Economics & Strategy Research

Macro Insights Weekly

Do zero rates mean zero returns?

Economics/Strategy/Rates/FX/Credit

Group Research

March 16, 2020

Taimur Baig
Chief Economist
taimurbaig@dbs.com

Ma Tieying
Economist
matieying@dbs.com

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

- *After a week of historic asset market sell-off and myriad policy intervention, including this morning's 100bps rate cut by the US Federal Reserves, we continue to see three key risks ahead:*
- *First, the combination of market correction (despite Fed QE) and economic slowdown will continue to push up corporate debt spreads, causing a negative feedback loop between the real and financial sector.*
- *Second, insufficient or poorly communicated public policy response to the outbreak will perpetuate consumption and investment uncertainty, as well as compound distress in the corporate sector.*
- *Third, the combination of risk aversion and commodity price collapses would push energy exporting economies (in particular) and emerging markets (in general) to experience sudden stop in capital flows, paving the ground for rolling economic crises.*

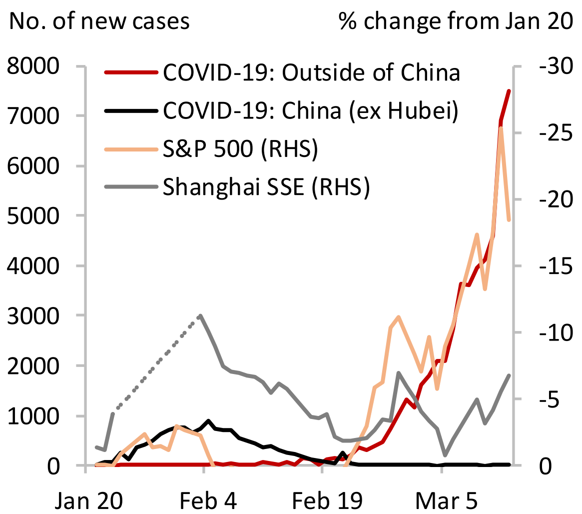
Key data release and events this week:

- *Following the US Federal Reserve's historic 150bps rate cuts over the past two weeks, central banks in Japan, Indonesia and the Philippines are also likely to ease*
- *Singapore's non-oil domestic exports (Feb) will show a sharp decline*

Chart of the Week: COVID-19 and stock markets, China's outperformance

The S&P 500 and the Shanghai Composite have fallen by 18% and 7%, respectively, since the first COVID-19 case was reported in China on January 20. The decline in S&P 500 has quickened since end-February, when the number of new COVID-19 cases outside of China started to soar (more than 1,000 per day). In contrast, the loss in Shanghai Composite narrowed over the past one month, as the COVID-19 situation in China stabilised.

Impact of COVID-19 on stock markets



Sources: CEIC, DBS

Commentary: Outlook for China and the US amid COVID-19 scare and stimulus

As the COVID-19 pandemic looks far from peaking worldwide, policy makers have sprung into concerted action. As per latest reports, about USD200bn in fiscal stimulus and over USD1trln in liquidity injection have been announced. The PBOC cut reserve ratios over weekend, while the US Federal Reserve announced a slew of measures this morning, including a historic 100bps rate cut (Fed funds rate now down to zero), asset purchase, expanded repo operations, USD swap line with major central banks, and credit facility for banks to help with household and business lending.

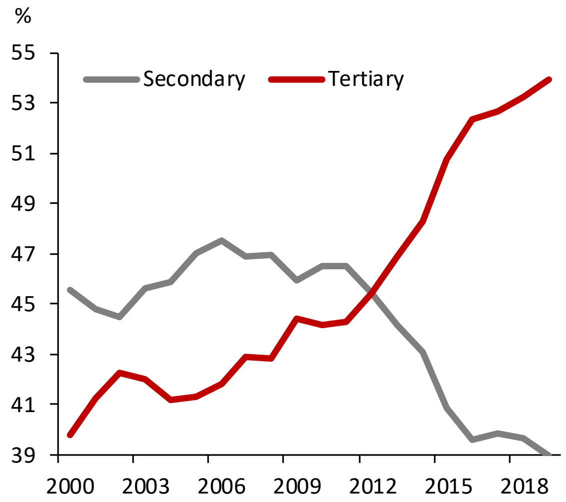
We are sure more would follow, as the negative impact of work stoppage, travel restrictions, and crating confidence is pushing recession risks up by the day.

