Economics & Strategy Research

DBS Monthly

Can markets pull up the global economy?

Group Research

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Taimur Baig
Chief Economist
taimurbaig@dbs.com

Masyita Crystallin
Economist
masyita@dbs.com

Please direct distribution queries to
Violet Lee +65 68785281
violetleeyh@dbs.com

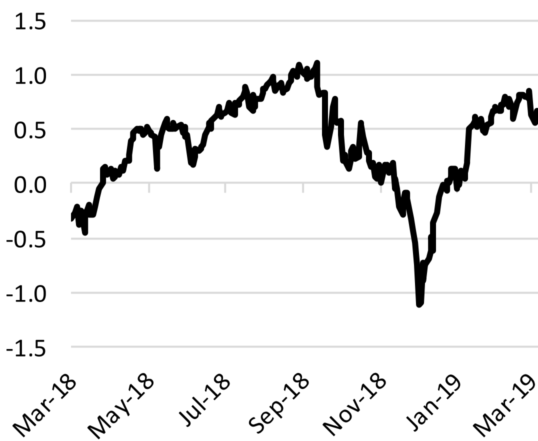
- ***Global central banks have turned dovish on a dime; consequently, financial market conditions have rebounded sharply***
- ***Backward looking data is poor, but the markets are ignoring them for three key reasons:***
- ***First, with no sign of inflation in the horizon and ample liquidity being promised by G3 central banks, both nominal and real spreads are well supported***
- ***Second, expectation of China stimulus efficacy is causing observers to believe that freight rates, commodities, and auto sales have bottomed***
- ***Third, some sort of resolution in China-US trade strife is expected widely, potentially removing a dark lingering cloud over global trade***
- ***Rates: Yield curve inversion is flashing a US recession in the horizon, but the probability of a recession/slowdown over the next twelve months is overstated, in our view.***
- ***FX: DXY to remain firm among Brexit drama, EU slowdown, and EMFX stress***
- ***Credit: we see opportunities for value diminished, even in the sub-investment grade space***
- ***Equities: Expect volatility with downside risks for both EM and DM markets***

Could the global economy be bottoming?

The gap between the markets and the global economy is startlingly wide. The fixed income market is at once gloomy and buoyant. If it were just gloomy, we'd only see rallies in the govvie space, but credit spreads have narrowed as well, reflecting comfort with the inflation and liquidity outlook. The equity market is particularly positive, testing the high valuations seen last year. Despite rates coming down sharply after the spectacular Fed relent in recent months, the US dollar remains strong, ignoring the weak readings from a few corners of the economy.

Spread compression and equity market rally have caused financial conditions to rebound sharply since the beginning of the year. Indeed, US financial conditions are back to the levels last seen when Fed officials were communicating "autopilot" for balance sheet adjustment and Fed Funds rate being nowhere close to the neutral rate. Having given up on both convictions, the Fed has, over a very short period, guided the markets to the point when US growth was 3% (in contrast, Nowcast readings suggest economics growth of around 1.5% presently).

Financial conditions index: US

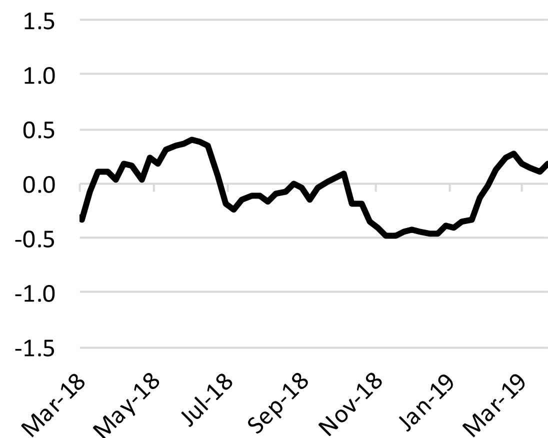


Source: Bloomberg, DBS

Why are broader markets so constructive, even as the US fixed income market is flashing recession signals? We think there are three key factors:

First, with no sign of inflation in the horizon and ample liquidity being promised by G3 central banks, both nominal and real spreads are well supported. Typically, expectations of an impending slowdown will push up credit risk spreads, but so far that has not been the case. As long as liquidity is ample and low inflation leaves fears of policy errors in check (which could happen if after turning so dovish, central banks see a jump in inflation expectations, and then the markets begin to price in an about-turn in monetary policy), debt sustainability questions will not spike, in our view.

