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Highlights

Global	<p>With Fed chair Yellen sounding a tad more upbeat in her speech on “the Federal Reserve’s Monetary Policy Toolkit”, saying that the “case for an increase in the federal funds rate has strengthened in recent months”, and Fischer also sounding more hawkish as well, market players have also recalibrated their rate hike expectations and this led the USD and US Treasury bond yields higher. The futures market pricing for the September and December rate hike prospects have risen to 42% and 65% probabilities respectively. Notwithstanding the more recent hawkish Fed rhetoric slant, 21 September still appears a little rushed unless we get a big upside surprise again at this week’s US labor market report. Other central bankers like BOJ’s Kuroda and ECB’s Coeure contrasted with their dovish tone, with Kuroda pledging “ample space for additional easing” and Coeure suggesting “we may need to dive deeper into our operational framework”. Meanwhile, S.Korea has proposed re-establishing a bilateral swap line with Japan, after it expired last year.</p> <p>The economic data calendar kicks off with a slow pace today with US’ personal spending and income, core PCE deflator and Dallas Fed manufacturing activity, on tap. The data pace will pick up, with the slew of PMIs due 1 September and culminating with Friday’s key US’ August nonfarm payrolls and unemployment report with Bloomberg consensus forecast eyeing +180k and 4.8% (previously +255k and 4.9% in July).</p>
US	<p>2Q16 GDP growth was revised lower from 1.2% to 1.1% as expected, while the University of Michigan sentiment index unexpectedly slumped to a 4-month low of 89.8 in August, as households pared back expectations of improving finances/income gains. Wholesale inventories fell 0.02% in July.</p>
EZ	<p>Corporate loans rose 1.9% yoy in July, an acceleration from the +1.7% gain in June, according to ECB data. The UK economy accelerated to 0.6% qoq (+2.2% yoy) in 2Q16, with household spending expanding by 0.9% (strongest in nearly two years) and business investment up by 0.5% which offset the drag from net trade (-0.3% points off growth). However, this strength could unwind at least partially in 3Q post-Brexit.</p>
SG	<p>Industrial production tanked by 3.6% yoy (-4.0% mom sa) in July, below our and market expectations, albeit the June print was revised up from -0.3% yoy (-2.5% mom sa) to +0.6% yoy (-1.5% mom sa). This marked the second yoy contraction reading this year (the first being February 2016). The electronics output was the silver lining and posted the second consecutive month of double-digit improvement at +16.2% yoy, as the semiconductor industry (+34.0% yoy) outshone the other electronics industries which continued to shrink. The other clusters generally performed weaker across the board. Excluding biomedical, manufacturing output slumped 2.0% yoy (-4.8% mom sa) in July. Manufacturing output fell 2.5% yoy for the first seven months of this year. Given the tepid external demand conditions, we tip 3Q16 domestic manufacturing growth to contract by 1.7% yoy, reversing the short-lived +1.1% yoy growth blip seen in 2Q16.</p>

