

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	<p>FOMC was unchanged for the 6th straight meeting as we expected but 3 dissenters (George, Mester & Rosengren who preferred a hike to 0.75%). Rosengren is the surprise dove turned hawk. Yellen acknowledged that “we struggled mightily with trying to understand one another’s point of view”. Odds for a December hike has risen as FOMC statement cautioned that “the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress towards its objectives”. Yellen also noted that “most participants do expect that one increase...will be appropriate this year”. The futures pricing for 14 Dec has risen to 61.2% probability. Dots graph reduced to a shallower trajectory as anticipated to 0.625% (previously 0.875%) for end-16, 1.125% (end-17), 1.875% (end-18), and 2.625% (end-2019). Looking ahead, economic data prints and US presidential elections results will gain further prominence. During press conference, Yellen was clear to say the pause decision “does not reflect a lack of confidence in the economy” and opined that “we all agree we are undershooting our inflation goal” and it is a “good thing” there is no “group-think”.</p> <p>Elsewhere, RBNZ was static at 2% as expected. Notes monetary policy will continue to be accommodative. Keeps caveat that “our current projections and assumptions indicate that further policy easing will be required to ensure that future inflation settles near the middle of the target range”.</p> <p>The economic data releases due today include US’ existing home sales, FHFA house price index, initial jobless claims, Chicago Fed national activity index, leading index and Kansas city Fed manufacturing activity, Eurozone’s consumer confidence, HK CPI, HK CPI, and Taiwan’s export orders. BSP and BI are also meeting with potential holds at 3% and 5.25% respectively.</p>
SG	<p>MAS will issue \$2.2b of 5-year SGS bonds of which it will take \$200m to give an effective size of \$2b which is smaller than expected and this could give shorter-dated SGS bonds some support until the auction on 28 September. This is the last scheduled SGS bond auction for 2016, and there are no maturities. Meanwhile, COE premiums eased for categories A, B and E.</p>
ID	<p>Bank Indonesia is due to announce its monetary policy decision today. Median of market consensus has the central bank cutting its 7-day reverse repo policy rate from 5.25% to 5.0% today, but we think that there is a good chance that BI may stay on hold for now, as it further assesses the progress of the tax amnesty program.</p>
Commodities	<p>In a rather unsurprising manner, gold rallied the most in more than two weeks, gaining above \$1,330/oz this morning. The gains were mainly driven from the two key central bank meetings yesterday, firstly from BOJ’s new “QQE with Yield Curve Control” and subsequently from the US Federal Reserve’s widely-expected decision to keep interest rates unchanged. More importantly perhaps, is (1) the generally positive, yet cautious, tone in the statement, (2) the unusual 7-3 FOMC interest rate vote result and (3) median dot-plot chart which still suggest a hike at end-year.</p>

Major Markets

- **US:** Equities rose alongside Treasuries as the Fed kept interest rates on hold. Fed also signalled that a 2016 hike remains in play, while setting a lower projection over the longer term. Market activity picked up as the Fed overhang is now off the table, with volumes 12% higher than the 3-month average. Utilities, which were sold-off recently, led gains together with energy stocks. The S&P 500, Dow and Nasdaq rose 1.09%, 0.90% and 1.03% respectively. VIX retreated sharply, closing down 16.4% at 13.3. Short-term Treasuries underperformed their longer-maturity counterparts, with 2-year yields holding at 0.77% but the 10-year yields falling to 1.65%.
- **Singapore:** STI slipped 0.14% to close at 2850.74 yesterday, but could be heartened by Wall Street's overnight gains and the morning rally in Kospi today following the Fed which largely followed the market's script. The STI could trade in a 2840-2880 range today. The SGS bonds may remain supported today amid the relief rally seen in longer-dated UST bonds post-FOMC.
- **Macau:** Inflation slowed to the weakest since Jan 2010, marking 1.65% in Aug. Deceleration of price growth was broad-based. Food & non-alcoholic beverages price grew at a more moderate pace by 2.09%. Besides, housing & fuels prices deflated for the first time since Apr 2010 by -0.43% as loose supply remains to constrain rentals growth. Also, an increasing number (nearly 50%) of non-local workers residing outside the city drags on the rentals. Moreover, the prices of clothing & footwear was down (-2.63% yoy) for the 13th consecutive month amid subdued tourist and local consumption as well as seasonal sales. Also, the inflationary risks from an uplift of tobacco tax effective since last July continued to wane. All in all, the composite CPI is expected to slow further in the coming months and print around 2.5% over 2016 as a whole.
- **Commodities:** On crude oil, the unexpected fall in US stockpiles by 6.2 million barrels rallied prices significantly, and thus narrowing the WTI-Brent discount to its low since July. Statistically, some 14.5 million barrels were reportedly drawn for the week ended 2 Sept, given a storm which slowed the arrival of imports in the gulf coast.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded lower on the shorter end (<5Y) while range-bound on the longer end yesterday ahead of FOMC as investors speculated that the Federal Reserve would likely leave interest rates unchanged. Swap rates on the shorter end (<5Y) traded 2-4bps lower while the middle-to-long-end rates traded within +/-1bps with the exception of 30Y swap rate that traded 2bps lower. Flows in the SGD corporates were heavy with mixed interests seen in GENSSP 5.13%'49s, ABNANV 4.7%'22s and FIRTSP 5.68%'49s. In the broader dollar space, the spread on JACI IG corporates and yield on JACI HY corporates remained relatively unchanged at 202bps and 6.50% respectively. 10y UST decreased 4bps to 1.65% following the Federal Reserve's decision to hold rates steady but indicated a higher likelihood of raising interest rates by year-end.
- **New Issues:** China Great Wall Asset Management Corp has mandated banks for USD bond issue.
- **Rating Changes:** S&P placed PT Sri Rejeki Isman Tbk.'s "BB-" corporate credit rating on CreditWatch with negative implications following S&P's assessment on the credit implications for Sritex on the completion of a rayon plant by a related company. S&P has affirmed Investa Office Fund's (IOF) "BBB+" corporate credit and issuer ratings and removed the ratings from CreditWatch with developing implications as S&P viewed that IOF's ownership is no longer under any immediate pressure from corporate activity. S&P downgraded Alumina Ltd.'s corporate credit and issue ratings to "BB" from "BBB-" with a stable outlook. The downgrade was in view of the company's new joint-venture partner Alcoa Upstream Corp.'s credit quality, which is materially weaker than the previous