China

Even as work resumes and infection cases fall, the fallout from COVID-19 on China is grave. Fiscal projection of China's GDP in 2020 is revised downward to 4.5% from 5.3% previously due to worsening economic conditions across the globe alongside tepid recovery of domestic demand. Although resumption of works has gradually begun across China in the first week of March, shortages of labour/intermediate inputs for production alongside impediment to transportation logistics prevent most of them from operating at full capacity. Demand for goods from rest of the world is likely to fall significantly in the 2nd quarter as the COVID-19 pandemic grinds global economic activities to a standstill. Exports only accounted for 17.4% of GDP in 2019, down significantly from the peak of 36% in 2006. The services sector, which accounts for 54% of GDP in 2019 (up from 42% in 2003 when SARS held the world hostage) will take time to mend. Restoration of consumers' confidence in public health depends on authority's management of the crisis more than easing of monetary policy.

Meanwhile, headline inflation of more than 5% will cut into real income of people in the lower income bracket mostly in SMEs. They may also suffer temporary loss of income due to quarantines and business closures. According to official data, SMEs accounted for 80% of nationwide employment, 60% of GDP, and more than 50% of tax revenue. Interest rate cuts will help, but what is more important is to ensure SMEs' accessibility to credit support during this difficult period. Chinese banks will have to provide even larger credit support to them. In fact, SME financing was boasted up successfully by 30% in excess of RMB2trln driven by a state-led campaign in 2019. Banks should also allow troubled-enterprises to roll over loans and postpone repayment, notwithstanding the risks of moral hazard. On the fiscal front, tax cuts and wavier of administrative charges will also help at reducing cash flow burden at the margin.

GDP by production (as percentage of GDP)



Source: CEIC, DBS

Under the prevailing economic challenges, some are speculating a "stimulus package" forthcoming to shore up domestic demand despite lower fiscal revenue ahead on top of high domestic debt burden. It is however not the time to worry the repercussions of re-leveraging at this juncture. Policymakers can always reverse course when the economy stabilizes eventually. Before that happens, all policies should aim solely at restoring normal functioning of the economy.

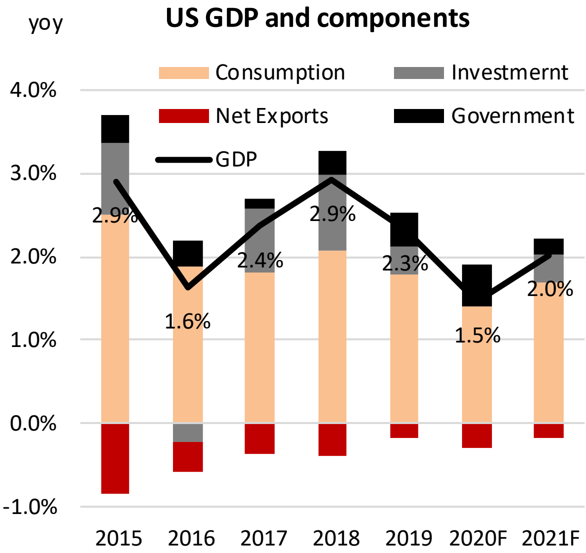
US

The immediate risk is consumption. On the goods side, shelves could go empty as the supply of intermediate and finished products are disrupted. On the services side, most impacted has been the commodities sector, especially energy, casting doubts about energy related earnings and investment this year. In recent years, thanks to the shale revolution boosting production, the US has become a net exporter of energy. Oil production and US growth now go hand in hand.

A poor oil price outlook in the past was seen as an unambiguous positive for the US consumers (and hence the overall economy), but today that is offset by the negative implication for shale producers.

Against this background, we are revising down the US 2020 growth forecast to 1.5%. Most of the economic weakness will manifest in 2Q, during which period we expected the GDP to shrink on a quarter-on-quarter basis. Investment will likely suffer the most, but consumption is also likely to be disrupted substantially. We note that the risk to this forecast is asymmetric. A prolonged oil production war and limited success in dealing with COVID-19 are scenarios under which growth could end up being much lower. We can't think of many scenarios under which growth could be much stronger.

As the global economic slowdown becomes prolonged and disorderly, US policymakers will likely step in to provide support. On the fiscal front, support will be provided to SMEs getting squeezed by work stoppages. On the monetary front, the Fed will come under increasing pressure to keep easing policy, both through outright rate cuts and by injecting liquidity.



