

## Highlights

Global	Market sentiment appears to remain largely supported into the second day of Janet Yellen's testimony in the Congress, in which she maintained a broadly dovish tone. Asked whether Trump's goal of pushing economic growth to 3% is achievable, she said that "it would be quite challenging." During discussion on the low labor force participation rate in the US, she brought up the point that an opioid addiction crisis in parts of the country may be responsible for it, especially among the youth population. For the day ahead, market will be paying attention to Japan's industrial production and Singapore's GDP, as well as inflation print from US tonight.
SG	2Q17 GDP growth expanded by 2.5% yoy (+0.4% qoq saar) according to advance estimates, which is slightly below our forecast of 2.8% yoy (+0.6% qoq saar) but meant that the S'pore economy escaped a technical recession as widely anticipated. In addition the 1Q17 growth estimates were also revised down from 2.7% yoy (-1.3% qoq saar) to 2.5% yoy (-1.9% qoq saar). With 1H17 growth averaging 2.5% yoy, there is no need to adjust our full-year 2017 GDP growth forecast of 2.5% yoy for now. We also anticipate static neutral monetary policy settings at the October MPS. Given that growth and inflation trajectories are largely going to plan, there is little impetus to move ahead of other major central banks like the FOMC which is embarking on its balance sheet unwinding intentions later this year.
KR	The Bank of Korea kept its benchmark rate unchanged at 1.25%, in line with our expectations. Importantly as well, the central bank also raised its growth outlook to 2.8% (up from 2.6%), led by a robust external environment and private investment.
CH	China's trade growth reaccelerated further in June with both export and import in dollar term grew by 11.3% and 17.2% respectively, up from 8.7% and 14.8% in May. Trade surplus remained sizable at US\$42.8 billion. The strong export growth was mainly the result of improving global demand.
MA	Bank Negara kept its overnight policy rate unchanged at 3.0% as widely expected. The central bank continues to sound a fairly supportive tone on growth, saying that the economy performed better than expected earlier this year bolstered by exports and domestic demand.
ID	President Joko Widodo said that the government's plan to move capital from Jakarta is still in discussion, adding that it needs to extensively calculate the cost and benefit of the plan to ensure it is beneficial. A number of places has been in discussion of late as an alternative site for political capital, including Palangkaraya in East Kalimantan.
Commodities	Crude oil managed to erase its initial losses seen in the early trading hours yesterday and ended starkly higher. WTI and Brent rose to \$46.08/bbl and \$48.42/bbl, respectively. Much of the gains were seen at the onset of IEA's upgrade of its global oil demand outlook to 1.4 million barrels per day (up from 1.28 mbpd) given "surprising robust preliminary second quarter demand numbers". For 2018, the agency expects similar growth outlook to 99.4mbpd (+1.4mbpd).

## Major Markets

- **US:** Equities continue to push higher on Thursday, with the S&P 500 and Nasdaq Composite gaining 0.19% and 0.21% respectively. The Dow pushed to another high, up 0.1%. Gains in financials and energy stocks were largely cancelled out by declines in utilities and telecoms stocks. Investors will want to keep an eye on the earnings season, which will hit full swing soon, to justify the latest upswing in equity prices. Look out the major banks releasing earnings on Friday. VIX closed at 9.9. Meanwhile, US Treasuries ended broadly lower as Yellen signaled optimism for stronger economic growth for the rest of 2017. A weak 30y auction also added pressure. Overall, 2y and 10y benchmark yields stood at 1.36% and 2.34%, up 2-3 bps.
- **Singapore:** Another positive overnight session in Wall Street is likely to lent a firmer tone to the STI today. STI had climbed 0.83% to close at 3235.67 yesterday and may test resistance at 3250 ahead (support at 3220). With UST bond yields also selling off 1-2bps yesterday, SGS bonds may give back its gains today as well. The 3-month SOR plunged back to 0.80% from a recent high of 1.01983% on 7 July, and widening the spread over the 3-month SIBOR (which had climbed further to 1.137%) back to 33bps, reflecting ongoing uncertainty about domestic liquidity conditions.

With respect to Singapore's flash growth estimates this morning, the main drag was construction which has contracted for four straight quarters and fell 5.6% yoy (+4.3% qoq saar) as both private and public sector construction activities were weak. In particular, the construction sector's 1Q17 growth pace was also revised down to -6.1% yoy (-14.4% qoq saar which is the lowest since 1Q03). Meanwhile services picked up some speed from 1Q17 but remained relatively soft at 1.7% yoy (+0.4% qoq saar). Manufacturing remained the outperformer with a stellar 8.0% yoy (+2.4% qoq saar).

