

Highlights

Global	<p>A fairly quiet session yesterday with the US markets closed for holiday. Singapore's Budget 2017 is projecting a fiscally prudent but smaller surplus of \$1.9b (0.4% of GDP) after a larger than expected FY16 surplus of \$5.2b (1.3% of GDP), with a continuing focus on economic restructuring, skills upgrading, building local capabilities, internationalisation and innovation, as well as implementing the Committee for Future Economy recommendations (estimated at \$2.4b over four years). The surprising elements included a carbon tax, 30% hike in water prices over the next two years, and tiered ARF for motorcycles which would increase inflationary pressure in the near-term, albeit there were concessions given to businesses and households including the corporate and personal income tax rebates, foreign worker levy deferral for the marine and process sectors. Pro-family measures included higher first-timer buyer HDB grants for resale market and enhanced pre-school and post-secondary education bursaries. In addition, to ensure medium-term fiscal sustainability, all ministries and organs of state will cut their budget caps by 2% permanently.</p> <p>Today's economic data calendar comprises of a slew of PMIs from US and Europe, with BOE governor Mark Carney also due to speak in the UK Parliament's Treasury Committee.</p>
AU	<p>RBA minutes stated that "overall growth is not expected to be sufficient to generate much of a decline in the unemployment rate over the forecast period" amid "still a degree of spare capacity" in the labour market. RBA also cut growth for the year to June 2017 by 1% due to a base effect from a 3Q contraction, but tipped LNG exports to add about 0.5% points to growth in 2017-2018. RBA also opined that "there is a rising risk that more restrictive and protectionist trade and immigration policies under the new administration could harm global growth prospects".</p>
CH	<p>Reuters reported China has fine tune its RMB fixing mechanism to shorten time used to calculate the change of currency basket. The change is likely to dilute the impact of change of global market on next day's fixing. Our quantitative analysis shows that the method will lead to a stronger RMB fixing when dollar strengthen in Asian time due to stronger RMB index compared with old method. As such, this may alleviate the volatility of daily fixing.</p>
ID	<p>Finance Minister Sri Mulyani said that if the budget deficit target of IDR 330tn or 2.41% of GDP is reached this year, with GDP growth of 5.1%, then Indonesia's debt-to-GDP ratio will be around 28%. She added that the debt ratio remains far lower compared to other emerging markets.</p>
MA	<p>Second Finance Minister of International Trade and Industry, Datuk Seri Ong Ka Chuan, said that talks that Proton will sell 51% of its shares to a foreign company are unfounded. He added that the government has merely been encouraging the national car company to seek a foreign strategic partner to boost its ability to compete in the international market.</p>
TH	<p>GDP grew by 3.0% on a year-on-year basis (+0.4% qoqsa) in 4Q16, bringing full-year growth to 3.2%, up from 2.8% seen in 2015. This was in line with official expectations for growth to print at a 3.2% clip, though slightly lower than market (and OCBC's) expectation of 3.3%. Importantly, NESDB's growth estimate for the year ahead is penciled at a 3.0 – 4.0%, compared with BOT's 3.2% made in Dec 2016.</p>

