

Highlights

Global	<p>Market looks to continue on its largely sideways path, as we gear up towards the nonfarm payrolls data. Overnight, US saw ADP employment data was a tad higher than expected, at 177k which bodes well for the official employment figure out on Friday. The NFP figure has taken on extra importance given the recently hawkish tilt by various Fed officials, including Yellen who spoke about how the case for rate hike has “strengthened.” Meanwhile, being the start of brand new month of September, today will see the release of a host of data, with most attention paid to those indicating the state of the world’s manufacturing sector. China’s PMI, for one, is expected to print 49.8, coming below the breakeven level of 50. US ISM manufacturing, on the other hand, is seen to be showing a relatively supportive level of 52.0.</p>
SG	<p>Bank loans declined for ten straight months by 2.2% yoy in July, but unexpectedly rose 1.1% mom in due to a bounce in loans to financial institutions (+7.0% yoy) and business services (+1.6% yoy after falling for three straight months). This data point suggests that on-year bank loans growth is stabilizing somewhat since June, which was the lowest since January 2000. Given low base effects from 2H15, we expect a stabilization in the negative bank loan prints from September onwards.</p> <p>Business loans fell for the 8th consecutive month by a less severe 5.0% yoy in July (June: -6.2% yoy), but rose 1.9% mom compared to June. Consumer loans moderated from 2.8% yoy (+0.5% mom) in June to 2.2% yoy (flat mom) in July, as housing/bridging loans (+3.4% yoy) and credit card loans (+2.9% yoy) continued to ease in momentum. Auto loans also continued to decline by 2.9% yoy in July, which is the smallest yoy contraction since March 2012, likely reflecting the gradual turnaround after the car loan rules were loosened. Given the domestic labour market is also softening, consumer loans growth may also plod rather than race along.</p> <p>Looking forward, there are some green shoots that business loans may be gradually bottoming out. We expect 3Q16 bank loans growth to fall by 2.9% yoy, largely due to an anticipated August drag due to a high base in August15, but bank loans may decline a more benign 1.5% yoy for the full year of 2016.</p>
CH	<p>The World Bank successfully sold the first SDR denominated bond since 1980s in China’s interbank bond market yesterday. The issuance was 2.5 times oversubscribed, which will give onshore investors alternative tools to hedge against RMB depreciation risk. In addition, it will also help promote SDR, which is expected to add RMB into the basket from 1 October. The PBoC said in its website that it will continue to improve trading and settlement of SDR bonds.</p>
ID	<p>The government is preparing rule to allow tax amnesty funds to invest in commodity futures. Trade Minister Enggartiaso Lukita told the parliament that these futures contracts would be limited to multilateral ones directly related to crude palm oil, palm olein, coffee, cacao and gold. Meanwhile, Finance Minister Sri Mulyani said that the government expects that its spending cut may impact GDP growth this year by about 0.1 percentage point.</p>

Treasury Advisory
Corporate FX & Structured Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured Products