Source: CEIC, DBS

For the global economy, we see three key risks ahead:

- First, the combination of market correction and incipient economic slowdown will continue to push up corporate debt spreads, causing a negative feedback loop between the real and financial sector.
- Second, insufficient or poorly communicated public policy response to the outbreak will perpetuate consumption and investment uncertainty, as well as compound distress in the corporate sector.
- Third, the combination of risk aversion and commodity price collapses would push energy exporting economies (in particular) and emerging markets (in general) to experience sudden stop in capital flows, causing rolling economic distress.

Taimur Baig

This Week in key data releases and events

Event	DBS	Previous
Mar 16 (Mon)		
Japan: BOJ policy balance rate	-0.2%	-0.1%
- 10Y yield target	0%	0%
Mar 17 (Tue)		
Singapore: NODX (Feb)	-10.7% y/y	4.6% y/y
US: industrial prod (Feb)	-0.4% m/m sa	-0.3% m/m sa
Mar 18 (Wed)		
Japan: exports (Feb)	-9.0% y/y	-2.6% y/y
- imports	-4.4% y/y	-3.5% y/y
- trade balance	JPY0tn	-JPY1.3tn
Mar 19 (Thurs)		
Japan: CPI (Feb)	0.5% y/y	0.7% y/y
Indonesia: BI benchmark rate	4.50%	4.75%
Philippines: BSP o/n rate	3.50%	3.75%
Taiwan: CBC benchmark rate	1.375%	1.375%
Mar 20 (Fri)		
Taiwan: export orders (Feb)	-0.6% y/y	-12.8% y/y

Indonesia/Philippines: Bank Indonesia and the Philippine central bank are expected to lower their respective benchmark rates by 25bps this week. Indonesia's bonds have witnessed notable net outflows (IDR31trn), requiring the central bank to provide support. With rupiah also under pressure on COVID19-led worries, BI is likely to follow up the February's move, with a 25bp cut. Philippines faces heightened worries with an escalation in infections, with parts of the country under lockdown to lower transmission risks. With low oil prices likely to add to disinflationary forces, the BSP could undertake a combination of a 25bps cut and RRR reduction to safeguard growth. Relief measures for banks and borrowers by way of more lenient loan terms/ deferment in being considered as a bad loan is likely, especially targeted at SMEs and tourism affected sectors.

Japan: The Bank of Japan is expected to expand monetary stimulus at today's meeting, in response to the rise in recession and deflation risks as a result of the COVID-19 outbreak, oil price crash and financial market turbulence. The top option is to expand ETF purchases, given that the BOJ has been doing so during the daily operations since the beginning of this month. The BOJ is also likely to unveil a new lending program to support the companies vulnerable to the epidemic, such as SMEs in the retail and transport services sectors. Another possible option is to cut the short-term policy rate, in our view, to -0.2% from -0.1% currently.

Singapore: Headline NODX is expected to contract by 10.7% YoY in Feb20 as extended plant closures in China due to the Covid-19 outbreak takes a huge toll on export performance. China is Singapore's largest market, accounting for about 17% share of its total NODX. Such supply chain disruption will severely impact Singapore's exports of intermediate parts and components. This will in turn have significant implications on overall manufacturing and GDP growth. Juxtaposed with the sharp drop in tourist arrivals, expect a sharp contraction in growth in the first quarter.

Taiwan: Taiwan's central bank is facing relatively less pressure to cut rates this week. The COVID-19 situation in Taiwan has remained well under control, and meanwhile, economic data including consumer confidence and exports have stayed resilient as of Feb20. The room for the CBC to cut rates is also limited. The benchmark rate of 1.375% is close to the GFC low of 1.25%, and overnight interbank rate of 0.18% is near the zero bound. That said, given the heightened financial market volatility worldwide and synchronized monetary easing by major central banks, it can not be totally ruled out that the CBC will follow suit this week.

Economics Team

China: Market rates to fall further on RRR cut

The reserve requirement ratio will be lowered by 50-100bps today for all banks who meet certain criteria for lending to small- and mid-sized companies under the PBOC's inclusive finance program. Joint-stock commercial banks will get additional reduction of 100bps; together the cuts will inject RMB550bn into the system.

