

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	Market sentiment appears stable. News that the UK will be getting a new prime minister this week, with Theresa May winning her Conservative Party leadership contest by default after her sole challenger's pull-out, helps to set the more positive tone. While the outlook for the UK remains uncertain, especially since the Brexit negotiations have yet to begin, there is a sense that at least the country can have a new government now and no longer remains in limbo on that front. The overall positive sentiment helped to boost S&P 500 to an all-time high overnight. Meanwhile, expectation of further fiscal stimulus from Japan, after PM Abe's win in the Upper House elections, helped to drive Japanese Yen lower and its stocks up.
Wall Street	Equities remained buoyant amid good momentum following from Friday's payrolls data. Investors hold brightened hopes of economic growth and low interest rates. S&P 500 closed at a record high of 2137.16, up 0.34%. The Dow closed a whisker away from its record high, up 0.44%. Nasdaq is also up 0.64%. Moving forward, attention is expected to shift towards corporate earnings as the earnings season commences with Alcoa Inc. Meanwhile, Treasuries declined as a new auction for 3-year notes, at the lowest yields since 2014, saw tepid demand. Risk-on sentiments led to continued selloff in Treasuries, bringing yields higher. 2-year and 10-year notes yield 0.65% and 1.43% respectively. Elsewhere, VIX ended higher by 2.58%.
Singapore	The STI gained 1.02% in tandem with some risk-on sentiment seen from the positive US nonfarm numbers. Gainers included Singapore Technologies (+3.14%), YZJ Shipbuilding (+2.27%) and Hutchison port Holdings (+2.22%), though some losses in Thai Beverage (-0.52%) and AREIT (-0.41%) limited overall gains. For today, given the gains in Wall Street overnight, market-watchers may push Singapore equities higher on positive risk sentiment, with STI expected to range between 2,850 – 2,900.
Indonesia	Darmin Nasution, Coordinating Minister for Economic Affairs, said that the central bank and the government are preparing instruments that will be available for repatriated money as part of the roll-out of its Tax Amnesty program next week. The President has reportedly summoned cabinet ministers to discuss implementation of the new initiative.
Commodities	Crude oil fell overnight, but is likely due to concerns over over-supplies once again rather than growth risks (though the Brexit noise can be still heard in the background). At least on the production front, both Iran and Libya had mentioned their aim to boost production. In the US as well, the increasing rig counts as of July has in fact contributed to further weakness in the energy space. The interesting phenomenon seen was in the precious metal space, where gold managed to dip to its \$1,350/oz handle, down from the uncomfortably rich \$1,370/oz during intraday trading and thus suggesting that risk aversion isn't that strong enough to warrant such high gold price levels.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downward yesterday, with the swap rates traded 1-6bps lower across all tenors. Flows in the SGD corporates were heavy with better buying seen in ABNANV 4.75%'26s and FCLSP 4.88%'49s while mixed interests were seen in, GEMAU 5.5%'19s, OCBCSP 3.8%'49s, NAB 4.15%'28s and UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 223bps while the yield on JACI HY corporates decreased by 5bps to 6.47%. 10y UST yield increased by 7bps to 1.43%.
- **New Issues:** Housing & Development Board (HDB) has priced a SGD700mn 5-year bond at 1.47% with expected issue ratings of "NR/Aaa/NR". Sri Lanka launched a 2-tranche deal yesterday with the USD500mn 5-year bond priced at 5.75%, tightening from its initial guidance of 6.125%. The other tranche of USD1bn 10-year bonds was priced at 6.83%, tightening from its initial guidance of 7.13%. The expected issue ratings are "B+/B1/B+". Shenzhen Expressway Co. Ltd. has launched a USD 5-year bond with final price guidance of CT5+200bps, tightening from its initial guidance of CT5+230bps. The bond is to be priced later today with expected ratings of "NR/Baa2/BBB". Korea Gas Corp. has set its final guidance for its 2-tranche deal, with the USD 5-year bond set at CT5+90bps, tightening from its initial guidance of CT5+110bps. The other tranche has final guidance at CT10+90bps, tightening from its initial guidance at CT10+115bps. The expected issue ratings are "A+/Aa2/AA-". Regal Hotels International Holdings Ltd. has scheduled investor road shows from 12 July onwards for potential USD bond issuance.
- **Rating Changes:** S&P upgraded diversified Japanese REIT (J-REIT) ORIX JREIT Inc.'s (OJR) credit rating to "A" from "A-" with a stable outlook, reflecting OJR's enhanced market position which should stabilize and diversify its earnings. S&P upgraded Pacific Life Re Australia Pty Ltd's credit rating to "AA-" from "A+" with a stable outlook. No further information was furnished in Bloomberg. Moody's downgraded Keppel REIT's credit rating to "Baa3" from "Baa2" with a stable outlook, reflecting Moody's view that Keppel REIT's weakened financial profile will not materially improve over the next 2-3 years as declining rental income support and soft market conditions in Singapore weigh on its rental pricing power and earnings.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.571	0.28%	USD-SGD	1.3514	0.39%
USD-JPY	102.800	2.25%	EUR-SGD	1.4944	0.49%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3145	-1.81%
AUD-USD	0.7532	-0.49%	GBP-SGD	1.7562	0.80%
GBP-USD	1.2998	0.34%	AUD-SGD	1.0178	-0.08%
USD-MYR	3.9938	-1.01%	NZD-SGD	0.9757	-0.70%
USD-CNY	6.6960	0.08%	CHF-SGD	1.3749	0.42%
USD-IDR	13107	-0.55%	SGD-MYR	2.9616	-1.02%
USD-VND	22303	0.02%	SGD-CNY	4.9566	-0.31%