Financial conditions index: China



Source: Bloomberg, DBS

Second, expectation of China stimulus efficacy is causing observers to believe that freight rates, commodities, and auto sales have bottomed. China's range of tax cuts, public spending boost, and monetary easing measures have given rise to expectations that growth would flatten to around 6%. Although our Nowcast model shows growth slowdown to continue through 1H19, the markets' perception about China's outlook has improved considerably.

Third, some sort of resolution in China-US trade strife is expected widely, potentially removing a dark lingering cloud over global trade. Although it would be over-optimistic to expect all trade noise to dissipate, even some progress would be a major positive for global markets and economies, in our view.

Taimur Baig

FX: DXY components weak, EM jitters return

The USD Index (DXY) has been underpinned by the weakness in its largest component, the euro. The Fed was less aggressive than the European Central Bank (ECB) in downgrading its growth forecasts which was lowered to 2.3% from 2.1% for the US but slashed to 1.1% from 1.7% for the Eurozone. The Fed extended its pause for the rest of the year but the ECB announced targeted longer-term refinancing operations (TLTROs). The US 10Y bond yield fell below the ceiling of the (2.25-2.50%) Fed Funds Rate band but the EU 10Y bond yield started trading below 0%. The single unity of euro will be questioned if populist and anti-establishment parties increased representation at the EU Parliament elections on May 23-26. The euro is seen retreating to 1.10 later this year.

Brexit has been delayed from March 29 to April 12 without a deal and to May 22 with a deal. The British pound is at risk to a a disorderly Brexit as long as the fragmented UK House of Commons rejects Prime Minister May's withdrawal agreement with the EU and fails to come up with an alternative plan. To avoid a no-deal Brexit on April 12, UK can unilaterally withdraw Article 50 but this will require a second referendum. In turn, the UK needs to request a longer Brexit delay which the EU will only consider if UK agrees takes part in the EU Parliament elections in May. Hence, the pound is likely to break below 1.30 again. A disorderly Brexit has scope to be worse than the 18.5% depreciation suffered by the pound during the post-referendum sell-off in 2016.

The deadline for a US-China trade deal has been pushed out into 2Q19, possibly as late as the G20 Summit in Osaka, Japan on June 28-29. The rally in the Shanghai Composite Index on easing trade tensions hopes has, however, stalled after the National People's Congress announced, in early March, a slower 6-6.5% growth target for 2019. The 1Q19 GDP report on April 17 will affirm the latest stimulus as measures to cushion growth by targeting demand to offset the supply-side pressures. For now, the yuan has scope to move off the floor of the 6.70-6.90 trading range established since the start of the trade truce in December.

Emerging markets jitters have returned. Both the Argentine peso and the Turlish lira have come under selling pressures again. Having fallen to a new record low 43.9 on March 27, the **Argentine peso has scope to depreciate into the weaker half of its official band between 39.3 and 50.8**. Argentina is struggling with a recession at a time when the central bank is hiking rates to contain high inflation and a government committed to a balanced budget under its IMF package. Investors are worried that this negative policy mix may hurt the re-election prospects of market-friendly President Mauricio Macri at the general elections in October.

While far from its record low in August, the **Turkish lira has suffered two single-day depreciation of 4-5% in the past five trading sessions**. Turkey's foreign reserves have, in the past three weeks ending March 22, fallen to USD100.8bn from USD111.8bn defending the lira. A crackdown on lira speculators led to a brief spike in the offhsore overnight borrowing rate to 1000% on March 28. The Borsa Instanbul 100 Index has fallen 14.5% during March 19-27. With GDP growth at -3% YoY in 4Q18, President Erdogan is pushing for rate cuts but CPI inflation, last at 19.7% YoY in February, is still well above its official target of 5%.

With the DXY firm amidst contagion risks from emerging market stress, **expect more volatility in Emerging Asian currencies**. **USD/PHP is likely to stay firm in the government's 52-55 target range.** The Philippine peso has swung from being Asia's best performer in February to its worst in March. A budget impasse has forced the government to lower this year's growth forecast to 6-7% from 7-8% previously. With inflation having fallen back into its official 2-4% target range, the newly appointed pro-growth central bank governor intends to lower the (18%) reserve requirement ratio by 100 bps every quarter over the next four quarters.

