DAILY TREASURY OUTLOOK

Friday, July 15, 2016

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Highlights

Global	Global risk appetite continued to extend overnight with Wall Street higher and Asian bourses are likely to follow suit today notwithstanding news that BOE held monetary policy settings unchanged (as market players continued to anticipate easing in August) and France is again on a terror alert after a Bastille day attack in Nice. BOK also left its 1.25% policy rate unchanged. Talk of Benanke-inspired "helicopter money" continued to fuel market speculation ahead of the BOJ meeting on 29 July. Today's economic data calendar will comprise of China's data dump including its 2Q GDP growth, US' retail sales, CPI, Empire manufacturing, University of Michigan sentiment, industrial production and capacity utilization, Eurozone's CPI and trade, and S'pore's retail sales for May.
US	Fed's Lockhart summarised Brexit to have "negligible near-term effect; a risk factor over the medium term; higher uncertainty that could amount to a persistent economic headwind", but "I have no basis – statistical or anecdotal – for assuming any significant change in economic momentum". Meanwhile, "I continue to think that the current level of interest rates today is too low relative to the performance of the economy".
Singapore	Retail sales may expand by 2.4% yoy (+1.3% mom) in May, compared to +3.8% yoy (+1.1% mom) in April. Meanwhile, SGX will restart trading at 9am after yesterday's early market close. STI closed lower by 0.13% at 2906.92 yesterday, but may see a positive cue after Wall Street's gains and morning rally in Kospi and Nikkei. Pending China's GDP data due later this morning, the STI's resistance is tipped at 2920 with support at 2880. The SGS bonds may slip amid the sell-off in US Treasury bond market amid recovering risk appetite.
Indonesia	Foreign reserves rose to USD109.79bn in June, which is the highest level since May 2015, going by Bank Indonesia's statement yesterday. It mentioned that reserves rose due to receipts from government's global bond issuance and oil and gas revenue exceeding need for government debt payments.
Thai-land	Bank of Thailand chief Veerathai Santiprabhob commented that the central bank while it expects heightened volatility in the FX markets, it is unconcerned by fund inflows seen after Britain's vote for exit from the European Union.
Commodities	Oil rebounded again, proving that the decline seen in the previous trading day was not unsustainable and likely just some interim profit-taking behaviour. Still, we caution against 'riding on the rally' behaviour, as much of the gains are likely from speculation on further policy stimulus from major central banks including the Bank of Japan as they meet later this month, while the standstill seen in Bank of England is taken with a pinch of salt as most committee members iterated their outlook for rates to be loosen in the early August meeting instead. Elsewhere, recent Fed talk seen from Esther George citing that "rates today is too low relative to the performance of the (US) economy", while Dennis Lockhart commented that Brexit has "negligible near-term effect" should have lifted market spirits and injected further downside risk to gold prices. Note that the implied probability for a rate hike in December had risen considerably from 7.7% back in late June to 35.3% at this juncture.

Major Market

- **US:** Equities continued their march higher amid hopes of fresh stimulus in Japan and UK. Financials were also supported after a better-than-expected earnings from JPMorgan Chase & Co. gave optimism on bank earnings. 9 of 10 main industry sectors in the S&P 500 gained, with the only utilities suffering. S&P 500 closed higher by 0.53%, while the Dow and Nasdaq also kept pace by rising 0.73% and 0.57% respectively. Risk-on sentiments continue to cause the sell-off in Treasuries, with yields ending higher across the board. 2-year notes yield 0.673%, while the 10-year notes yield 1.53%. Meanwhile, VIX slipped 1.69% to close at 11-month lows. The volatility index has retreated 50% since its high set immediately after Brexit.

Bond Market Updates

- **Market Commentary:** The Singapore dollar swap curve was range-bounded yesterday as the market was closed most of the day due to a technical glitch. Swap rates traded within the range of +/- 1bps across all tenors. Flows in the SGD corporates' were light with mixed interests seen in GENSSP 5.13%'49s and GALVSP 5.9%'17s. In the broader dollar space, the spread on JACI IG corporates remains relatively unchanged at 218bps while the yield on JACI HY corporates decreased lightly by 1bps to 6.45%. 10y UST yield increased by 6bps to 1.54%.

- **New Issues:** ICBC Ltd. has priced a USD1bn AT1 Perp-NC5 bond at 4.25%, tightening from its initial guidance of 4.75%. The expected issue ratings are "NR/A2/A". Link REIT has priced a USD500mn 10-year bond at CT10+145bps, tightening from its initial guidance of CT10+165bps. The expected issue ratings are "A/A2/NR".