“BBB-“ rating on Alumina. Moody’s upgraded Genting Singapore’s issuer rating to “A3” from “Baa1” with a stable outlook. The upgrade reflects the company’s excellent liquidity profile, with a history of remaining in a strong net cash position and which has more than doubled since 2014. Fitch has downgraded Changchun Urban Development & Investment Holdings (Group) Co. Ltd.’s (CCDG) issuer default ratings to “BBB” from “BBB+” with a stable outlook following a review of Changchun Municipality. At the same time, Fitch also assigned a “BBB” rating to CCDG’s USD400mn senior unsecured bond due March 2021.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.660	-0.37%	USD-SGD	1.3534	-0.62%
USD-JPY	100.320	-1.36%	EUR-SGD	1.5143	-0.28%
EUR-USD	1.1189	0.34%	JPY-SGD	1.3497	0.81%
AUD-USD	0.7624	0.90%	GBP-SGD	1.7639	-0.28%
GBP-USD	1.3032	0.34%	AUD-SGD	1.0318	0.26%
USD-MYR	4.1418	0.07%	NZD-SGD	0.9954	-0.08%
USD-CNY	6.6688	-0.05%	CHF-SGD	1.3898	-0.06%
USD-IDR	13137	-0.06%	SGD-MYR	3.0362	-0.14%
USD-VND	22323	0.00%	SGD-CNY	4.9092	0.22%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4221	--
2M	-0.3380	--	1M	0.5431	--
3M	-0.3010	--	2M	0.6748	--
6M	-0.2000	--	3M	0.8659	--
9M	-0.1260	--	6M	1.2594	--
12M	-0.0570	--	12M	1.5647	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.49	-1.20	3.41
Italy	-0.09	--	1.28
Ireland	-0.40	-0.40	0.47
Greece	7.65	--	8.50
Spain	-0.19	0.50	1.60
Russia	2.07	2.80	3.91

Equity and Commodity

Index	Value	Net change
DJIA	18,293.70	163.74
S&P	2,163.12	23.36
Nasdaq	5,295.18	53.83
Nikkei 225	16,807.62	315.47
STI	2,850.74	-3.95
KLCI	1,658.73	2.95
JCI	5,342.59	40.10
Baltic Dry	903.00	38.00
VIX	13.30	-2.62