Since January, the authority has strengthened counter-cyclical adjustments by cutting banks' RRR and launching a series of open market operations in succession. Ample liquidity has smoothed interbank interest rates. The 7-day repo rate lowered to the rage of 2.2%-2.4% in February from as high as 2.9% in January. We expect the funds released by the latest reserve ratio cut will drive money market rates further lower and reduce banks' overall funding costs.

Freeing up more liquidity to stimulate credit growth is crucial as data released today showed the economy shrank in Jan-Feb. The impact on bonds and equity will however be marginal as the reduction has largely been priced in after the State Council meeting on March 10.

Still, China's asset prices have vastly outperformed its global peers this month. Investors appear to have been reassured by Beijing's swift policy response to economic disruptions caused by the COVID-19 outbreak. SHCOMP was up 0.3% from end-February to March 13, while the S&P 500 tumbled 8.2% over the same period. And when most currencies saw spikes in volatility in the wake of a historic plunge in oil prices last week, the RMB index climbed to the highest level since May 2019. We expect this trend to continue as coronavirus in China wanes while other major economies are yet to see the worst.

Nathan Chow

Macro Strategy

Rates: Policymakers show hand

With the measures announced over the weekend, the Fed is back at the zerobound with the Fed funds target at 0-0.25%. Quantitative easing (QE), to the tune of USD 700bn (USD 500bn in USTs and USD 200bn in MBSs), has also been announced. Notably, the Fed's policy rate has practically converged with its G3 peers and we suspect that it is close to the limits of these policies. The European Central Bank (ECB) and Bank of Japan (BOJ) have been much more reticent on looser monetary policies (the ECB disappointed last week) in the current crisis amid increasing concerns on negative rates. **With monetary policy exhausted, fiscal policies will come to the fore.**

We think that these aggressive measures will help at the margin. **QE will boost liquidity in the system and will go some ways towards calming USTs.** Over the past week, longer-term USTs have seen intraday trading ranges in excess of 30bps. Moreover, the scramble for cash have hurt USTs even as risk-off takes hold. USTs should regain their role as a risk hedge and we expect DM yields to fall today. More aggressive measures to calm credit markets and ensure firms / individuals tide through the coming few months will be welcome. At this point, **we would be watching the MOVE index (which tracks implied volatilities across USTs), the VIX, front-month FRA-OIS spreads, credit spreads to assess if the worst is over.** At this point, we think there will be a lot more volatility as risky assets price in a sharper global economic slowdown.

The silver lining is that policy makers are generally no longer complacent over COVID-19. Policy responses from the major central banks have been aggressive. Fiscal taps are being loosened (albeit not as fast the market wants) across the world. Containment efforts across countries have also stepped up significantly over the weekend. Amid the gloomy outlook and probably increasing negative news flow on the virus, **we should keep in mind that many of the necessary steps to support the economy and limit the worst of the virus has been done**. Hopefully, this will blunt the worst of the economic / financial impact in the coming months.

In Asia, conditions are likely to be similarly stressed. More monetary and fiscal support are likely to be in the offing. However, budgetary and monetary constrains bear watching in this volatile environment. With the 100bps Fed cut, there is technically more cover for Asia central banks to ease policy. However, the timing and magnitude of rates cuts in Asia may be more muted and / or delayed. Heightened volatility in IDR and INR assets could prompt their respective central banks to temporarily show some restraint. For economies that are already close to the zerobound (Thailand and Korea), we doubt that there is appetite to follow the Fed as aggressively. Against this backdrop, **Asia assets are likely to cheapen first, before recovering when financial conditions (USD funding worries) improve.**

Eugene Leow & Duncan Tan

FX: Fed's measures are no panacea for the rest of the world

The Fed's two inter-meeting rate cuts and QE this month are unlikely to set the USD on a downtrend yet, especially against the components of the DXY Index. A floor is still needed in the bear stock market worldwide. Futures are positioned for the Dow Jones to fall some 1000 points at tonight's open. The Fed's policy responses are considered a painkiller and not a panacea to the COVID-19 pandemic.

The Fed has also extended standing USD liquidity swap lines to the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank. This was consistent with the fact that the number of COVID-19 cases in the rest of the world has overtaken China. Some Developed Market countries are still seen not doing enough to contain the coronavirus. Most have been more pre-occupied with preventing the coronavirus from entering their countries. Travel bans and border closures will lead to more supply disruptions and hurt consumption and investment.