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

Major Market

- **US:** Equities continue to edge lower on last trading day in August, as WTI slumped below US\$45. S&P 500, Dow and Nasdaq declined 0.24%, 0.29% and 0.19% respectively. S&P 500 ended August down 0.1%, ending a 5-month winning streak. Technology and financials were the main winners for the month, while utilities were the biggest loser. ADP employment data came up within expectations, setting the stage (hopefully) for a strong number in non-farm payrolls on Friday. US Treasuries were little changed, with 2-year and 10-year yields standing at 0.81% and 1.58%. Meanwhile, volatility saw a slight uptick, with VIX ending 2.29% higher.
- **Hong Kong:** Total deposits increased 6.8% yoy in July to HK\$ 11,249 billion with total demand deposits surging 14.3% yoy to HK\$ 1,778 billion. RMB deposits shrank significantly by 32.9% yoy for the 11th straight month to RMB 667 billion in July though CNH appreciated 0.6% during last month. The contraction was mainly attributed to the sudden depreciation of RMB following Brexit in early July, which hit the highest of 6.7107 since September 2010. Looking ahead, RMB could remain dampened given China's economic slowdown and the strong greenback amid the expected rate hike of the Fed. As a result, the ongoing angst of RMB depreciation could result in persistent contraction in offshore RMB deposit. In addition, USD deposits skyrocketed 27.5% yoy to HKD 4,021 billion. Total loan and advances increased slightly by 0.9% yoy to HK\$ 7,696 billion. Loans for use outside of HK dipped 0.5% mom (-4.4% yoy), indicating that demand for Mainland related loan remained soft amid cheaper borrowing cost in Mainland and credit risk of Mainland enterprises. Moreover, loan to finance HK's visible trade slumped by 6.9% yoy. Sagging trade activity amid weak external demand could continue to depress growth in loan to finance HK's visible trade.
- **Macau:** Hotel guests rose for the 13th straight month by 12.3% yoy in July, reinforcing the strength regained by the tourism sector. Clearly, the persistent room rate cuts have helped to lure more hotel guests with the average occupancy rate up by 4 percentage points yoy to 86.8%. Two new mega projects to be opened in 3Q are expected to spur further increase in hotel guests. The effect of summer holiday, new hotel openings and a wide range of promotions together may also support the upward trend of occupancy rate in near term. However, increase in new hotels means further growth in available rooms. As such, whether occupancy rate can sustain its growth after the short-term boosts diminish remain to be watched. At this juncture, we hold onto our view that the monthly average of occupancy rate will print around 80% this year.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upward slightly with swap rates trading 1-2bps higher across all tenors with the exception of the 5Y swap rate that traded 1bps lower. Flows in the SGD corporates were heavy with better buying seen in OLAMSP 4.25%'19s and SOCGEN 4.3%'26s. Better selling was seen in UCGIM 5.5%'23s while mixed interests were seen in GEMAU 5.5%'19s, GENSSP 5.13%'49s, and MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 195bps while the yield on JACI HY corporates decreased 1bps to 6.41%. 10y UST yield increased 1bps to 1.58%.
- **New Issues:** United Overseas Bank Ltd. priced a USD600mn 10.5-year bond at CT10+170bps, tightening from its initial guidance at CT10+200bps. The expected issue ratings are "NR/A2/A+". Far East Consortium International priced a USD300mn 5-year bond at 3.75%, tightening from its initial guidance at 4%.
- **Rating Changes:** Moody's downgraded KWG Property Holdings Ltd.'s corporate family rating to "B1" from "Ba3" with a stable outlook. The downgrade reflects Moody's expectation that its debt

leverage levels will remain high over the next 12-18 months. Moody's upgraded the rating of four Chinese financial leasing companies to align with their parent banks' ratings. Namely, the four banks are, (1) China Development Bank Financial Leasing – issuer rating upgraded to “Aa3” from “A1” with a negative outlook, aligned with China Development Bank Corp.'s rating (Aa3, Negative Outlook); (2) ICBC Financial Leasing Co. Ltd. – issuer rating upgraded to “A1” from “A2” with a negative outlook, aligned with Industrial & Commercial Bank of China Ltd.'s rating (A1, Negative Outlook); (3) CCB Financial Leasing Corp. Ltd. – issuer rating upgraded to “A1” from “A2” with a negative outlook, aligned with China Construction Bank Corp.'s rating (A1, Negative Outlook); and (4) CMB Financial Leasing Co. Ltd. – issuer rating upgraded to “Baa1” from “Baa2” with a negative outlook, aligned with China Merchant Bank Co. Ltd.'s rating (Baa1, Negative Outlook). The rating revisions follow Moody's reassessment of parental support for the leasing companies and that the amount of extraordinary parental support the leasing companies would receive under a situation of stress has further increased in the context of their management control, business development, operations and regulatory framework over the recent years. Additionally, Moody's believes that the explicit inclusion of liquidity and capital commitments in the articles of association of the leasing companies indicate the parent banks' commitment to provide liquidity and capital support its subsidiaries. Fitch affirmed China Hongqiao Group Ltd.'s issuer default ratings at “BB” and revised its outlook to negative from stable. The outlook revision follows Hongqiao's persistent high debt-funded capital expenditure, which has resulted in high negative free cash flow and financial leverage exceeding threshold for the “BB” rating.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.022	-0.03%	USD-SGD	1.3624	-0.17%
USD-JPY	103.430	0.46%	EUR-SGD	1.5201	-0.05%
EUR-USD	1.1158	0.13%	JPY-SGD	1.3173	-0.61%
AUD-USD	0.7517	0.11%	GBP-SGD	1.7899	0.27%
GBP-USD	1.3138	0.44%	AUD-SGD	1.0244	-0.05%
USD-MYR	4.0675	0.38%	NZD-SGD	0.9878	0.26%
USD-CNY	6.6793	-0.02%	CHF-SGD	1.3848	-0.17%
USD-IDR	13270	0.02%	SGD-MYR	2.9826	0.23%
USD-VND	22305	-0.02%	SGD-CNY	4.8994	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4194	--
2M	-0.3370	--	1M	0.5232	--
3M	-0.2990	--	2M	0.6636	--
6M	-0.1920	--	3M	0.8421	--
9M	-0.1210	--	6M	1.2445	--
12M	-0.0510	--	12M	1.5593	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.53	2.40	3.04
Italy	-0.09	0.80	1.15
Ireland	-0.38	0.50	0.43
Greece	7.65	--	8.10
Spain	-0.18	1.20	1.01
Russia	2.02	-12.80	3.95

