

## Highlights

Global	<p>Another session of further stabilisation in the US Treasury bond market as investors ogled at the email release of US president Trump's son Donald Trump Jr. who met with a British publicist that said that the Russian government backed his father's campaign. Meanwhile, Fed's Brainard (well-known dove) opined that "if the data continue to confirm a strong labor market and firming economic activity, I believe it would be appropriate soon to commence the gradual and predictable process of allowing the balance sheet to run off", but cautioned that "the neutral level of the federal funds rate is likely to remain close to zero in real terms over the medium term...if that is the case, we would not have much more additional work to do on moving to a neutral stance".</p> <p>Today will kick off with FOMC chair Yellen's congressional testimony (key will be her view on how to interpret the muted inflation, especially for wages given the healthy labour market conditions, and implications for balance sheet unwinding and interest rate trajectory going forward), Bank of Canada's highly awaited policy decision (where a 25bp rate hike has been largely baked in the cake). Asian bourses may tread water in the interim. Today's economic data release calendar comprises US' mortgage applications, UK's jobless claims, Eurozone and Malaysia's industrial production and Fed's Beige Book.</p>
US	<p>The NFIB small business optimism index slipped from 104.5 in May to 103.6 in June, likely attributable to increased policy uncertainties. Meanwhile, the JOLTS job openings also fell by 301k to 5.67m from a revised 5.97m in April, as both hiring and layoffs rose. Wholesale inventories also grew by 0.4% mom in May.</p>
CH	<p>PBoC resumed its reverse repo operation yesterday after suspending for the past 12 trading days. This shows PBoC's flexibility to ensure financial stability.</p>
ID	<p>Finance ministry sold IDR17tn worth of bonds in auction yesterday. It exceeded the amount that the government targeted, which was IDR15tn. The highest bid-to-cover ratio was 2.88 for bonds maturing in May 2027, with weighted average yield of 7.1399%.</p>
SG	<p>Retail sales likely rose 2.0% yoy (+0.7% mom sa) in May, which is a modest deceleration in pace from April's +2.6% yoy (+1.6 mom sa).</p>
Commodities	<p>Crude oil prices surged back above its \$45/bbl handle, as market-watchers digested the plunge in US crude oil inventories as reported by the American Petroleum Institute. Crude inventories fell 8.1 million barrels for the week ended 7<sup>th</sup> July 2017, suggesting that energy demand continues to stay robust during the current driving season. More importantly, the fall in API crude stocks suggest DOE's crude oil stock to print lower in tandem tonight. Note that OPEC's monthly report is slated to be out later today, which should give market-watchers more cues over future supply outlook into the months ahead. Elsewhere, gold prices continued its flattish trend, only gaining 0.12% overnight, likely as the greenback weakened marginally (-0.37%).</p>