EUR, which is the largest component in the DXY, is unlikely to shake off the fact that Europe has become the epicentre of the pandemic. EU nations are still not unified and coordinated in their responses to containing the coronavirus. With the Eurozone tumbling into recession, the pressure is growing for Brussels and the ECB to demonstrate the will to "do whatever it takes" to buffet the hold the single markets together. Hence, the risk remains for EURUSD to tread below 1.10 into the lower half of its QE range of 1.05-1.15.

Looking ahead, the Fed's decision may draw the UK and Australia closer to QE. If so, GBPUSD and AUDUSD are set to test their key supports at 1.20 and 0.60 respectively. A firm USD against Singapore's trade-weighted basket of currencies, especially the EUR and the CNY, will hold USDSGD above 1.40. Following the second Fed inter-meeting cut, Singapore is expected to end of the modest and gradual appreciation stance for the SGD policy. The odds have also increased for the SGD NEER policy band to be re-centred by 1-2% lower. A decision may come before the next scheduled policy review in mid-April.

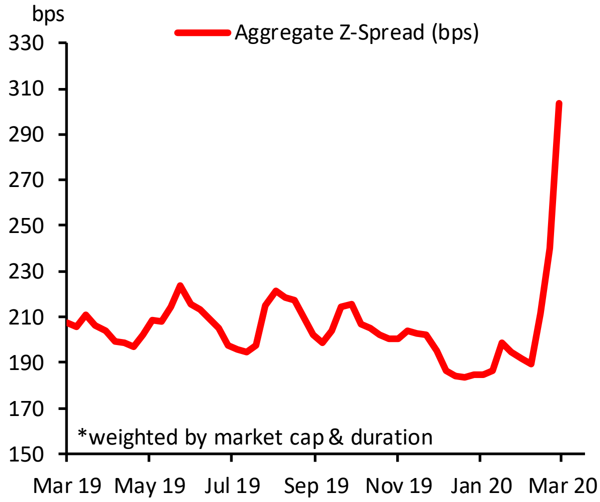
Philip Wee

Credit: Energy fallout adds to COVID-19 risks

We have earlier flagged risks of wider Chinese HY spreads due to COVID-19 disruptions (see Macro Insights Weekly: Pandemic fallout). **Now, not just HY, but the broader offshore Chinese USD bond market is experiencing a rise in spreads**. Our weighted measure of the offshore Z-spread has risen above its August high, when trade tensions were at its zenith. One consolation for credit investors is that this spread increase has been offset by sharply lower UST yields, so overall portfolio values are still likely to have risen on duration exposure.

Plunging oil prices pose yet another shock. Our analysis of global USD energy credit found that broad valuations have fallen by 2.4% compared to levels prior to the OPEC meeting. Our aggregate Z-spread measure, which has been widening slowly since February, saw an 8-standard deviation surge. Energy credit premiums now stand at over 300bps. **Given the heavy concentration of US energy credit in the 'BBB' rating bracket, we are cautious to see if this triggers outflows from IG credit funds.**

Global USD energy credit: Aggregate Z-spread



Source: Bloomberg, DBS

Chang Wei Liang

Reports in the past week

- ECB keeps its cool
- Macro risk dashboard: Downsides galore
- Oil price: After the crash
- Rates: COVID-19 and Asian rate cuts
- China: Supply-induced inflation not a threat
- ASEAN-6: Slower growth, market stress, and policy support

Growth, Inflation, Policy Rates & FX forecasts

	GDP growth, % YoY				CPI inflation, % YoY, ave			
	2018	2019f	2020f	2021f	2018	2019f	2020f	2021f
China	6.6	6.1	4.5	5.6	2.1	2.6	2.3	2.5
Hong Kong	3.0	-1.7	-2.0	1.5	2.4	2.7	2.5	2.5
India	6.8	5.3	5.1	6.0	4.0	3.7	5.1	4.2
*India (FY basis)**	*7.3*	*6.2*	*5.0*	*5.6*	*3.6*	*3.4*	*4.8*	*4.2*
Indonesia	5.2	5.0	5.0	5.1	3.2	3.1	3.4	3.2
Malaysia	4.7	4.3	4.0	4.6	1.0	0.7	1.6	1.8
Philippines**	6.2	5.9	6.0	6.3	5.2	2.8	3.5	3.3
Singapore	3.1	0.7	0.9	1.8	0.4	0.6	1.1	1.5
South Korea	2.7	2.0	2.2	2.3	1.5	0.4	1.5	1.3
Taiwan	2.7	2.7	2.3	2.2	1.3	0.6	1.0	1.1
Thailand	4.2	2.4	2.0	2.1	1.1	0.8	1.2	1.3
Vietnam	7.1	7.0	6.2	6.7	3.5	2.8	4.4	3.0
Eurozone	1.9	1.2	0.7	1.0	1.8	1.2	1.0	1.2
Japan	0.3	0.7	0.2	1.1	1.0	0.5	0.7	0.6
United States***	2.9	2.3	1.5	2.0	1.9	2.3	1.8	2.1

