DAILY TREASURY OUTLOOK

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Highlights

Global	Wall Street recovered modestly while US Treasury and European government bonds stabilised overnight after the recent fierce sell-off as investors await Fed chair Yellen's monetary policy testimony tomorrow and Thursday, as well as US corporate earnings from PepsiCo, JPMorgan, Citigroup and Wells Fargo on tap this week. Prior to Yellen's testimony, Fed's Williams and Brainard, as well as ECB's Coeure and BOE's Haldane and Broadbent are also speaking. Asian bourses may range trade today while awaiting further cues from central banks. Today's economic data release calendar is relatively lightweight, with only US' NFIB small business optimism, JOLTS job openings and wholesale inventories, Australia's home loans data and Philippines' May trade data available.
US	Consumer credit rose strongly from a revised US$12.9b in April to US$18.4b in May. Meanwhile, the White House said that president Trump plans to nominate Randal Quarles as the Fed's Vice Chair of Supervision.
EZ	The Sentix investor confidence index eased marginally from a high of 28.4 in June to 28.3 in July, as the expectations gauge softened slightly from 21 to 19.8. Meanwhile, ECB's Coeure said.
CA	Ahead of the highly anticipated BOC policy meeting later this week amid heightened market speculation of a 25bp rate hike, Finance Minister Morneau has opined that the Canadian economy is "firing on all cylinders" and the housing sector remains "a risk for Canadian consumers that we know we need to manage".
JP	Core machine orders disappointed by falling 3.6% mom (+0.6% yoy) in May, but the Ecowatchers survey pointed to stronger current and outlook gauges at 50.0 and 50.5 respectively for June, up from 48.6 and 49.6 previously.
ID	Indonesia Stock Exchange was hit by a technical difficulty which caused a trading halt yesterday morning. According to CEO Tito Sulistio, the problem was not caused by virus or cyber-attack, but is still pending investigations.
China	China's inflation remains low in June, up by 1.5% yoy, as a result of falling food prices. The latest flood in push the food prices up, however, the impact on headline CPI is likely to be limited. We expect CPI to stay below 2% for this year. This will help alleviate concerns about further tightening in monetary policy.
Commodities	Crude oil held gains above its $44/bbl handle as market-watchers pencil another fall in US oil inventories for the week ended 7th July 2017. Note that Russia, despite previously indicating that they are unlikely to participate in further production cuts, commented that OPEC-led output cuts are 'working', further adding that there will be a discussion amongst countries' energy ministers in St. Petersburg in about 2 weeks. Elsewhere, gold was relatively flat after collapsing in the previous trading session given strong US NFP numbers, suggesting little impetus to stay risk-averse at this juncture.

Major Markets

- **US:** The S&P 500 and Dow ended Monday little changed, while a tech sector rally pushed the Nasdaq Composite higher by 0.38%. Equities saw relatively quiet trading ahead of Yellen's upcoming testimony and the start of the earnings season. Political headlines may re-emerge this week as Congress re-convened after their summer break, and Donald Trump Jr., son of President Trump, being revealed to have met Russian representatives during the election period. VIX lower at 11.11. Meanwhile, US Treasury yields were softer. 2y and 10y benchmark yields stood at 1.38% and 2.37% at NY close.

- **Singapore:** The STI added 0.54% to close at 3246.35 yesterday and overnight gains in Wall Street and morning gains in Nikkei and Kospi amid the firmer investor sentiments may lend itself to buoy the STI higher today. STI's support and resistance are tipped at 3240 and 3260 respectively. The SGS bonds traded mixed yesterday, but the improved tone in the UST bond market overnight may lend itself to some stabilisation in the SGS bond market today as well. The 3-month SIBOR-SOR spread was 5bps as SOR was fixed at 1.01% yesterday.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and better selling seen in HRAM 3.2%'21s. In the broader dollar space, the spread on JACI IG Corporates changed little at 186bps, while the yield on JACI HY Corporates fell 1bps to 6.87%. 10y UST yields fell 1bps to 2.37%, as treasuries lacked direction in a relatively uneventful day.