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Major Markets

- **US:** Equity and Debt markets were closed on Monday for the President's Day holiday.
- **Singapore:** The STI closed 0.35% lower at 3096.69 yesterday, and may continue to meander within a 3060-3100 range today, albeit Wall Street was closed yesterday and morning cues from Nikkei and Kospi are mildly positive. The SGS bond yield curve steepened again, as players anticipated Friday's tender for the \$2.3b (with MAS taking \$100m) 10-year SGS bond re-opening.
- **Hong Kong:** The seasonally adjusted jobless rate held static at 3.3% in the three months through January. Unemployment rate in financial and trade sectors remained unchanged at 2.4% and 2.7% respectively. More notably, recent improvement in the tourism sector due to Lunar New Year Holiday has led to a further decline in the jobless rates of the retail, accommodation and food services sector from 4.9% to 4.8%. We expect that a resilient labor market might have supported a 1.4% GDP expansion in 4Q 2016. If this is the case, 2016's GDP growth prints, which will be out this Wednesday, may mark an annual growth of 1.4%. However, we are still concerned that a stronger HKD may pose renewed downward risks to the tourism-related sectors. Adding onto the looming global uncertainties, HK's labor market slack could widen again. This may undermine domestic consumption and lower-end housing demand in the coming quarters.
- **Thailand:** The engines of growth in 2016 remains to be tourist arrivals (accounting 10% of GDP), continued expansion in private consumption and investment, as well as accommodative monetary & fiscal policies. Exports growth also turned positive in 2016, suggesting that Thailand's external environment may once again play its part in supporting overall GDP growth.
- Our outlook for growth to accelerate to 3.3 – 3.5% in 2017 remains unchanged. Elsewhere, given the low base seen in domestic prices last year amid some recovery in oil prices seen for some time now, we look for headline inflation to pick up to 1.5% in 2017 as well.
- We opine that the Bank of Thailand may eventually lift its benchmark rate to 1.75% in the later part of the year, especially if domestic indicators continue to point north amid rising inflationary pressures.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates rising around 2bps across all tenors. The U.S market was closed yesterday due to public holiday.
- **New Issues:** United Photovoltaics Group priced a USD100mn re-tap of its GDPOLY 8.25%'20s at 101.93 against initial guidance of 101.25. The issue is expected to be rated 'B+/B1/NR'. FCL Treasury Pte. Ltd. priced a SGD50mn re-tap (guaranteed by Frasers Centerpoint Limited) of the existing FCLSP 4.15%'27s at 4.15% last Friday. United Overseas Bank Ltd has set final guidance for its SGD Tier 2 12NC7 bond at 3.5%, tighter than initial guidance of 3.75%. The issue is expected to be rated 'NR/A3/A+'.
- **Rating Changes:** Moody's assigned Vipshop Holdings Limited (Vipshop) a 'Baa1' issuer rating, with stable outlook. The rating action reflects Vipshop's fast-growing operations and dominant position in China's underserved discount retail market, on top of its consignment business model with last mile delivery capabilities which results in minimal inventory risks and a high degree of customer stickiness. In addition, S&P assigned a 'BBB' corporate credit rating to Vipshop, with a stable outlook, while Fitch assigned a 'BBB+' foreign currency issuer default rating (IDR), with stable outlook.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	100.950	--	USD-SGD	1.4180	-0.04%
USD-JPY	113.100	0.23%	EUR-SGD	1.5050	-0.08%
EUR-USD	1.0614	-0.02%	JPY-SGD	1.2538	-0.26%
AUD-USD	0.7688	0.31%	GBP-SGD	1.7672	0.37%
GBP-USD	1.2463	0.41%	AUD-SGD	1.0902	0.14%
USD-MYR	4.4587	0.13%	NZD-SGD	1.0196	0.07%
USD-CNY	6.8785	0.17%	CHF-SGD	1.4141	-0.04%
USD-IDR	13354	0.16%	SGD-MYR	3.1447	-0.01%
USD-VND	22816	0.09%	SGD-CNY	4.8512	0.20%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.6861	--
2M	-0.3410	--	1M	0.7794	--
3M	-0.3290	--	2M	0.8533	--
6M	-0.2390	--	3M	1.0523	--
9M	-0.1690	--	6M	1.3574	--
12M	-0.1090	--	12M	1.7354	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.04	3.00	3.99
Italy	-0.00	0.90	2.18
Ireland	-0.38	3.40	1.09
Greece	9.47	-47.70	7.54
Spain	-0.24	-0.50	1.61
Russia	1.90	--	4.15

Equity and Commodity

Index	Value	Net change
DJIA	20,624.05	--
S&P	2,351.16	--
Nasdaq	5,838.58	--
Nikkei 225	19,251.08	16.46
STI	3,096.69	-10.96
KLCI	1,712.58	4.90
JCI	5,359.29	8.36
Baltic Dry	757.00	16.00
VIX	11.49	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.21 (--)	1.19 (--)
5Y	1.59 (-0.01)	1.90 (--)
10Y	2.26 (+0.01)	2.41 (--)
15Y	2.53 (+0.01)	--
20Y	2.51 (+0.01)	--
30Y	2.53 (--)	3.02 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.75	--
EURIBOR-OIS	2.20	--
TED	53.97	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.40	--	Coffee (per lb)	1.478	--
Brent (per barrel)	56.18	0.66%	Cotton (per lb)	0.7348	--
Heating Oil (per gallon)	1.6364	--	Sugar (per lb)	0.2030	--
Gasoline (per gallon)	1.5166	--	Orange Juice (per lb)	1.7625	--
Natural Gas (per MMBtu)	2.8340	--	Cocoa (per mt)	2,034	--
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,070.0	1.85%	Wheat (per bushel)	4.4100	--
Nickel (per mt)	11,111.3	0.90%	Soybean (per bushel)	10.325	--
Aluminium (per mt)	1,892.0	1.11%	Corn (per bushel)	3.6825	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,237.6	--	Crude Palm Oil (MYR/MT)	3,073.0	-0.68%
Silver (per oz)	18.030	--	Rubber (JPY/KG)	326.1	-1.21%