## Major Markets

- **US:** Markets saw on jolt on Russia-related Trump headlines, but largely recovered to end the session little changed. Other than the Trump news, trading has been largely muted ahead of Yellen's testimony to Congress. The S&P 500 and Dow closed essentially unchanged as gains in energy and tech were canceled out by losses in financial and telecoms shares. The Nasdaq Composite rose 0.27%. VIX at 10.89, down 1.98%. Meanwhile, US Treasury yields were marginally softer, with 2y and 10y yields standing at 1.37% and 2.36%. An auction of new 3y Treasuries saw a good take-up, and was awarded at 1.573%.
- **Singapore:** The STI declined 0.85% to close at 3218.80 yesterday and may continue to consolidate as market players remain cautious ahead of Fed chair Yellen's congressional testimony since Brainard has already voiced her vote for balance sheet unwinding. Morning cues from Nikkei and Kospi are also soft. STI's support and resistance are tipped at 3200 and 3220 respectively. With UST bond yields rallying by 1-2bps yesterday, SGS bonds which traded largely flat yesterday may see a firmer tone today. With the 3-month SOR still hovering around the 1% handle, shorter-dated T-bills have been under pressure.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 0-2bps higher across all tenors, with the exception of the 5-year tenor, which traded marginally lower. Flows in SGD corporates were moderate, with better buying seen in HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 185bps, while the yield on JACI HY Corporates rose 1bps to 6.87%. 10y UST yields fell 1.25bps to 2.36%, as Donald Trump Jr.'s email release caused yields to fall.
- **New Issues:** Bright Food Singapore Holdings Pte Ltd has priced a EUR800mn 3-year bond (guaranteed by Bright Food (Group) Co Ltd) at CT3+117.5bps, tightening from CT3+140bps area. The expected issue ratings are 'BBB-/Baa3/A-'. ANZ New Zealand has priced a two-tranche deal, with the USD500mn 3-year bond priced at CT3+70bps, tightening from initial guidance of CT3+90bps; and the USD500mn 10-year bond priced at CT10+112bps, tightening from initial guidance of CT10+125bps. The expected issue ratings for the 3-year bond are 'NR/A1/AA-', and the expected issue ratings for the 10-year bond are 'NR/A1/NR'. Wisdom Glory Group Ltd has priced a USD450mn Perp NC3 (guaranteed by Greentown China Holdings Ltd) at 5.25%, tightening from initial guidance of 5.625%. The expected issue ratings are 'NR/Ba3/NR'. Central China Real Estate Ltd has priced a USD200mn 1-year bond at 6%. The expected issue ratings are 'B+/Ba3/NR'. Takeda Pharmaceutical Company Ltd has priced a USD500mn 4.5-year bond at CT4.5+55bps, tightening from initial guidance of CT4.5+70bps. The expected issue ratings are 'NR/A1e/NR'. China Railway XunJie Co has scheduled investor meetings for potential USD bond issuance (guaranteed by China Railway Group Ltd) from 12 Jul. The expected issue ratings are 'NR/A3/A-'. Yinchuan Tonglian Capital Investment Operation Co has scheduled investor meetings for potential USD bond issuance from 12-17 Jul. The expected issue ratings are 'NR/Baa3/NR'.
- **Rating Changes:** S&P has assigned PACCAR Financial Pty Ltd (PFPL) a corporate credit rating of 'A+'. The outlook is stable. The rating action reflects S&P's assessment that PFPL is a core entity within PACCAR Inc Group, the Washington-based global truck manufacturer, and PFPL generates all its receivables from financing PACCAR Inc's trucks, trailers and ancillary equipment. S&P has placed SUNAC China Holdings Ltd's (SUNAC) 'B+' corporate credit rating and 'B' long-term issuer rating on CreditWatch with negative implications. The rating action reflects S&P's view that Sunac's financial leverage could further deteriorate following the large land acquisitions and expansion in non-core segments. Moody's has upgraded Incitec Pivot Ltd's (INCITEC) issuer rating to 'Baa2' from