Equity and Commodity

Index	Value	Net change
DJIA	18,400.88	-53.42
S&P	2,170.95	-5.17
Nasdaq	5,213.22	-9.77
Nikkei 225	16,887.40	162.04
STI	2,820.59	-7.80
KLCI	1,678.06	--
JCI	5,386.08	23.77
Baltic Dry	711.00	-4.00
VIX	13.42	0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.85 (-0.03)	0.81 (+0.01)
5Y	1.32 (-0.02)	1.20 (+0.02)
10Y	1.80 (-0.01)	1.58 (+0.01)
15Y	2.08 (-0.01)	--
20Y	2.15 (-0.01)	--
30Y	2.20 (--)	2.23 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.50	0.96
EURIBOR-OIS	5.25	-0.15
TED	51.23	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.70	-3.56%	Coffee (per lb)	1.459	0.79%
Brent (per barrel)	47.04	-2.75%	Cotton (per lb)	0.6532	-0.99%
Heating Oil (per gallon)	1.410	-4.14%	Sugar (per lb)	0.2006	-2.24%
Gasoline (per gallon)	1.41	-2.49%	Orange Juice (per lb)	1.8210	-3.57%
Natural Gas (per MMBtu)	2.887	2.12%	Cocoa (per mt)	2,921	0.27%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,617.0	0.22%	Wheat (per bushel)	3.6100	-0.62%
Nickel (per mt)	9,722	-0.69%	Soybean (per bushel)	9.600	-0.57%
Aluminium (per mt)	1,600.8	-1.07%	Corn (per bushel)	3.0150	-0.82%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,307.9	-0.39%	Crude Palm Oil (MYR/MT)	2,789.0	--
Silver (per oz)	18.622	0.24%	Rubber (JPY/KG)	158.0	0.32%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/31/2016 07:00	SK Industrial Production YoY	Jul	0.40%	1.60%	0.80%	--
08/31/2016 07:50	JN Industrial Production MoM	Jul P	0.80%	0.00%	2.30%	--
08/31/2016 09:00	NZ ANZ Business Confidence	Aug	--	15.5	16	--
08/31/2016 09:30	AU Private Sector Credit MoM	Jul	0.40%	0.40%	0.20%	--
08/31/2016 13:00	JN Housing Starts YoY	Jul	7.30%	8.90%	-2.50%	--
08/31/2016 14:00	GE Retail Sales MoM	Jul	0.50%	1.70%	-0.10%	-0.60%
08/31/2016 14:00	UK Nationwide House PX MoM	Aug	-0.20%	0.60%	0.50%	--
08/31/2016 14:45	FR CPI EU Harmonized YoY	Aug P	0.40%	0.40%	0.40%	--
08/31/2016 14:45	FR CPI YoY	Aug P	0.30%	0.20%	0.20%	--
08/31/2016 15:30	TH Exports YoY	Jul	--	-4.50%	1.90%	--
08/31/2016 15:30	TH BoP Current Account Balance	Jul	\$2761m	\$3667m	\$2978m	--
08/31/2016 15:55	GE Unemployment Change (000's)	Aug	-4k	-7k	-7k	--
08/31/2016 15:55	GE Unemployment Claims Rate SA	Aug	6.10%	6.10%	6.10%	--
08/31/2016 17:00	EC Unemployment Rate	Jul	10.00%	10.10%	10.10%	--
08/31/2016 17:00	EC CPI Estimate YoY	Aug	0.30%	0.20%	0.20%	--
08/31/2016 17:00	EC CPI Core YoY	Aug A	0.90%	0.80%	0.90%	--
08/31/2016 17:00	IT CPI NIC incl. tobacco MoM	Aug P	0.30%	0.20%	0.20%	--
08/31/2016 17:00	IT CPI NIC incl. tobacco YoY	Aug P	0.00%	-0.10%	-0.10%	--
08/31/2016 17:00	IT CPI EU Harmonized MoM	Aug P	-0.10%	0.00%	-1.80%	-1.90%
08/31/2016 17:00	IT CPI EU Harmonized YoY	Aug P	-0.10%	0.00%	-0.20%	--
