p>
US	<p>The JOLTS job openings was relatively steady at 5501 in Dec, versus a revised 5505 in Nov. The US' trade deficit narrowed from a revised US\$45.7b in Nov to US\$44.3b in Dec, as exports growth (+2.7%) overtook import growth (+1.5%). For the full year 2016, exports expanded 4.2% while imports rose 4.6%, with the latter suggesting a broadening of domestic demand. Notably, the US' bilateral trade deficit with Mexico rose to a 5-year high of US\$63.2b (2015: US\$60.7b) whereas the deficit with China narrowed from US\$367.2b to US\$347b.</p>
AU	<p>RBA kept its policy rate static at 1.5% as widely anticipated, while leaving its forecasts largely unchanged with growth around 3% and inflation expected to rise above 2% over 2017, even as the labour market remains "mixed" with "considerable variation". RBA also cited "above-trend growth" in a "number of advanced economies" and noted that is "no longer an expectation of further monetary easing in other major economies".</p>
SG	<p>Water prices will rise for the first time in 17 years in the coming Budget.</p>
CH	<p>China's FX reserve fell by more than expected to US\$2.9982 trillion, below psychological handle. RMB weakened against the dollar as a knee jerk reaction to the FX reserve data.</p>
TH	<p>The Bank of Thailand is slated to meet later, where we expect no change in their benchmark rate of 1.50%. Elsewhere, a THB31.5bn loan will be extended to aid flood victims in southern Thailand.</p>
Commodities	<p>Crude oil prices continue to dip as market-watchers await for tonight's US oil inventory data. More importantly perhaps, investors likely concentrated on higher US oil production to 9.5 million barrels per day (bpd) into 2018, according to the latest STEO report by the US Energy Information Agency (EIA), which could further exacerbate the supply glut.</p>

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Major Markets

- **US:** Equities notched small gains on Tuesday, as gains in consumer staples and tech were largely cancelled out by energy stocks. Energy stocks continued to track a weakening oil price, which has declined for three consecutive sessions towards the US\$51 handle. The Dow hit an intraday high, before retreating to close at 20090.29, up 0.19%. Nasdaq matched gains in the Dow, closing at 5674.22, while the S&P 500 was the relative laggard, closing essentially unchanged. VIX traded lower marginally at 11.29. Meanwhile, the US Treasury curve flattened as 10-year yield traded at 2.39%, below the 2.40% handle for the first time since Jan 24. Short-end yields rose, with the 2-year yield standing at 1.17%, as investors begin to seriously factor in a possibly “live” March FOMC meeting.
- **Singapore:** The STI added 0.48% to close up at 3071.64 yesterday, swimming against the red tide that swept most of Asian bourses. With small overnight gains in Wall Street, but mixed morning leads from Kospi and ASX, the STI may trade between a range of 3040-3080. The SGS bond yield curve may continue to flatten in line with the UST bonds.
- **China:** The further decline of FX reserve in January despite favourable valuation factor, which may add US\$10-20 billion to reserve, shows that outflow continued. FX reserve in SDR term fell from 2.2394 trillion to 2.2065 trillion. Despite tightening surveillance on individual’s currency purchase in January, outflow continued due to seasonal demand from corporate and individuals in the beginning of the year. Meanwhile, given more Chinese spent their holiday overseas, the seasonal demand for foreign currency is likely to be exaggerated in January. Nevertheless, on the year-on-year base, the decline of FX reserve in January has fallen by about 88%. This shows the diminishing pressures on capital outflows partly thanks to tighter capital control measures as well as adjustment of dollar value. Looking ahead, we expect the pace of decline in FX reserve to moderate further in the coming months.
- **Hong Kong:** As the Fed resumed its rate hike cycle and global reflation is expected to support a steeper path for rate hikes, the one-year HIBOR jumped as high as 1.58% in early January. To catch up with the increase in one-year HIBOR, HKD deposit rates were raised to as high as 1.5%. Based on this, we expect HK banks to lift Prime Rate around mid-June, which may hit the housing market.
- **South Korea:** BOK governor Lee Ju-yeol commented that further downside risk to trade may be seen should faster-than-expected trade protectionism policies are implemented in the US and if a ‘hard’ Brexit scenario comes to pass.
- **Commodities:** We note that EIA is expected a rebalancing of the supply-demand numbers as early as June 2017, underpinned by a pick-up in global oil demand. EIA upgraded its 2017 (up to \$53.46/bbl from \$52.5/bbl) & 2018 (\$55.18 from \$55.18/bbl) crude oil price outlook. Elsewhere, gold continues to point north even as dollar strengthened overnight, while gold holdings in SPDR gold shares continue to climb, suggesting investors’ caution over Trump-centric uncertainty. Note that China had kept its gold reserves unchanged for a third month in January

