

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

Highlights

Global	While Singapore markets are out for National Day holiday yesterday, RBI kept its policy settings unchanged with outgoing governor Rajan adopting a more cautious tone and maintained for FY16 growth at 7.6% with evenly balanced risks and inflation at 5% with upside risks (after inflation hit a 22-month high of 5.77% in June amid food inflation). This morning, Japan reported core machine orders, a proxy for future capital spending, rose 8.3% mom (-0.9% yoy) while July PPI was flat mom (-3.9% yoy) after declining 0.1% mom (-4.2% yoy). Today's economic data calendar is fairly quiet with only Australia's home loans data and Japan's tertiary industry index for June of note. RBA governor Stevens is speaking today and market players are also anticipating a 25bp rate cut by the RBNZ to 2% early tomorrow morning. Asian bourses may trade in a range today while awaiting further data cues.
US	2Q nonfarm productivity unexpectedly shrank by 0.5% (forecast: +0.4%), down for the third straight quarter and extending 1Q's -0.6% slump, as unit labor costs rose 2.0%, albeit from a downwardly revised -0.2% in 1Q. However, NFIB small business optimism gauge was little changed from 94.5 in June to 94.6 in July, below the 96.1 average for 2015, and weighed down by the hiring plans and actual compensation indices even though the general business conditions outlook improved. Separately, wholesale inventories rose 0.3% mom in June, May data was also revised up to +0.2%, and the inventory-to-sales for wholesalers fell to 1.33 months (lowest since October). The IBD/TIPP economic optimism also improved more than expected from 45.5 in July to 48.4 in August, as opinions on the economic outlook brightened.
EZ	UK's industrial production rose 0.1% mom (+1.6% yoy) in June as anticipated, following a 0.6% decline in May, suggesting that momentum had slowed since April. The goods trade deficit also rose from GBP11.5b in May to GBP12.4b in June, lifting the overall trade deficit to GBP5.1b despite the softening GBP. Meanwhile, longer-dated gilts continued to rally to fresh record highs as BOE hit a shortfall for the first time in its expanded QE purchases as investors offered only GBP1.118b of gilts maturing more than 15 years compared with the GBP1.17b target.
China	CPI growth moderated to 1.8% yoy in July, down from 1.9% due to base effect. On sequential basis, CPI rose by 0.2% mom as a result of increasing vegetable prices due to extreme weather condition. Pork prices, however, fell for the first time in four months. Given pork prices are expected to ease further, we think China's CPI is likely to remain sub 2% in the coming months.
Commodities	More downside pressure to crude oil prices may persist into the day ahead following cues of added supplies by the US. The American Petroleum Institute reported that US crude supplies rose 2.09 million barrels for the week ended 5 Aug. Elsewhere, the EIA also upgraded its crude oil production forecast through 2017 in their recent STEO report. Still, note that OPEC President Al-Sada commented that demand in major oil-consuming countries are expected to improve into the coming quarters, and the oil market is still on its path of rebalancing.