The Monetary Authority of Singapore (MAS) will keep its SGD policy unchanged at its policy meeting around mid-April. Singapore's real GDP growth, CPI and core inflation have fallen into the lower half of their official forecast ranges for 2019. The central bank has downgraded, on February 24, its 2019 forecast for CPI-All Items to 0.5-1.5% from 1-2% previously. According to the MAS Survey of Professional Forecasters in March, upside risks were depicted as an easing of the three downside risks to global growth – trade protectionism, a China slowdown and higher interest rates. The SGD has scope to break above the tight band established between 1.3460 and 1.3610 since early January.

Philip Wee

Rates: Navigating lower rates

The 3M/10Y segment of the UST curve has inverted, triggering recession fears. Over the past few months, inversion has taken place in the lesser-watched portion of the yield curve (2Y/5Y and 3Y/5Y) but this has since spread to the more widely watched 3M/10Y. Interestingly, the 2Y/10Y (another closely watched metric) is not inverted but this is largely due to the market already pricing in easing over the coming two years. As the economic cycle ages (the current US economic expansion is almost ten years old) and monetary tightening draws to a close (the Fed has been normalising since 2013 when taper was announced), the curve would inevitably flatten. **However, the speed at which the curve has flattened has surprised us.**

Recession risks

The probability of a recession/slowdown over the next twelve months is elevated, but probably overstated. Typically, an inverted yield curve foreshadows a recession in the next 6-18 months. **The New York Fed has worked out the probability of recession in the 12 months ahead based on the 3M/10Y spread.** While these numbers are only available on a monthly basis, we transform some of these numbers to tease out the relationship between the shape of the UST curve and recession risks. Noting that the curve is essentially flat, **the model suggests that recession risks are around 30%** (high considering that the model puts the probability of a recession stood at around 45% when the 3M/10Y spread was at -80bps).

However, **we should be aware that it is much easier for the curve to invert compared to previous cycles.** Bloated central banks' balance sheets and the prospect of an extended period of loose monetary policy (from the ECB, BOJ and other DM central banks) are removing term premium, dragging longer-term DM yields (including USTs) along. This suggests that recession risks (as measured from the 3M/10Y) are probably overestimated. In any case, **the Fed's reaction function has changed. Guarding downside risks is now paramount, as opposed to a bias towards hiking rates.**

Weak global growth and low DM rates

Weak global growth is the single largest challenge currently. PMI figures in Eurozone, China and Japan have not shown any signs of a turnaround. Export data across Asia have also been lacklustre. Accordingly, major central banks have turned dovish. **The global "neutral" rate has drifted much lower on the back of weak global data.** We can proxy this by using the average 10Y yields across the G10 economies (excluding the US). This measure is now approaching the all-time low seen in 2016 (when China hardlanding fears, Brexit and easy monetary policies across DM were at play). There has been a similar spike in negative yielding debt. The total outstanding amounts to over USD 9tn, up by USD 1tn since the start of the year. Much like how weak global growth can have negative spillover unto the US economy, depressed DM yields will (and have) pull US yields lower. From the experience of 2015/16, it is very difficult for the Fed to run divergent monetary policy from the rest of the world. **With rate hikes ruled out, the market has to price in some risks of the Fed needing to become even more accommodative if the outlook worsens.**

Navigating lower rates in Asia

Against the backdrop of slowing growth and depressed DM yields, we think that Asia bonds will likely be supported. We reiterate our preference for higher-yielding govvies (Indonesia and India) and prefer to extend duration out into the 5Y-7Y tenors, compared to the shorter-tenors previously. Notably, short rates have already rallied as the markets judge real rates to be too high and should provide ample room for the authorities to ease going forward. Now that the Indonesia and India curves have steepened, we think that longer-tenors may be relatively more attractive. **That said, while we think this would work in local currency terms, returns in USD terms may turn out more muted.**

Key ideas:
-long 5Y India govvie (Mar 26, lcy terms)
-long 5Y Indonesia govvie (Mar 26, lcy terms)