* refers to year ending March i.e. 2020 represents FY20 - year ending March 2020 ** new CPI series *** eop for CPI inflation

Policy interest rates, eop

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
China*	4.00	3.85	3.70	3.55	3.55	3.55	3.55	3.55
India	5.15	4.90	4.65	4.65	4.65	4.65	4.65	4.65
Indonesia	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Malaysia	2.50	2.25	2.00	2.00	2.00	2.00	2.25	2.50
Philippines	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Singapore**	0.85	0.40	0.40	0.40	0.40	0.40	0.40	0.40
South Korea	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Taiwan	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38
Thailand	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Vietnam***	6.00	5.50	5.00	5.00	5.00	5.00	5.50	6.00
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20
United States	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

* 1-yr Loan Prime Rate; ** 3M SOR ; *** prime rate

Exchange rates, eop

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
USD/CNY	6.95	7.05	7.00	6.95	6.90	6.85	6.80	6.75
USD/HKD	7.77	7.80	7.78	7.77	7.76	7.76	7.75	7.75
USD/INR	74.1	75.5	75.5	75.0	75.0	74.5	74.5	74.0
USD/IDR	14350	14200	14100	14000	13900	13800	13700	13600
USD/MYR	4.24	4.30	4.25	4.20	4.18	4.16	4.14	4.10
USD/PHP	50.5	51.9	51.3	50.7	50.5	50.3	50.1	49.9
USD/SGD	1.39	1.41	1.39	1.37	1.36	1.35	1.34	1.33
USD/KRW	1193	1220	1200	1180	1160	1140	1120	1100
USD/THB	31.5	32.3	31.8	31.2	31.0	30.8	30.6	30.4
USD/VND	23190	23300	23250	23200	23170	23170	23170	23170
AUD/USD	0.66	0.65	0.65	0.66	0.66	0.67	0.67	0.68
EUR/USD	1.13	1.09	1.10	1.11	1.12	1.13	1.14	1.15
USD/JPY	105	109	107	105	104	104	104	103
GBP/USD	1.31	1.25	1.26	1.27	1.28	1.29	1.30	1.31