- **New Issues:** MCC Holding (Hong Kong) Corporation Ltd has priced a re-tap of its 2.95%'20s (guaranteed by Metallurgical Corporation of China Ltd) at CT3+155bps, tightening from initial guidance of CT3+175bps. The expected issue ratings are 'NR/Baa2/NR'. NongHyup Bank has priced a USD500mn 5-year bond at CT5+105bps. The expected issue ratings are 'NR/A1'NR'. Nissan Motor Acceptance Corp has priced a four-tranche deal; with the USD650mn 3-year fixed rate bond priced at CT3+60bps, tightening from initial guidance of CT3+75bps; the USD350mn floating rate bond priced at 3mL+39bps; the USD450mn 5-year fixed rate bond priced at CT5+72bps, tightening from initial guidance of CT5+85bps; and the USD300mn 5-year floating rate bond priced at 3mL+65bps. Orix Corporation has priced a two-tranche deal, with the USD 500mn 5-year bond priced at CT5+100bps, tightening from initial guidance of CT5+120-125bps area; and the USD500mn 10-year bond priced at CT10+135bps, tightening from initial guidance of CT10+145-150bps area. The expected issue ratings are 'A-/NR/A-'. Castle Peak Power Finance Company Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Castle Peak Power Company Ltd) from 11 July. The expected issue ratings are 'AA-/A1/NR'. Greenko Investment Co has scheduled investor meetings for potential USD Green Bond issuance from 11 Jul. The expected issue ratings are 'NR/Ba2/BB-'. Mitsui Fudosan Co Ltd has scheduled investor meetings for potential USD bond issuance from 11 Jul. The expected issue ratings are 'A/A2/NR'. Takeda Pharmaceutical Company Ltd has scheduled investor meetings for potential USD bond issuance from 10 Jul. The expected issue ratings are 'A-/A1/NR'. ENN Energy Holdings Ltd has scheduled investor meetings for potential USD bond issuance from 11 Jul. The expected issue ratings are 'BBB/Baa2/BBB'. Greentown China Holdings Ltd has scheduled investor meetings for potential USD perps issuance from 10 Jul.

- **Rating Changes:** S&P has downgraded The Bank of East Asia Ltd (BEA) and its subsidiary, The Bank of East Asia (China) Limited's (BEA China) counterparty credit rating to 'A-' from 'A' with a stable outlook; and their senior unsecured rating to 'A-' from 'A'. S&P has removed all ratings from CreditWatch, where they were placed with negative implications. The rating action reflects a reduced level of potential extraordinary support from the Hong Kong government in times of distress, with the Financial Institutions (Resolution) Ordinance (FIRO) becoming effective on 7 Jul. Despite recognizing that the BEA group is of moderate systemic importance in Hong Kong, S&P now considers the Hong Kong government to be supportive rather than highly supportive in terms of its tendency to provide extraordinary support to private-sector commercial banks in event of distress. Moody's has assigned Alinta Energy Limited (Alinta) a corporate family rating of 'Ba1' with a stable outlook. The rating action reflects reflects the absence of a track record under the new owner, Chow Tai Fook Enterprises Ltd (CTFE), as well as the possibility of future material acquisitions, which could increase financial leverage and/or the company's business risk. Moody's has assigned Castle Peak Power Finance Company Limited's (CAPCO) proposed backed senior unsecured medium term notes (guaranteed by Castle Peak Finance Company Limited (CAPCO)) an 'A1' rating with a stable outlook. The rating action reflects CAPCO's predictable cash flow and low-risk business profile, which is underpinned by its robust power purchase agreement and the stable regulatory environment in Hong Kong. Moody's has assigned RWH Finance Pty Ltd's (RWH) bonds a 'Baa2' senior secured rating. The rating action reflects Moody's expectation of a material strengthening in RWH's financial flexibility after refinancing. Fitch has assigned Guangdong Hengjian Investment Holding Co Ltd's (GHIH) senior unsecured notes a rating of 'A+'. The rating action reflects GHIH's 100% state ownership, strong provincial financial oversight and its strategic importance to the province, which results in a high likelihood of extraordinary support if needed.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.022	0.01%	**USD-SGD**	1.3848	0.19%
USD-JPY	114.040	0.11%	**EUR-SGD**	1.5786	0.17%
EUR-USD	1.1399	-0.02%	**JPY-SGD**	1.2144	0.07%
AUD-USD	0.7606	0.07%	**GBP-SGD**	1.7838	0.14%
GBP-USD	1.2881	-0.07%	**AUD-SGD**	1.0534	0.45%
USD-MYR	4.2965	-0.10%	**NZD-SGD**	1.0076	0.21%
USD-CNY	6.8036	-0.03%	**CHF-SGD**	1.4340	0.03%
USD-IDR	13398	-0.01%	**SGD-MYR**	3.1055	-0.10%
USD-VND	22750	-0.01%	**SGD-CNY**	4.9128	-0.18%

