

Highlights

Global	<p>Global risk appetite stabilised overnight as Fed chair Yellen treaded a fine line between signalling modest economic optimism (“I see good reasons to expect that the positive forces supporting employment growth and higher inflation will continue to outweigh the negative ones”) and intended incremental policy normalisation (“I continue to think that the federal funds rate will probably need to rise gradually over time to ensure prices stability and maximum sustainable employment in the longer run.”) Her shift in nuancing the timing of rate hikes from “in the coming months” previously to “over time” led the Fed Funds futures pricing to further price out a June, even July, rate hike. In addition, she caveated that “an important question is whether the US economy could continue to make progress amid fairly considerable global bumpiness”. Given that the FOMC is largely data-dependent (note Yellen’s comments that the May NFP was “disappointing”) and recent economic data even outside of the NFP have not been solidly convincing, a summer hike hurdle has been raised, albeit we caution not to completely write July off the table as yet.</p> <p>Centre stage will be RBA and RBI policy decisions today even though market predictions are for them to be static. The economic data calendar today will again be relatively light and focus on Eurozone’s final 1Q16 GDP, US’ IBD/TIPP economic optimism gauge and foreign reserves data in Asia.</p>
US	<p>The labour market conditions index retreated for the 7th straight month from a revised -3.4 in April to -4.8 in May. Meanwhile, equity markets rebounded on Monday following comments by Yellen. Even as Yellen assured the markets that a rate hike is appropriate, she did not indicate any timeline for the rise. Thus, investors appear to interpret Yellen’s comments as somewhat dovish. S&P 500 is once again flirting with the record highs set last year, closing up 0.49% at 2109.41. The Dow and Nasdaq also closed higher by 0.64% and 0.53% respectively. The gradual hike path signalled by Yellen also contributed to higher benchmark rates, with the 2-year US Treasuries yielding 0.80% and the 10-year notes at 1.74%. Elsewhere, volatility rose with VIX ending the session up 1.34%.</p>
EZ	<p>Eurozone’s Sentix investor confidence rose from 6.2 in May to 9.9 in June, but German factory orders slipped by 2.0% mom (-0.5% yoy) in April, albeit the March reading was revised up to +2.6% mom (+2.4% yoy).</p>
CH	<p>Finance Minister Lou Jiwei said that China’s excessive capacity problem is the legacy issue of 2009’s stimulus, which supported global recovery. The Chinese government is not able to set the target for company to reduce capacity as China is no longer the planned economy.</p>
Singapore	<p>The STI overcame initial post-NFP jitters to gain 0.78% and closed at 2831.28 yesterday, and may attempt to build on those gains today amid Yellen’s cautious speech which suggested that a summer FOMC rate hike could be discounted for now. The STI could see support and resistance at 2800 and 2850. SGS bonds should also give back some of yesterday’s gains as Yellen’s comments had a soothing effect on risk appetites.</p>
Commodities	<p>Oil prices see-sawed back to its \$50/bbl handle, possibly on some buying on dips, as well as expectations for US oil stocks to decline further in the upcoming print. Elsewhere, the supply disruptions in Nigeria continues thus also giving some lift to oil prices as well.</p>

