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Highlights

Global	<p>Global risk appetite may be losing momentum, especially in Asia. The IMF trimmed the global growth forecast for the 4th time by 0.1% point respectively to 3.1% in 2016 and 3.4% in 2017, citing that recent improvements in Japan and Europe and a partial recovery in commodity prices was offset by the Brexit vote that had contributed a “sizeable increase in uncertainty”. Nevertheless, the IMF pared UK’s growth from 1.9% previously to 1.7% for 2016, and from 2.2% to 1.3% in 2017 assuming that UK-EU agree on trade agreements that avoid a “large increase in economic barriers”. However, the IMF also warned that in a “severe” scenario whereby UK-EU talks break down and UK slips into a recession, then global growth could slide to 2.8% for both this year and 2017. Separately, the IMF also cut Japan’s growth forecast by 0.2% but downplayed JPY strength concerns that “we would not characterise conditions in the yen market as being disorderly conditions”.</p> <p>Today’s economic data calendar will focus on the US’ MBA mortgage applications, Eurozone’s current account and consumer confidence, German PPI, and UK’s ILO unemployment and jobless claims. The main focus will be awaiting the ECB and BI policy decisions and RBNZ’s economic assessment due tomorrow, as well as the G20 meeting on 23-24 July in Chengdu, China.</p>
US	<p>US housing starts rose more than expected by 4.8% mom in June to 1189k (most since Feb), albeit from a downwardly revised May print. Meanwhile building permits also accelerated to 1.5% mom to 1153k, led by single-family homes. This data points to a slow but steady recovery momentum in the housing market.</p>
EZ	<p>German ZEW survey revealed that investor confidence slipped in July post-Brexit, with the current and expectations gauge falling to -6.8 (lowest since November 2012) and -14.7 respectively, down from +19.2 and +20.2 previously. Meanwhile, the ECB lending conditions survey pointed to continued credit expansion aided by the ECB’s new TLTRO but mortgage demand softened and is likely to contribute to a gradual growth slowdown. That said, “when splitting bank replies at the country level into” pre- and post-Brexit, “no negative shock can be identified for credit supply or demand”.</p>
China	<p>The PBOC rolled over CNY227 billion medium-term lending facility ahead of CNY218.5 billion coming due in late July. On the RMB front, the PBOC might have intervened in the CNY’s closing price at 16:30, in order to stabilizing the next day’s fixing price which is calculated based on previous closing price and thereby easing concerns of steep depreciation in the yuan.</p>
Commodities	<p>Crude oil prices consolidated further overnight with WTI and Brent closing \$44.65/bbl and \$44.66/bbl respectively. Amid another day of low data flow, market-watchers would look closely on tonight’s US energy inventories. Note that market expectations are looking for another week of lower crude oil and gasoline inventories, but any unexpected upside surprise (similar to gasoline inventories in the previous week perhaps) may drag oil prices further. Elsewhere, wetter-than-usual weather conditions in Southeast Asia and home to the largest palm oil producers in the world may disrupt the seasonally high production levels into 4Q16. We keep our palm oil price forecast at MYR2,800/MT at year-end. Note that we published our Commodities Chartpack 2H16.</p>