Equity and Commodity

Index	Value	Net change
DJIA	21,408.52	-5.82
S&P	2,427.43	2.25
Nasdaq	6,176.39	23.31
Nikkei 225	20,080.98	151.89
STI	3,246.35	17.34
KLCI	1,757.13	-2.80
JCI	5,771.51	-43.29
Baltic Dry	822.00	--
VIX	11.11	-0.08

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	**O/N**	1.1739	--
2M	-0.3420	--	**1M**	1.2263	--
3M	-0.3310	--	**2M**	1.2550	--
6M	-0.2720	--	**3M**	1.3052	--
9M	-0.2040	--	**6M**	1.4654	--
12M	-0.1610	--	**12M**	1.7576	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.30 (--)	1.38 (-0.02)
5Y	1.59 (-0.02)	1.93 (-0.01)
10Y	2.22 (-0.01)	2.37 (-0.01)
15Y	2.43 (--)	--
20Y	2.47 (--)	--
30Y	2.53 (--)	2.93 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
07/26/2017	0.0%	0.1%	99.9%	0.0%	0.0%
09/20/2017	16.1%	0.1%	83.8%	16.1%	0.0%
11/01/2017	16.8%	0.1%	83.2%	16.6%	0.1%
12/13/2017	51.9%	0.0%	48.1%	44.7%	7.1%
01/31/2018	52.3%	0.0%	47.7%	44.7%	7.4%
03/21/2018	72.1%	0.0%	27.8%	46.0%	23.0%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.79	0.54
EURIBOR-OIS	2.75	-0.06
TED	27.76	--

Commodities Futures

Energy	**Futures**	**% chg**
WTI (per barrel)	44.40	0.38%
Brent (per barrel)	46.88	0.36%
Heating Oil (per gallon)	1.4536	0.37%
Gasoline (per gallon)	1.5007	0.15%
Natural Gas (per MMBtu)	2.9290	2.27%

Base Metals	**Futures**	**% chg**
Copper (per mt)	5,836.7	0.02%
Nickel (per mt)	8,957.5	0.88%
Aluminium (per mt)	1,886.0	-1.82%

Precious Metals	**Futures**	**% chg**
Gold (per oz)	1,213.2	0.29%
Silver (per oz)	15.629	1.32%

Asian Commodities	**Futures**	**% chg**
Crude Palm Oil (MYR/MT)	2,593.0	1.53%
Rubber (JPY/KG)	196.5	-0.30%