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors – except for 1-2year tenors, which traded higher by around 1bps. In the broader dollar space, the spread on JACI IG Corporates held steady at 197bps while the yield on JACI HY Corporates fell another 3bps to 6.78%. 10y UST yield fell 1bps to 2.39%, touching a 3-week low, as Treasuries were underpinned by oil prices which came under pressure (WTI Oil price tanked 2% at one stage).

- **New Issues:** Bank of China Ltd (Hong Kong Branch) priced a USD2bn 3-tranche deal, with the USD1.2bn 3-year bond priced at 3mL+77bps; the USD300mn 3-year bond priced at CT3+105bps, tightening from initial guidance of CT3+120bps; and the USD500mn 5-year bond priced at CT5+115bps. The expected issue ratings are 'A/A1/A'. Hong Kong has scheduled an investor roadshow from 13 February for a potential USD Sukuk bond offering. Vodafone Group Plc is planning for a potential USD 30-year non-callable Formosa Bond issue. Power China scheduled non-deal roadshows from 14-20 February for a potential bond issuance.
- **Rating Changes:** Moody's withdrew all ratings on SABMiller Limited and those on its subsidiaries, which includes the 'A3' rating on the EUR1bn senior unsecured notes (issued by SABMiller Holdings Inc.) and 'A3' rating on the AUD700mn senior unsecured notes (issued by FBG Finance Pty Ltd.). Moody's withdrew the ratings of SABMiller for reorganization reasons following the merger into Anheuser-Busch InBev SA/NV which was completed on 10 October 2016. Moody's downgraded Gajah Tunggal Tbk's (P.T.) ('Gajah Tunggal') corporate family rating (CFR) and the rating on its USD500mn senior secured notes to 'Caa1' from 'B3'. The rating outlook is negative. The rating action reflects Moody's concerns over Gajah Tunggal's inability to secure funding one-year prior to its February 2018 notes maturity which exposes the company to material market risk. This increases the probability of a distressed exchange.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.260	0.35%	USD-SGD	1.4180	0.62%
USD-JPY	112.390	0.58%	EUR-SGD	1.5150	0.01%
EUR-USD	1.0683	-0.62%	JPY-SGD	1.2615	0.09%
AUD-USD	0.7628	-0.42%	GBP-SGD	1.7739	0.96%
GBP-USD	1.2509	0.32%	AUD-SGD	1.0815	0.19%
USD-MYR	4.4353	0.20%	NZD-SGD	1.0353	0.39%
USD-CNY	6.8853	0.32%	CHF-SGD	1.4215	-0.01%
USD-IDR	13329	0.07%	SGD-MYR	3.1301	-0.33%
USD-VND	22610	0.09%	SGD-CNY	4.8552	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	0.6883	--
2M	-0.3410	--	1M	0.7753	--
3M	-0.3280	--	2M	0.8394	--
6M	-0.2440	--	3M	1.0384	--
9M	-0.1590	--	6M	1.3441	--
12M	-0.1010	--	12M	1.7073	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.08	-0.40	4.24
Italy	0.03	-2.30	2.37
Ireland	-0.47	-1.20	1.19
Greece	9.73	80.40	7.83
Spain	-0.25	-0.20	1.77
Russia	2.22	-3.90	4.28