- **China:** Exports to US and EU reaccelerated to 19.8% and 15.2% respectively although exports to ASEAN fell by 0.4%. Demand for commodity remained strong with imports of crude oil and iron ore by volume increased by 17.9% yoy and 11.6% yoy respectively. Meanwhile, China also injected CNY360 billion into the system via 1-year MLF. The resumption of long term MLF operation shows PBoC's policy flexibility to maintain financial stability.
- **Commodities:** Recent US DOE inventories print also showed a significant stock depletion of 7.6 million barrels for the week ended 7th July. Given the above-mentioned news which invariably lifted oil prices, market-watchers generally shrugged off OPEC's fall in compliance rate, given the rise in oil production from Saudi Arabia (+130k bpd), Libya (+80k bpd) and Nigeria (+60k bpd).

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 4-7bps lower across all tenors. Flows in SGD corporates were heavy, with mixed interest seen in HSBC 4.7%-PERPs, PILLSP 7.25%'18s and NOLSP 4.65%'20s. In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 188bps, while the yield on JACI HY Corporates fell 2bps to 6.85%. 10y UST yields rose 3bps to 2.34% as slightly stronger than expected economic data helped push yields upwards.
- **New Issues:** Japan Bank for International Cooperation has priced a four-tranche deal (guaranteed by Japan), with the USD1.5bn 3-year fixed-rate bond priced at CT3+39bps, tightening from initial guidance of CT3+43bps; the USD 3-year floating-rate bond priced at 3mL+39bps, tightening from initial guidance of 3mL+43bps; the USD1.25bn 5-year fixed rate bond priced at CT5+51bps, tightening from initial guidance of CT5+57bps area; and the USD1.25bn 10-year fixed rate bond priced at CT10+67bps, tightening from initial guidance of CT10+72bps area. The expected issue

ratings are 'NR/A1/NR'. Korea Gas Corporation has priced a two-tranche deal, with the USD400mn 5-year bond priced at CT5+90bps, tightening from initial guidance of CT5+115bps; and the USD400mn 10-year bond priced at CT10+90bps, tightening from initial guidance of CT10+115bps. The expected issue ratings are 'AA-/Aa2/AA-'. Mitsui Fudosan Co Ltd has priced a USD500mn 10-year bond at CT10+130bps, tightening from initial guidance of CT10+160bps. The expected issue ratings are 'NR/A2/NR'. Doosan Infracore Co Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Korea Development Bank) from 17 Jul. The expected issue ratings are 'NR/Aa2/NR'. The Industrial Bank of Korea has scheduled investor meetings for potential USD AT1 bond issuance from 21 Jul. The expected issue ratings are 'NR/Ba2/BB+'.

- **Rating Changes:** Moody's has assigned Doosan Infracore Co Ltd (Doosan) a senior unsecured rating of 'Aa2'. The outlook is stable. The rating action reflects the guarantee by Korea Development Bank (KDB) on Doosan's senior unsecured notes, and thus the notes are effectively a senior unsecured obligation of KDB. Moody's has withdrawn Star Energy Geothermal (Wayang Windu) Limited's (Star) corporate credit rating. Fitch has assigned China National Chemical Corporation (ChemChina) a senior unsecured debt rating of 'A-'. The rating action reflects ChemChina's strategic importance to the government in developing the Chinese chemical industry. Fitch has assigned the Asian Infrastructure Investment Bank (AIIB) an Issuer Default Rating of 'AAA'. The outlook is stable. The rating action reflects AIIB's substantial capital base that will support its projected rapid expansion in lending and its high quality governance and comprehensive set of policies that mitigates exposure to risks.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.728	-0.03%	<b>USD-SGD</b>	1.3742	-0.24%
<b>USD-JPY</b>	113.280	0.10%	<b>EUR-SGD</b>	1.5662	-0.37%
<b>EUR-USD</b>	1.1398	-0.12%	<b>JPY-SGD</b>	1.2130	-0.35%
<b>AUD-USD</b>	0.7731	0.69%	<b>GBP-SGD</b>	1.7780	0.19%
<b>GBP-USD</b>	1.2939	0.42%	<b>AUD-SGD</b>	1.0625	0.45%
<b>USD-MYR</b>	4.2922	-0.03%	<b>NZD-SGD</b>	1.0059	0.54%
<b>USD-CNY</b>	6.7835	-0.06%	<b>CHF-SGD</b>	1.4207	-0.43%
<b>USD-IDR</b>	13348	-0.16%	<b>SGD-MYR</b>	3.1165	0.24%
<b>USD-VND</b>	22729	--	<b>SGD-CNY</b>	4.9291	0.07%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	21,553.09	20.95
<b>S&amp;P</b>	2,447.83	4.58
<b>Nasdaq</b>	6,274.44	13.27
<b>Nikkei 225</b>	20,099.81	1.43
<b>STI</b>	3,235.67	26.76
<b>KLCI</b>	1,753.78	-3.46
<b>JCI</b>	5,830.04	10.91
<b>Baltic Dry</b>	859.00	--
<b>VIX</b>	9.90	-0.40

