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**Highlights**

|             |  |
|-------------|--|
| Global      | <p>With the US market out for holiday yesterday, markets elsewhere largely treaded water amid a light economic calendar. Of note were only the Eurozone's Sentix investor confidence which climbed from 5.6 in Sep to 8.5 in Oct, and Germany's trade surplus which widened to EUR20b in August as exports grew 5.4% mom. Crude oil prices also rose after Russia's Putin indicated that he was willing to join OPEC on limiting output.</p> <p>Alcoa leads the US earnings season with results due later today, and the economic data calendar comprises of US' NFIB small business optimism, labor market conditions, and monthly budget statement, Eurozone's ZEW survey expectations, and Japan's Eco Watchers survey. Speakers include Fed's Evans and Kashkari, RBNZ assistant governor McDermott, and ECB's Mersch.</p> |
| US          | <p>Equities climbed on Monday on the back of rising crude oil price after some positive news flow from Russia. Oil producers led gains, with the S&amp;P 500 rising 0.46%, the Dow higher by 0.48% and Nasdaq rising 0.69%. Looking forward, investors will be looking at the health of corporates with the next earnings season starting on Tuesday. VIX declined marginally to 13.38 from 13.48. Meanwhile, the implied probability of a Dec rate hike continued to climb, standing at 68%. US Treasuries opened lower, with 2-year and 10-year yields standing at 0.87% and 1.77% respectively.</p>   |
| SG          | <p>MTI minister Lim said some quarters will experience negative growth but an "outright recession" is unlikely, although the economy is expected to grow at the lower end of the government's 1-2% forecast. This suggests that Friday's flash 3Q16 GDP growth data could surprise on the downside from current market consensus forecast of 1.7% yoy (0% qoq saar).</p>   |
| CH          | <p>Guideline on how to reduce corporate debt as well as how banks swap bad debt for equity was released. However, the government said it will not bear the final responsibility for loss.</p>  |
| ID          | <p>Bank Indonesia said that it is open to possibility for bilateral swap deals with other countries, as mentioned by Senior Deputy Governor Mirza Adityaswara yesterday to the press. This comes after Indonesia signed a swap agreement with Japan earlier this week. Separately, news reports suggest that the government might upsize the issuance size of its 3-year retail bonds offer from IDR20tn to IDR25tn, to soak up tax amnesty repatriation flows.</p>  |
| TH          | <p>The Stock Exchange of Thailand (SET) has fallen 3.15% on news that King Bhumibol's health condition is "unstable", according to official announcement.</p>  |
| Commodities | <p>Oil prices rallied to its 15 month high on news that Saudi Arabia and Russia will cooperate to limit oil production. This follows OPEC's informal meeting back in September where the cartel agreed to cut production to between 32.5 to 33.5 million barrels per day (mbpd). We opine that Russia's cooperation (should it come to pass) would give rise to a stronger probability for an eventual oil production cut in OPEC's November meeting. Elsewhere, buying on dips behaviour seems to be playing out in Gold; investors have been buying into gold ETFs despite the fall in gold prices of late, and supporting prices above its \$1,250/oz. This suggests that investors deem gold prices at current levels to be at a discount.</p>   |

## Major Market

- **Singapore:** STI retreated another 0.17% to close at 2870.24 yesterday, and may trade with a 2850-2880 range as investors keep an eye on the upcoming US earnings season. SGS bond yields may remain under pressure in the interim as global bond yields tilt higher.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday with swap rates trading 1-2bps lower across all tenors. Flows in the SGD corporates were light with better selling seen in OLAM 5.8%'19s and OLAM 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 202bps while the yield on JACI HY corporates increased 3bps to 6.51% with investors pulling out from riskier bonds as they continue to raise bets on the possibility of an interest rate hike in December. Implied probability has risen 5 percentage points to 67% from 62% since Friday despite weaker NFP results. US treasury market was closed on Monday due to a holiday. 10y UST yield last closed at 1.72% on last Friday.
- **New Issues:** Saudi Arabia has scheduled investor meetings from 12 October onwards for potential USD bond issue. Fonterra Co-Operative Group Ltd. has scheduled investor road shows from 17 October onwards for potential USD bond issue. Julius Baer Group Ltd has hired banks to arrange investor meetings in Singapore today for a potential SGD perpetual AT1 issue.

