

Highlights

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|-------------|--|
| Global | <p>Global risk appetite continued to sustain on the back of fading Brexit concerns. FOMC Chair Yellen is due to testify on monetary policy to the Senate Banking panel later tonight, and if she reinforces the dovish tone (for example by diminishing the July meeting rate hike probabilities further), this may add to the current risk-on mood.</p> <p>In our view, the Brexit vote is still too close to call for now, but Asian markets are likely to run a little further today. The economic data calendar again remains light, comprising of German ZEW survey, HK CPI, and Malaysia foreign reserves.</p> |
| US | <p>Treasury bonds retreated as investors moved out of safe haven assets as the Remain campaign gained momentum in the run-up to the Brexit vote. 2-year and 10-year benchmark yields rose sharply to 0.75% and 1.69% respectively. Equities also gained on Monday in a broad-based advance led by banks and consumer discretionary stocks. S&P 500 gained 0.58% to close at 2083.25. The Dow climbed 0.73% and Nasdaq ended higher by 0.77%. Meanwhile, volatility subsided as VIX fell 5.36%.</p> |
| China | <p>The deficit of net sale of foreign currency narrowed in May to US\$12.5 billion from US\$23.7 billion in April. The net sale of foreign currency under the current account turned surplus at US\$4.8 billion for the first time since July 2015, signalling more balanced demand and supply as a result of expectation about the two-way volatility.</p> |
| Hong Kong | <p>Private residential housing starts picked up again by 97.48% yoy in April, posting 1,722 units. However housing starts in the first four months were still 22.25% higher than that of same period last year. Figures indicate that the housing supply in the private sector could be on a solid growth pace over next two to three years. Based on the average housing starts figures, average supply of private residential units during 2016 to 2018 could be around 17,205 units, higher than the five-year average of around 11,397 units during 2010 to 2014. On the other hand, completion in April recorded 530 units and completion in the first four months dipped accordingly by 20.57% yoy. As there were fewer housing starts in 2013 (10,064 units) and 2014 (6,427 units), we believe that private residential housing completions would continue to fall in 2016. Nevertheless, based on the robust growth of ground-breaking activities (18,152 units) in 2015, we expect that total completions could rebound in early 2017. Looking forward, we expect that property prices could drop by around 20% yoy in 2016 amid dented investor sentiment and increasing supply</p> |
| TW | <p>Taiwan's export orders fell less than expected by 5.8% yoy in May, albeit a smaller contraction than the April contraction of 11.1% yoy.</p> |
| Indonesia | <p>The government is reportedly drafting rule on dispute settlements in investments. The planned rule is said to include foreign and local investors, emphasizing the facilitation of consultation and negotiation, with the aim of improving ease of doing business.</p> |
| Commodities | <p>Crude oil rallied slightly but stopped short of its \$50/bbl mark as market-watchers await the US stockpile data later this week. Elsewhere, gold still appear too rich for our comfort, though it remained flat at \$1,290/oz on Brexit concerns.</p> |

