

Highlights

Global	With the US market closed for holiday and a relatively light global economic data calendar yesterday, Asian equity bourses were generally content to sustain a more risk supportive tone for the start of the week, albeit Europe slipped on light trading volumes amid weaker oil prices. It would be key to watch if Asian market sentiments continue to hold up for the rest of the week given RBA policy decision this morning (no change anticipated at 1.75% as Australian vote counting continues) and BOE's Financial Stability Report later in the day. Today's economic release calendar will comprise of US' factory orders, New York ISM and IBD/TIPP economic optimism, Europe's retail sales, and services and composite PMIs from Asia. Speakers include BOE governor Carney and ECB's Mersch.
FX	With yield differentials continuing to weigh in favor of a lower USD-JPY, we think the pair remains structurally under threat. Even if risk aversion remains under wraps amid the Brexit-related static in the coming months, a dawning realization that the Fed's rate trajectory remains in danger of being put in suspension may continue to pressure the USD-JPY lower beyond the short term. With a spot ref of 102.58 on Monday, we target 91.85 and place a stop at 107.95.
UK	330 Conservative Party members of parliament will ballot on the five contenders vying to succeed David Cameron – while Home Secretary Theresa May is the bookmakers' favourite, Energy Minister Andrea Leadsom topped a poll of party members yesterday.
EZ	Sentix investor confidence slumped from 9.9 in June to just 1.7 in July, as the expectations gauge crashed from +10.0 to -2.0 even though the current situation fell to a more modest 5.5 (previously 9.8). Meanwhile, the May PPI accelerated from -4.4% yoy (-0.3% yoy) in April to -3.9% yoy (+0.6% mom).
SG	Singapore's manufacturing and electronics PMIs both retreated to 49.6 (-0.2 points) and 49.0 (-0.1 point) in June, remaining in contraction territory for 12 straight months since June 2015. They printed at 49.8 and 49.1 respectively in May. Both new orders, new export orders, production and orders backlog indices continued to retract in June, suggesting that demand-supply fundamentals remain tepid in the near-term. In contrast, inventory and supplier deliveries both rose, suggesting stock accumulation by manufacturers. There is no light at the end of the S'pore manufacturing tunnel in 2H16, unlike the tentative green shoots seen in the other global/regional key manufacturing PMIs. Domestic business confidence is likely to remain subdued in the near-term, especially in the wake of the Brexit-induced uncertainties. It remains unclear if the domestic manufacturing and electronics will resurface above the 50 handle anytime soon, notwithstanding the slight improvements elsewhere. We tip 2Q16 GDP growth to clock +2.4% yoy (+1.2% qoq saar), up from the +1.8% yoy (+0.2% qoq sar) seen in 1Q16. This is predicated on manufacturing recovering to +1.7% yoy in 2Q16, up from -1.0% yoy in 1Q16, while the construction and services sectors continue to remain fairly resilient at +2.5% yoy and 2.8% yoy respectively.