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.84 (--)	0.77 (--)
5Y	1.30 (-0.01)	1.19 (-0.01)
10Y	1.85 (--)	1.65 (-0.04)
15Y	2.16 (--)	--
20Y	2.24 (--)	--
30Y	2.24 (--)	2.37 (-0.06)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.29	-0.28
EURIBOR-OIS	4.60	0.70
TED	57.67	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	45.34	4.37%	Coffee (per lb)	1.566	0.68%
Brent (per barrel)	46.83	2.07%	Cotton (per lb)	0.7181	1.40%
Heating Oil (per gallon)	1.429	1.71%	Sugar (per lb)	0.2220	0.32%
Gasoline (per gallon)	1.40	2.52%	Orange Juice (per lb)	1.9955	-2.37%
Natural Gas (per MMBtu)	3.057	0.33%	Cocoa (per mt)	2,877	0.38%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,763.0	-0.63%	Wheat (per bushel)	4.0775	0.43%
Nickel (per mt)	10,316	0.38%	Soybean (per bushel)	9.755	-1.44%
Aluminium (per mt)	1,575.8	0.53%	Corn (per bushel)	3.4000	-0.15%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,327.2	1.00%	Crude Palm Oil (MYR/MT)	2,873.0	-0.48%
Silver (per oz)	19.686	2.56%	Rubber (JPY/KG)	174.4	0.23%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
09/21/2016 05:00	SK PPI YoY	Aug --	-1.70%	-2.40%	-2.50%
09/21/2016 07:50	JN Trade Balance	Aug ¥191.0b	-¥18.7b	¥513.5b	¥513.6b
09/21/2016 07:50	JN Trade Balance Adjusted	Aug ¥494.0b	¥408.4b	¥317.6b	¥340.2b
09/21/2016 08:30	AU Westpac Leading Index MoM	Aug --	0.00%	0.05%	0.08%
09/21/2016 11:00	NZ Credit Card Spending YoY	Aug --	1.90%	5.60%	--
09/21/2016 12:00	MA CPI YoY	Aug 1.30%	1.50%	1.10%	--
09/21/2016 12:18	JN BOJ Policy Rate	Sep-21 -0.10%	-0.10%	-0.10%	--
09/21/2016 12:25	MU CPI Composite YoY	Aug --	1.65%	2.08%	--
09/21/2016 14:00	JN Machine Tool Orders YoY	Aug F --	-8.40%	-8.40%	--
09/21/2016 14:00	JN Nationwide Dept Sales YoY	Aug --	-6.00%	-0.10%	--
09/21/2016 16:00	SI Automobile COE Open Bid Cat A	Sep-21 --	50000	51506	--
09/21/2016 16:00	SI Automobile COE Open Bid Cat B	Sep-21 --	55501	57002	--
09/21/2016 16:00	SI Automobile COE Open Bid Cat E	Sep-21 --	55201	56889	--
09/21/2016 16:30	UK Public Finances (PSNCR)	Aug --	0.7b	-2.1b	-2.4b
09/21/2016 16:30	UK Central Government NCR	Aug --	4.0b	3.6b	3.4b
09/21/2016 16:30	UK Public Sector Net Borrowing	Aug 10.3b	10.1b	-1.5b	-2.4b
09/21/2016 16:30	UK PSNB ex Banking Groups	Aug 10.2b	10.5b	-1.0b	-1.9b
09/21/2016 19:00	US MBA Mortgage Applications	Sep-16 --	-7.30%	4.20%	--
09/21/2016 20:30	CA Wholesale Trade Sales MoM	Jul 0.30%	0.30%	0.70%	--
09/22/2016 02:00	US FOMC Rate (Upp Bound)	Sep-21 0.50%	0.50%	0.50%	--
09/22/2016 05:00	NZ RBNZ Official Cash Rate	Sep-22 2.00%	2.00%	2.00%	--
09/22/2016 08:30	TA Unemployment Rate	Aug 3.99%	--	3.96%	--
09/22/2016 14:45	FR Manufacturing Confidence	Sep 101	--	101	--
09/22/2016 15:00	MA Foreign Reserves	Sep-15 --	--	\$97.5b	--
09/22/2016 16:00	PH BSP Overnight Borr. Rate	Sep-22 3.00%	--	3.00%	--
09/22/2016 16:00	TA Export Orders YoY	Aug 0.50%	--	-3.40%	--
09/22/2016 16:30	HK CPI Composite YoY	Aug 2.50%	--	2.30%	--
09/22/2016 20:30	US Chicago Fed Nat Activity Index	Aug 0.15	--	0.27	--
09/22/2016 20:30	US Initial Jobless Claims	Sep-17 261k	--	260k	--
09/22/2016 20:30	US Continuing Claims	Sep-10 2140k	--	2143k	--
09/22/2016 21:00	US FHFA House Price Index MoM	Jul 0.30%	--	0.20%	--
09/22/2016 21:45	US Bloomberg Econ Expectations	Sep --	--	44.5	--
09/22/2016 21:45	US Bloomberg Consumer Comfort	Sep-18 --	--	42.2	--
09/22/2016 22:00	EC Consumer Confidence	Sep A -8.2	--	-8.5	--
09/22/2016 22:00	US Existing Home Sales	Aug 5.45m	--	5.39m	--
09/22/2016 22:00	US Existing Home Sales MoM	Aug 1.10%	--	-3.20%	--
09/22/2016 22:00	US Leading Index	Aug 0.00%	--	0.40%	--
09/22/2016	ID BI 7D Reverse Repo	Sep-22 5.00%	--	5.25%	--

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 Terence Wu TerenceWu@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

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