

Rates & FX Market Update

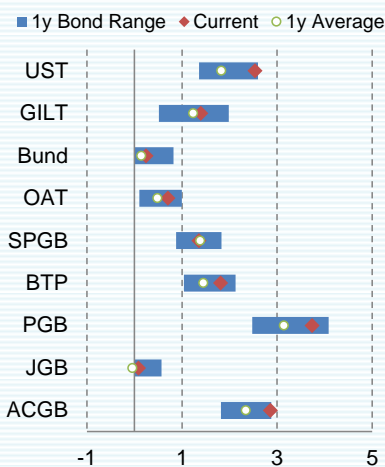
Rates & FX Research
 +65 6704 0421/0422 | +603 9280 5820
 fixed.income.research@rhbgroup.com

Sanguine US Labour Market Outlook Reinforced by Fed's Yellen

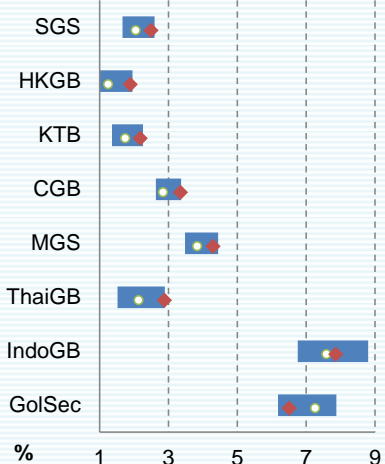
Global Markets: Fed's Yellen speech reiterated her sanguine outlook on the labour market, offsetting the slightly softer US services and composite PMI expansions, buoying strength on USD overnight. USTs, however, mirrored the bull flattening EGB curves, where yields on 10y UST dipped to 2.54%. USTs are likely to benefit from risk events where we **maintain our neutral duration view on USTs, with thin liquidity towards the festive season likely to exacerbate swings on UST yields**. Elsewhere, RBA's December meeting minutes indicated that the decision to hold rates was balanced by resurgent property prices and "considerable uncertainty" in labour market momentum. With an expected neutral RBA stance, we retain a **neutral duration stance on ACGBs as the central bank signals its priority to tackle financial stability risks amid rising property prices and household indebtedness**. Turning to Japan, the surging USD post US elections remained favourable to Japan's economic and inflation outlook, boosting the USDJPY pair to 117.10. Ahead of BoJ meeting, we expect BoJ to stand pat with any fresh signs of a hawkish Bank to spur a sharply declining USDJPY; **eye BoJ's comments on its yield curve control given recent climb in 10y JGB to 0.08%**.

AxJ Markets: South Korean 2017 GDP forecast is expected to be further reduced from its current 3.0%, weighed by political uncertainties amid the prolonged impeachment process. Yields on 3y KTB inched higher to 1.71% (+2bps overnight), where we **reiterate our mild underweight duration view, with expectations for another BoK rate cut over the medium term**. Over in India, RBI announced that **deposit of amount exceeding INR5,000 in old bank notes will be allowed only once until 30 December**, exacerbating India's demonetization woes; GSecs to remain anchored with flushed liquidity in the banking system.

Global 10y Bond Range

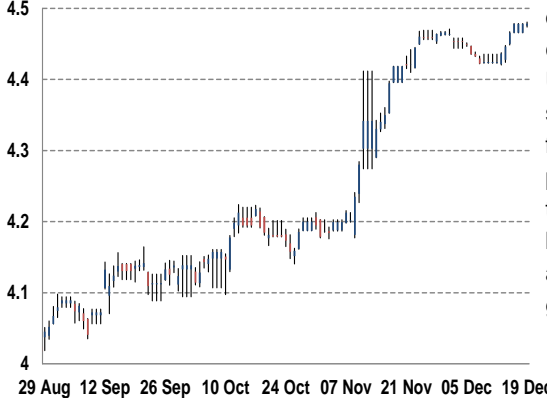


Asia-ex Japan 10y Bond Range



Source: RHBFC, Bloomberg

USDMYR



Source: RHBFC, Bloomberg

Malaysia's Second Finance Minister downplayed speculations for capital controls or to peg the MYR even as USDMYR edged to its all-time high since the Asian Financial Crisis. While further USD strength may continue to pressure the pair higher over the near term, **the economy remained backed by decent fundamentals** which could aid in underpinning a resilient economic growth; **maintain neutral on MYR**.

ST Support : 4.41
ST Resistance : 4.50

Key Events Today

EU	Current Account Balance
GE	PPI
JP	BoJ Rate Decision
HK	CPI
HK	Current Account Balance
SK	20 Days Exports & Imports

Source: RHBFC, Bloomberg

Bond Auctions Today

There are no auctions scheduled today.

Source: RHBFC, Bloomberg

*NI: New Issue; RO: Re-opening; NB: Non-Benchmark

Rates & FX Trade Ideas

Rates Trade Ideas	Date Initiated	Levels (bps)			Yield Change Since Initiation (bps)	Status
		Entry	Current	Target / Stop Loss		
3/10y KTB (off-Benchmark) Steepener	22 Apr 15	44	51	90 / 10	+7	Hold
20/40y JGB Steepener	7 May 15	27	24	70 / 10	-3	Hold
Long 3y CGB*	3 July 15	2.820%	3.039%	1.800% / 3.200%	+22	Hold
Long 2y KTB vs 2y UST	28 Sep 15	91	69	50 / 110	-22	Hold
Short 7/20/40y JGB Fly	28 Sep 15	61	34	12 / 75	-27	Hold
3/10y CGB Steepener	29 Sep 15	37	88	97 / 10	+51	Hold
10/20y KTB Steepener	16 Sep 16	0	3	12 / -7	+3	Hold
Long 3y KTB vs 2y UST	25 Nov 16	66	49	40 / 85	-17	Hold

Source: RHBFC, Bloomberg

Note: Only outstanding positions and positions expired or closed over a rolling one week are reflected in the table; all positions unhedged

*Figures denoted in bps unless otherwise stated.