'Baa3'. The outlook is stable. The rating action reflects Moody's expectation that INCITEC will continue to execute cost improvement initiatives, combined with good progress to date in ramping up its ammonia plant in Louisiana. This allows INCITEC to generate solid earnings and improve its balance sheet and credit metrics despite challenging operating conditions. Moody's has affirmed JFE Holdings Ltd's (JFE) issuer rating at 'Baa2', while revising its outlook to stable from negative. The rating action reflects Moody's view that despite the inherent volatility of the steel market, JFE is in a market leading position in high-grade steel products and advanced technology, and profitability has recovered from higher steel prices in Japan and abroad. Moody's has affirmed Nippon Steel & Sumitomo Metal Corporation's (NSSM) 'Baa1' senior unsecured ratings and its 'Baa3' subordinate rating, while revising its outlook to stable from negative. The rating action reflects Moody's view that despite the volatile steel market, the company is one of the largest steel producers in the world with its recent acquisition of Nisshin Steel, and higher steel sale prices in Japan has allowed NSSM's profitability to recover. Moody's has assigned Yinchuan Tonglian Capital Investment Operation Co Ltd (Tonglian) a 'Baa3' issuer rating, while assigning its proposed USD bond a 'Baa3' senior unsecured rating. The outlook is stable. The rating action reflects Tonglian's strategic importance to the Yinchuan government, given its status as the government's largest state-owned company and its role in undertaking a large amount of infrastructure projects and public sector services. Fitch has assigned Mitsubishi UFJ Morgan Stanley Securities Co Ltd (MUMSS) an issuer default rating of 'A'. The outlook is stable. The rating action reflects that its majority shareholder, Mitsubishi UFJ Financial Group, would likely extend its subsidiary support in a timely manner due to MUMSS's role of supporting MUFJ's aggregate securities business and the high degree of operational integration and branding.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.669	-0.37%	USD-SGD	1.3820	-0.20%
USD-JPY	113.940	-0.09%	EUR-SGD	1.5847	0.39%
EUR-USD	1.1467	0.60%	JPY-SGD	1.2128	-0.13%
AUD-USD	0.7638	0.42%	GBP-SGD	1.7754	-0.47%
GBP-USD	1.2848	-0.26%	AUD-SGD	1.0558	0.23%
USD-MYR	4.2975	0.02%	NZD-SGD	0.9986	-0.89%
USD-CNY	6.8025	-0.02%	CHF-SGD	1.4341	0.01%
USD-IDR	13390	-0.06%	SGD-MYR	3.1046	-0.03%
USD-VND	22739	-0.05%	SGD-CNY	4.9138	0.02%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1744	--
2M	-0.3410	--	1M	1.2239	--
3M	-0.3310	--	2M	1.2550	--
6M	-0.2730	--	3M	1.3041	--
9M	-0.2040	--	6M	1.4621	--
12M	-0.1560	--	12M	1.7509	--

### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
07/26/2017	0.00%	0.10%	99.90%	0.00%	0.00%
09/20/2017	16.10%	0.10%	83.80%	16.10%	0.00%
11/01/2017	16.80%	0.10%	83.20%	16.60%	0.10%
12/13/2017	49.00%	0.00%	50.90%	42.40%	6.50%
01/31/2018	49.40%	0.00%	50.50%	42.50%	6.80%
03/21/2018	68.90%	0.00%	31.00%	45.60%	20.60%

### Equity and Commodity

Index	Value	Net change
DJIA	21,409.07	0.55
S&P	2,425.53	-1.90
Nasdaq	6,193.31	16.91
Nikkei 225	20,195.48	114.50
STI	3,218.80	-27.55
KLCI	1,755.03	-2.10
JCI	5,773.33	1.82
Baltic Dry	820.00	--
VIX	10.89	-0.22

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.31 (+0.01)	1.38 (-0.01)
5Y	1.57 (-0.02)	1.92 (-0.02)
10Y	2.21 (-)	2.36 (-0.01)
15Y	2.43 (-)	--
20Y	2.47 (-)	--
30Y	2.52 (-)	2.92 (-)

### Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.89	0.10
EURIBOR-OIS	2.79	0.04
TED	27.34	--

### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	45.04	1.44%	Copper (per mt)	5,890.7	0.93%
Brent (per barrel)	47.52	1.37%	Nickel (per mt)	9,087.0	1.45%
Heating Oil (per gallon)	1.4763	1.56%	Aluminium (per mt)	1,886.8	0.04%
Gasoline (per gallon)	1.5183	1.17%			
Natural Gas (per MMBtu)	3.0470	4.03%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,583.0	-0.39%
			Rubber (JPY/KG)	197.3	0.41%
Precious Metals	Futures	% chg			
Gold (per oz)	1,214.7	0.12%			
Silver (per oz)	15.745	0.74%			