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Major Market

- **Singapore:** The STI added 0.85% to close higher at 2870.56 yesterday, but may consolidate today amid weaker cues from Europe with Wall Street's absence. The STI could trade in a range of 2850-2900. SGS bond yields may also range trade while awaiting for further cues.
- **Canada:** BOC 2Q16 senior loan office survey revealed the credit conditions at 23.9, up from 6.6 in 1Q16, as pricing and non-pricing gauges reflected a net tightening. BOC noted further investment cuts at energy firms and the balance of opinion signals a slower future sales growth.
- **Thailand:** Amid a slow news day yesterday, Thailand business sentiment reportedly improved in June, reversing two straight months of decline. Empirically, the June business sentiment index (BSI) clocked 50.4, up from June's 49.7. Elsewhere, ahead of the August referendum, the Thai government has moved to set up security centres around the country.
- **Macau:** Gaming revenue (MOP15.88 billion) fell for the 25th straight month to the lowest since September 2010 due to government's tightening rules on junkets, scrutiny on anti-money laundry and restriction on gaming table growth. The diminishing benefit of last year's hotel and casino openings also translates into the city's decreasing attractiveness to casual gamblers. Still, it's a positive note that the decline of gaming revenue narrowed further to 8.5%, which may not deepen again despite tighter government scrutiny. Looking ahead, should the new projects show further delays, the recovery is likely to be more gradual than expected. Otherwise, upon completions, new hotels, casinos and theme park in coming 1-2 years are expected to lure more overnight visitors who will then try their luck in the mass market gambling tables. All in all, we believe that gaming revenue will drop by around 5% over 2016 and the recovery pace next year depends on the opening schedules of new projects.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upward yesterday, with the swap rates traded 1-4bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in STANLN 4.4%'26s and GENSSP 5.13%'49s while mixed interests were seen in NAB 4.15%'28s and OCBCSP 3.8%'49s. In the broader dollar space, the US market was closed for the 4th of July public holiday. Last Friday, the JACI IG corporates' spread closed at 230bps while the yield on JACI HY corporates closed at 6.66%. 10y UST yield closed at 1.44%.
- **New Issues:** Bank of China Ltd has scheduled investor meetings today for a potential USD/EUR/CNH green bond issuance with expected credit ratings of "NR/A1/A". Chongqing Nan'an Urban Construction & Development Co. Ltd. has scheduled investor meetings from 5 July onwards for a potential USD bond issuance. The expected credit ratings for the issue are "BBB+/NR/BBB+".
- **Rating Changes:** S&P upgraded Mitsui Fudosan Co. Ltd.'s credit rating to "A" from "A-" with stable outlook. The upgrade reflects Mitsui Fudosan's improved leasing property portfolio in recent years in terms of quality, value, and diversification, reconstruction of existing properties in central Tokyo, and enhancement of various property types including retail properties. S&P believes that the company is able to offset risk in its development business through enhanced asset quality and its strong capabilities to manage projects and acquire tenants. Moody's affirmed West China Cement Limited's (WCC) "Ba3" credit rating with a negative outlook. This concludes the ratings review initiated on 1 December, 2015. The rating confirmation reflects WCC's financial performance and Moody's expectation that its operation and access to funding have been strengthened by its association with Anhui Conch Cement Company Limited (Conch, "A3"/Stable). Moody's expects WCC to generate positive free cash flow in 2016, which will help reduce debt, given its reduced capital spending.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.649	--	USD-SGD	1.3455	-0.01%
USD-JPY	102.560	0.04%	EUR-SGD	1.5009	0.15%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3124	0.01%
AUD-USD	0.7538	0.53%	GBP-SGD	1.7880	0.18%
GBP-USD	1.3287	0.15%	AUD-SGD	1.0143	0.65%
USD-MYR	3.9967	-0.04%	NZD-SGD	0.9726	0.76%
USD-CNY	6.6653	0.08%	CHF-SGD	1.3859	0.23%
USD-IDR	13125	0.08%	SGD-MYR	2.9710	-0.09%
USD-VND	22308	0.03%	SGD-CNY	4.9581	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	0.4061	--
2M	-0.3210	--	1M	0.4676	--
3M	-0.2900	--	2M	0.5475	--
6M	-0.1820	--	3M	0.6534	--
9M	-0.1190	--	6M	0.9237	--
12M	-0.0520	--	12M	1.2250	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.56	-0.80	2.98
Italy	-0.11	-0.90	1.25
Ireland	-0.39	-2.80	0.45
Greece*	7.54	37.90	7.92
Spain	-0.17	1.30	1.15
Russia^	2.14	-0.40	4.44

* 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

Equity and Commodity

Index	Value	Net change
DJIA	17,949.37	--
S&P	2,102.95	--
Nasdaq	4,862.57	--
Nikkei 225	15,775.80	93.30
STI	2,870.56	24.20
KLCI	1,654.84	8.60
JCI	4,971.58	--
Baltic Dry	688.00	11.00
VIX	14.77	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.96 (--)	0.59 (--)
5Y	1.42 (+0.01)	0.99 (--)
10Y	1.82 (-0.01)	1.44 (--)
15Y	2.11 (+0.01)	--
20Y	2.19 (+0.01)	--
30Y	2.29 (+0.01)	2.23 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.42	-0.40
EURIBOR-OIS	7.30	0.30
TED	40.28	0.31

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.99	--	Coffee (per lb)	1.449	--
Brent (per barrel)	50.10	-0.50%	Cotton (per lb)	0.6362	--
Heating Oil (per gallon)	1.512	--	Sugar (per lb)	0.2078	--
Gasoline (per gallon)	1.51	--	Orange Juice (per lb)	1.8085	--
Natural Gas (per MMBtu)	2.987	--	Cocoa (per mt)	3,034	--
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,893.0	-0.37%	Wheat (per bushel)	4.1625	--
Nickel (per mt)	10,159	2.25%	Soybean (per bushel)	11.688	--
Aluminium (per mt)	1,643.8	-0.90%	Corn (per bushel)	3.5300	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,339.0	--	Crude Palm Oil (MYR/MT)	2,451.0	1.87%
Silver (per oz)	19.544	--	Rubber (JPY/KG)	171.6	2.14%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Foreign Exchange

	Inception		B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
	TACTICAL								
1	28-Jun-16		S	EUR-USD	1.1057	1.0745	1.1215	Brexit uncertainty coupled with Euroskepticism	
2	28-Jun-16		S	USD-JPY	102.19	97.60	104.50	Potential for further risk aversion	
3	28-Jun-16		S	GBP-USD	1.3306	1.2525	1.3700	Epicenter of Brexit concerns	
4	28-Jun-16		B	USD-CAD	1.2991	1.3355	1.2805	Concerns over the global deflationary impact from Brexit	
	STRUCTURAL								
5	18-Feb-16		B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
6	07-Mar-16		B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
7	12-Apr-16		B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
8	14-Jun-16		S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
9	04-Jul-16		S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
	RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	09-May-16	07-Jun-16	B	USD-CAD	1.2929		1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53
2	09-May-16	08-Jun-16	B	USD-SGD	1.3623		1.3520	Potential for USD strength ahead of Fed-speak	-0.83
3	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626		0.7490	Negativity post 1Q CPI numbers	1.64
4	01-Mar-16	16-Jun-16	S	USD-JPY	112.91		105.00	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	+7.18
5	14-Jun-16	17-Jun-16	S	GBP-USD	1.4153		1.4340	Potential for further downside going into EU referendum	-1.30
6	17-Jun-16	19-Jun-16	S	EUR-USD	1.1232		1.1350	Potential for negative spillover from the UK referendum	-1.03
7	10-Jun-16	23-Jun-16	S	USD-JPY	107.16		105.50	Potential for USD weakness going into and post-FOMC	+1.57
8	22-Jun-16	24-Jun-16	B	AUD-USD	0.7463		0.7335	Prep for relief rally post UK EU referendum	-1.74
9	10-Jun-16	24-Jun-16	S	USD-SGD	1.3546		1.3670	SGD remains reactive to potential USD vulnerability	-0.91
10	12-Apr-16	27-Jun-16	S	USD-CAD	1.2895		1.3025	Stabilizing crude, soft USD, sanguine BOC	-0.98