Major Market

- **Wall Street:** Equity markets nudged higher marginally on light trading on Tuesday. S&P 500 and Dow rose 0.04% and 0.02% respectively. Nasdaq gained 0.24%. Earnings season is drawing to a close, with majority of companies performing better than (admittedly low) expectations. In the US Treasury space, strong demand for the auction for new 3-year notes pushed the value of Treasuries higher. Investors appear to believe that global monetary policy will remain accommodative for longer. Thus, yield pressures on Treasuries could be expected to persist. 2-year and 10-year benchmark yields stand at 0.71% and 1.55% respectively. Elsewhere, VIX gained 1.39%.
- **Singapore:** Expect the STI to trade in a range between 2850 and 2880 today, amid mixed cues from Wall Street (Nasdaq higher) and morning slippage by Nikkei. With the rally in longer-dated UST and gilts, we may see some follow-through action in SGS bonds today.
- **Indonesia:** In what will be billed as a sign of progress in Indonesia's push for infrastructure development, Jakarta has just opened a swanky new Terminal 3 at its Soekarno-Hatta International Airport yesterday. Once it is fully operational by March next year, it will be able to handle about 25mn passengers a year, helping to relieve over-crowdedness at one of the major gateways into the country.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards on Monday, 8th August with swap rates trading 2-7bps higher across all tenors. Meanwhile, the dollar swap curve was range-bounded yesterday, trading within +/- 1bps across all tenors as the market was closed due to National Day. Flows in the SGD corporate space on Monday was heavy with mixed interests seen in, GENSSP 5.13%'49s, FCOTSP 2.84%'21s, NAB 4.15%'28s, UOBSP 4%'49s and SCISP 4.75%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to 207bps while the spread on JACI HY corporates decreased 1bps to 6.49% yesterday while 10y UST decreased 5bps to 1.55%.
- **New Issues:** Chongqing Nan'An has priced a USD200mn 10-year bond at 4.8% with expected issue ratings of "BBB+/NR/BBB+". ANZ Banking Group Ltd. has priced a two-tranche deal with the AUD250mn 5-year bond priced at 2.8% while the other tranche AUD2.45bn was priced at 3mBBSW+113bps. The expected issue ratings are "NR/Aa2/NR". Royal Bank of Canada (Sydney) has priced a AUD600mn 1-year bond at 3mBBSW+48bps with expected issue ratings of "NR/Aa3/AA".
- **Rating Changes:** S&P has placed Yuexiu Real Estate Investment Trust's (Yuexiu) "BBB" corporate credit rating on CreditWatch with negative implications. This was in view that Yuexie has not yet undertaken a planned deleveraging that was anticipated previously and that the REIT's liquidity position is being placed under pressured because it has not yet finalized the refinancing of a HK2.85bn bank loan maturing in December 2016. S&P upgraded Goodman Australia Industrial Fund's issuer credit rating to "BBB+" from "BBB" with stable outlook. No further information was provided. Moody's has affirmed Suntec Real Estate Investment Trust's (Suntec) "Baa2" issuer rating and revised the outlook to negative from stable. The change in outlook reflects Moody's expectation that Suntec credit metrics will weaken following the proposed debt-funded acquisition of Southgate Complex, which will in term reduce headroom at its "Baa2" ratings. Moody's has placed Sunac China Holdings Ltd.'s "B1" corporate rating under review for downgrade. The rating review reflects the increasing risk that Sunac is facing with its declining profitability, which translates into weak credit metrics that do not support its current ratings. Moody's has withdrawn its long term corporate

rating of “Ca” on China Fishery Group Ltd. with no further information furnished. Moody’s has placed Banca Monte dei Paschi di Siena S.p.A’s (Montepaschi) “B2” deposit rating on review for downgrade. The rating review was triggered by Montepaschi’s restructuring plan, which relies on capital from the private sector and government guarantees under a framework that has already been approved by the European Commission.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.183	-0.23%	USD-SGD	1.3442	-0.19%
USD-JPY	101.880	-0.56%	EUR-SGD	1.4943	0.07%
EUR-USD	1.1117	0.26%	JPY-SGD	1.3191	0.35%
AUD-USD	0.7673	0.29%	GBP-SGD	1.7478	-0.47%
GBP-USD	1.3003	-0.28%	AUD-SGD	1.0312	0.10%
USD-MYR	4.0275	-0.22%	NZD-SGD	0.9632	0.19%
USD-CNY	6.6557	-0.09%	CHF-SGD	1.3695	-0.09%
USD-IDR	13127	0.02%	SGD-MYR	2.9881	-0.27%
USD-VND	22303	0.04%	SGD-CNY	4.9485	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	0.4189	--
2M	-0.3340	--	1M	0.5119	--
3M	-0.2980	--	2M	0.6268	--
6M	-0.1850	--	3M	0.8065	--
9M	-0.1170	--	6M	1.1852	--
12M	-0.0460	--	12M	1.5081	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.40	-1.10	2.80
Italy	-0.07	0.20	1.12
Ireland	-0.43	0.50	0.37
Greece	7.65	--	8.27
Spain	-0.17	0.80	1.30
Russia	2.08	3.10	3.94

Equity and Commodity

Index	Value	Net change
DJIA	18,533.05	3.76
S&P	2,181.74	0.85
Nasdaq	5,225.48	12.34
Nikkei 225	16,764.97	114.40
STI	2,870.78	--
KLCI	1,671.71	-0.97
JCI	5,440.29	-18.69
Baltic Dry	631.00	-5.00
VIX	11.66	0.16