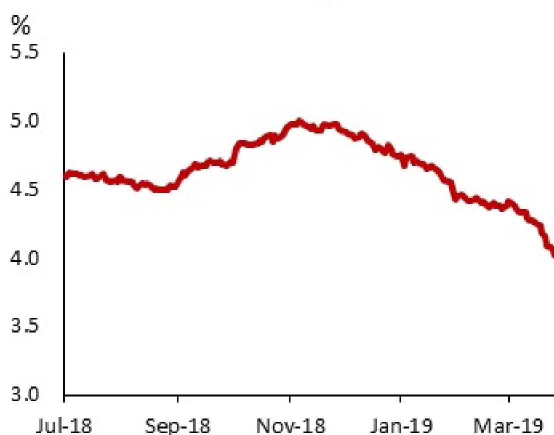
Eugene Leow

Credit: Caution warranted

Absolute yields in Asian credit have turned less compelling post FOMC. While valuations are supported by strong technicals, we believe it is worth being selective or waiting for pullbacks to add risk. Given rich valuations and possible over-reaction in the Treasury market to the Fed, the likelihood of a pullback has increased.

Credit market moves post last week's FOMC meeting have been aggressive, in our opinion. While the move was largely rates driven and even though spreads are still wider than what we have seen in the past (e.g. early 2018), absolute yields have turned less appealing. We see this especially in the investment grade and subordinated debt space where the impact of rates has been pronounced. This is more so for leveraged investors (e.g. private banks), where cost of funding (linked to short term rates) remains largely unchanged. We believe the PB bid for investment grade bonds will weaken, with it having become harder get even a 4% handle for a 5Y IG bond (while this may not have a material market impact for now, it is something still worth watching). Two of our preferred trades at the start of the year (BBB bonds and subordinated debt) look uncompelling now. In the case of subordinated bonds and cocos, we see the compensation for subordination risk over senior bonds to be inadequate at the current point, following the recent moves.

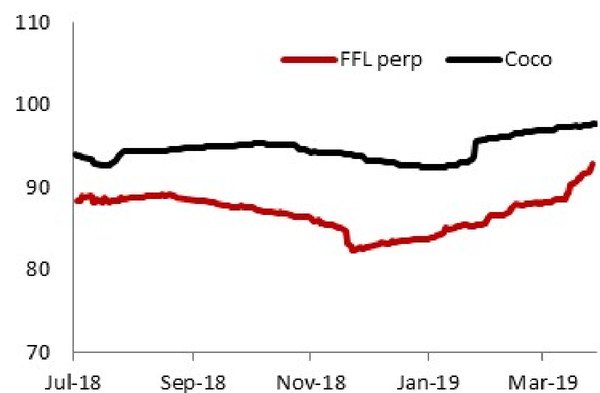
Credit Suisse Asia BBB bucket yield



Source: Bloomberg, DBS

Worth taking a pause: In general, we see opportunities for value to have diminished, even in the sub-investment grade space, where at least the BBs are trading fairly rich and present few buying opportunities. With valuations on the expensive side, the likelihood of a pull-back has increased, and may, in fact, be welcome. Apart from valuations, we believe Treasury markets may have moved a bit too far following the Fed meeting. Upside risk to yields remains (our rates strategist expects the 10Y yield to be in the 2.5%-2.6% range in the near term). As such, we recommend being selective in adding risk at this point and instead wait for pull backs. That said, as we noted in the Macro Strategy dated 29 March, we see the extent of such pull back in the near-term to be small given the strength of market technicals. Nevertheless, given the price action year to date (e.g. JACI returns of around 5% non-annualised year to date), it does not hurt to take a pause.

Cash price move in Asian subordinated bonds



Note: FFL=fixed for life coupon;
Source: Bloomberg, DBS

Neel Gopalakrishnan

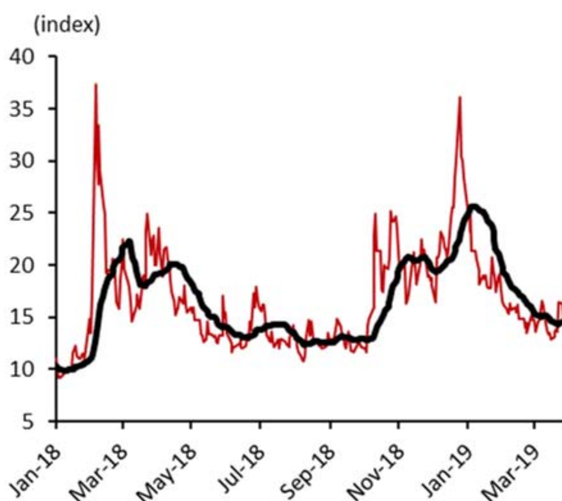
Asia equities: Another volatile month ahead

We believe global equity markets are likely to continue to be volatile during the month with a downside bias. While the Fed sent a dovish signal last month which is generally positive for Asian markets, market participants are likely to shift their attention to slowing economic growth now that the yield curve has inverted – a development that is stoking recession fears. Moreover, stress is also seen in some of the emerging markets in other regions such as Turkey, Argentina and Brazil due to domestic political and economic concerns. As in the emerging market rout in August / September last year, there are risks that some of these stresses could flow through to Asia.