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Major Market

- **Eurozone:** German PPI rose more than expected by 0.4% mom (-2.7% yoy) in May.
- **Singapore:** The STI rallied 1.36% to close at 2800.87 yesterday, but may find it challenging to rise further amid morning slippage in Kospi and Nikkei, notwithstanding higher Wall Street overnight. The STI could see support and resistance at 2780 and 2820 respectively. SGS bond yields may tread higher, taking the lead from UST bonds as Brexit fears continued to subside for now.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with short-end rates trading 3bps lower while the belly-to-long-end traded 1-4bps higher. Flows were decent in the SGD corporate space with better buying in tier 2 paper namely STANLN 4.40% '26 and MFCCN 3.85% '26 while SOCGEN 4.3%'26, UOBSP 4% AT1s and GEMAU 5.50% '19s saw 2-way activity. GENSSP 5.125% perp-c17 in contrast, saw some selling. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 230bps while the yield on JACI HY corporates decreased by 3bps to 7%. 10y UST yield increased overnight by 8bps to 1.69% as risk appetite was boosted by latest poll results that signalled the campaign to keep the UK within the European Union was gaining momentum.
- **New Issues:** Wuxi Construction and Development Investment Co. Ltd priced a USD300mn 3-year bond at CT3+240bps, tightening from its initial guidance of CT3+260bps. The expected ratings are "BBB/NR/BBB+". Jiangsu Hanrui Investment Holdings Co. is holding investor meeting in Hong Kong and Singapore today and tomorrow for a potential "BB+" USD issue. NTPC Ltd has mandated 5 banks for a potential benchmark sized green masala bond deal, the first of such bonds after the green light from the regulator last year.
- **Rating Changes:** Moody's downgraded its long term, senior debt and MTN program credit rating on Mitsubishi Corporation to "A2" from "A1". The rating action concludes the review for downgraded initiated on 25 March, 2016. The downgrade reflects Moody's heightened concerns over Mitsubishi's ability to generate adequate and sustainable earnings and cash flows, as well as its ability to mitigate deterioration in earnings from its resource-related businesses through its non-resource-related businesses. The outlook is negative, reflecting Moody's concern over the company's capacity to meaningfully reduce leverage, given its expectation for moderate earnings generation; and uncertainty over any significant recovery in commodity and energy prices now and in the near future. Additionally, its subsidiaries; MC Finance & Consulting Asia Pte. Ltd and MC Finance Australia Pty. Ltd.'s MTN program credit rating was also downgraded to "A2" from "A1". S&P affirmed its credit rating of "BBB+" on Chongqing Nan'an District City Construction Development Group Co. Ltd. The outlook is stable.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.611 | -0.63% | USD-SGD | 1.3431 | -0.47% |
| USD-JPY | 103.940 | -0.21% | EUR-SGD | 1.5196 | -0.12% |
| EUR-USD | 1.1132 | 0.00% | JPY-SGD | 1.2922 | -0.26% |
| AUD-USD | 0.7457 | 0.95% | GBP-SGD | 1.9738 | 1.92% |
| GBP-USD | 1.4698 | 2.37% | AUD-SGD | 1.0015 | 0.29% |
| USD-MYR | 4.0625 | -0.93% | NZD-SGD | 0.9560 | 0.43% |
| USD-CNY | 6.5820 | -0.08% | CHF-SGD | 1.3961 | -0.73% |
| USD-IDR | 13252 | -0.65% | SGD-MYR | 3.0269 | -0.34% |
| USD-VND | 22300 | 0.00% | SGD-CNY | 4.9001 | 0.48% |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 17,804.87 | 129.70 |
| S&P | 2,083.25 | 12.00 |
| Nasdaq | 4,837.21 | 36.90 |
| Nikkei 225 | 15,965.30 | 365.60 |
| STI | 2,800.87 | 37.40 |
| KLCI | 1,634.23 | 10.10 |
| JCI | 4,863.53 | 28.40 |
| Baltic Dry | 582.00 | -5.00 |
| VIX | 18.37 | -1.00 |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3560 | -- | O/N | 0.3865 | -- |
| 2M | -0.3050 | -- | 1M | 0.4478 | -- |
| 3M | -0.2650 | -- | 2M | 0.5358 | -- |
| 6M | -0.1590 | -- | 3M | 0.6444 | -- |
| 9M | -0.0930 | -- | 6M | 0.9247 | -- |
| 12M | -0.0260 | -- | 12M | 1.2408 | -- |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.05 (+0.03) | 0.75 (+0.05) |
| 5Y | 1.63 (+0.06) | 1.18 (+0.07) |
| 10Y | 2.14 (+0.05) | 1.69 (+0.08) |
| 15Y | 2.42 (+0.04) | -- |
| 20Y | 2.49 (+0.04) | -- |
| 30Y | 2.58 (+0.04) | 2.50 (+0.08) |

Eurozone & Russia Update

| | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|-----------------|-----------------------|------------------------|-------------------|
| Portugal | 0.74 | -12.10 | 3.16 |
| Italy | -0.00 | -5.50 | 1.43 |
| Ireland | -0.26 | 9.10 | 0.81 |
| Greece* | 8.08 | -152.90 | 7.80 |
| Spain | -0.02 | -3.30 | 1.48 |
| Russia^ | 2.57 | -15.20 | 4.75 |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 26.20 | -0.11 |
| EURIBOR-OIS | 8.30 | -0.40 |
| TED | 39.73 | 0.72 |