Major Market

- **US:** The Dow managed to inch higher for its 8th consecutive session, though S&P500 and Nasdaq consolidated lower as market watchers likely reacted to IMF's downgrade of global growth. US Treasuries continued to gain however, with the 10y- yield at 1.553% (-2.9bp), while the 2y- yield remained flat. VIX fell 3.78% to 11.97, the lowest since July 2015.
- **Singapore:** COE tender results due later today and could show a further stabilisation after the early July data. The STI lost 0.31% to close at 2919.54 yesterday, and further consolidation may seep in amid weak cues from Wall Street and morning slippage by Kospi. The STI's resistance and support are tipped at 2930 with support at 2900. The SGS bonds may be better bid on the slight risk-off sentiments dominating markets today.
- **Hong Kong:** The seasonally adjusted unemployment rate of HK remained high at 3.4% in June and underemployment rate was unchanged at 1.4%. The labour supply is likely to pick up in the coming months due to the entry of fresh graduates and school leavers during the summer holiday. Unemployment rate in the retail sector edged up by 0.1% to five-year high of 5.4% in June, as business performance in retail sales remained clouded amid shrinking tourist expenditure. We expect the slowdown of China's economy, on-going anti-corruption campaign and strong HKD to continue to hit HK's tourism sector as well as retail sales sector. Unemployment rate in the trade and wholesale sector decreased slightly from 3.0% to 2.9% amid tepid external demand. Weak trade activities also resulted in worsening unemployment in the warehousing sector and transportation sector. Looking ahead, corporate hiring sentiment may remain overshadowed given the slow-growing domestic economy and dimmer business performance. We expect that employment in the retail sector would continue to take a hit amid slackening inbound tourism while employment growth of the trade sector may also be constrained as effects from the Brexit spillover.
- **Macau:** Mass market segment gained MOP22.4 billion (43.4% of total revenue) in 2Q, rallying by 0.2% yoy after declining for six consecutive quarters due to the increase in casual gamblers attracted by latest new hotel and casino openings. However, the relatively low minimum bet amount has limited the profitability of the mass market segment, especially given that the government restricts the growth of gaming tables (-1.5% qoq despite increase in casinos). As such, even though a new string of casinos are to be opened in 2H, gambling tables are unlikely to increase. To make matter worse, the relentless anti-corruption campaign in China, the government's tighter scrutiny on junket operators, and stringent anti-money laundering rules continue to weigh heavily on the VIP market, of which total revenue from this sector slid for the ninth straight month. Moving forward, should the fresh wave of new projects be completed as scheduled in the 2H and reinforce Macau's appeal to tourists and recreational gamblers, the impact of tighter scrutiny and a less supportive government may be partially offset. If such is the case, we expect that gaming revenue will drop by around 5% over 2016.
- **Indonesia:** Stock exchange is reportedly considering a reduction of fees for title ownership changes for assets previously hidden under different names, to support the government's Tax Amnesty program. Separately, the government has also announced that tax amnesty requests can be submitted offshore via consulates in Hong Kong, London and Singapore.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve was range-bounded yesterday. The short-end rates traded 1-2bps higher while the belly-to-long-end rates traded 1-2bps lower. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s, BAERVX 5.9%'49s and SSREIT 4.25%'19s while mixed interests were seen in UOBSP 4%'49s and ANZ 3.75%'27s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 218bps while yield on JACI HY corporates decreased by 2bps to 6.45%. 10y UST decreased by 3bps to 1.55%.
- **New Issues:** SGSP (Australia) Assets Pty Ltd. priced a USD500mn 10-year bond at CT10+175bps, tightening from its initial guidance at CT10+200bps. The issue is expected to be rated "BBB+/A3/NR". ONGC Videsh launched a USD1bn two-tranche deal yesterday, with the USD400mn 5year-bond priced at CT5+175bps, tightening from its initial guidance of CT5+195bps. The other tranche of USD600mn 10-year bond was priced at CT10+220bps, tightening from its initial guidance of CT10+235bps. The expected ratings for the issue are "BBB-/Baa2/NR".
- **Rating Changes:** S&P revised its outlook on Deutsche Bank AG to negative from stable. The revision reflects S&P's view that the unfavourable operating environment poses particular challenges to Deutsche Bank as it implements its 2016-2020 strategic plan (known as Strategy 2020). Although market conditions may recover somewhat from the weak first quarter of 2016, ultra-low interest rates and generally subdued client trading activity may persist for the foreseeable future. These pressures affect the entire sector, but is particularly harmful for Deutsche Bank as it seeks to strengthen capital and maintain its franchise while fundamentally restructuring its business model and balance sheet. Moody's upgraded Shinsei Bank Ltd's long-term deposit rating to "Baa2" from "Baa3" with the outlook revised to stable from positive. The rating upgrade was prompted by the change in Shinsei Bank's BCA to "ba1" from "ba2" due to improvements in the bank's asset quality and capital position. The "ba1" BCA reflects (1) the bank's improved asset quality, but riskier business profile due to its structured finance business and consumer business, (2) its improved capitalization, (3) its ability to attract deposits and (4) potential instability associated with Shinsei Bank's business model, which is still developing. Moody's also revised its outlook on Higo Bank Ltd.'s "A1" deposit rating to negative from stable. The revision reflects the opacity in Higo Bank's disclosure which has been simplified following its merger with Kagoshima Bank under the newly formed Kyushu Finance Group on 1 October, 2015. The public disclosure is less informative and reduces the transparency of the bank's risk position and financial performance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.063	0.52%	USD-SGD	1.3535	0.45%
USD-JPY	106.120	-0.04%	EUR-SGD	1.4916	-0.05%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2758	0.51%
AUD-USD	0.7504	-1.15%	GBP-SGD	1.7748	-0.63%
GBP-USD	1.3111	-1.09%	AUD-SGD	1.0159	-0.68%
USD-MYR	4.0113	0.82%	NZD-SGD	0.9546	-0.45%
USD-CNY	6.6963	-0.12%	CHF-SGD	1.3732	0.12%
USD-IDR	13089	0.02%	SGD-MYR	2.9592	0.36%
USD-VND	22300	0.00%	SGD-CNY	4.9471	-0.50%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4159	--
2M	-0.3310	--	1M	0.4866	--
3M	-0.2950	--	2M	0.5750	--
6M	-0.1910	--	3M	0.6956	--
9M	-0.1240	--	6M	1.0028	--
12M	-0.0610	--	12M	1.3264	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.69	-1.30	3.09
Italy	-0.06	-0.10	1.24
Ireland	-0.41	1.10	0.49
Greece*	8.09	30.10	7.96
Spain	-0.14	0.00	1.19
Russia^	2.33	4.50	4.29