Looking at technicals, global markets have remained overbought and the volatility index (VIX) has remained low for the most part of Q1. The performance in the past month probably reflects the payback for Asian markets as well as currencies that had benefited from the last Fed rate pause in December. The VIX has just spiked after hovering at low levels for an extended period of time. We don't think the spike in volatility will end at current levels considering the near-term risk events and nervousness over global growth.

In the near term, we recommend investors to stay cautious as Asian markets have generally done well in the first quarter, and that we are likely to go through a soft data patch in the very near term.

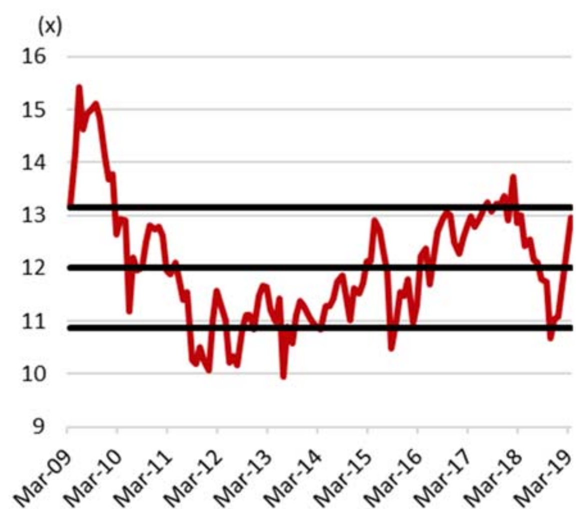
VIX — too low for too long



Source: Bloomberg

Asia ex-Japan has returned 10% in Q1 to date, and 2019 forecast earnings integer has come off by 7% since beginning of the year. In the wake of strong market and earnings downgrades, valuations appear to be no longer attractive compared to earlier in the year. PE valuations have returned to +1SD above historical average compared to when they were at -1SD in the beginning of the year, leaving very little room for valuation re-rating. A correction, if any, should be considered healthy in our view, as it could set the stage for a better second half.

Asia ex-Japan — 12-month forward PE valuations

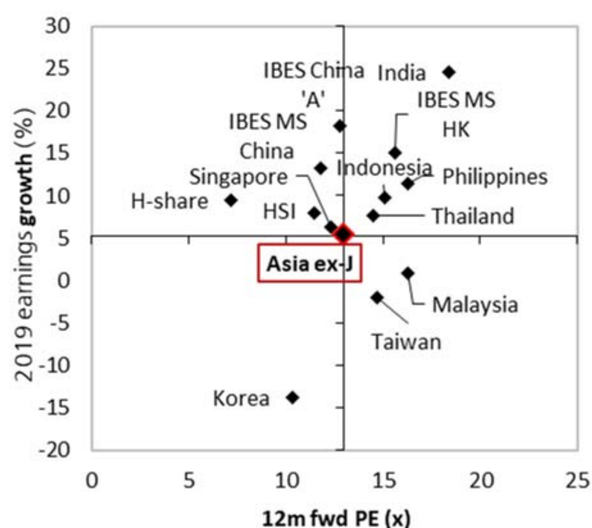


Source: Thomson Reuters, DBS

We believe that Asian markets will have more upside potential in the second half after the worst of the economic growth scare is over. While recession risk has increased, our view is that the risk is for recession to happen at end 2020 and a recession is unlikely this year. A concerted global central banks' monetary easing effort should see recession risk abating if we see the front end of the yield curve coming down more meaningfully when central banks start cutting rates and the long end picking up after global slowdown fears diminish. Cyclically, we should see data recovering after a soft batch as early as the middle of Q2.

Among Asia markets, positions in growth vs PE quadrants have not change very much. Singapore and China are still attractively valued versus their growth prospects.
Singapore and China remain our favoured markets.

