

Highlights

Global	<p>Global risk appetite recovered slightly overnight as crude oil prices stabilised and US' ADP employment data added 179k (forecast: 170k) in July while the June data was also revised higher to 176k. The latter fuelled market speculation that Friday's nonfarm payrolls could be another healthy print with Bloomberg consensus forecast now standing at +180k. Over in Asia, the Nikkei services PMIs were generally stronger across the board and contrasts with the recent manufacturing PMI prints. Meanwhile, BOT was on hold as expected. Looking ahead today, the main focus will be on BOE's policy decision where a 25bp rate cut has already been largely priced in and the question remains if Carney will either pull the trigger on more QE or the BOE inflation report will contain more dovish signals. The economic data calendar comprises of US' initial jobless claims, Challenger job cuts and June factory orders, Markit European retail PMIs and the ECB's economic bulletin.</p>
US	<p>The manufacturing ISM retreated more than expected from a 7-month high of 56.5 in June to 55.5 in July, but still pointed to resilient growth. Notably, the new orders gauge surged from 59.9 to 60.3 (highest since October). However, the employment gauge slipped from 52.7 to 51.4, whereas the ADP data was fuelled by service payrolls which added 185k versus goods-producing payrolls which cut 6k. Meanwhile, the Markit services and composite final July prints were a tad higher at 51.4 and 51.8 respectively. Fed's Dudley opined that "it is premature to rule out further monetary policy tightening this year" and investors "appear to be too complacent" about the rates outlook for this year and next.</p>
EZ	<p>The final July services and composite PMI were revised up a tad to 52.9 and 53.2 respectively, whereas UK's services PMI plunged from 52.3 in June to 47.4 in July, the weakest since March 2009, as Brexit dented confidence.</p>
SG	<p>S'pore's Nikkei PMI retreated from 52.3 in June to 50.7 in July, but still stayed in expansion territory, albeit it is a far cry from the 51.3 print in July 2015 and 53.8 in July 2014. This data also marks the weakest print since May 2016 and also the largest decline (1.6 points) since April 2016 as well, but sounds reasonable if read in a post-Brexit context. The softening in July should not surprise given weaker output and new orders, especially from foreign export demand, in view of the attendant downgrades in global growth forecasts post-Brexit. It also dovetails with the recent business expectations survey that pointed to a net weighted 6% of firms anticipating a less favourable business conditions for 2H as well, albeit this is less severe than the -13% seen three months ago. The more upbeat industries were accommodation, F&B, and business services, whereas the most bearish was a close tie between real estate and wholesale trade. In particular, new export sales fell at the second-sharpest pace since end-2012, behind April 2016. Many businesses could have adopted a wait-and-see attitude amid the Brexit-related uncertainties. Meanwhile, both input costs and prices charged rose only modestly from June. On balance, this translated into a relatively cautious approach to their staffing and part-time staff was partly behind the decrease in workforce headcount.</p>