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.90 (--)	0.71 (-0.02)
5Y	1.40 (--)	1.11 (-0.04)
10Y	1.84 (--)	1.55 (-0.04)
15Y	2.12 (--)	--
20Y	2.23 (--)	--
30Y	2.31 (--)	2.26 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.59	1.35
EURIBOR-OIS	5.20	-0.10
TED	52.67	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	42.77	-0.58%	Coffee (per lb)	1.411	--
Brent (per barrel)	44.98	-0.90%	Cotton (per lb)	0.7306	-3.94%
Heating Oil (per gallon)	1.331	-0.96%	Sugar (per lb)	0.2039	-0.78%
Gasoline (per gallon)	1.35	-1.16%	Orange Juice (per lb)	1.8360	3.61%
Natural Gas (per MMBtu)	2.615	-4.84%	Cocoa (per mt)	2,976	-1.81%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,779.0	-0.64%	Wheat (per bushel)	4.1700	--
Nickel (per mt)	10,740	0.08%	Soybean (per bushel)	10.220	0.32%
Aluminium (per mt)	1,630.3	-0.02%	Corn (per bushel)	3.2225	-0.92%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,339.0	0.42%	Crude Palm Oil (MYR/MT)	2,561.0	0.43%
Silver (per oz)	19.850	0.23%	Rubber (JPY/KG)	181.0	0.95%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
08/09/2016 07:50	JN Money Stock M2 YoY	Jul 3.30%	3.30%	3.40%	3.50%
08/09/2016 09:30	AU NAB Business Conditions	Jul --	8	12	11
08/09/2016 09:30	AU NAB Business Confidence	Jul --	4	6	5
08/09/2016 09:30	CH CPI YoY	Jul 1.80%	1.80%	1.90%	--
08/09/2016 09:30	CH PPI YoY	Jul -2.00%	-1.70%	-2.60%	--
08/09/2016 13:30	IN RBI Repurchase Rate	Aug-09 6.50%	6.50%	6.50%	--
08/09/2016 13:30	IN RBI Reverse Repo Rate	Aug-09 6.00%	6.00%	6.00%	--
08/09/2016 13:30	IN RBI Cash Reserve Ratio	Aug-09 4.00%	4.00%	4.00%	--
08/09/2016 14:00	JN Machine Tool Orders YoY	Jul P --	-19.60%	-19.90%	--
08/09/2016 14:00	GE Trade Balance	Jun 23.0b	24.9b	21.0b	--
08/09/2016 14:00	GE Current Account Balance	Jun 23.0b	26.3b	17.5b	18.4b
08/09/2016 14:00	GE Exports SA MoM	Jun 1.10%	0.30%	-1.80%	--
08/09/2016 14:00	GE Imports SA MoM	Jun 0.60%	1.00%	0.10%	0.00%
08/09/2016 14:07	VN Domestic Vehicle Sales YoY	Jul --	36.60%	26.50%	--
08/09/2016 16:30	UK Industrial Production MoM	Jun 0.10%	0.10%	-0.50%	-0.60%
08/09/2016 16:30	UK Manufacturing Pro. MoM	Jun -0.20%	-0.30%	-0.50%	-0.60%
08/09/2016 16:30	UK Visible Trade Balance GBP/Mn	Jun -£10,075	-£12,409	-£9,879	-£11,526
08/09/2016 16:30	UK Trade Balance	Jun -£2,550	-£5,084	-£2,263	-£4,227
08/09/2016 18:00	US NFIB Small Business Optimism	Jul 94.5	94.6	94.5	--
08/09/2016 20:15	CA Housing Starts	Jul 191.0k	198.4k	218.3k	--
08/09/2016 22:00	UK NIESR GDP Estimate	Jul 0.40%	0.30%	0.60%	--
08/09/2016 22:00	US Wholesale Inventories MoM	Jun 0.00%	0.30%	0.10%	0.20%
08/10/2016 06:00	NZ REINZ House Sales YoY	Jul --	-10.10%	6.00%	--
08/10/2016 07:00	SK Unemployment rate SA	Jul 3.60%	3.60%	3.60%	--
08/10/2016 07:50	JN Machine Orders MoM	Jun 3.20%	--	-1.40%	--
08/10/2016 07:50	JN PPI YoY	Jul -4.00%	--	-4.20%	--
08/10/2016 08:30	AU Westpac Con Conf SA MoM	Aug --	--	-3.00%	--
08/10/2016 09:00	PH Exports YoY	Jun -12.50%	--	-3.80%	--
08/10/2016 09:30	AU Home Loans MoM	Jun 2.30%	--	-1.00%	--
08/10/2016 12:30	JN Tertiary Industry Index MoM	Jun 0.30%	--	-0.70%	--
08/10/2016 14:45	FR Industrial Production MoM	Jun 0.10%	--	-0.50%	--
08/10/2016 14:45	FR Manufacturing Production MoM	Jun 0.20%	--	0.00%	--
08/10/2016 19:00	US MBA Mortgage Applications	Aug-05 --	--	-3.50%	--
08/10/2016 08/15	CH Money Supply M1 YoY	Jul 24.00%	--	24.60%	--
08/09/2016 08/12	IN Local Car Sales	Jul --	--	154237	--
08/10/2016 08/16	IN Imports YoY	Jul --	--	-7.30%	--
08/10/2016 08/16	IN Exports YoY	Jul --	--	1.30%	--
08/10/2016 08/15	CH New Yuan Loans CNY	Jul 850.0b	--	1380.0b	--
08/10/2016 08/15	CH Money Supply M2 YoY	Jul 11.00%	--	11.80%	--

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 kamyyliu@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