Asia ex-Japan markets — 2019 earnings growth vs PE



Source: Thomson Reuters, DBS

Meanwhile, earnings are already in a recession in Korea and Taiwan. and we believe there are still downside risks as the global electronics cycle have yet to see any uptick. EM Asean and India have resilient growth but are expensive. We are selective in these markets depending on technicals and momentum. **Indonesia is one market we favour structurally but near-term elections should put the market in a pause, though it will still see good support.**

In Singapore, we believe that there are still pockets of opportunities in some sectors. **Singapore REITS should enjoy a prolonged rally as the yield gap widens further versus bond yields,** and dividend yields offered by the sector are very attractive in a low bond-yield environment. Government policies should still be pro-growth in its efforts to transform and upgrade the economy, and a general election expected to take place by January 2021 at the latest.

China A's low correlation with the global markets should make it an attractive safe haven in the face of global risks. Driven by MSCI 'A' share inclusion, government stimulus, indications of progress made on the trade war and still attractive valuations, we believe the rally can still be sustained. Other than efforts made in stimulating the economy and stabilising growth, structural changes such as new growth transformation initiatives in Greater Bay Area, science and technology innovations and capital market reforms should bring about more opportunities.

Chinese listed stocks in Hong Kong should catch up with their Chinese peers. We believe investors are waiting for a trade deal before reassessing the more positive aspects of the market. A trade deal, such as one which rescinds past tariffs and stabilise the RMB could boost confidence in a global trade recovery and kick start a new investment cycle. We are positive on Chinese stocks that are listed in both Hong Kong and China, as they could benefit from 1) policy stimulus (such as banks and infrastructure companies); 2) capital market policy reforms (such as insurance and Chinese brokerages); and 3) new growth transformation initiatives in Greater Bay Area and the Technology sector.

Events to monitor in April / May

1. Increasing prospects for Fed rate cuts – March meeting minutes April 11, and next Fed meeting May 1-2
2. Brexit development, likely knee-jerk reaction, but remains watchful for impact on euro
3. European parliamentary elections, watch out for impact on euro and USD, and exaggerated downside risk to global growth
4. Monitor exports growth and PMI surveys to show bottoming signals
5. Indonesia – election result, if unexpected, is a major tail risk for the market
6. Thailand – expect policy delays post elections and downside risk to growth accelerate
7. Philippines – possible RRR and interest rate cut if inflation falls further
8. Singapore 1QGDP and MAS currency policy changes –A re-assessment on growth outlook and prospects of fund flows
9. India elections stretching over 11 April-19 May – sentiments to remain positive for India markets; remains watchful for sentiment swing as market has rallied
10. Oil price – Uncertainties over Iran's oil exports when 180-day waiver ends in April; OPEC output cut, Venezuela political risks, and resumption of US refinery activities

Joanne Goh

Growth, Inflation, Policy Rates & FX forecasts

	GDP growth, % YoY				CPI inflation, % YoY, ave			
	2017	2018e	2019f	2020f	2017	2018e	2019f	2020f
China	6.9	6.6	6.2	6.0	1.6	2.1	2.3	2.3
Hong Kong	3.8	3.3	2.5	2.0	1.5	2.5	2.7	2.5
India*	7.1	6.7	7.1	7.4	4.5	3.6	3.5	3.8
Indonesia	5.1	5.2	5.2	5.1	3.8	3.2	3.6	3.6
Malaysia	5.9	4.7	4.5	4.2	3.8	1.0	1.7	1.6
Philippines**	6.7	6.3	6.5	6.4	2.9	5.2	3.9	3.8
Singapore	3.9	3.2	3.0	2.8	0.6	0.4	1.8	1.5
South Korea	3.1	2.7	2.6	2.4	1.9	1.5	1.1	1.5
Taiwan	3.1	2.6	1.9	1.8	0.6	1.3	0.7	1.0
Thailand	3.3	4.1	3.8	4.0	0.7	1.1	1.0	1.3
Vietnam	6.8	7.1	6.6	6.3	3.5	3.5	3.8	3.4
Eurozone	2.5	1.9	1.2	1.5	1.5	1.8	1.2	1.3
Japan	1.9	0.7	0.7	0.5	0.5	1.0	1.1	1.6
United States***	2.3	2.9	2.5	1.5	2.1	2.4	1.5	1.5