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

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
07/10/2017 07:50	**JN**	**Machine Orders MoM**	**May**	**1.70%**	**-3.60%**	**-3.10%**	**--**
07/10/2017 07:50	JN	Machine Orders YoY	May	7.60%	0.60%	2.70%	--
07/10/2017 07:50	**JN**	**BoP Current Account Balance**	**May**	**¥1792.8b**	**¥1653.9b**	**¥1951.9b**	**--**
07/10/2017 07:50	JN	BoP Current Account Adjusted	May	¥1629.5b	¥1400.9b	¥1807.4b	--
07/10/2017 07:50	JN	Trade Balance BoP Basis	May	-¥45.0b	-¥115.1b	¥553.6b	--
07/10/2017 07:50	JN	Bank Lending Incl Trusts YoY	Jun	3.20%	3.30%	3.20%	--
07/10/2017 07:50	JN	Bank Lending Ex-Trusts YoY	Jun	3.30%	3.30%	3.30%	--
07/10/2017 09:30	**CH**	**CPI YoY**	**Jun**	**1.60%**	**1.50%**	**1.50%**	**--**
07/10/2017 09:30	**CH**	**PPI YoY**	**Jun**	**5.50%**	**5.50%**	**5.50%**	**--**
07/10/2017 12:30	JN	Bankruptcies YoY	Jun	--	-7.47%	19.52%	--
07/10/2017 14:00	GE	Trade Balance	May	18.7b	22.0b	18.1b	--
07/10/2017 14:00	GE	Current Account Balance	May	15.4b	17.3b	15.1b	14.9b
07/10/2017 14:00	GE	Exports SA MoM	May	0.30%	1.40%	0.90%	--
07/10/2017 14:00	GE	Imports SA MoM	May	0.30%	1.20%	1.20%	--
07/10/2017 14:06	IN	Local Car Sales	Jun	--	136895	166630	--
07/10/2017 14:30	FR	Bank of France Bus. Sentiment	Jun	106	103	105	104
07/11/2017 03:00	US	Consumer Credit	May	$13.500b	$18.410b	$8.197b	$12.929b
07/11/2017 06:45	NZ	Card Spending Total MoM	Jun	--	0.10%	-0.20%	-0.10%
07/11/2017 07:50	**JN**	**Money Stock M2 YoY**	**Jun**	**3.90%**	**--**	**3.90%**	**--**
07/11/2017 07:50	**JN**	**Money Stock M3 YoY**	**Jun**	**3.40%**	**--**	**3.40%**	**--**
07/11/2017 09:00	**PH**	**Exports YoY**	**May**	**16.50%**	**--**	**12.10%**	**--**
07/11/2017 09:00	PH	Imports YoY	May	2.60%	--	-0.10%	--
07/11/2017 09:00	PH	Trade Balance	May	-$1500m	--	-$2052m	--
07/11/2017 09:30	AU	NAB Business Conditions	Jun	--	--	12	--
07/11/2017 09:30	**AU**	**NAB Business Confidence**	**Jun**	**--**	**--**	**7**	**--**
07/11/2017 09:30	**AU**	**Home Loans MoM**	**May**	**1.50%**	**--**	**-1.90%**	**--**
07/11/2017 09:30	AU	Investment Lending	May	--	--	-2.30%	--
07/11/2017 09:30	AU	Owner-Occupier Loan Value MoM	May	--	--	-1.10%	--
07/11/2017 14:00	JN	Machine Tool Orders YoY	Jun P	--	--	24.50%	--
07/11/2017 16:00	IT	Industrial Production NSA YoY	May	--	--	-6.50%	--
07/11/2017 16:00	IT	Industrial Production WDA YoY	May	2.00%	--	1.00%	--
07/11/2017 16:00	**IT**	**Industrial Production MoM**	**May**	**0.50%**	**--**	**-0.40%**	**--**
07/11/2017 18:00	US	NFIB Small Business Optimism	Jun	104.4	--	104.5	--
07/11/2017 20:15	**CA**	**Housing Starts**	**Jun**	**200.0k**	**--**	**194.7k**	**194.6k**
07/11/2017 22:00	**US**	**Wholesale Inventories MoM**	**May F**	**0.30%**	**--**	**0.30%**	**--**
07/11/2017	ID	Consumer Confidence Index	Jun	--	--	125.9	--
07/10/2017 07/15	**CH**	**Money Supply M2 YoY**	**Jun**	**9.50%**	**--**	**9.60%**	**--**
07/10/2017 07/15	CH	Money Supply M1 YoY	Jun	15.90%	--	17.00%	--
07/10/2017 07/15	CH	Money Supply M0 YoY	Jun	6.80%	--	7.30%	--
07/10/2017 07/15	CH	New Yuan Loans CNY	Jun	1300.0b	--	1110.0b	--

Source: Bloomberg

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