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Bond Market Updates

- **Market Commentary:** The SGD swap rates traded downwards significantly yesterday, trading 6-10bps lower across all tenors, following the release of weakened US labour market data last Friday which diminished the hopes of a rate hike in the near term. Flows in the SGD corporates were heavy with better buying in SOCGEN 4.3%'26s, GENSSP 5.13%'49s, EZISP 4.6%'18s and better selling in GEMAU 5.5%'19s. Meanwhile we also saw mixed interest in SCISP 4.75%'49s, MLTSP 4.18%'49s and ICOCLIN 4.1%'22s. In the broader dollar space, the spread on JACI IG corporates increased by 3bps to 224bps, while the yield on JACI HY corporates decreased by 4bps to 7.01%. 10y UST yield increased by 1bps to 1.71%.
- **New Issues:** Chip Eng Seng priced a SGD500m 5-year bond at 4.75% tightening from its initial guidance of 5%. City Development Limited priced a SGD150m 10-year bond at 3.48% in line with its initial guidance that is equivalent to SOR10+106bps. CITIC Limited priced a 3-part deal yesterday, with the USD500m 5-year bond at CT5+155bps, tightening from its initial guidance of CT5+180bps and USD750m 10-year bond at CT10+100bps, tightening from its initial guidance of CT10+225bps. The expected ratings are "A-/NR/NR". A unit of Singapore state investment company Temasek Holdings is seeking to sell the first listed bonds in the country backed by its interests in private equity funds that co-invest with industry powerhouses such as Blackstone Group LP and KKR & Co. The offering advances Temasek's ambition of widening the appeal of so-called co-investment platforms it has touted over the past decade, and essentially allows Temasek to generate liquidity from an illiquid asset.
- **Rating Changes:** Moody's downgraded the credit rating of Beijing Energy Holding Co. Ltd to "A3" from "A2", reflecting the continued weakness in Beijing Energy's business profile and financial metrics after its merger with Beijing Jingmei Group, in December 2014. The outlook is negative. Moody's assigned a first time credit rating of "Ba2" to Biostime International Holdings Limited, reflecting the company's leading position among domestic infant milk formula (IMF) providers, diversification into a leading position in Australia vitamin, herbal and mineral supplements (VHMS) market, the growing demand for IMF and VHMS, and also the company's strong profitability and steady cash flow generation. The outlook is stable. Moody's affirmed its credit rating on WSO Finance Property Limited of "A3" with no further information furnished on Bloomberg. The outlook is stable. Fitch assigned a credit rating of "A-" to Bright Food Singapore Holdings Pte. Ltd.'s proposed EUR400m 1.625% notes. The rating is driven by the company's linkage with Shanghai State-owned Asset Supervision and Administration Commission (SASAC) that has strengthened significantly following the state's zero-cost injection of Shanghai Liang You Group into BFG in May 2015. The asset injection reflects Shanghai SASAC's intention to consolidate state-owned food and agricultural resources under its remit, and strong evidence of government support that results in enhancement of BFG's strategic position in food production, supply and distribution, and quality control. S&P Upgraded its credit rating on UBS AG to "A-" from "BBB+", citing the Swiss bank's effort to shrink its balance sheet and switching its emphasis to wealth management from investment banking as the main reasons. The outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.902	-0.14%	USD-SGD	1.3557	-0.12%
USD-JPY	107.560	0.97%	EUR-SGD	1.5394	-0.19%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2606	-1.02%
AUD-USD	0.7366	-0.01%	GBP-SGD	1.9580	-0.60%
GBP-USD	1.4442	-0.52%	AUD-SGD	0.9987	-0.12%
USD-MYR	4.0985	-1.12%	NZD-SGD	0.9385	-0.53%
USD-CNY	6.5637	0.22%	CHF-SGD	1.3970	0.47%
USD-IDR	13370	-1.66%	SGD-MYR	3.0154	0.09%
USD-VND	22373	-0.18%	SGD-CNY	4.8357	0.46%

Equity and Commodity

Index	Value	Net change
DJIA	17,920.33	113.30
S&P	2,109.41	10.30
Nasdaq	4,968.71	26.20
Nikkei 225	16,580.03	-62.20
STI	2,831.28	22.10
KLCI	1,648.99	12.50
JCI	4,896.03	42.10
Baltic Dry	607.00	-3.00
VIX	13.65	0.20

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3510	--	O/N	0.3861	--
2M	-0.3000	--	1M	0.4648	--
3M	-0.2610	--	2M	0.5598	--
6M	-0.1540	--	3M	0.6822	--
9M	-0.0880	--	6M	0.9857	--
12M	-0.0160	--	12M	1.3314	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.94 (-0.05)	0.80 (+0.02)
5Y	1.56 (-0.08)	1.25 (+0.02)
10Y	2.08 (-0.08)	1.74 (+0.04)
15Y	2.33 (-0.07)	--
20Y	2.39 (-0.07)	--
30Y	2.48 (-0.05)	2.56 (+0.05)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.51	3.80	3.20
Italy	-0.06	2.00	1.47
Ireland	-0.37	0.00	0.80
Greece*	7.58	30.90	7.37
Spain	-0.10	0.40	1.52
Russia^	2.80	-4.00	4.77

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.63	6.57
EURIBOR-OIS	8.50	0.10
TED	40.19	-0.12