FX Trade Ideas	Date Initiated	Levels			Performance Since Initiation (%)	Status
		Entry	Current	Target / Stop Loss		
Short EURINR	13 Jan 15	72.235	70.851	67.500 / 77.000	+1.92%	Hold
Short JPYKRW	26 Feb 16	10.952	10.146	9.8000 / 12.000	+7.36%	Hold

Source: RHBFC, Bloomberg

Note: The tables reflects only outstanding positions and positions expired or closed over a rolling one week; all positions unhedged

Currency Support and Resistance Levels

	Support 2	Support 1	Resistance 1	Resistance 2
GBPUSD	1.2123	1.2265	1.2583	1.2725
EURUSD	0.9980	1.0150	1.0660	1.0990
USDJPY	106.60	113.60	119.50	125.90
AUDUSD	<u>0.7039</u>	<u>0.7182</u>	<u>0.7337</u>	<u>0.7499</u>
USDSGD	1.4150	1.4240	1.4527	1.4650
USDKRW	1139.3	1149.3	1192.6	1210.2
USDCNY	6.8631	6.8844	6.9743	7.0000
USDCNH	6.7987	6.8383	6.9800	7.0000
USDMYR	4.3500	4.4140	4.5000	4.5600
USDTHB	<u>35.451</u>	<u>35.590</u>	<u>35.980</u>	<u>36.098</u>
USDIDR	13,004	13,137	13,433	13,565
USDINR	66.435	66.987	68.223	68.775

Source: RHBFC, Bloomberg

Note: Blue font highlights that currency is nearing support or resistance level; underlined figure denotes a change in support or resistance level.

Daily Sovereign Rates and FX Changes

Country	2-yr			10-yr				2/10y Spread (bps)	Currency **	FX Rate (per USD)	
	Closing Yield (%)	Yield Change (bps)	3m Avg Yield (%)	Closing Yield (%)	Yield Change (bps)	3m Avg Yield (%)	Current vs 3m Avg			Last Traded Price	Change (%)
US	1.222	-3.0	0.946	2.538	-5.3	2.025	51.3	131.6	DXY	103.130	0.17
									ADXY	103.060	0.03
UK	0.083	-3.9	0.165	1.397	-3.9	1.198	19.9	131.4	GBP	1.2402	-0.66
Germany	-0.814	-0.9	-0.687	0.244	-6.8	0.158	8.6	105.8	EUR	1.0402	-0.39
France	-0.662	-2.1	-0.617	0.705	-5.9	0.530	17.5	136.7			
Spain	-0.262	0.0	-0.194	1.359	-6.2	1.281	7.8	162.1			
Italy	-0.143	-0.7	-0.035	1.816	-5.4	1.687	12.9	195.9			
Portugal	0.178	-3.4	0.313	3.737	-4.5	3.462	27.5	355.9			
Japan	-0.168	0.7	-0.222	0.088	0.7	-0.017	10.5	25.6	JPY	117.10	-0.73
Australia	1.847	4.3	1.701	2.861	3.0	2.448	41.3	101.4	AUD	0.7246	-0.51
Singapore	1.382	-2.3	1.010	2.494	-2.9	2.089	40.5	111.2	SGD	1.4491	0.26
Hong Kong	1.112	0.0	0.671	1.892	0.0	1.252	64.0	78.0	HKD	7.7666	0.01
South Korea*	1.708	2.1	1.519	2.181	1.5	1.838	34.3	47.3	KRW	1,187.0	0.27
China	2.300	0.0	2.305	3.349	8.5	2.836	51.3	104.9	CNY	6.9605	-0.01
China (Offshore)*	3.603	-6.1	3.168	3.904	0.0	3.388	51.6	30.1	CNH	6.9324	-0.49
Malaysia*	3.543	-3.7	3.266	4.297	0.2	3.884	41.3	75.4	MYR	4.4785	0.01
									SGD/MYR	3.0982	-0.17
Thailand	1.605	-3.1	1.636	2.887	2.4	2.367	52.0	128.2	THB	35.875	0.14
Indonesia*	7.517	-6.2	7.022	7.865	-5.9	7.435	43.0	34.8	IDR	13,389	-0.04
India*	6.324	2.7	6.358	6.510	0.4	6.566	-5.6	18.6	INR	67.875	0.15

Source: RHBFC, Bloomberg

*3-yr

** Against USD unless otherwise mentioned

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Kuala Lumpur

Malaysia Research Office
RHB Research Institute Sdn Bhd
Level 11, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur
Malaysia
Tel : +(60) 3 9285 2233
Fax : +(60) 3 9284 8693

Hong Kong

RHB Securities Hong Kong Ltd.
12th Floor
World-Wide House
19 Des Voeux Road
Central, Hong Kong
Tel : +(852) 2525 1118
Fax : +(852) 2810 0908

Singapore

RHB Research Institute Singapore Pte Ltd
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315
Tel : +(65) 6533 1818
Fax : +(65) 6532 6211

Jakarta

PT RHB Securities Indonesia
Wisma Mulia Building
20th Floor
Jl. Jend. Gatot Subroto No.42
Jakarta 12710, Indonesia
Tel : +(6221) 2783 0888
Fax : +(6221) 2783 0777

Shanghai

RHB (China) Investment Advisory Co. Ltd.
Suite 4005, CITIC Square
1168 Nanjing West Road
Shanghai 20041
China
Tel : +(8621) 6288 9611
Fax : +(8621) 6288 9633

Bangkok

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +(66) 862 9999
Fax : +(66) 108 0999