

Monetary Authority of Singapore (MAS) Keep Neutral Policy Stance

The MAS maintained a zero appreciation in the Singapore dollar nominal exchange rate (S\$NEER) policy, with no change to the width of the policy band or level at which it is centred. This was in line with market consensus, although there were some prior expectations of a downward band re-centring, due to poor growth in Singapore.

Advance 3Q16 estimate showed that the Singapore economy contracted by 4.1%qoq (saar), a sharper slowdown than expected. On a year-on-year basis, 3Q16 GDP rose 0.6%, versus the expected 1.7%, down from 2%yoy in 2Q16. Weakness was broad-based but the manufacturing sector was the biggest drag on growth, as it plunged 17.4%qoq in 3Q16.

This is Singapore's weakest quarterly showing since 3Q12. Overall, growth averaged just 1.6%yoy for the first three quarters of 2016, reflecting prolonged muted external demand. Meanwhile, the economic outlook ahead remains soft – the MAS projects full-year growth to be at the lower end of its 1–2% forecast range, and expects no significant pick-up in 2017. On the inflation front, core inflation is likely to rise only gradually next year, and to keep slightly below 2% over the medium term.

As such, the central bank assessed that a neutral policy stance is needed for an extended period to ensure medium-term price stability. It believes the current policy band provides some flexibility for the S\$NEER to accommodate the near-term weakness in inflation and growth.

The MAS will continue to closely monitor economic developments as they evolve over the coming months. We believe that the policy stance is likely to stay accommodative, which does not preclude the risk of a S\$NEER downward re-centring if growth outlook deteriorates further.

	Value	% w/w Change
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Equities

Dow Jones Indus. Avg	18,138.4	-0.6
S&P 500 Index	2,133.0	-1.0
MSCI AC Asia Pacific	138.2	-1.7
S&P/ASX 200 Index	5,434.0	-0.6
Hang Seng Index	23,233.3	-2.6
Ho Chi Minh Stock Index	687.0	+0.4
Jakarta Composite Index	5,399.9	+0.4
FTSE Bursa Malaysia KLCI	1,659.0	-0.4
KOSPI Index	2,022.7	-1.5
Karachi 100 Index	41,464.3	+0.6
S&P BSE Sensex Index	27,673.6	-1.4
Shanghai SE Composite	3,063.8	+2.0
Stock Exch Of Thai Index	1,477.6	-1.8
Straits Times Index	2,815.2	-2.1
Taiwan TAIEX Index	9,165.2	-1.1
TOPIX Index (Tokyo)	1,347.2	-0.3

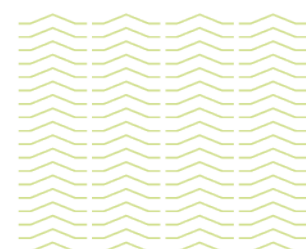
Bonds / Currencies

US 10YR Treasuries	1.7977	8bps
EUR/USD	1.0972	-2.0
USD/JPY	104.18	+1.2
GBP/USD	1.2191	-2.0

Commodities

Gold (Spot)	1,251.4	-0.4
Crude Oil (WTI)	50.4	+1.1
RJ/CRB Commodity Index	189.5	+0.6

Source: Bloomberg (last trading price for week ended 14 October 2016)



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