## Key Financial Indicators

### Foreign Exchange

|         | Day Close | % Change |         | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY     | 96.929    | 0.31%    | USD-SGD | 1.3748    | 0.12%    |
| USD-JPY | 103.610   | 0.61%    | EUR-SGD | 1.5314    | -0.44%   |
| EUR-USD | 1.1139    | -0.55%   | JPY-SGD | 1.3270    | -0.50%   |
| AUD-USD | 0.7607    | 0.33%    | GBP-SGD | 1.6995    | -0.46%   |
| GBP-USD | 1.2362    | -0.58%   | AUD-SGD | 1.0459    | 0.46%    |
| USD-MYR | 4.1467    | -0.25%   | NZD-SGD | 0.9812    | -0.29%   |
| USD-CNY | 6.7075    | 0.54%    | CHF-SGD | 1.3993    | -0.40%   |
| USD-IDR | 12977     | -0.09%   | SGD-MYR | 3.0193    | -0.14%   |
| USD-VND | 22298     | -0.03%   | SGD-CNY | 4.8778    | 0.46%    |

### Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M    | -0.3710 | --     | O/N   | 0.4266    | --     |
| 2M    | -0.3370 | --     | 1M    | 0.5290    | --     |
| 3M    | -0.3040 | --     | 2M    | 0.6559    | --     |
| 6M    | -0.2030 | --     | 3M    | 0.8761    | --     |
| 9M    | -0.1310 | --     | 6M    | 1.2622    | --     |
| 12M   | -0.0630 | --     | 12M   | 1.5871    | --     |

### Eurozone & Russia Update

|          | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread |
|----------|-----------------------|------------------------|-----------------|
| Portugal | 0.36                  | -4.00                  | 3.44            |
| Italy    | -0.09                 | -0.10                  | 1.40            |
| Ireland  | -0.46                 | 0.10                   | 0.54            |
| Greece   | 7.65                  | --                     | 8.29            |
| Spain    | -0.21                 | --                     | 1.03            |
| Russia   | 2.03                  | -1.60                  | 3.86            |

### Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 18,329.04 | 88.55      |
| S&P        | 2,163.66  | 9.92       |
| Nasdaq     | 5,328.67  | 36.27      |
| Nikkei 225 | 16,860.09 | --         |
| STI        | 2,870.24  | -5.00      |
| KLCI       | 1,665.32  | -0.06      |
| JCI        | 5,360.83  | -16.32     |
| Baltic Dry | 922.00    | 1.00       |
| VIX        | 13.38     | -0.10      |

### Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg) |
|-------|--------------|-----------|
| 2Y    | 0.90 (-0.02) | 0.83 (--) |
| 5Y    | 1.37 (-0.03) | 1.26 (--) |
| 10Y   | 1.86 (-0.02) | 1.72 (--) |
| 15Y   | 2.16 (-0.01) | --        |
| 20Y   | 2.26 (-0.01) | --        |
| 30Y   | 2.30 (-0.01) | 2.45 (--) |

### Financial Spread (bps)

|             | Value | Change |
|-------------|-------|--------|
| LIBOR-OIS   | 42.76 | 1.79   |
| EURIBOR-OIS | 3.60  | -0.90  |
| TED         | 56.07 | --     |

### Commodities Futures

| Energy                   | Futures        | % chg        | Soft Commodities         | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 51.35          | 3.09%        | Coffee (per lb)          | 1.529          | 3.28%        |
| Brent (per barrel)       | 53.14          | 2.33%        | Cotton (per lb)          | 0.6736         | 0.25%        |
| Heating Oil (per gallon) | 1.610          | 1.96%        | Sugar (per lb)           | 0.2313         | -1.24%       |
| Gasoline (per gallon)    | 1.50           | 1.04%        | Orange Juice (per lb)    | 2.0175         | 1.84%        |
| Natural Gas (per MMBtu)  | 3.275          | 2.57%        | Cocoa (per mt)           | 2,657          | -4.60%       |
| <b>Base Metals</b>       | <b>Futures</b> | <b>% chg</b> | <b>Grains</b>            | <b>Futures</b> | <b>% chg</b> |
| Copper (per mt)          | 4,848.5        | 1.48%        | Wheat (per bushel)       | 4.0375         | 2.28%        |
| Nickel (per mt)          | 10,475         | 3.17%        | Soybean (per bushel)     | 9.545          | -0.24%       |
| Aluminium (per mt)       | 1,682.5        | 0.91%        | Corn (per bushel)        | 3.4325         | 1.03%        |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
| Gold (per oz)            | 1,257.5        | 0.69%        | Crude Palm Oil (MYR/MT)  | 2,585.0        | -2.45%       |
| Silver (per oz)          | 17.659         | 1.61%        | Rubber (JPY/KG)          | 173.1          | 0.00%        |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