08/31/2016 19:00	US MBA Mortgage Applications	Aug-26	--	2.80%	-2.10%	--
08/31/2016 20:15	US ADP Employment Change	Aug	175k	177k	179k	194k
08/31/2016 20:30	CA GDP MoM	Jun	0.40%	0.60%	-0.60%	--
08/31/2016 20:30	CA Quarterly GDP Annualized	2Q	-1.50%	-1.60%	2.40%	2.50%
08/31/2016 21:45	US Chicago Purchasing Manager	Aug	54	51.5	55.8	--
08/31/2016 22:00	US Pending Home Sales MoM	Jul	0.70%	1.30%	0.20%	-0.80%
09/01/2016 07:00	SK CPI MoM	Aug	0.20%	-0.10%	0.10%	--
09/01/2016 07:00	SK CPI YoY	Aug	0.70%	0.40%	0.70%	--
09/01/2016 07:00	SK BoP Current Account Balance	Jul	--	\$8706.1m	\$12168.4m	\$12061.6m
09/01/2016 07:50	JN Capital Spending YoY	2Q	5.50%	3.10%	4.20%	--
09/01/2016 07:50	JN Foreign Buying Japan Stocks	Aug-26	--	¥6.8b	¥229.6b	--
09/01/2016 08:00	SK Exports YoY	Aug	-0.50%	--	-10.20%	--
09/01/2016 08:30	ID Nikkei Indonesia PMI Mfg	Aug	--	--	48.4	--
09/01/2016 08:30	TA Nikkei Taiwan PMI Mfg	Aug	--	--	51	--
09/01/2016 08:30	VN Nikkei Vietnam PMI Mfg	Aug	--	--	51.9	--
09/01/2016 08:30	SK Nikkei South Korea PMI Mfg	Aug	--	--	50.1	--
09/01/2016 08:30	JN Nikkei Japan PMI Mfg	Aug F	--	--	49.6	--
09/01/2016 09:00	CH Manufacturing PMI	Aug	49.8	--	49.9	--
09/01/2016 09:00	CH Non-manufacturing PMI	Aug	--	--	53.9	--
09/01/2016 09:30	AU Retail Sales MoM	Jul	0.30%	--	0.10%	--
09/01/2016 09:45	CH Caixin China PMI Mfg	Aug	50.1	--	50.6	--
09/01/2016 11:30	TH CPI YoY	Aug	0.43%	--	0.10%	--
09/01/2016 13:00	IN Nikkei India PMI Mfg	Aug	--	--	51.8	--
09/01/2016 14:30	AU Commodity Index AUD	Aug	--	--	90.5	--
09/01/2016 14:30	AU Commodity Index YoY	Aug	--	--	-2.00%	--
09/01/2016 15:45	IT Markit/ADACI Italy Mfg PMI	Aug	51.2	--	51.2	--
09/01/2016 15:50	FR Markit France Mfg PMI	Aug F	48.5	--	48.5	--
09/01/2016 15:55	GE Markit/BME Germany Mfg PMI	Aug F	53.6	--	53.6	--
09/01/2016 16:00	EC Markit Eurozone Mfg PMI	Aug F	51.8	--	51.8	--
09/01/2016 16:30	UK Markit UK PMI Mfg SA	Aug	49	--	48.2	--
09/01/2016 20:30	US Initial Jobless Claims	Aug-27	265k	--	261k	--
09/01/2016 20:30	US Continuing Claims	Aug-20	2145k	--	2145k	--
09/01/2016 21:30	CA RBC Canadian Mfg PMI	Aug	--	--	51.9	--
09/01/2016 21:45	US Markit US Manufacturing PMI	Aug F	52.1	--	52.1	--
09/01/2016 22:00	US Construction Spending MoM	Jul	0.50%	--	-0.60%	--
09/01/2016 22:00	US ISM Manufacturing	Aug	52	--	52.6	--
09/01/2016	ID CPI YoY	Aug	3.02%	--	3.21%	--
09/01/2016	ID CPI Core YoY	Aug	3.34%	--	3.49%	--
09/01/2016 09/07	ID Foreign Reserves	Aug	--	--	\$111.41b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>		<u>OCBC Wing Hang Research</u>
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com	<u>Wing Hang</u> Kam Liu kamyliu@ocbcwh.com Carie Li carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W