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3740	--	<b>O/N</b>	1.1783	--
<b>2M</b>	-0.3410	--	<b>1M</b>	1.2244	--
<b>3M</b>	-0.3310	--	<b>2M</b>	1.2578	--
<b>6M</b>	-0.2730	--	<b>3M</b>	1.3039	--
<b>9M</b>	-0.2070	--	<b>6M</b>	1.4604	--
<b>12M</b>	-0.1540	--	<b>12M</b>	1.7459	--

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.24 (-0.03)	1.36 (+0.02)
<b>5Y</b>	1.49 (-0.03)	1.89 (+0.02)
<b>10Y</b>	2.11 (-0.05)	2.34 (+0.03)
<b>15Y</b>	2.33 (-0.04)	--
<b>20Y</b>	2.36 (-0.05)	--
<b>30Y</b>	2.43 (-0.04)	2.92 (+0.03)

### 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	49.0%	0.0%	50.9%	42.4%	6.5%
01/31/2018	49.4%	0.0%	50.5%	42.5%	6.8%
03/21/2018	67.4%	0.0%	32.6%	45.3%	19.5%

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	13.86	0.05
<b>EURIBOR-OIS</b>	2.85	0.22
<b>TED</b>	27.18	--

### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	46.08	1.30%	Copper (per mt)	5,867.6	-0.84%
Brent (per barrel)	48.42	1.42%	Nickel (per mt)	9,165.5	0.04%
Heating Oil (per gallon)	1.4917	1.22%	Aluminium (per mt)	1,907.3	1.72%
Gasoline (per gallon)	1.5261	0.35%			
Natural Gas (per MMBtu)	2.9610	-0.80%	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,557.0	-0.93%
			Rubber (JPY/KG)	199.9	-0.94%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,217.3	-0.15%			
Silver (per oz)	15.691	-1.23%			