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

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised	
02/20/2017	05:00	SK	PPI YoY	Jan	--	3.70%	1.80%	--
02/20/2017	05:45	NZ	PPI Output QoQ	4Q	--	1.50%	1.00%	--
02/20/2017	05:45	NZ	PPI Input QoQ	4Q	--	1.00%	1.50%	--
02/20/2017	07:50	JN	Trade Balance	Jan	-¥625.9b	-¥1086.9b	¥641.4b	¥640.4b
02/20/2017	07:50	JN	Trade Balance Adjusted	Jan	¥275.5b	¥155.5b	¥356.7b	¥327.5b
02/20/2017	07:50	JN	Exports YoY	Jan	5.00%	1.30%	5.40%	--
02/20/2017	08:01	UK	Rightmove House Prices MoM	Feb	--	2.00%	0.40%	--
02/20/2017	08:01	UK	Rightmove House Prices YoY	Feb	2.80%	2.30%	3.20%	--
02/20/2017	10:30	TH	GDP SA QoQ	4Q	0.70%	0.40%	0.60%	0.40%
02/20/2017	10:30	TH	GDP YoY	4Q	3.00%	3.00%	3.20%	--
02/20/2017	13:24	PH	BoP Overall	Jan	--	-\$9m	-\$214m	--
02/20/2017	15:00	JN	Convenience Store Sales YoY	Jan	--	0.10%	0.50%	--
02/20/2017	15:00	GE	PPI MoM	Jan	0.30%	0.70%	0.40%	--
02/20/2017	15:00	GE	PPI YoY	Jan	2.00%	2.40%	1.00%	--
02/20/2017	16:00	TA	Export Orders YoY	Jan	7.40%	5.20%	6.30%	--
02/20/2017	16:20	TA	BoP Current Account Balance	4Q	--	\$18301m	\$17090m	--
02/20/2017	16:30	HK	Unemployment Rate SA	Jan	3.30%	3.30%	3.30%	--
02/20/2017	21:30	CA	Wholesale Trade Sales MoM	Dec	0.40%	0.70%	0.20%	0.10%
02/20/2017	23:00	EC	Consumer Confidence	Feb A	-4.9	-6.2	-4.9	-4.8
02/21/2017	08:30	JN	Nikkei Japan PMI Mfg	Feb P	--	--	52.7	--
02/21/2017	12:30	JN	All Industry Act Index MoM	Dec	-0.20%	--	0.30%	--
02/21/2017	13:00	JN	Supermarket Sales YoY	Jan	--	--	-2.00%	--
02/21/2017	14:00	JN	Nationwide Dept Sales YoY	Jan	--	--	-1.70%	--
02/21/2017	14:00	JN	Tokyo Dept Store Sales YoY	Jan	--	--	-1.00%	--
02/21/2017	15:45	FR	CPI EU Harmonized MoM	Jan F	-0.20%	--	-0.20%	--
02/21/2017	15:45	FR	CPI EU Harmonized YoY	Jan F	1.60%	--	1.60%	--
02/21/2017	15:45	FR	CPI MoM	Jan F	-0.20%	--	-0.20%	--
02/21/2017	15:45	FR	CPI YoY	Jan F	1.40%	--	1.40%	--
02/21/2017	15:45	FR	CPI Ex-Tobacco Index	Jan	100.48	--	100.66	--
02/21/2017	16:00	FR	Markit France Mfg PMI	Feb P	53.5	--	53.6	--
02/21/2017	16:00	FR	Markit France Services PMI	Feb P	53.9	--	54.1	--
02/21/2017	16:00	FR	Markit France Composite PMI	Feb P	53.8	--	54.1	--
02/21/2017	16:30	GE	Markit/BME Germany Mfg PMI	Feb P	56	--	56.4	--
02/21/2017	16:30	GE	Markit Germany Services PMI	Feb P	53.6	--	53.4	--
02/21/2017	16:30	GE	Markit/BME Germany Comp PMI	Feb P	54.8	--	54.8	--
02/21/2017	16:30	HK	CPI Composite YoY	Jan	1.60%	--	1.20%	--
02/21/2017	17:00	EC	Markit Eurozone Mfg PMI	Feb P	55	--	55.2	--
02/21/2017	17:00	EC	Markit Eurozone Services PMI	Feb P	53.7	--	53.7	--
02/21/2017	17:00	EC	Markit Eurozone Comp PMI	Feb P	54.3	--	54.4	--
02/21/2017	17:30	UK	Public Finances (PSNCR)	Jan	--	--	36.3b	--
02/21/2017	17:30	UK	Public Sector Net Borrowing	Jan	-14.4b	--	6.4b	--
02/21/2017	17:30	UK	PSNB ex Banking Groups	Jan	-14.0b	--	6.9b	--
02/21/2017	22:45	US	Markit US Manufacturing PMI	Feb P	55.3	--	55	--
02/21/2017	22:45	US	Markit US Services PMI	Feb P	55.8	--	55.6	--
02/21/2017	22:45	US	Markit US Composite PMI	Feb P	--	--	55.8	--
02/21/2017		MU	CPI Composite YoY	Jan	--	--	1.44%	--
02/20/2017	02/28	PH	Budget Balance PHP	Jan	--	--	--	--

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