- **Rating Changes:** S&P upgraded TFS Corp.'s corporate credit rating to "B+" from "B" with a stable outlook. The upgrade reflects S&P's view that the company's business profile has improved due to the significant increase in harvest yields and that the company will be a reliable supplier of Indian sandalwood products. Moody's upgraded Renhe Commercial Co. Ltd.'s corporate family rating to "B3" from "Caa1" with a stable outlook. The upgrade reflects Moody's expectation of alleviated liquidity pressure from a disposal. Moody's has affirmed Chugoku Bank Ltd.'s issuer ratings but downgraded Chugoku Bank Ltd.'s baseline credit assessment (BCA) to "a3" from "a2" with a stable outlook. No further information was furnished. The rating affirmation incorporates Moody's assumption of a very high likelihood of government support for the bank in case of stress. Chugoku's BCA rating reflects (1) the bank's strong capital despite being pressured; (2) strong overall asset risk profile despite rapid loan growth and its moderate exposure to market risk; (3) weak but stable profitability with no net losses recorded to date; and (4) solid liquidity profile.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.077	-0.14%	USD-SGD	1.3424	-0.32%
USD-JPY	105.350	0.82%	EUR-SGD	1.4924	-0.07%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2742	-1.16%
AUD-USD	0.7632	0.32%	GBP-SGD	1.7909	1.15%
GBP-USD	1.3343	1.49%	AUD-SGD	1.0243	-0.02%
USD-MYR	3.9465	-0.48%	NZD-SGD	0.9665	-1.37%
USD-CNY	6.6835	-0.08%	CHF-SGD	1.3684	0.12%
USD-IDR	13073	-0.10%	SGD-MYR	2.9318	-0.35%
USD-VND	22301	0.00%	SGD-CNY	4.9818	0.30%

Equity and Commodity

Index	Value	Net change
DJIA	18,506.41	134.30
S&P	2,163.75	11.30
Nasdaq	5,034.06	28.30
Nikkei 225	16,385.89	154.50
STI	2,906.92	-3.70
KLCI	1,654.78	-5.60
JCI	5,083.54	-50.40
Baltic Dry	738.00	12.00
VIX	12.82	-0.20

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4127	--
2M	-0.3340	--	1M	0.4814	--
3M	-0.2950	--	2M	0.5633	--
6M	-0.1910	--	3M	0.6801	--
9M	-0.1290	--	6M	0.9801	--
12M	-0.0610	--	12M	1.2934	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (-0.01)	0.67 (+0.01)
5Y	1.35 (-0.02)	1.10 (+0.04)
10Y	1.74 (-0.01)	1.54 (+0.06)
15Y	2.03 (-0.01)	--
20Y	2.12 (--)	--
30Y	2.24 (--)	2.25 (+0.08)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.71	-0.30	3.11	1.50	3.15
Italy	-0.05	1.30	1.22	1.00	1.26
Ireland	-0.43	0.60	0.46	4.00	0.50
Greece*	7.31	-7.90	7.83	-6.00	7.87
Spain	-0.12	1.20	1.17	2.10	1.21
Russia^	2.19	1.40	4.28	-1.50	4.32

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.72	0.95
EURIBOR-OIS	6.30	-0.50
TED	36.88	-1.12