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Major Market

- **US:** Equity markets recovered overnight on the back of a crude oil rebound. S&P 500 gained 0.31%, while the Dow and Nasdaq rose 0.22% and 0.43% respectively. Equities have been fluctuating near recent highs, struggling to find new direction with any conviction. Meanwhile, US Treasury yields fell 1-2 basis points across the board. Investors look gingerly towards Friday's non-farm payrolls for the signals on Fed's direction. Initial signs from the ADP report came in stronger than expected, and Evans opined that one rate hike this year is "perhaps" appropriate. Benchmark 2-year and 10-year yields stand at 0.67% and 1.54%. VIX closed down 3.81% to 12.86.
- **Singapore:** The STI slipped 1.02% yesterday and closed at 2827.58, but may stabilise today amid stronger overnight cues from Wall Street and morning gains in Kospi. The STI's support is tipped at 2800 with resistance at 2840. The SGS bond yield curve steepened yesterday as longer-dated tenors bore the brunt of the sell-off, tracking that of the UST curve, but may range trade today as investors await the upcoming US' labor market report.
- **China:** The research department of China's economic planning agency NDRC said China will find appropriate time to lower interest rate and reserve requirement ratio in the latest report. However, the agency dropped the call for more monetary policy easing in the article after the article caught market attention. The language tweak shows the divergent view about China's monetary policy across different government body.
- **Hong Kong:** Total retail sales fell for the 16th straight month by 8.9% yoy in June, and thus translating to a fall of 10.5% yoy in 1H16. The decline in the luxury segment continued to pose a severe drag on HK retail sales. Value of sales in jewelry and watches contracted for the 21st straight month by 20.4% yoy in June, which was also the 10th consecutive double-digit contraction. Meanwhile, sales of consumer durable goods dipped notably by 26.2% yoy the near term, HK retail sector is likely to be constrained by weak inbound tourism activities amid Chinese economic downturn and external uncertainties, in turn possibly denting consumer sentiment and weighing down employment in this sector. Gloomy prospect for Hong Kong's retail sector will as a result translate into downward pressure on HK retail shop property market. More rental concession by the landlord and higher vacancy rate in core business district could also be expected.
- Overall residential property price dipped further by 8.5% yoy in June, the largest decline on a yearly basis this year. This signaled that the property market has yet to hit the bottom. The growth in the prices of smaller residential units (below 100 sq.m.) contracted 8.57% yoy while those belonging to the larger units(above 100 sq.m.) dipped 5.79% yoy. Residential property transaction volume registered 4,232 units in July, the lowest in recent four months. Nevertheless, it was still above 4,000 units. On a yearly basis, the decline of residential property transactions moderated significantly from 45% in March to 22% in July. Though Hong Kong's dimmer economic outlook amid weak inbound tourism continued to cloud the property market and dent investor's sentiment, the slower pace of a rate hike in the US has resulted in the unlikely pick up in borrowing costs this year, leaving room for the property market to see a more gradual correction. Looking ahead, tightened housing purchase rules announced early 2015 would continue to deter end-user demand mainly for smaller ticket flats. In the longer term, HK government is striving to increase housing supply, which will also depress the housing price.
- **Indonesia:** Bank Indonesia highlighted again that the central bank continues to see room for monetary easing given low inflation. Juda Agung, executive director of monetary policy, reportedly said that BI will consider domestic and global situation before easing and that the execution is waiting for "the right time." Separately, Finance Minister Sri Mulyani said that 2016 budget deficit is projected to widen from the planned 2.35% to now 2.5% of GDP. She said that there is an estimated IDR219tn of shortfall in tax revenue due to falling commodity and energy prices and weakening

trading activities. She added that spending will be cut further to manage budget deficit, with the government needing IDR17tn additional financing to plug the gap.

- **Thailand:** The Bank of Thailand voted unanimously once again to keep its benchmark rate unchanged at 1.50% for the 10th meeting in line with our expectations, citing that economic growth is still recovering despite the greater downside risk felt from uncertainties in the global economy.
- **Commodities:** News that US crude imports surged to its highest since Oct 2012 while gasoline inventories declined had led a significant rally in the crude oil space, with both WTI and Brent rallying more than 3% overnight. Empirically, imports rose 3.6% to 8.74 mbpd last week, according to EIA as production in the US continued to taper. As of this morning, WTI rebounded markedly to above its \$41/bbl handle.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates traded 1-4bps higher across all tenors. Flows in the SGD corporates were heavy with mixed interests seen in SOCGEN 4.3%'26s, TATAIN 4.95%'23s, HAFLSP 6.5%'19s, NOLSP 4.25%'17s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates increased by 2bps to 215bps while the yield on JACI HY corporates remained relatively unchanged at 6.52%. 10y UST yield decreased 2bps to 1.54%.
- **New Issues:** PT Lippo Karawaci Tbk has priced a USD260mn 5-year bond at CT5+103.75bps, tightening from its initial guidance of CT5+102.5bps. The ratings for the issue are "B+/Ba3/BB-". Fenghui Leasing has priced a USD150mn 3-year bond at 8.25%, tightening from its initial guidance of 8.5%. The expected issue ratings are "NR/B2/B". Road King Infrastructure Ltd. has priced a USD450mn 3-year bond at 5%, tightening from its initial guidance at 5.5%. The expected issue ratings are "BB-/NR/NR". ICBC Ltd. (Singapore) has priced a USD500mn 3-year bond at CT3+117.5bps, tightening from its initial guidance at CT3+145bps. The expected issue ratings are "NR/A1/NR".
- **Rating Changes:** Moody's revised the rating outlook for Soilbuild Business Space REIT (SBREIT) to negative from stable and affirmed its rating at "Baa3". The revision in outlook reflects Moody's expectation that SBREIT credit profile will weaken in 2017 following the lack of clarity on its leasing strategy for 72 Loyang Way, its partially debt-funded acquisition of Bukit Batok Connection and pressure on occupancy rates. Moody's upgraded Reliance Rail Finance Pty Ltd.'s (RRF) senior debt and bank credit facility rating to "Ba2" from "Ba3". At the same time, Moody's also upgraded RRF's subordinated debt rating to "B1" from "B2". The upgrade reflects Moody's expectation that Reliance Rail will continue to build on its solid reliability and abatement performance over its current operation. The outlook is stable. Moody's downgraded the Northern Territory Treasury Corporation's (NTTC) issuer rating to "Aa2" from "Aa1" and revised its outlook to stable from negative. The downgrade reflects NTTC's deteriorating financial performance as revenues weaken in the wake of slower economic growth as the large INPEX project winds down and mining sector activity slows. Moody's has placed its outlook on Nippon Yusen Kabushiki Kaisha's (NYK) "Baa2" rating under review for downgrade. The review stems from NYK's anticipated earnings decline for the fiscal year ending 31 March 2017. Moody's affirmed Mitsui O.S.K Lines Ltd.'s (MOL) corporate family rating of "Ba1" with a negative outlook. The affirmation was in view that the company will be able to right-size its cost structure and improve earnings such that leverage will come down from its very high levels. Moody's downgraded Volkswagen Financial Services' (VWFS) long-term debt rating to "A2" from "A1" and upgraded Volkswagen Bank's (VWB) debt rating to "Aa3" from "A1". The downgrade of VWFS reflects Moody's view that the senior unsecured creditors of VWFS will face higher losses in the unlikely event of failure than previously anticipated. On the other hand, the upgrade of VWB was