Equity and Commodity

Index	Value	Net change
DJIA	20,090.29	37.87
S&P	2,293.08	0.52
Nasdaq	5,674.22	10.67
Nikkei 225	18,910.78	-65.93
STI	3,071.64	14.73
KLCI	1,688.84	-2.40
JCI	5,381.48	-14.52
Baltic Dry	714.00	-21.00
VIX	11.29	-0.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.18 (-0.02)	1.17 (+0.02)
5Y	1.59 (-0.03)	1.85 (-)
10Y	2.22 (-0.04)	2.39 (-0.01)
15Y	2.49 (-0.06)	--
20Y	2.56 (-0.07)	--
30Y	2.62 (-0.05)	3.02 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.92	0.88
EURIBOR-OIS	2.10	0.10
TED	52.57	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.17	-1.58%	Coffee (per lb)	1.426	-1.11%
Brent (per barrel)	55.05	-1.20%	Cotton (per lb)	0.7509	-0.71%
Heating Oil (per gallon)	1.6221	-0.80%	Sugar (per lb)	0.2072	-2.17%
Gasoline (per gallon)	1.4875	-1.51%	Orange Juice (per lb)	1.7000	2.72%
Natural Gas (per MMBtu)	3.1300	2.62%	Cocoa (per mt)	2,005	-2.05%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,795.0	-0.87%	Wheat (per bushel)	4.3075	1.95%
Nickel (per mt)	10,306.3	-0.93%	Soybean (per bushel)	10.428	0.65%
Aluminium (per mt)	1,813.5	-0.30%	Corn (per bushel)	3.6850	1.31%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,234.2	0.34%	Crude Palm Oil (MYR/MT)	3,278.0	0.49%
Silver (per oz)	17.756	0.36%	Rubber (JPY/KG)	322.9	0.81%