Equity and Commodity

Index	Value	Net change
DJIA	18,226.93	80.20
S&P	2,137.16	7.30
Nasdaq	4,988.64	31.90
Nikkei 225	15,708.82	601.80
STI	2,876.14	29.10
KLCI	1,653.87	9.30
JCI	5,069.02	97.40
Baltic Dry	704.00	1.00
VIX	13.54	0.30

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3670	--	O/N	0.4122	--
2M	-0.3290	--	1M	0.4758	--
3M	-0.2930	--	2M	0.5594	--
6M	-0.1900	--	3M	0.6671	--
9M	-0.1280	--	6M	0.9374	--
12M	-0.0590	--	12M	1.2530	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (-0.02)	0.65 (+0.05)
5Y	1.33 (-0.03)	1.02 (+0.07)
10Y	1.67 (-0.04)	1.43 (+0.07)
15Y	1.94 (-0.04)	--
20Y	2.01 (-0.04)	--
30Y	2.13 (-0.04)	2.14 (+0.04)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.70	1.70	3.11
Italy	-0.06	-0.10	1.20
Ireland	-0.39	0.00	0.45
Greece*	7.40	-8.80	7.86
Spain	-0.11	-0.10	1.16
Russia^	2.17	-0.20	4.36

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.01	-0.32
EURIBOR-OIS	7.30	0.27
TED	39.01	-0.31