Major Market

- **US:** Equity markets ended mixed on Friday, with S&P 500 and Dow marking losses of 0.29% and 0.16%, while Nasdaq gaining 0.13%. Bullish comments on the economy by Yellen initially spur the markets. However, gains were overturned when Fischer reiterated the possibility of a September rate hike. 2-yr and 10-yr US Treasury bond yields also jumped more than 5 bps on Fischer's comments. 2-yr and 10-yr benchmark yields now stand at 0.84% and 1.65% respectively. VIX remained largely unchanged on Friday.
- **Singapore:** STI slipped 0.67% to close at 2857.65 on Friday, and may remain on a consolidative given the slightly more hawkish FOMC bias and mixed cues from Nikkei and Kospi. The STI' support and resistance are tipped at 2820 and 2880 respectively. SGS bonds are also vulnerable to hawkish Fed concerns amid the UST bond sell-off post-Yellen.
- **China:** RMB fell against the dollar for the second week with the USDCNY touched the high of 6.68 in both onshore and offshore market ahead of Yellen's speech in Jackson Hole. Nevertheless, RMB index recovered slightly to hover around 94 level. The retreat of JPY following the dovish comments from Kuroda may create fresh pressure on RMB. The fixing is expected to test 6.70 again this week.
- **Indonesia:** Bank Indonesia sees August inflation at 3% yoy, with a slight month-on-month disinflation of 0.04% in the last week of the month. The central bank said that seasonal factors following Eid festivities brought about a fall in consumer prices. Separately, Finance Ministry's director of government securities, Loto Ginting, said that the government plans to offer retail notes around September 29th.
- **Malaysia:** The government is reportedly beefing up screening at 2 entry points at its border with Singapore following report of Malaysian infected with Zika virus in the city state. Similar measures are said to be adopted at airports, as well.
- **Thailand:** The external environment for Thailand still appears relatively lacklustre, especially when one regards the latest custom trade data for the month of July. Empirically, exports contracted 4.4% yoy, (weaker than our call for a mere -0.5%), while imports fell 7.2% yoy (OCBC: -5.7%).
- **Commodities:** Rate hike probability for FOMC's Sept and Dec meeting has gone up considerably after Fed chair Janet Yellen commented that increases in rates were "appropriate" and the case for another in the coming months had "strengthened". In the case of gold, the bullion rallied to as high as \$1,340.5/oz on Friday alone, before falling to close at \$1,321.5/oz. Despite the increased probability for a rate hike (and the eventual happening of it in Dec according to our expectations), we reckon that gold prices will stay supported above US\$1,300/oz given demands for diversification especially for safe haven reasons. Note that the market had continued to raise CFTC net-long positions in gold in the latest print. Elsewhere, US total rig count snapped its 8-consecutive week of gains in the week ending 26 Aug 2016, though the fall was seen solely from gas rig counts. In the CFTC space, crude oil bags the highest gain in net-long speculative positions suggesting that market-watchers continue to expect crude oil to stay support ahead of the OPEC informal meeting.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards last Friday with swap rates traded 1-5bps higher across all tenors with the exception of the overnight swap rate that traded 22bps higher. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and better selling seen in SCISP 4.75%'49s. Meanwhile mixed interests were seen in GEMAU 5.5%'19s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to

199bps while the yield on JACI HY corporates increased 2bps to 6.39%. 10y UST yield increased 5bps to 1.62% following slightly hawkish comments from Yellen that mentioned the case for the next rate hike has “strengthened” but offered no specific clues on the timing for the next move.

- **New Issues:** Cikarang Listrindo has scheduled investor road shows from 29 August onwards for potential USD bond issuance with expected issue ratings of “BB/Ba2/NR”. Dongxing Securities Hong Kong held a discussion with banks last Friday for a potential USD bond issuance. NongHyup Bank has also mandated several banks to arrange investor meetings in Asia, Europe and U.S during 29 August to 1 September.
- **Rating Changes:** S&P revised its outlook on Swire Pacific Ltd. to negative from stable and affirmed its corporate rating at “A-“. The outlook revision reflects S&P’s view that the company’s financial leverage is likely to remain elevated over the next 12-18 months and that the weak economic conditions in Greater China and volatile oil prices will continue to affect the group’s earnings and profitability. At the same time, S&P also revised its outlook on Swire Properties Ltd. to negative from stable and affirmed its corporate credit rating at “A-“. The revision is linked to the action on the company’s parent to reflect S&P’s view that the company’s creditworthiness is capped by the group credit profile of Swire Pacific Ltd. Moody’s has revised its outlook on China Vanke Co. Ltd.’s “Baa1” issuer rating to negative from stable. The negative outlook reflects the consideration that China Vanke’s management dispute with its largest shareholder could increase the risk of changes to the company’s existing management team, business strategy and financial policy. Additionally, it also reflects the fact that as long as the dispute remains unresolved, the company faces increased operating challenges and certain increased requirements by its banks, even without any change in management. Moody’s has placed COFCO (Hong Kong) Ltd.’s “A3” issuer rating on review for downgrade amidst concern that COFCO HK’s acquisition of the remaining stake in Nidera could increase its debt leverage and its exposure to Nidera’s weak commodity trading businesses which will in turn weaken the company’s standalone credit strength. Moody’s has downgraded the corporate family rating of Pactera Technology International Ltd. to “B2” from “B1” with its rating continuing on review for further downgrade. The rating action reflects that the on-going operating challenges will continue to pressure the company’s operating margin below the levels expected for the “B1” rating category. Fitch downgraded China-based drilling rig manufacturer Honghua Group Ltd.’s issuer default rating to “CCC” from “B-“. The downgrade reflects substantial weakness in operations and financials in a sharp industry downturn. No outlook was assigned to the rating.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.566	0.84%	USD-SGD	1.3592	0.42%
USD-JPY	101.840	1.30%	EUR-SGD	1.5218	-0.35%
EUR-USD	1.1198	-0.77%	JPY-SGD	1.3346	-0.86%
AUD-USD	0.7564	-0.71%	GBP-SGD	1.7851	-0.02%
GBP-USD	1.3137	-0.42%	AUD-SGD	1.0281	-0.27%
USD-MYR	4.0168	-0.07%	NZD-SGD	0.9841	-0.42%
USD-CNY	6.6695	0.15%	CHF-SGD	1.3895	-0.65%
USD-IDR	13212	-0.23%	SGD-MYR	2.9688	-0.17%
USD-VND	22306	0.02%	SGD-CNY	4.9338	0.30%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	-0.0010	O/N	0.4183	-0.0016
2M	-0.3360	0.0020	1M	0.5244	0.0006
3M	-0.2980	--	2M	0.6537	0.0024
6M	-0.1910	0.0010	3M	0.8334	0.0041
9M	-0.1210	-0.0020	6M	1.2315	0.0072
12M	-0.0500	-0.0010	12M	1.5366	0.0105