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

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised	
02/07/2017	06:30	AU	AiG Perf of Construction Index	Jan	--	47.7	47	--
02/07/2017	07:50	JN	Official Reserve Assets	Jan	--	\$1231.6b	\$1216.9b	--
02/07/2017	09:00	PH	CPI NSA MoM	Jan	0.40%	0.30%	0.30%	--
02/07/2017	09:00	PH	CPI YoY	Jan	2.80%	2.70%	2.60%	--
02/07/2017	10:00	NZ	2Yr Inflation Expectation	1Q	--	1.92%	1.68%	--
02/07/2017	11:30	AU	RBA Cash Rate Target	Feb-07	1.50%	1.50%	1.50%	--
02/07/2017	13:00	JN	Leading Index CI	Dec P	105.5	105.2	102.8	--
02/07/2017	13:00	JN	Coincident Index	Dec P	115.1	115.2	115	--
02/07/2017	13:30	AU	Foreign Reserves	Jan	--	A\$68.6b	A\$76.1b	--
02/07/2017	15:00	GE	Industrial Production SA MoM	Dec	0.30%	-3.00%	0.40%	0.50%
02/07/2017	15:00	GE	Industrial Production WDA YoY	Dec	2.50%	-0.70%	2.20%	2.30%
02/07/2017	15:00	MA	Foreign Reserves	Jan-31	--	\$95.0b	\$94.3b	--
02/07/2017	15:45	FR	Trade Balance	Dec	-3500m	-3421m	-4377m	-4370m
02/07/2017	15:45	FR	Budget Balance YTD	Dec	--	-69.0b	-93.3b	--
02/07/2017	16:00	TA	Trade Balance	Jan	\$3.67b	\$3.50b	\$4.86b	--
02/07/2017	16:00	TA	Exports YoY	Jan	8.00%	7.00%	14.00%	--
02/07/2017	16:00	TA	Imports YoY	Jan	10.40%	8.40%	13.20%	--
02/07/2017	16:30	UK	Halifax House Prices MoM	Jan	0.00%	-0.90%	1.70%	1.60%
02/07/2017	16:30	UK	Halifax House Price 3Mths/Year	Jan	6.00%	5.70%	6.50%	--
02/07/2017	16:31	HK	Foreign Reserves	Jan	--	\$391.5b	\$386.2b	--
02/07/2017	16:55	ID	Foreign Reserves	Jan	--	\$116.89b	\$116.36b	--
02/07/2017	17:00	SI	Foreign Reserves	Jan	--	\$252.74b	\$246.58b	--
02/07/2017	21:30	US	Trade Balance	Dec	-\$45.0b	-\$44.3b	-\$45.2b	-\$45.7b
02/07/2017	21:30	CA	Int'l Merchandise Trade	Dec	0.20b	0.92b	0.53b	1.01b
02/07/2017	21:30	CA	Building Permits MoM	Dec	-3.50%	-6.60%	-0.10%	-1.20%
02/07/2017	23:00	CA	Ivey PMISA	Jan	--	57.2	60.8	--
02/07/2017		PH	Foreign Reserves	Jan	--	\$81.0b	\$81.1b	\$80.7b
02/07/2017		CH	Foreign Reserves	Jan	\$3003.5b	\$2998.2b	\$3010.5b	--
02/08/2017	04:00	US	Consumer Credit	Dec	\$20.000b	\$14.160b	\$24.532b	\$25.205b
02/08/2017	07:50	JN	BoP Current Account Balance	Dec	¥1183.3b	--	¥1415.5b	--
02/08/2017	07:50	JN	BoP Current Account Adjusted	Dec	¥1709.4b	--	¥1799.6b	--
02/08/2017	07:50	JN	Trade Balance BoP Basis	Dec	¥738.9b	--	¥313.4b	--
02/08/2017	07:50	JN	Bank Lending Incl Trusts YoY	Jan	--	--	2.60%	--
02/08/2017	07:50	JN	Bank Lending Ex-Trusts YoY	Jan	--	--	2.60%	--
02/08/2017	08:30	TA	CPI YoY	Jan	2.02%	--	1.70%	--
02/08/2017	08:30	TA	WPI YoY	Jan	1.50%	--	1.41%	--
02/08/2017	12:00	MA	Exports YoY	Dec	9.60%	--	7.80%	--
02/08/2017	12:00	MA	Imports YoY	Dec	10.20%	--	11.20%	--
02/08/2017	12:00	MA	Trade Balance MYR	Dec	9.20b	--	9.03b	--
02/08/2017	12:30	JN	Bankruptcies YoY	Jan	--	--	1.57%	--
02/08/2017	15:00	TH	BoT Benchmark Interest Rate	Feb-08	1.50%	--	1.50%	--
02/08/2017	15:30	FR	Bank of France Bus. Sentiment	Jan	103	--	102	--
02/08/2017	16:00	SI	Automobile COE Open Bid Cat B	Feb-08	--	--	52807	--
02/08/2017	16:00	SI	Automobile COE Open Bid Cat A	Feb-08	--	--	50889	--
02/08/2017	16:00	SI	Automobile COE Open Bid Cat E	Feb-08	--	--	52600	--
02/08/2017	17:00	IN	RBI Repurchase Rate	Feb-08	6.00%	--	6.25%	--
02/08/2017	17:00	IN	RBI Reverse Repo Rate	Feb-08	5.50%	--	5.75%	--
02/08/2017	17:00	IN	RBI Cash Reserve Ratio	Feb-08	4.00%	--	4.00%	--
02/08/2017	20:00	US	MBA Mortgage Applications	Feb-03	--	--	-3.20%	--
02/08/2017	21:15	CA	Housing Starts	Jan	197.3k	--	207.0k	--
02/08/2017	02/12	VN	Domestic Vehicle Sales YoY	Jan	--	--	18.50%	--

Source: Bloomberg

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