



# M<sup>3</sup>

## SECTOR REVIEW

MONTHLY MORNING MEETING MAR 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

### BONDS

SGS BONDS	BENCHMARK	YEARS TO MATURITY	OFFER INDICATIVE YIELD (%) AS AT 28 JAN 2010	OFFER INDICATIVE YIELD (%) AS AT 24 FEB 2010
N506100E, Coupon 3.125%, Maturity 01/02/2011	2 year	0.94	0.35	0.27
NX04100F, Coupon 3.625%, Maturity 01/07/2014	5 year	4.35	1.07	1.13
N708100S, Coupon 2.875%, Maturity 01/07/2015	7 year	5.35	1.51	1.64
NY03100A, Coupon 4.000%, Maturity 01/09/2018	10 year	8.51	2.38	2.51
NY07100X, Coupon 3.125%, Maturity 01/09/2022	15 year	12.51	3.00	3.09
NZ07100S, Coupon 3.500%, Maturity 01/03/2027	20 year	17.02	3.2	3.28

OFFER YIELDS INCLUDE SALES CHARGE OF 0.1% AND COMMISSION CHARGE OF 0.3%  
SOURCE: iFAST FINANCIAL

### SINGAPORE INTERBANK RATES (SIBOR)

	OVERNIGHT	1-WEEK	1-MONTH	2-MONTH	3-MONTH	6-MONTH	12-MONTH
30-Sep-09	0.25	0.44	0.44	0.56	0.69	0.75	1.00
29-Oct-09	0.38	0.44	0.44	0.56	0.69	0.75	1.00
30-Nov-09	0.06	0.44	0.44	0.56	0.69	0.75	1.00
29 Dec 09	0.03	0.38	0.44	0.56	0.69	0.75	1.00
27 Jan 10	0.06	0.38	0.44	0.56	0.69	0.75	0.94
23 Feb 10	0.03	0.38	0.44	0.56	0.69	0.75	0.94

SOURCE: MAS

COUNTRY / REGION	PARAMETER	CPI VALUE ON 31 DEC 2009 (YOY)	CPI VALUE ON 31 JAN 2010 (YOY)	BENCHMARK INTEREST RATES AS AT 24 FEB 2010
US	CPI (core)	1.80%	1.60%	0.25%
	CPI (all items)	2.70%	2.60%	
Europe	CPI (core)	1.10%	0.90%	1.00%
Japan	CPI (nationwide, all items)	-1.70%	-1.30%	0.10%
Indonesia	CPI	2.78%	3.72%	6.50%
Malaysia	CPI	1.10%	1.30%	2.00%
South Korea	CPI (all items)	2.80%	3.10%	2.00%
Hong Kong	CPI (composite)	1.30%	1.00%	0.50%
Thailand	CPI	3.50%	4.10%	1.25%
China	CPI (consumer prices)	1.90%	1.50%	5.31%
Taiwan	CPI	-0.21%	0.29%	1.25%
India	WPI	7.31%	8.56%	3.25%
Singapore	CPI	-0.50%	0.20%	N.A.

\*BENCHMARK INTEREST RATE HAS BEEN CHANGED SINCE LAST MONTH

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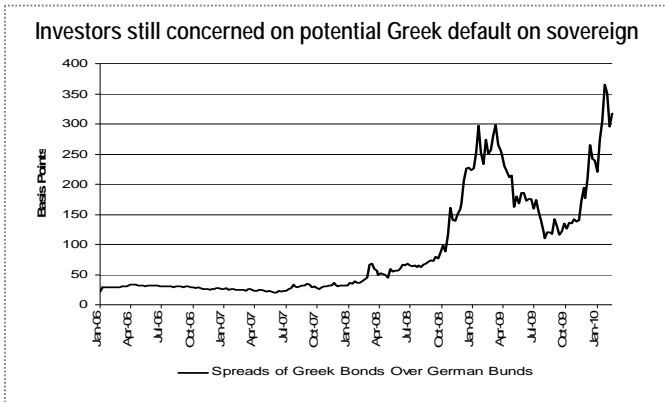


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## SECTOR REVIEW

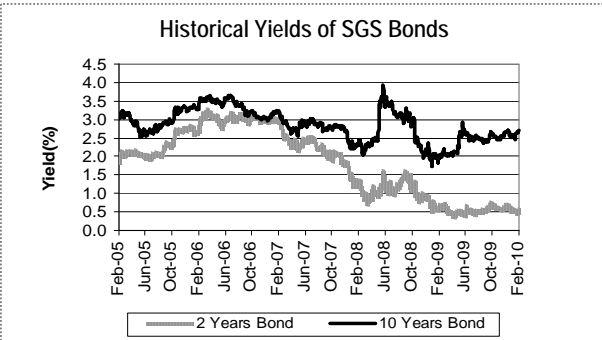
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### BOND CHART OF THE MONTH