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

### Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
07/13/2017	05:00	NZ REINZ House Sales YoY	Jun	--	-24.70%	-18.40%	--
07/13/2017	06:45	NZ Food Prices MoM	Jun	--	0.20%	2.40%	--
07/13/2017	07:01	UK RICS House Price Balance	Jun	15%	7%	17%	--
07/13/2017	07:50	JN Japan Buying Foreign Bonds	Jul-07	--	¥839.5b	-¥772.8b	--
07/13/2017	07:50	JN Foreign Buying Japan Bonds	Jul-07	--	-¥408.5b	¥75.8b	--
07/13/2017	07:50	JN Foreign Buying Japan Stocks	Jul-07	--	-¥35.0b	-¥14.0b	--
07/13/2017	08:57	SK BoK 7-Day Repo Rate	Jul-13	1.25%	1.25%	1.25%	--
07/13/2017	11:20	CH Exports YoY	Jun	8.90%	11.30%	8.70%	--
07/13/2017	11:22	CH Imports YoY	Jun	14.50%	17.20%	14.80%	--
07/13/2017	11:22	CH Trade Balance	Jun	\$42.60b	\$42.80b	\$40.81b	\$40.79b
07/13/2017	14:00	GE CPI MoM	Jun F	0.20%	0.20%	0.20%	--
07/13/2017	14:00	GE CPI YoY	Jun F	1.60%	1.60%	1.60%	--
07/13/2017	14:00	GE CPI EU Harmonized MoM	Jun F	0.20%	0.20%	0.20%	--
07/13/2017	14:00	GE CPI EU Harmonized YoY	Jun F	1.50%	1.50%	1.50%	--
07/13/2017	14:45	FR CPI EU Harmonized MoM	Jun F	0.00%	0.00%	0.00%	--
07/13/2017	14:45	FR CPI EU Harmonized YoY	Jun F	0.80%	0.80%	0.80%	--
07/13/2017	14:45	FR CPI MoM	Jun F	0.00%	0.00%	0.00%	--
07/13/2017	14:45	FR CPI YoY	Jun F	0.70%	0.70%	0.70%	--
07/13/2017	15:00	MA BNM Overnight Policy Rate	Jul-13	3.00%	3.00%	3.00%	--
07/13/2017	20:30	CA New Housing Price Index MoM	May	0.30%	0.70%	0.80%	--
07/13/2017	20:30	US Initial Jobless Claims	Jul-08	245k	247k	248k	250k
07/13/2017	20:30	US Continuing Claims	Jul-01	1950k	1945k	1956k	1965k
07/13/2017	20:30	US PPI Final Demand MoM	Jun	0.00%	0.10%	0.00%	--
07/13/2017	20:30	US PPI Ex Food and Energy MoM	Jun	0.20%	0.10%	0.30%	--
07/13/2017	20:30	US PPI Final Demand YoY	Jun	1.90%	2.00%	2.40%	--
07/13/2017	20:30	US PPI Ex Food and Energy YoY	Jun	2.00%	1.90%	2.10%	--
07/13/2017	21:45	US Bloomberg Consumer Comfort	Jul-09	--	47	48.5	--
07/14/2017	02:00	US Monthly Budget Statement	Jun	-\$38.0b	-\$90.2b	\$6.3b	--
07/14/2017	06:30	NZ BusinessNZ Manufacturing PMI	Jun	--	56.2	58.5	58.2
07/14/2017	08:00	SI GDP YoY	2Q A	2.70%	--	2.70%	--
07/14/2017	08:00	SI GDP SAAR QoQ	2Q A	1.10%	--	-1.30%	--
07/14/2017	12:30	JN Industrial Production MoM	May F	--	--	-3.30%	--
07/14/2017	12:30	JN Industrial Production YoY	May F	--	--	6.80%	--
07/14/2017	12:30	JN Capacity Utilization MoM	May	--	--	4.30%	--
07/14/2017	14:00	EC EU27 New Car Registrations	Jun	--	--	7.60%	--
07/14/2017	14:30	IN Wholesale Prices YoY	Jun	1.39%	--	2.17%	--
07/14/2017	15:30	TH Foreign Reserves	Jul-07	--	--	\$185.6b	--
07/14/2017	16:00	IT CPI EU Harmonized YoY	Jun F	1.20%	--	1.20%	--
07/14/2017	17:00	IT Trade Balance Total	May	--	--	3601m	--
07/14/2017	20:30	US CPI MoM	Jun	0.10%	--	-0.10%	--
07/14/2017	20:30	US CPI Ex Food and Energy MoM	Jun	0.20%	--	0.10%	--
07/14/2017	20:30	US CPI YoY	Jun	1.70%	--	1.90%	--
07/14/2017	20:30	US CPI Ex Food and Energy YoY	Jun	1.70%	--	1.70%	--
07/14/2017	20:30	US Retail Sales Advance MoM	Jun	0.10%	--	-0.30%	--
07/14/2017	20:30	US Retail Sales Ex Auto MoM	Jun	0.20%	--	-0.30%	--
07/14/2017	20:30	US Retail Sales Ex Auto and Gas	Jun	0.40%	--	0.00%	--
07/14/2017	21:15	US Industrial Production MoM	Jun	0.30%	--	0.00%	--
07/14/2017	21:15	US Capacity Utilization	Jun	76.80%	--	76.60%	--
07/14/2017	22:00	US U. of Mich. Sentiment	Jul P	95	--	95.1	--
07/14/2017	07/17	IN Exports YoY	Jun	--	--	8.30%	--
07/14/2017	07/17	IN Imports YoY	Jun	--	--	33.10%	--

Source: Bloomberg

<b><u>OCBC Treasury Research</u></b>	
<b><u>Macro Research</u></b> <b>Selena Ling</b> LingSSSelena@ocbc.com <b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com <b>Wellian Wiranto</b> WellianWiranto@ocbc.com <b>Tommy Xie Dongming</b> XieD@ocbc.com <b>Barnabas Gan</b> BarnabasGan@ocbc.com <b>Terence Wu</b> TerenceWu@ocbc.com	<b><u>Credit Research</u></b> <b>Andrew Wong</b> WongVKAM@ocbc.com <b>Wong Liang Mian (Nick)</b> NickWong@ocbc.com <b>Ezien Hoo</b> EzienHoo@ocbc.com <b>Wong Hong Wei</b> WongHongWei@ocbc.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