* 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)	49.69	2.20%	Coffee (per lb)	1.317	3.62%
Brent (per barrel)	50.55	1.83%	Cotton (per lb)	0.6555	2.55%
Heating Oil (per gallon)	1.503	1.01%	Sugar (per lb)	0.1878	0.16%
Gasoline (per gallon)	1.59	-1.17%	Orange Juice (per lb)	1.6720	5.49%
Natural Gas (per MMBtu)	2.466	2.84%	Cocoa (per mt)	3,063	1.06%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,688.0	--	Wheat (per bushel)	5.0750	2.06%
Nickel (per mt)	8,627	1.97%	Soybean (per bushel)	11.383	0.55%
Aluminium (per mt)	1,545.3	0.47%	Corn (per bushel)	4.2725	2.15%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,244.6	0.36%	Crude Palm Oil (MYR/MT)	2,671.0	-0.34%
Silver (per oz)	16.447	0.50%	Rubber (JPY/KG)	158.5	1.21%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/06/2016 09:00	AU MeI Institute Inflation MoM	May	--	-0.20%	0.10%	--
06/06/2016 09:30	AU ANZ Job Advertisements MoM	May	--	2.40%	-0.80%	-0.60%
06/06/2016 14:00	GE Factory Orders MoM	Apr	-0.50%	-2.00%	1.90%	2.60%
06/06/2016 14:00	GE Factory Orders WDA YoY	Apr	0.60%	-0.50%	1.70%	2.40%
06/06/2016 16:10	GE Markit Germany Retail PMI	May	--	54	51	--
06/06/2016 16:10	EC Markit Eurozone Retail PMI	May	--	50.6	47.9	--
06/06/2016 16:10	FR Markit France Retail PMI	May	--	50.6	48.2	--
06/06/2016 16:10	IT Markit Italy Retail PMI	May	--	45.2	42.6	--
06/07/2016 08:30	TA CPI YoY	May	1.68%	--	1.88%	--
06/07/2016 09:00	PH CPI YoY	May	1.30%	--	1.10%	--
06/07/2016 12:30	AU RBA Cash Rate Target	Jun-07	1.75%	--	1.75%	--
06/07/2016 13:00	JN Leading Index CI	Apr P	100.7	--	99.3	--
06/07/2016 13:30	IN RBI Repurchase Rate	Jun-07	6.50%	--	6.50%	--
06/07/2016 13:30	IN RBI Reverse Repo Rate	Jun-07	6.00%	--	6.00%	--
06/07/2016 13:30	IN RBI Cash Reserve Ratio	Jun-07	4.00%	--	4.00%	--
06/07/2016 14:00	GE Industrial Prodtn SA MoM	Apr	0.70%	--	-1.30%	--
06/07/2016 14:00	GE Industrial Production WDA YoY	Apr	1.00%	--	0.30%	--
06/07/2016 14:45	FR Trade Balance	Apr	-4450m	--	-4368m	--
06/07/2016 15:30	UK Halifax House Prices MoM	May	0.30%	--	-0.80%	--
06/07/2016 16:00	TA Trade Balance	May	\$4.95b	--	\$4.80b	--
06/07/2016 16:00	TA Exports YoY	May	-9.90%	--	-6.50%	--
06/07/2016 16:00	TA Imports YoY	May	-10.80%	--	-9.60%	--
06/07/2016 17:00	EC GDP SA QoQ	1Q F	0.50%	--	0.50%	--
06/07/2016 17:00	EC GDP SA YoY	1Q F	1.50%	--	1.50%	--
06/07/2016 17:00	EC Household Cons QoQ	1Q	0.50%	--	0.20%	--
06/07/2016 17:00	SI Foreign Reserves	May	--	--	\$250.35b	--
06/07/2016 18:00	MA Foreign Reserves	May-31	--	--	\$97.2b	--
06/07/2016	HK Foreign Reserves	May	--	--	\$360.8b	--
06/07/2016	CH Foreign Reserves	May	\$3200.0b	--	\$3219.0b	\$3219.7b
06/07/2016	ID Foreign Reserves	May	--	--	\$107.71b	--
06/07/2016	PH Foreign Reserves	May	--	--	\$83.5b	\$83.7b
06/07/2016 06/13	VN Domestic Vehicle Sales YoY	May	--	--	38.10%	--

Source: Bloomberg

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