* refers to year ending March ** new CPI series *** eop for CPI inflation

Policy interest rates, eop

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
China*	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
India	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Indonesia	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.00	3.00
Philippines	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Singapore**	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
South Korea	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Taiwan	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38
Thailand	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Vietnam***	6.25	6.25	6.25	6.25	6.00	5.75	5.75	5.75
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
United States	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

* 1-yr lending rate; ** 3M SOR ; *** prime rate

Exchange rates, eop

	Mar 29	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
USD/CNY	6.73	6.85	7.00	6.95	6.90	6.85	6.80	6.75
USD/HKD	7.85	7.85	7.85	7.84	7.83	7.82	7.81	7.80
USD/INR	69.4	70.0	71.0	71.5	71.0	70.5	70.0	69.5
USD/IDR	14244	14300	14500	14400	14300	14200	14100	14000
USD/MYR	4.08	4.10	4.20	4.25	4.20	4.15	4.10	4.05
USD/PHP	52.7	54.0	55.0	54.5	54.0	53.5	53.0	52.5
USD/SGD	1.35	1.37	1.40	1.39	1.38	1.37	1.36	1.35
USD/KRW	1137	1135	1145	1140	1135	1130	1125	1120
USD/THB	31.8	32.5	33.0	32.8	32.6	32.4	32.2	32.0
USD/VND	23202	23250	23300	23280	23300	23250	23200	23150
AUD/USD	0.71	0.70	0.68	0.68	0.68	0.69	0.70	0.71
EUR/USD	1.12	1.12	1.10	1.11	1.12	1.13	1.14	1.15
USD/JPY	111	113	115	114	113	112	111	110
GBP/USD	1.31	1.30	1.28	1.29	1.30	1.31	1.32	1.33

Australia, Eurozone and United Kingdom are direct quotes

Rates forecast

		2019 Q1	Q2	Q3	**Q4**	2020 Q1	Q2	Q3	**Q4**
US	3m Libor	2.70	2.70	2.70	**2.70**	2.70	2.70	2.70	**2.70**
	2Y	2.45	2.45	2.50	**2.50**	2.50	2.50	2.50	**2.50**
	10Y	2.55	2.55	2.60	**2.65**	2.70	2.70	2.70	**2.70**
	10Y-2Y	10	10	10	**15**	20	20	20	**20**
Japan	3m Tibor	0.05	0.05	0.05	**0.05**	0.05	0.05	0.05	**0.05**
	2Y	-0.15	-0.15	-0.15	**-0.15**	-0.13	-0.10	-0.07	**-0.05**
	10Y	0.00	0.03	0.05	**0.07**	0.10	0.13	0.15	**0.15**
	10Y-2Y	15	18	20	**22**	23	23	22	**20**
Eurozone	3m Euribor	-0.30	-0.30	-0.30	**-0.30**	-0.30	-0.30	-0.30	**-0.30**
	2Y	-0.55	-0.55	-0.55	**-0.55**	-0.55	-0.55	-0.50	**-0.50**
	10Y	0.10	0.10	0.10	**0.10**	0.10	0.15	0.20	**0.25**
	10Y-2Y	65	65	65	**65**	65	70	70	**75**
Indonesia	3m Jibor	7.20	7.20	7.20	**7.20**	7.20	7.20	7.20	**7.20**
	2Y	7.00	6.90	6.80	**6.70**	6.70	6.70	6.70	**6.70**
	10Y	7.80	7.70	7.60	**7.50**	7.50	7.50	7.50	**7.50**
	10Y-2Y	80	80	80	**80**	80	80	80	**80**
Malaysia	3m Klibor	3.65	3.65	3.65	**3.65**	3.65	3.65	3.40	**3.40**
	3Y	3.35	3.35	3.35	**3.35**	3.35	3.35	3.20	**3.20**
	10Y	3.75	3.80	3.85	**3.90**	3.95	3.95	3.90	**3.90**
	10Y-3Y	40	45	50	**55**	60	60	70	**70**
Philippines	3m PHP ref rate	5.55	5.55	5.55	**5.55**	5.55	5.55	5.55	**5.55**
	2Y	5.75	5.75	5.75	**5.75**	5.75	5.75	5.75	**5.75**
	10Y	6.00	6.00	6.00	**6.00**	6.00	6.00	6.00	**6.00**
	10Y-2Y	25	25	25	**25**	25	25	25	**25**
Singapore	3m Sibor	1.95	1.95	1.95	**1.95**	1.95	1.95	1.95	**1.95**
	2Y	2.00	2.00	2.00	**2.00**	2.00	2.00	2.00	**2.00**
	10Y	2.15	2.15	2.18	**2.20**	2.20	2.20	2.20	**2.20**
	10Y-2Y	15	15	18	**20**	20	20	20	**20**
Thailand	3m Bibor	1.85	1.85	1.85	**1.85**	1.85	1.85	1.85	**1.85**
	2Y	1.80	1.80	1.80	**1.80**	1.80	1.80	1.80	**1.80**
	10Y	2.40	2.40	2.50	**2.60**	2.60	2.60	2.60	**2.60**
	10Y-2Y	60	60	70	**80**	80	80	80	**80**
China	1 yr Lending rate	4.35	4.35	4.35	**4.35**	4.35	4.35	4.35	**4.35**
	3Y	2.90	2.80	2.80	**2.80**	2.80	2.80	2.80	**2.80**
	10Y	3.20	3.15	3.10	**3.15**	3.20	3.25	3.25	**3.25**
	10Y-3Y	30	35	30	**35**	40	45	45	**45**
Hong Kong	3m Hibor	2.00	2.00	2.00	**2.00**	2.00	2.00	2.00	**2.00**
	2Y	1.70	1.70	1.70	**1.70**	1.70	1.70	1.70	**1.70**
	10Y	1.85	1.85	1.90	**1.95**	2.00	2.00	2.00	**2.00**
	10Y-2Y	15	15	20	**25**	30	30	30	**30**
Korea	3m CD	1.90	1.90	1.90	**1.90**	1.90	1.90	1.90	**1.90**
	3Y	1.80	1.80	1.80	**1.80**	1.80	1.80	1.80	**1.80**
	10Y	2.00	2.00	2.10	**2.10**	2.10	2.10	2.05	**2.05**
	10Y-3Y	20	20	30	**30**	30	30	25	**25**
India	3m Mibor	7.35	7.00	6.90	**6.80**	6.70	6.70	6.70	**6.70**
	2Y	6.80	6.65	6.50	**6.50**	6.50	6.50	6.50	**6.50**
	10Y	7.30	7.40	7.50	**7.50**	7.50	7.50	7.50	**7.50**
	10Y-2Y	50	75	100	**100**	100	100	100	**100**