| Date             | Time | Event                         |     | Survey   | Actual   | Prior    | Revised |
|------------------|------|-------------------------------|-----|----------|----------|----------|---------|
| 10/10/2016 13:30 | AU   | Foreign Reserves              | Sep | --       | A\$65.8b | A\$63.0b | --      |
| 10/10/2016 14:00 | GE   | Trade Balance                 | Aug | 19.5b    | 20.0b    | 19.5b    | --      |
| 10/10/2016 14:00 | GE   | Current Account Balance       | Aug | 15.0b    | 17.9b    | 18.6b    | 20.2b   |
| 10/10/2016 14:00 | GE   | Exports SA MoM                | Aug | 2.20%    | 5.40%    | -2.60%   | --      |
| 10/10/2016 14:00 | GE   | Imports SA MoM                | Aug | 0.70%    | 3.00%    | -0.70%   | --      |
| 10/10/2016 14:30 | FR   | Bank of France Bus. Sentiment | Sep | 99       | 98       | 98       | --      |
| 10/10/2016 16:00 | IT   | Industrial Production MoM     | Aug | -0.10%   | 1.70%    | 0.40%    | 0.70%   |
| 10/10/2016 16:00 | IT   | Industrial Production WDA YoY | Aug | -0.30%   | 4.10%    | -0.30%   | --      |
| 10/10/2016 16:00 | IT   | Industrial Production NSA YoY | Aug | --       | 7.40%    | -6.30%   | --      |
| 10/10/2016 16:18 | VN   | Domestic Vehicle Sales YoY    | Sep | --       | 25.30%   | 28.40%   | --      |
| 10/10/2016 20:00 | IN   | Industrial Production YoY     | Aug | -0.80%   | -0.70%   | -2.40%   | -2.50%  |
|                  |      |                               |     |          |          |          |         |
| 10/11/2016 07:50 | JN   | BoP Current Account Balance   | Aug | ¥1502.7b | --       | ¥1938.2b | --      |
| 10/11/2016 07:50 | JN   | Trade Balance BoP Basis       | Aug | ¥116.5b  | --       | ¥613.9b  | --      |
| 10/11/2016 08:30 | AU   | NAB Business Conditions       | Sep | --       | --       | 7        | --      |
| 10/11/2016 08:30 | AU   | NAB Business Confidence       | Sep | --       | --       | 6        | --      |
| 10/11/2016 08:30 | AU   | Home Loans MoM                | Aug | -1.50%   | --       | -4.20%   | --      |
| 10/11/2016 09:00 | PH   | Exports YoY                   | Aug | -8.30%   | --       | -13.00%  | --      |
| 10/11/2016 09:00 | PH   | Imports YoY                   | Aug | 10.00%   | --       | -1.70%   | --      |
| 10/11/2016 09:00 | PH   | Trade Balance                 | Aug | -\$2088m | --       | -\$2053m | --      |
| 10/11/2016 13:00 | JN   | Eco Watchers Survey Current   | Sep | 45.8     | --       | 45.6     | --      |
| 10/11/2016 13:00 | JN   | Eco Watchers Survey Outlook   | Sep | 48       | --       | 47.4     | --      |
| 10/11/2016 17:00 | GE   | ZEW Survey Current Situation  | Oct | 55.5     | --       | 55.1     | --      |
| 10/11/2016 17:00 | GE   | ZEW Survey Expectations       | Oct | 4        | --       | 0.5      | --      |
| 10/11/2016 17:00 | EC   | ZEW Survey Expectations       | Oct | --       | --       | 5.4      | --      |
| 10/11/2016 18:00 | US   | NFIB Small Business Optimism  | Sep | 95       | --       | 94.4     | --      |
| 10/11/2016 20:15 | CA   | Housing Starts                | Sep | 190.0k   | --       | 182.7k   | 182.4k  |
| 10/11/2016 10/15 | US   | Monthly Budget Statement      | Sep | \$30.0b  | --       | --       | --      |
| 10/10/2016 10/15 | CH   | New Yuan Loans CNY            | Sep | 1000.0b  | --       | 948.7b   | --      |
| 10/10/2016 10/15 | CH   | Money Supply M1 YoY           | Sep | 24.50%   | --       | 25.30%   | --      |
| 10/10/2016 10/15 | CH   | Money Supply M2 YoY           | Sep | 11.60%   | --       | 11.40%   | --      |
| 10/11/2016 10/15 | PH   | Budget Balance PHP            | Aug | --       | --       | --       | --      |

Source: Bloomberg

| <b>OCBC Treasury Research</b>   |   |
|---|---|
| <b><u>Macro Research</u></b><br><b>Selena Ling</b><br>LingSSSelena@ocbc.com<br><b>Emmanuel Ng</b><br>NgCYEmmanuel@ocbc.com<br><b>Wellian Wiranto</b><br>WellianWiranto@ocbc.com<br><b>Tommy Xie Dongming</b><br>XieD@ocbc.com<br><b>Barnabas Gan</b><br>BarnabasGan@ocbc.com<br><b>Terence Wu</b><br>TerenceWu@ocbc.com | <b><u>Credit Research</u></b><br><b>Andrew Wong</b><br>WongVKAM@ocbc.com<br><b>Wong Liang Mian (Nick)</b><br>NickWong@ocbc.com<br><b>Ezien Hoo</b><br>EzienHoo@ocbc.com |

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