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/04/2016 07:50	JN Monetary Base YoY	Jun	--	25.40%	25.50%	--
07/04/2016 09:00	AU Melbourne Inst Inflation MoM	Jun	--	0.60%	-0.20%	--
07/04/2016 09:30	AU ANZ Job Advertisements MoM	Jun	--	0.50%	2.40%	2.20%
07/04/2016 09:30	AU Building Approvals MoM	May	-3.50%	-5.20%	3.00%	3.30%
07/04/2016 09:30	AU Building Approvals YoY	May	-6.40%	-9.10%	0.70%	1.30%
07/04/2016 16:30	UK Markit/CIPS UK Cons PMI	Jun	50.7	46	51.2	--
07/04/2016 17:00	EC PPI MoM	May	0.30%	0.60%	-0.30%	--
07/04/2016 17:00	EC PPI YoY	May	-4.10%	-3.90%	-4.40%	--
07/04/2016 21:00	SI Purchasing Managers Index	Jun	49.8	49.6	49.8	--
07/04/2016 21:30	CA RBC Canadian Manu PMI	Jun	--	51.8	52.1	--
07/05/2016 05:00	SK Foreign Reserves	Jun	--	\$369.89b	\$370.90b	--
07/05/2016 08:00	NZ QV House Prices YoY	Jun	--	--	12.40%	--
07/05/2016 08:30	TA CPI YoY	Jun	1.10%	--	1.24%	--
07/05/2016 09:00	NZ ANZ Commodity Price	Jun	--	--	1.00%	--
07/05/2016 09:00	PH CPI YoY	Jun	1.90%	--	1.60%	--
07/05/2016 09:30	AU Trade Balance	May	-1700m	--	-1579m	--
07/05/2016 09:30	AU Retail Sales MoM	May	0.30%	--	0.20%	--
07/05/2016 09:45	CH Caixin China PMI Services	Jun	--	--	51.2	--
07/05/2016 09:45	CH Caixin China PMI Composite	Jun	--	--	50.5	--
07/05/2016 10:00	JN Nikkei Japan PMI Services	Jun	--	--	50.4	--
07/05/2016 10:00	JN Nikkei Japan PMI Composite	Jun	--	--	49.2	--
07/05/2016 12:30	AU RBA Cash Rate Target	Jul-05	1.75%	--	1.75%	--
07/05/2016 13:00	IN Nikkei India PMI Services	Jun	--	--	51	--
07/05/2016 13:00	IN Nikkei India PMI Composite	Jun	--	--	50.9	--
07/05/2016 15:00	MA Foreign Reserves	Jun-30	--	--	\$97.4b	--
07/05/2016 15:50	FR Markit France Services PMI	Jun F	49.9	--	49.9	--
07/05/2016 15:50	FR Markit France Composite PMI	Jun F	49.4	--	49.4	--
07/05/2016 15:55	GE Markit Germany Services PMI	Jun F	53.2	--	53.2	--
07/05/2016 15:55	GE Markit/BME GE Com PMI	Jun F	54.1	--	54.1	--
07/05/2016 16:00	EC Markit Eurozone Services PMI	Jun F	52.4	--	52.4	--
07/05/2016 16:00	EC Markit Ec Composite PMI	Jun F	52.8	--	52.8	--
07/05/2016 16:30	UK Markit/CIPS UK Services PMI	Jun	52.8	--	53.5	--
07/05/2016 16:30	UK Markit/CIPS UK Com PMI	Jun	52	--	53	--
07/05/2016 17:00	EC Retail Sales MoM	May	0.40%	--	0.00%	--
07/05/2016 17:00	EC Retail Sales YoY	May	1.70%	--	1.40%	--
07/05/2016 22:00	US Factory Orders	May	-0.80%	--	1.90%	--
07/05/2016 22:00	US Durable Goods Orders	May F	-2.20%	--	-2.20%	--
07/05/2016 22:00	US Durables Ex Transportation	May F	-0.30%	--	-0.30%	--
07/05/2016 22:00	US Cap Goods Ship Nondef Ex Air	May F	--	--	-0.50%	--

Source: Bloomberg

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