in view that the debt instruments will face only extremely low losses upon a failure of the bank. The outlook of the ratings remains negative.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	95.563	0.52%	USD-SGD	1.3422	0.20%	DJIA	18,355.00	41.20
USD-JPY	101.240	0.35%	EUR-SGD	1.4967	-0.46%	S&P	2,163.79	6.80
EUR-USD	1.1132	0.00%	JPY-SGD	1.3256	-0.17%	Nasdaq	5,159.74	22.00
AUD-USD	0.7588	-0.28%	GBP-SGD	1.7887	-0.03%	Nikkei 225	16,083.11	-308.30
GBP-USD	1.3325	-0.24%	AUD-SGD	1.0186	-0.04%	STI	2,827.58	-29.10
USD-MYR	4.0570	0.59%	NZD-SGD	0.9609	-0.97%	KLCI	1,648.50	-11.70
USD-CNY	6.6342	0.11%	CHF-SGD	1.3793	-0.76%	JCI	5,351.88	-21.40
USD-IDR	13121	0.24%	SGD-MYR	3.0211	0.07%	Baltic Dry	641.00	-4.00
USD-VND	22277	-0.13%	SGD-CNY	4.9426	-0.23%	VIX	12.86	-0.50

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3710	--	O/N	0.4179	--	2Y	0.94 (+0.01)	0.67 (-0.01)
2M	-0.3290	--	1M	0.4939	--	5Y	1.44 (+0.02)	1.07 (-0.02)
3M	-0.2980	--	2M	0.6084	--	10Y	1.87 (+0.04)	1.54 (-0.01)
6M	-0.1840	--	3M	0.7676	--	15Y	2.15 (+0.04)	--
9M	-0.1200	--	6M	1.1272	--	20Y	2.27 (+0.04)	--
12M	-0.0480	--	12M	1.4426	--	30Y	2.35 (+0.04)	2.30 (-0.01)

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %		Value	Change
Portugal	0.45	3.80	2.94	1.00	2.98	LIBOR-OIS	35.60	0.29
Italy	-0.05	-0.30	1.22	0.20	1.26	EURIBOR-OIS	5.30	-0.10
Ireland	-0.40	1.10	0.48	-0.90	0.52	TED	49.37	--
Greece*	7.67	5.80	8.33	7.10	8.36			
Spain	-0.16	-0.30	1.09	1.10	1.13			
Russia^	2.71	1.80	4.29	0.00	4.33			