* 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

Equity and Commodity

Index	Value	Net change
DJIA	18,559.01	26.00
S&P	2,163.78	-3.10
Nasdaq	5,036.37	-19.40
Nikkei 225	16,723.31	225.50
STI	2,919.54	-9.20
KLCI	1,670.55	-0.30
JCI	5,172.83	45.30
Baltic Dry	746.00	-2.00
VIX	11.97	-0.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (--)	0.69 (--)
5Y	1.28 (-0.02)	1.11 (-0.02)
10Y	1.67 (-0.04)	1.55 (-0.03)
15Y	2.00 (-0.03)	--
20Y	2.10 (-0.03)	--
30Y	2.24 (-0.02)	2.27 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	29.52	0.87
EURIBOR-OIS	6.20	0.20
TED	38.76	-1.30

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.65	-1.30%	Coffee (per lb)	1.447	-2.13%
Brent (per barrel)	46.66	-0.64%	Cotton (per lb)	0.7296	-0.91%
Heating Oil (per gallon)	1.384	0.46%	Sugar (per lb)	0.1936	-0.05%
Gasoline (per gallon)	1.38	-0.83%	Orange Juice (per lb)	1.8285	-0.87%
Natural Gas (per MMBtu)	2.728	0.22%	Cocoa (per mt)	2,998	-2.82%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,984.0	0.91%	Wheat (per bushel)	4.1800	-2.68%
Nickel (per mt)	10,534	0.27%	Soybean (per bushel)	10.440	-3.18%
Aluminium (per mt)	1,636.3	-0.52%	Corn (per bushel)	3.4175	-4.27%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,332.3	0.23%	Crude Palm Oil (MYR/MT)	2,351.0	1.38%
Silver (per oz)	19.975	-0.34%	Rubber (JPY/KG)	172.2	-0.75%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
07/19/2016 04:00	US Total Net TIC Flows	May	--	-\$11.0b	\$80.4b
07/19/2016 04:00	US Net Long-term TIC Flows	May	--	\$41.1b	-\$79.6b
07/19/2016 05:00	SK PPI YoY	Jun	--	-2.70%	-3.10%
07/19/2016 12:29	PH BoP Overall	Jun	--	\$418m	\$241m
07/19/2016 16:30	UK CPI MoM	Jun	0.20%	0.20%	0.20%
07/19/2016 16:30	UK CPI YoY	Jun	0.40%	0.50%	0.30%
07/19/2016 16:30	UK CPI Core YoY	Jun	1.30%	1.40%	1.20%
07/19/2016 16:30	UK Retail Price Index	Jun	262.7	263.1	262.1
07/19/2016 16:30	UK RPI MoM	Jun	0.20%	0.40%	0.30%
07/19/2016 16:30	UK RPI YoY	Jun	1.50%	1.60%	1.40%
07/19/2016 16:30	UK RPI Ex Mort Int.Payments (YoY)	Jun	1.50%	1.70%	1.50%
07/19/2016 16:30	UK PPI Output NSA MoM	Jun	0.20%	0.20%	0.10%
07/19/2016 16:30	UK PPI Output NSA YoY	Jun	-0.50%	-0.40%	-0.70%
07/19/2016 16:30	HK Unemployment Rate SA	Jun	3.50%	3.40%	3.40%
07/19/2016 16:31	HK Composite Interest Rate	Jun	--	0.26%	0.26%
07/19/2016 17:00	GE ZEW Survey Expectations	Jul	9	-6.8	19.2
07/19/2016 17:00	EC ZEW Survey Expectations	Jul	--	-14.7	20.2
07/19/2016 20:30	US Housing Starts	Jun	1165k	1189k	1164k
07/19/2016 20:30	US Building Permits	Jun	1150k	1153k	1138k
07/20/2016 08:30	AU Westpac Leading Index MoM	Jun	--	--	0.21%
07/20/2016 12:00	MA CPI YoY	Jun	1.80%	--	2.00%
07/20/2016 13:30	JN Nationwide Dept Sales YoY	Jun	--	--	-5.10%
07/20/2016 14:00	GE PPI MoM	Jun	0.20%	--	0.40%
07/20/2016 14:00	GE PPI YoY	Jun	-2.40%	--	-2.70%
07/20/2016 16:00	TA Export Orders YoY	Jun	-5.00%	--	-5.80%
07/20/2016 16:00	SI COE Open Bid Cat B	Jul-20	--	--	56089
07/20/2016 16:00	SI COE Open Bid Cat A	Jul-20	--	--	52301
07/20/2016 16:30	UK Claimant Count Rate	Jun	2.20%	--	2.20%
07/20/2016 16:30	UK Jobless Claims Change	Jun	3.5k	--	-0.4k
07/20/2016 16:30	UK ILO Unemp Rate 3Mths	May	5.00%	--	5.00%
07/20/2016 19:00	US MBA Mortgage Applications	Jul-15	--	--	7.20%
07/20/2016 22:00	EC Consumer Confidence	Jul A	-8	--	-7.3
07/20/2016 07/22	PH Budget Balance PHP	May	--	--	55.0b

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

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