Australia, Eurozone and United Kingdom are direct quotes

Interest rate forecasts

		2020				2021			
		Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
US	3m Libor	0.45	0.35	0.35	**0.35**	0.35	0.35	0.35	**0.35**
	2Y	0.30	0.35	0.35	**0.40**	0.50	0.50	0.60	**0.70**
	10Y	0.40	0.50	0.50	**0.70**	0.90	1.00	1.10	**1.20**
	10Y-2Y	10	15	15	**30**	40	50	50	**50**
Japan	3m Tibor	0.05	0.05	0.05	**0.05**	0.05	0.05	0.05	**0.05**
	2Y	-0.30	-0.30	-0.25	**-0.20**	-0.15	-0.13	-0.13	**-0.10**
	10Y	-0.20	-0.20	-0.10	**-0.10**	-0.10	-0.10	-0.05	**-0.05**
	10Y-2Y	10	10	15	**10**	5	3	8	**5**
Eurozone	3m Euribor	-0.50	-0.60	-0.60	**-0.60**	-0.60	-0.60	-0.60	**-0.60**
	2Y	-0.90	-0.90	-0.85	**-0.80**	-0.75	-0.65	-0.60	**-0.50**
	10Y	-0.80	-0.80	-0.70	**-0.60**	-0.50	-0.40	-0.30	**-0.20**
	10Y-2Y	10	10	15	**20**	25	25	30	**30**
Indonesia	3m Jibor	5.10	4.90	4.90	**4.90**	4.90	4.90	4.90	**4.90**
	2Y	5.20	5.20	5.20	**5.20**	5.30	5.40	5.50	**5.50**
	10Y	6.60	6.30	6.40	**6.50**	6.50	6.50	6.50	**6.50**
	10Y-2Y	140	110	120	**130**	120	110	100	**100**
Malaysia	3m Klibor	2.90	2.65	2.65	**2.65**	2.65	2.65	2.65	**2.65**
	3Y	2.50	2.40	2.40	**2.40**	2.40	2.40	2.40	**2.40**
	10Y	2.75	2.85	2.90	**2.95**	3.00	3.05	3.10	**3.10**
	10Y-3Y	25	45	50	**55**	60	65	70	**70**
Philippines	3m PHP ref rate	3.00	3.25	3.10	**3.05**	3.00	2.95	2.90	**2.90**
	2Y	3.60	3.85	3.85	**3.85**	3.80	3.80	3.80	**3.85**
	10Y	4.00	4.00	4.10	**4.20**	4.25	4.35	4.40	**4.50**
	10Y-2Y	40	15	25	**35**	45	55	60	**65**
Singapore	3m Sibor	0.65	0.40	0.40	**0.40**	0.40	0.40	0.40	**0.40**
	2Y	0.70	0.55	0.50	**0.50**	0.55	0.55	0.55	**0.60**
	10Y	0.90	0.80	0.70	**0.70**	0.85	0.95	1.00	**1.10**
	10Y-2Y	20	25	20	**20**	30	40	45	**50**
Thailand	3m Bibor	1.12	1.12	1.12	**1.12**	1.12	1.12	1.12	**1.12**
	2Y	0.65	0.75	0.75	**0.80**	0.85	0.85	0.90	**0.95**
	10Y	0.90	0.95	0.95	**1.00**	1.00	1.00	1.10	**1.20**
	10Y-2Y	25	20	20	**20**	15	15	20	**25**
China	1 yr LPR	4.00	3.85	3.70	**3.55**	3.55	3.55	3.55	**3.55**
	2Y	2.10	2.20	2.25	**2.30**	2.35	2.40	2.40	**2.40**
	10Y	2.30	2.40	2.50	**2.50**	2.60	2.70	2.80	**2.80**
	10Y-2Y	20	20	25	**20**	25	30	40	**40**
Hong Kong	3m Hibor	0.65	0.55	0.55	**0.55**	0.55	0.55	0.55	**0.55**
	2Y	0.60	0.55	0.55	**0.60**	0.70	0.70	0.80	**0.90**
	10Y	0.70	0.70	0.70	**0.90**	1.10	1.20	1.30	**1.40**
	10Y-2Y	10	15	15	**30**	40	50	50	**50**
Korea	3m CD	1.40	1.15	1.15	**1.15**	1.15	1.15	1.15	**1.15**
	3Y	1.00	1.00	1.05	**1.05**	1.05	1.05	1.10	**1.10**
	10Y	1.25	1.25	1.35	**1.35**	1.45	1.45	1.55	**1.55**
	10Y-3Y	25	25	30	**30**	40	40	45	**45**
India	3m Mibor	5.80	5.55	5.30	**5.30**	5.30	5.30	5.30	**5.30**
	2Y	5.20	5.20	5.30	**5.40**	5.40	5.40	5.40	**5.40**
	10Y	6.00	6.00	6.15	**6.30**	6.40	6.40	6.40	**6.40**
	10Y-2Y	80	80	85	**90**	100	100	100	**100**

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

Group Research

Economics & Macro Strategy

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

Chang Wei Liang
Strategist
+65 6878-2072 weiliangchang@dbs.com

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

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

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

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

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

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

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

Ma Tieying, CFA
Economist - Japan, South Korea, & Taiwan
+65 6878-2408 matieying@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)

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates)

The information herein is published by DBS Bank Ltd and PT Bank DBS Indonesia (collectively, the "DBS Group"). It is based on information obtained from sources believed to be reliable, but the Group does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation & the particular needs of any specific addressee. The information herein is published for the information of addressees only & is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Group, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Group or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Group & its associates, their directors, officers and/or employees may have positions or other interests in, & may effect transactions in securities mentioned herein & may also perform or seek to perform broking, investment banking & other banking or financial services for these companies. The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Sources for all charts & tables are CEIC & Bloomberg unless otherwise specified.

DBS Bank Ltd., 12 Marina Blvd, Marina Bay Financial Center Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.
DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.
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