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.49	0.80	3.04
Italy	-0.10	-0.10	1.13
Ireland	-0.38	0.70	0.42
Greece	7.65	--	8.04
Spain	-0.21	-0.40	0.94
Russia	2.10	6.40	3.94

Equity and Commodity

Index	Value	Net change
DJIA	18,395.40	-53.01
S&P	2,169.04	-3.43
Nasdaq	5,218.92	6.71
Nikkei 225	16,360.71	-195.24
STI	2,857.65	-19.28
KLCI	1,683.09	2.79
JCI	5,438.83	-15.28
Baltic Dry	720.00	2.00
VIX	13.65	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.80 (--)	0.84 (+0.05)
5Y	1.31 (--)	1.24 (+0.08)
10Y	1.77 (+0.01)	1.63 (+0.06)
15Y	2.05 (--)	--
20Y	2.13 (--)	--
30Y	2.20 (--)	2.29 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.03	-0.69
EURIBOR-OIS	4.65	-0.95
TED	51.89	0.92

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.64	0.65%	Coffee (per lb)	1.439	0.28%
Brent (per barrel)	49.92	0.50%	Cotton (per lb)	0.6771	-0.06%
Heating Oil (per gallon)	1.497	-0.81%	Sugar (per lb)	0.2061	0.29%
Gasoline (per gallon)	1.51	0.09%	Orange Juice (per lb)	1.8650	0.35%
Natural Gas (per MMBtu)	2.871	0.88%	Cocoa (per mt)	3,012	-0.43%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,615.0	-0.24%	Wheat (per bushel)	3.8350	-4.42%
Nickel (per mt)	9,772	-0.36%	Soybean (per bushel)	9.908	-0.75%
Aluminium (per mt)	1,632.5	-0.17%	Corn (per bushel)	3.1625	-2.24%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,321.5	0.11%	Crude Palm Oil (MYR/MT)	2,800.0	-0.14%
Silver (per oz)	18.651	0.88%	Rubber (JPY/KG)	154.1	-4.46%

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

CFTC Commodities Futures and Options

For the week ended: 23 Aug 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	384,230	327,808	56,422	Cotton	86,609	90,121	-3,512
Soybean	158,110	132,810	25,300	Silver	86,768	88,800	-2,032
Natural Gas	-118,990	-136,566	17,576	Live Cattle	49,397	51,208	-1,811
Sugar	338,090	323,770	14,320	Palladium	14,863	16,082	-1,219
Cocoa	47,145	33,927	13,218	Copper	-5,718	-4,737	-981
Gold	322,699	312,438	10,261	Platinum	54,983	55,085	-102
Corn	-30,690	-40,853	10,163	Lean Hogs	44,720	42,405	2,315
RBOB Gasoline	56,931	48,036	8,895	Wheat	-87,458	-90,004	2,546
Heating Oil	24,975	18,348	6,627	Coffee	37,608	31,398	6,210