%, eop, govt bond yield for 2Y and 10Y, spread bps

Group Research

Economics & Strategy

Taimur Baig, Ph.D.
Chief Economist – G3 & Asia
+65 6878-9548 taimurbaig@dbs.com

Nathan Chow
Strategist – China & Hong Kong
+852 3668-5693 nathanchow@dbs.com

Masyita Crystallin, Ph.D.
Economist – Indonesia & Philippines
+62 21 2988-4003 masyita@dbs.com

Joanne Goh
Regional equity strategist
+65 6878-5233 joannegohsc@dbs.com

Neel Gopalakrishnan
Credit Strategist
+65 68782072 neelg@dbs.com

Eugene Leow
Rates Strategist – G3 & Asia
+65 6878-2842 eugeneleow@dbs.com

Chris Leung
Economist – China & Hong Kong
+852 3668-5694 chrisleung@dbs.com

Ma Tieying, CFA
Economist – Japan, South Korea, & Taiwan
+65 6878-2408 matieying@dbs.com

Radhika Rao
Economist – Eurozone, India, & Thailand
+65 6878-5282 radhikarao@dbs.com

Irvin Seah
Economist – Singapore, Malaysia, & Vietnam
+65 6878-6727 irvinseah@dbs.com

Samuel Tse
Economist – China & Hong Kong
+852 3668-5694 samueltse@dbs.com

Duncan Tan
FX and Rates Strategist – Asean
+65 6878-2140 duncantan@dbs.com

Philip Wee
FX Strategist – G3 & Asia
+65 6878-4033 philipwee@dbs.com

Sources: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations)

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DBS Bank Ltd., 12 Marina Blvd, Marina Bay Financial Center Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.PT Bank DBS Indonesia, DBS Bank Tower, 33rd floor, Ciputra World 1, Jalan Prof. Dr. Satrio Kav 3-5, Jakarta, 12940, Indonesia. Tel: 62-21-2988-4000. Company Registration No. 09.03.1.64.96422.