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

### Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
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%	3.90%	3.80%
07/11/2017 07:50	JN	Money Stock M3 YoY	Jun	3.40%	3.30%	3.40%	3.20%
07/11/2017 09:00	PH	Exports YoY	May	16.50%	13.70%	12.10%	19.10%
07/11/2017 09:00	PH	Imports YoY	May	2.60%	16.60%	-0.10%	--
07/11/2017 09:00	PH	Trade Balance	May	-\$1500m	-\$2753m	-\$2052m	-\$1754m
07/11/2017 09:30	AU	NAB Business Conditions	Jun	--	15	12	11
07/11/2017 09:30	AU	NAB Business Confidence	Jun	--	9	7	8
07/11/2017 09:30	AU	Home Loans MoM	May	1.50%	1.00%	-1.90%	--
07/11/2017 09:30	AU	Investment Lending	May	--	-1.40%	-2.30%	-2.50%
07/11/2017 09:30	AU	Owner-Occupier Loan Value MoM	May	--	2.90%	-1.10%	-0.90%
07/11/2017 14:00	JN	Machine Tool Orders YoY	Jun P	--	31.10%	24.50%	--
07/11/2017 16:00	IT	Industrial Production NSA YoY	May	--	2.80%	-6.50%	-6.60%
07/11/2017 16:00	IT	Industrial Production WDA YoY	May	2.00%	2.80%	1.00%	0.90%
07/11/2017 16:00	IT	Industrial Production MoM	May	0.50%	0.70%	-0.40%	-0.50%
07/11/2017 18:00	US	NFIB Small Business Optimism	Jun	104.4	103.6	104.5	--
07/11/2017 19:34	ID	Consumer Confidence Index	Jun	--	122.4	125.9	--
07/11/2017 20:15	CA	Housing Starts	Jun	200.0k	212.7k	194.7k	194.6k
07/11/2017 22:00	US	Wholesale Inventories MoM	May F	0.30%	0.40%	0.30%	--
07/12/2017 07:00	SK	Unemployment rate SA	Jun	3.70%	3.80%	3.60%	--
07/12/2017 07:50	JN	PPI MoM	Jun	0.00%	--	0.00%	--
07/12/2017 07:50	JN	PPI YoY	Jun	2.00%	--	2.10%	--
07/12/2017 08:30	AU	Westpac Consumer Conf SA MoM	Jul	--	--	-1.80%	--
07/12/2017 12:00	MA	Industrial Production YoY	May	4.10%	--	4.20%	--
07/12/2017 12:30	JN	Tertiary Industry Index MoM	May	-0.50%	--	1.20%	--
07/12/2017 13:00	SI	Retail Sales SA MoM	May	0.40%	--	1.60%	--
07/12/2017 13:00	SI	Retail Sales YoY	May	2.20%	--	2.60%	--
07/12/2017 16:30	UK	Claimant Count Rate	Jun	--	--	2.30%	--
07/12/2017 16:30	UK	Jobless Claims Change	Jun	--	--	7.3k	--
07/12/2017 16:30	UK	ILO Unemployment Rate 3Mths	May	4.60%	--	4.60%	--
07/12/2017 17:00	EC	Industrial Production SA MoM	May	1.00%	--	0.50%	--
07/12/2017 17:00	EC	Industrial Production WDA YoY	May	3.50%	--	1.40%	--
07/12/2017 19:00	US	MBA Mortgage Applications	Jul-07	--	--	1.40%	--
07/12/2017 20:00	IN	CPI YoY	Jun	1.67%	--	2.18%	--
07/12/2017 20:00	IN	Industrial Production YoY	May	1.70%	--	3.10%	--
07/12/2017 22:00	CA	Bank of Canada Rate Decision	Jul-12	0.75%	--	0.50%	--
07/11/2017 07/13	CH	Money Supply M2 YoY	Jun	9.50%	--	9.60%	--
07/11/2017 07/13	CH	Money Supply M1 YoY	Jun	15.90%	--	17.00%	--
07/11/2017 07/13	CH	Money Supply M0 YoY	Jun	6.80%	--	7.30%	--
07/11/2017 07/13	CH	New Yuan Loans CNY	Jun	1300.0b	--	1110.0b	--

Source: Bloomberg

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