Source: CFTC

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
08/26/2016 07:30	JN	Natl CPI YoY	Jul	-0.40%	-0.40%	-0.40%	--
08/26/2016 07:30	JN	Natl CPI Ex Fresh Food YoY	Jul	-0.40%	-0.50%	-0.40%	--
08/26/2016 07:30	JN	Natl CPI Ex Food, Energy YoY	Jul	0.40%	0.30%	0.50%	--
08/26/2016 07:30	JN	Tokyo CPI YoY	Aug	-0.40%	-0.50%	-0.40%	--
08/26/2016 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Aug	-0.40%	-0.40%	-0.30%	-0.40%
08/26/2016 07:30	JN	Tokyo CPI Ex Food, Energy YoY	Aug	0.30%	0.10%	0.40%	0.20%
08/26/2016 11:30	TH	Customs Exports YoY	Jul	-2.20%	-4.40%	-0.10%	-0.07%
08/26/2016 11:30	TH	Customs Imports YoY	Jul	-5.74%	-7.20%	-10.10%	-10.11%
08/26/2016 11:30	TH	Customs Trade Balance	Jul	\$1332m	\$1213m	\$1965m	--
08/26/2016 13:00	SI	Industrial Production YoY	Jul	0.80%	-3.60%	-0.30%	0.60%
08/26/2016 13:00	SI	Industrial Production SA MoM	Jul	0.30%	-4.00%	-2.50%	-1.50%
08/26/2016 14:00	GE	GfK Consumer Confidence	Sep	10	10.2	10	--
08/26/2016 14:45	FR	Consumer Confidence	Aug	96	97	96	--
08/26/2016 14:45	FR	GDP YoY	2Q P	1.40%	1.40%	1.40%	--
08/26/2016 14:45	FR	GDP QoQ	2Q P	0.00%	0.00%	0.00%	--
08/26/2016 15:30	TH	Foreign Reserves	Aug-19	--	\$183.4b	\$181.8b	--
08/26/2016 16:00	EC	M3 Money Supply YoY	Jul	5.00%	4.80%	5.00%	--
08/26/2016 16:30	UK	GDP QoQ	2Q P	0.60%	0.60%	0.60%	--
08/26/2016 16:30	UK	GDP YoY	2Q P	2.20%	2.20%	2.20%	--
08/26/2016 17:51	MU	Unemployment Rate	Jul	--	1.90%	1.90%	--
08/26/2016 18:10	VN	Exports YTD YoY	Aug	5.30%	5.50%	5.30%	--
08/26/2016 20:30	US	Wholesale Inventories MoM	Jul P	0.10%	0.00%	0.30%	0.20%
08/26/2016 20:30	US	GDP Annualized QoQ	2Q S	1.10%	1.10%	1.20%	--
08/26/2016 20:30	US	Personal Consumption	2Q S	4.20%	4.40%	4.20%	--
08/26/2016 20:30	US	GDP Price Index	2Q S	2.20%	2.30%	2.20%	--
08/26/2016 20:30	US	Core PCE QoQ	2Q S	1.70%	1.80%	1.70%	--
08/26/2016 22:00	US	U. of Mich. Sentiment	Aug F	90.8	89.8	90.4	--
08/29/2016 09:00	AU	HIA New Home Sales MoM	Jul	--	--	8.20%	--
08/29/2016 16:00	IT	Consumer Confidence Index	Aug	110.3	--	111.3	111.9
08/29/2016 16:00	IT	Manufacturing Confidence	Aug	102.5	--	103.1	--
08/29/2016 16:00	IT	Economic Sentiment	Aug	--	--	103.3	--
08/29/2016 16:30	HK	Retail Sales Value YoY	Jul	-6.50%	--	-8.90%	--
08/29/2016 16:30	HK	Retail Sales Volume YoY	Jul	-7.30%	--	-9.60%	--
08/29/2016 20:30	US	Personal Income	Jul	0.40%	--	0.20%	--
08/29/2016 20:30	US	Personal Spending	Jul	0.30%	--	0.40%	--
08/29/2016 20:30	US	PCE Core MoM	Jul	0.10%	--	0.10%	--
08/29/2016 22:30	US	Dallas Fed Manf. Activity	Aug	-3.9	--	-1.3	--

Source: Bloomberg

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