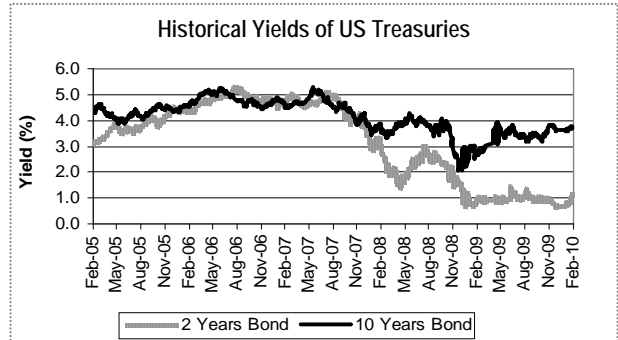


SOURCE: BLOOMBERG & iFAST FINANCIAL COMPILATIONS

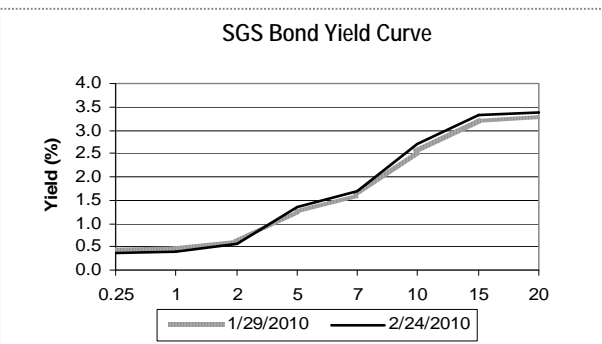
With a public deficit of 12.6% of GDP, the highest in Eurozone and a national debt-to-GDP ratio of 107.9%, investors are concerned about Greece ability to pay off its sovereign debt. The spreads of 10 year Greek bonds spiked relative to the German Bunds (regarded the risk free rate for Eurozone). The government has announced a plan to reduce budget deficit to 3% of GDP by 2012 but market considers the plan too ambitious and spreads have thus remained at elevated levels. However, in the near term, Germany, France and IMF would standby and provide a safety net so as not to destabilize the Europe region.



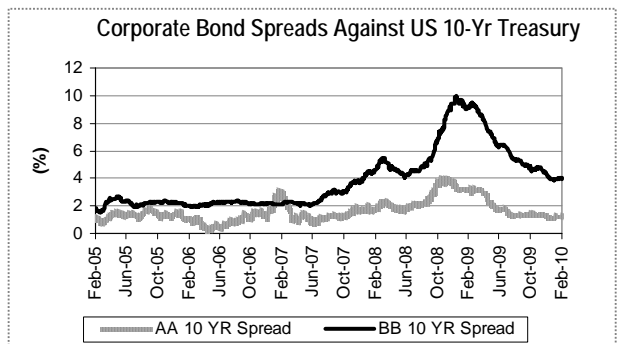
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## KEY DEVELOPMENTS

While central banks have refrained from increasing interest rates, they have been taking steps to withdraw liquidity. China shrewdly timed another 50 bps increase in reserve requirement ratio again just before the week long Chinese New Year holidays where capital market was closed. India raised its cash reserve requirement ratio by 25 bps on the last day of January while Federal Reserve raised the discount window lending rate by 25 bps to 0.75%. A host of liquidity support measures have also expired in the US in the month of February.

While the first increase in reserve ratio China took dealt a hard blow to global equity markets, past month reaction from equity markets to subsequent tightening measures was milder. Global equities rose 0.79%. US Treasuries as represented by iBoxx USD Treasuries Total Return Index fell 0.62%. Yields on 2 year and 10 year UST increased marginally by 1 bps and 10 bps respectively. (All data refers to month-to-date data as at 23 Feb 10 in USD terms)

In Singapore, a new basket has been selected for the calculation of consumer price index. Housing becomes the largest component in the basket, accounting for 25%. Based on the new basket, CPI increased 0.6% year-on-year. Home prices are now based on monthly rental data from IRAS, compared to the previous annual value methodology which only reflected changes in home prices once a year. If the property market refuses to cool down even after recent government measures and rental increases keep pace, housing-led inflationary pressure could show in higher CPI in coming months. Increased inflationary expectations and better risk appetite in February led to Singapore government bonds falling 0.35% (as at 23 Feb, in SGD terms).

The issues of rising deficits and an improving economic landscape should work in favour of investment grade, emerging market and high yield bonds. The likelihood of SGD appreciation against currencies of our trading partners means that investors should be looking at bond funds that are hedged to SGD.

**RECOMMENDED BOND FUNDS:  
LEGG MASON GLOBAL TRUST (GLOBAL BOND)  
PIMCO GLOBAL BOND FUND (USD) (GLOBAL BOND)  
SCHRODER ASIAN BOND FUND (ASIAN BOND)  
PRU MONTHLY INCOME PLAN CLASS A (ANNUAL DISTRIBUTION)  
FIDELITY FUNDS – US HIGH YIELD FUND (USD)  
UOB UNITED GLOBAL EMERGING MARKET PORTFOLIOS**

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