* 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)	45.68	2.08%	Coffee (per lb)	1.503	2.80%
Brent (per barrel)	47.37	2.40%	Cotton (per lb)	0.7382	0.60%
Heating Oil (per gallon)	1.406	1.85%	Sugar (per lb)	0.1991	2.21%
Gasoline (per gallon)	1.41	2.58%	Orange Juice (per lb)	1.8420	1.71%
Natural Gas (per MMBtu)	2.727	-0.37%	Cocoa (per mt)	3,197	0.47%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,941.0	0.06%	Wheat (per bushel)	4.2175	-1.06%
Nickel (per mt)	10,320	0.11%	Soybean (per bushel)	11.115	-1.46%
Aluminium (per mt)	1,671.3	0.68%	Corn (per bushel)	3.6225	-0.96%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,332.2	-0.85%	Crude Palm Oil (MYR/MT)	2,280.0	-0.78%
Silver (per oz)	20.281	-0.44%	Rubber (JPY/KG)	170.0	-1.51%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
07/14/2016 02:00	US	Monthly Budget Statement	Jun	$19.0b	$6.3b	$50.5b	--
07/14/2016 06:30	NZ	BusinessNZ Mfg PMI	Jun	--	57.7	57.1	57.2
07/14/2016 07:01	UK	RICS House Price Balance	Jun	10%	16%	19%	--
07/14/2016 07:50	JN	Foreign Buying Japan Stocks	Jul-08	--	-¥306.8b	¥113.9b	¥113.6b
07/14/2016 08:00	SI	GDP YoY	2Q A	2.20%	2.20%	1.80%	2.10%
07/14/2016 08:00	SI	GDP SAAR QoQ	2Q A	0.90%	0.80%	0.20%	--
07/14/2016 08:58	SK	BoK 7-Day Repo Rate	Jul-14	1.25%	1.25%	1.25%	--
07/14/2016 09:30	AU	Employment Change	Jun	10.0k	7.9k	17.9k	19.2k
07/14/2016 09:30	AU	Unemployment Rate	Jun	5.80%	5.80%	5.70%	--
07/14/2016 09:30	AU	Full Time Employment Change	Jun	--	38.4k	0.0k	2.5k
07/14/2016 09:30	AU	Participation Rate	Jun	64.80%	64.90%	64.80%	--
07/14/2016 09:30	AU	New Motor Vehicle Sales MoM	Jun	--	3.10%	-1.10%	-1.00%
07/14/2016 09:30	AU	New Motor Vehicle Sales YoY	Jun	--	2.10%	1.70%	1.80%
07/14/2016 11:00	NZ	Non Resident Bond Holdings	Jun	--	67.40%	68.50%	--
07/14/2016 12:00	JN	Tokyo Condominium Sales YoY	Jun	--	-12.90%	-14.10%	--
07/14/2016 14:30	IN	Wholesale Prices YoY	Jun	1.20%	1.62%	0.79%	--
07/14/2016 17:41	ID	Foreign Reserves	Jun	--	$109.79b	$103.60b	--
07/14/2016 19:00	UK	Bank of England Bank Rate	Jul-14	0.25%	0.50%	0.50%	--
07/14/2016 19:00	UK	BOE Asset Purchase Target	Jul	375b	375b	375b	--
07/14/2016 20:30	US	Initial Jobless Claims	Jul-09	265k	254k	254k	--
07/14/2016 20:30	CA	New Housing Price Index MoM	May	0.20%	0.70%	0.30%	--
07/14/2016 20:30	US	Continuing Claims	Jul-02	2130k	2149k	2124k	2117k
07/14/2016 20:30	US	PPI Final Demand MoM	Jun	0.30%	0.50%	0.40%	--
07/15/2016 05:30	NZ	REINZ House Sales YoY	Jun	--	6.00%	13.60%	--
07/15/2016 10:00	CH	Industrial Production YoY	Jun	5.90%	--	6.00%	--
07/15/2016 10:00	CH	Industrial Production YTD YoY	Jun	5.90%	--	5.90%	--
07/15/2016 10:00	CH	Retail Sales YoY	Jun	9.90%	--	10.00%	--
07/15/2016 10:00	CH	Retail Sales YTD YoY	Jun	10.20%	--	10.20%	--
07/15/2016 10:00	CH	GDP YTD YoY	2Q	6.60%	--	6.70%	--
07/15/2016 10:00	CH	GDP YoY	2Q	6.60%	--	6.70%	--
07/15/2016 13:00	SI	Retail Sales SA MoM	May	1.30%	--	1.10%	--
07/15/2016 13:00	SI	Retail Sales YoY	May	1.90%	--	3.80%	--
07/15/2016 14:00	EC	EU27 New Car Registrations	Jun	--	--	16.00%	--
07/15/2016 15:30	TH	Foreign Reserves	Jul-08	--	--	$178.7b	--
07/15/2016 16:00	IT	Trade Balance Total	May	--	--	4520m	--
07/15/2016 17:00	EC	CPI MoM	Jun	0.20%	--	0.40%	--
07/15/2016 17:00	EC	CPI YoY	Jun F	0.10%	--	0.10%	--
07/15/2016 17:00	EC	CPI Core YoY	Jun F	0.90%	--	0.90%	--
07/15/2016 20:30	CA	Manufacturing Sales MoM	May	-0.80%	--	1.00%	--
07/15/2016 20:30	US	Retail Sales Advance MoM	Jun	0.10%	--	0.50%	--
07/15/2016 20:30	US	CPI MoM	Jun	0.30%	--	0.20%	--
07/15/2016 20:30	US	CPI YoY	Jun	1.10%	--	1.00%	--
07/15/2016 20:30	US	CPI Ex Food and Energy YoY	Jun	2.20%	--	2.20%	--
07/15/2016 20:30	US	Empire Manufacturing	Jul	5	--	6.01	--
07/15/2016 21:15	US	Industrial Production MoM	Jun	0.30%	--	-0.40%	--
07/15/2016 21:15	US	Capacity Utilization	Jun	75.10%	--	74.90%	--
07/15/2016 22:00	US	U. of Mich. Sentiment	Jul P	93.5	--	93.5	--
07/15/2016	ID	Trade Balance	Jun	$212m	--	$376m	--
07/15/2016	ID	Exports YoY	Jun	-12.65%	--	-9.75%	--
07/15/2016	ID	Imports YoY	Jun	-10.91%	--	-4.12%	--
07/15/2016	PH	Overseas Remittances YoY	May	4.80%	--	4.10%	--
07/15/2016	PH	Overseas Workers Remittances	May	$2250m	--	$2213m	--
07/14/2016 07/15	CH	New Yuan Loans CNY	Jun	1000.0b	--	985.5b	--
07/14/2016 07/15	CH	Money Supply M1 YoY	Jun	22.60%	--	23.70%	--
07/14/2016 07/15	CH	Money Supply M2 YoY	Jun	11.40%	--	11.80%	--
07/13/2016 07/15	IN	Exports YoY	Jun	--	--	-0.80%	--

Source: Bloomberg

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