* 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) | 49.37 | 2.90% | Coffee (per lb) | 1.395 | -0.89% |
| Brent (per barrel) | 50.65 | 3.01% | Cotton (per lb) | 0.6439 | -0.28% |
| Heating Oil (per gallon) | 1.527 | 3.08% | Sugar (per lb) | 0.1969 | -0.35% |
| Gasoline (per gallon) | 1.58 | 5.14% | Orange Juice (per lb) | 1.6690 | -0.09% |
| Natural Gas (per MMBtu) | 2.747 | 4.73% | Cocoa (per mt) | 3,170 | 2.06% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 4,644.0 | 2.02% | Wheat (per bushel) | 4.7300 | -1.71% |
| Nickel (per mt) | 9,255 | 2.42% | Soybean (per bushel) | 11.435 | -1.38% |
| Aluminium (per mt) | 1,626.4 | 1.14% | Corn (per bushel) | 4.2125 | -3.77% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,290.0 | -0.19% | Crude Palm Oil (MYR/MT) | 2,443.0 | -1.69% |
| Silver (per oz) | 17.514 | 0.59% | Rubber (JPY/KG) | 158.5 | 3.26% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

| Date Time | Event | Survey | Actual | Prior | Revised |
|-------------------------|--|------------|---------------|---------------|----------------|
| 06/20/2016 05:00 | SK PPI YoY | May | -- | -3.10% | -3.00% |
| 06/20/2016 07:01 | UK Rightmove House Prices MoM | Jun | -- | 0.80% | 0.40% |
| 06/20/2016 07:01 | UK Rightmove House Prices YoY | Jun | -- | 5.50% | 7.80% |
| 06/20/2016 07:50 | JN Trade Balance | May | ¥70.0b | -¥40.7b | ¥823.5b |
| 06/20/2016 07:50 | JN Trade Balance Adjusted | May | ¥113.4b | ¥269.8b | ¥426.6b |
| 06/20/2016 13:30 | JN Nationwide Dept Sales YoY | May | -- | -5.10% | -3.80% |
| 06/20/2016 14:00 | GE PPI MoM | May | 0.30% | 0.40% | 0.10% |
| 06/20/2016 14:00 | GE PPI YoY | May | -2.90% | -2.70% | -3.10% |
| 06/20/2016 14:22 | PH BoP Overall | May | -- | \$241m | \$184m |
| 06/20/2016 16:00 | TA Export Orders YoY | May | -7.00% | -5.80% | -11.10% |
| 06/20/2016 20:30 | CA Wholesale Trade Sales MoM | Apr | 0.50% | 0.10% | -1.00% |
| 06/21/2016 12:30 | JN All Industry Act Index MoM | Apr | 1.20% | -- | 0.10% |
| 06/21/2016 16:30 | UK Public Finances (PSNCR) | May | -- | -- | -2.4b |
| 06/21/2016 16:30 | UK Public Sector Net Borrowing | May | 9.4b | -- | 6.6b |
| 06/21/2016 16:30 | UK PSNB ex Banking Groups | May | 9.5b | -- | 7.2b |
| 06/21/2016 16:30 | HK CPI Composite YoY | May | 2.60% | -- | 2.70% |
| 06/21/2016 17:00 | GE ZEW Survey Current Situation | Jun | 53 | -- | 53.1 |
| 06/21/2016 17:00 | GE ZEW Survey Expectations | Jun | 4.8 | -- | 6.4 |
| 06/21/2016 17:00 | EC ZEW Survey Expectations | Jun | -- | -- | 16.8 |
| 06/21/2016 18:00 | MA Foreign Reserves | Jun-15 | -- | -- | \$97.3b |
| 06/21/2016 | MU CPI Composite YoY | May | -- | -- | 3.02% |

Source: Bloomberg

| OCBC Treasury Research | | |
|--|--|---|
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