* 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)	44.76	-1.43%	Coffee (per lb)	1.480	3.64%
Brent (per barrel)	46.25	-1.09%	Cotton (per lb)	0.6814	3.37%
Heating Oil (per gallon)	1.416	0.28%	Sugar (per lb)	0.2028	3.63%
Gasoline (per gallon)	1.38	0.93%	Orange Juice (per lb)	1.7970	-4.90%
Natural Gas (per MMBtu)	2.702	-3.53%	Cocoa (per mt)	3,138	0.06%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,749.0	0.82%	Wheat (per bushel)	4.1625	-1.07%
Nickel (per mt)	10,007	1.66%	Soybean (per bushel)	10.828	-0.64%
Aluminium (per mt)	1,641.5	-0.79%	Corn (per bushel)	3.4375	-1.72%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,356.6	-0.13%	Crude Palm Oil (MYR/MT)	2,320.0	--
Silver (per oz)	20.264	1.03%	Rubber (JPY/KG)	163.1	2.26%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/11/2016 07:50	JN Machine Orders MoM	May	3.20%	-1.40%	-11.00%	--
07/11/2016 07:50	JN Machine Orders YoY	May	-8.70%	-11.70%	-8.20%	--
07/11/2016 07:50	JN Money Stock M2 YoY	Jun	3.40%	3.40%	3.40%	--
07/11/2016 07:50	JN Money Stock M3 YoY	Jun	2.80%	2.90%	2.80%	2.90%
07/11/2016 09:30	AU Home Loans MoM	May	-2.00%	-1.00%	1.70%	1.40%
07/11/2016 09:30	AU Owner-Occupier Loan Value	May	--	-0.60%	0.10%	-0.20%
07/11/2016 14:00	JN Machine Tool Orders YoY	Jun P	--	-19.90%	-24.70%	--
07/11/2016 14:00	IN Local Car Sales	Jun	--	154237	158996	--
07/11/2016 14:30	FR Bank of France Bus. Sentiment	Jun	97	97	97	--
07/11/2016 16:00	IT Industrial Production MoM	May	0.10%	-0.60%	0.50%	0.40%
07/11/2016 16:00	IT Industrial Production WDA YoY	May	1.10%	-0.60%	1.80%	--
07/11/2016 16:00	IT Industrial Production NSA YoY	May	--	5.70%	-0.30%	--
07/11/2016 20:15	CA Housing Starts	Jun	189.5k	218.3k	188.6k	186.7k
07/12/2016 07:50	JN PPI MoM	Jun	-0.10%	-0.10%	0.20%	0.10%
07/12/2016 07:50	JN PPI YoY	Jun	-4.20%	-4.20%	-4.20%	-4.30%
07/12/2016 09:00	PH Exports YoY	May	-2.40%	--	-4.10%	--
07/12/2016 09:30	AU NAB Business Conditions	Jun	--	--	10	--
07/12/2016 09:30	AU NAB Business Confidence	Jun	--	--	3	--
07/12/2016 12:00	MA Industrial Production YoY	May	2.50%	--	3.00%	--
07/12/2016 12:30	JN Tertiary Industry Index MoM	May	-0.70%	--	1.40%	--
07/12/2016 14:00	GE CPI MoM	Jun F	0.10%	--	0.10%	--
07/12/2016 14:00	GE CPI YoY	Jun F	0.30%	--	0.30%	--
07/12/2016 14:00	GE CPI EU Harmonized MoM	Jun F	0.10%	--	0.10%	--
07/12/2016 14:00	GE CPI EU Harmonized YoY	Jun F	0.20%	--	0.20%	--
07/12/2016 18:00	US NFIB Small Business Optimism	Jun	93.9	--	93.8	--
07/12/2016 20:00	IN CPI YoY	Jun	5.79%	--	5.76%	--
07/12/2016 20:00	IN Industrial Production YoY	May	-0.40%	--	-0.80%	--
07/12/2016 22:00	US Wholesale Inventories MoM	May	0.20%	--	0.60%	--
07/12/2016	ID Consumer Confidence Index	Jun	--	--	112.1	--
07/11/2016 07/15	CH New Yuan Loans CNY	Jun	1000.0b	--	985.5b	--
07/11/2016 07/15	CH Money Supply M1 YoY	Jun	22.60%	--	23.70%	--
07/11/2016 07/15	CH Money Supply M2 YoY	Jun	11.40%	--	11.80%	--
07/07/2016 07/15	PH Budget Balance PHP	May	--	--	55.0b	--

Source: Bloomberg

OCBC Treasury Research		
<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 kamyliu@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