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	40.83	3.34%	Coffee (per lb)	1.404	-0.60%
Brent (per barrel)	43.10	3.11%	Cotton (per lb)	0.7384	0.23%
Heating Oil (per gallon)	1.288	2.26%	Sugar (per lb)	0.1904	-0.05%
Gasoline (per gallon)	1.35	2.92%	Orange Juice (per lb)	1.7290	1.20%
Natural Gas (per MMBtu)	2.839	3.88%	Cocoa (per mt)	2,993	3.35%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,875.0	-0.35%	Wheat (per bushel)	4.1025	2.24%
Nickel (per mt)	10,699	0.08%	Soybean (per bushel)	9.905	0.53%
Aluminium (per mt)	1,631.0	0.94%	Corn (per bushel)	3.2500	0.23%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,356.1	-0.61%	Crude Palm Oil (MYR/MT)	2,479.0	3.59%
Silver (per oz)	20.471	-1.11%	Rubber (JPY/KG)	182.8	-1.08%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/03/2016 05:00	SK Foreign Reserves	Jul	--	\$371.38b	\$369.89b	--
08/03/2016 09:00	NZ ANZ Commodity Price	Jul	--	2.00%	3.70%	--
08/03/2016 09:45	CH Caixin China PMI Services	Jul	--	51.7	52.7	--
08/03/2016 09:45	CH Caixin China PMI Composite	Jul	--	51.9	50.3	--
08/03/2016 10:00	JN Nikkei Japan PMI Services	Jul	--	50.4	49.4	--
08/03/2016 10:00	JN Nikkei Japan PMI Composite	Jul	--	50.1	49	--
08/03/2016 10:30	HK Nikkei Hong Kong PMI	Jul	--	47.2	45.4	--
08/03/2016 13:00	IN Nikkei India PMI Services	Jul	--	51.9	50.3	--
08/03/2016 13:00	IN Nikkei India PMI Composite	Jul	--	52.4	51.1	--
08/03/2016 15:30	TH BoT Benchmark Interest Rate	Aug-03	1.50%	1.50%	1.50%	--
08/03/2016 15:45	IT Markit/ADACI IT Services PMI	Jul	51	52	51.9	--
08/03/2016 15:45	IT Markit/ADACI IT Composite PMI	Jul	52.4	52.2	52.6	--
08/03/2016 15:50	FR Markit France Services PMI	Jul F	50.3	50.5	50.3	--
08/03/2016 15:50	FR Markit France Composite PMI	Jul F	50	50.1	50	--
08/03/2016 15:55	GE Markit Germany Services PMI	Jul F	54.6	54.4	54.6	--
08/03/2016 15:55	GE Markit/BME GE Composite PMI	Jul F	55.3	55.3	55.3	--
08/03/2016 16:00	SI Automobile COE Open Bid Cat A	Aug-03	--	52503	53000	--
08/03/2016 16:00	SI Automobile COE Open Bid Cat B	Aug-03	--	57903	57508	--
08/03/2016 16:00	EC Markit Eurozone Services PMI	Jul F	52.7	52.9	52.7	--
08/03/2016 16:00	EC Markit Eurozone Comp PMI	Jul F	52.9	53.2	52.9	--
08/03/2016 16:30	UK Markit/CIPS UK Services PMI	Jul F	47.4	47.4	47.4	--
08/03/2016 16:30	UK Markit/CIPS UK Comp PMI	Jul F	47.7	47.5	47.7	--
08/03/2016 17:00	EC Retail Sales MoM	Jun	0.00%	0.00%	0.40%	--
08/03/2016 17:00	EC Retail Sales YoY	Jun	1.80%	1.60%	1.60%	--
08/03/2016 19:00	US MBA Mortgage Applications	Jul-29	--	-3.50%	-11.20%	--
08/03/2016 20:15	US ADP Employment Change	Jul	170k	179k	172k	176k
08/03/2016 21:45	US Markit US Services PMI	Jul F	51	51.4	50.9	--
08/03/2016 21:45	US Markit US Composite PMI	Jul F	--	51.8	51.5	--
08/03/2016 22:00	US ISM Non-Manf. Composite	Jul	55.9	55.5	56.5	--
08/04/2016 07:50	JN Foreign Buying Japan Stocks	Jul-29	--	--	¥271.5b	--
08/04/2016 09:30	AU Retail Sales MoM	Jun	0.30%	--	0.20%	--
08/04/2016 15:30	GE Markit GE Construction PMI	Jul	--	--	50.4	--
08/04/2016 16:10	GE Markit Germany Retail PMI	Jul	--	--	51.6	--
08/04/2016 16:10	EC Markit Eurozone Retail PMI	Jul	--	--	48.5	--
08/04/2016 16:10	FR Markit France Retail PMI	Jul	--	--	51	--
08/04/2016 16:10	IT Markit Italy Retail PMI	Jul	--	--	40.2	--
08/04/2016 19:00	UK Bank of England Bank Rate	Aug-04	0.25%	--	0.50%	--
08/04/2016 19:00	UK BOE Asset Purchase Target	Aug	375b	--	375b	--
08/04/2016 20:30	US Initial Jobless Claims	Jul-30	265k	--	266k	--
08/04/2016 20:30	US Continuing Claims	Jul-23	2130k	--	2139k	--
08/04/2016 21:45	US Bloomberg Consumer Comfort	Jul-31	--	--	42.9	--
08/04/2016 22:00	US Factory Orders	Jun	-1.90%	--	-1.00%	--
08/04/2016 22:00	US Durable Goods Orders	Jun F	-4.00%	--	-4.00%	--
08/04/2016 22:00	US Durables Ex Transportation	Jun F	-0.40%	--	-0.50%	--
08/04/2016 22:00	US Cap Goods Orders Nondef Ex Air	Jun F	--	--	0.20%	--
08/04/2016 22:00	US Cap Goods Ship Nondef Ex Air	Jun F	--	--	-0.40%	--

Source: Bloomberg

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