

Highlights

Global	<p>Falling crude oil prices dragged Wall Street lower overnight, whereas the USD was supported by hawkish comments by Fed's Dudley who had earlier commented that "we think if the labor market continues to tighten, wages will gradually pick up, and with that we'll see inflation get back to 2 percent" and this was followed by Evans who appeared slightly less than dovish in his comments that "the current environment supports very gradual rate hikes and slow preset reductions in our balance sheet". This was in contrast to the GBP which was weighed down by BOE governor Carney who opined that "now is not yet the time to begin that adjustment" and noted he "would like to see the extent...how the economy reacts to the prospect of tighter financial conditions and the reality of Brexit negotiations" and suggestions by S&P that they "don't have to wait" until the end of Brexit talks to review UK's rating.</p> <p>Given a light economic data calendar ahead, with only US' existing home sales and Malaysia's CPI, market focus may be on BOJ's Kuroda and BOE's Haldane, as well as RBNZ who is likely to be static at 1.75% early tomorrow morning. Meanwhile, the risk-off tone in Asian bourses today may be somewhat mitigated by the announcement of MSCI EM Index's inclusion of 222 China A shares from Jun 2018.</p>
US	President Trump tweeted that "while I greatly appreciate the efforts of President Xi & China to help with North Korea, it has not worked out".
SG	COE premium tender results will be out later today.
CH	MSCI announced to add China's A-shares into its benchmark index, effective from June 2018. The A-shares will account for 0.73% of MSCI's global emerging market index with 222 companies can be accessible by foreign investors. This marked another vital step for China's capital market integration with the global financial market. PBoC Governor Zhou said yesterday that China will continue to open its service sector to foreign investors.
HK	Over the first four months, total housing completions increased by 139% yoy to 5576 units, reaching a 13-year high. This also means that the government's target of increasing 17,100 units of new home supply will likely be achieved. In a longer term, housing supply is set to increase substantially.
ID	Fitch, a ratings agency, said that Indonesia can win an upgrade on its sovereign rating if it manages to sustain growth rates above its peers and improves governance standards. Fitch has held an investment grade of BBB- since late 2011 and has a positive outlook on the country.
Commodities	To date, WTI had fallen by more than 20% from its February peak, closing \$43.23/bbl at yesterday's closing, while Brent closed just above its \$46/bbl mark. As iterated in our recent Commodities Outlook 2H17, <i>"further supply growth has been keeping a cap on any oil rally"</i> , while recent data including higher Libyan oil production and continued gains in US oil rig counts coincided with oil's plunge. Elsewhere, the yellow metal had fallen starkly from its June peak of \$1,294/oz, in line with our expectation for gold to trend lower on expectation for one more FOMC rate hike and balance sheet reduction later this year.

Major Markets

- **US:** Equities retreated from recent highs, with the S&P 500 registering the largest drop in a month. The catalyst for the decline may be the bearish crude oil market, with the WTI slipping 2.2% to US\$43.23, more than 20% below its recent top. Energy and consumer discretionary stocks led the market lower, falling 1.25% as a group, with only the healthcare and utilities sectors nudging small gains. VIX stood at 10.86, up 4.7%. US Treasuries rallied on Tuesday, reversing the losses incurred on Monday due to Dudley's comments. 2y and 10y benchmark yields fell 2-3 bps to 1.34% and 2.16% respectively. Key to note is the aggressive flattening of the Treasury curve in recent sessions, driven by the seeming mismatch between falling inflation numbers and Fed's policy direction.
- **Singapore:** STI slipped 0.52% to close at 3230.42 yesterday and weak overnight leads from Wall Street and morning slippage in Kospi may see the STI also treading a softer range of 3200-3230. Given the risk-off tone prompting gains in the UST bond markets overnight, SGS bonds may similarly continue to be pressured even after yesterday's curve steepening bias.
- **Hong Kong:** During the first four months, total housing starts continued to grow by 8.9% yoy to 9814 units, its highest level since 2001. With increasing new home supply, we believe that the housing frenzy is likely to cool down from 2H onwards. However, 72% of the new home supply over the next 4 years consists of small to medium size houses while the demand for smaller housing units is expected to remain resilient. Firstly, due to the low supply of public housing, lower income households may be propelled to rent or purchase small-size flats in the private housing market. Secondly, based on the strong demand for smaller flats in the leasing market, the wealthier residents will also continue to invest in the small-size flats for rental income. Thirdly, with the housing price index continuing to refresh its record highs, larger flats become less affordable. This results in higher owner-occupier demand from middle income households for smaller flats. Taken together, we believe that the increasing supply and increasing borrowing cost will calm the housing frenzy but will not lead to any collapse in the housing market.
- **Malaysia:** Malaysia and Singapore will reportedly hold a joint briefing on their high-speed rail proposal next month. Companies from China, Japan, South Korea and Europe are said to have registered to attend to receive technical information on upcoming tender for the project to connect the two countries.
- **South Korea:** The government announced tighter mortgage rules and curbs on speculative resales of homes in Seoul and parts of Busan. Specifically, from 3rd July 2017, loan limits will be tightened to 60% of the property's value, from the current 70%, while debt repayments will be limited to 50% of the home buyers' annual income, down from the current 60%.
- **Thailand:** Non-performing loan levels seen across Thailand's financial institutions are set to peak towards the end of 2017 as *"business environment has not been fundamentally poor (while) banks have been tightening their underwriting standards"*, according to Fitch Ratings. The agency further commented that growth remains subdued but stable at 3.0%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mixed yesterday, with the 1-year swap rate trading lower by 1bps while the 2 to 30-year tenors traded higher by 1-3bps. Flows in SGD corporates were heavy, with better buying seen in STHSP 3.95%-PERP, mixed interest seen in HSBC 4.7%-PERPs and GUOLSP 3.85%'23s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 195bps, while the yield on JACI HY corporates added 1bps to 6.76%. 10y UST yields fell 3bps to 2.16% yesterday, as oil prices continue to tumble, subduing inflation

expectations.

- **New Issues:** Wing Tai Holdings priced a SGD150mn Perp NC5 at 4.08%, tightening from initial guidance of 4.35%. The Export-Import Bank of Korea priced a USD400mn 5-year bond at 3mL+80bps. The expected issue ratings are 'AA/Aa2/NR'. Gome Electrical Appliances Holdings Ltd priced a USD100mn re-tap of its existing GOME 5%'20s bond at 100.625. Korea Hydro & Nuclear Power & Nuclear Power Co Ltd hired banks for potential USD bond issuance. Skyland Mining (BVI) Ltd. scheduled investor roadshows from 21 Jun for potential USD bond issuance (guaranteed by China Gold International Resources). The expected issue ratings are 'BBB-/NR/NR'.
- **Rating Changes:** Moody's has upgraded ENN Energy Holdings Limited's (ENN) issuer rating and senior unsecured debt rating to 'Baa2' from 'Baa3'. The outlook has been revised to stable from positive. The rating action reflects the continued strengthening in ENN's credit profile, supported by ongoing stability in its business model and strong financial metrics that exceeds Moody's expectation for the previous rating. Fitch affirmed ENN's Issuer Default Rating (IDR) and its senior unsecured rating at 'BBB' with stable outlook. Moody's affirmed Reward Science and Technology Industry Group Co. Ltd.'s (Reward) 'B1' corporate family rating and assigned a definitive 'B1' rating to its senior unsecured notes. In addition, Moody's has revised Reward's rating outlook to negative from stable. The rating action reflects the higher-than-expected volatility in Reward's operating performance, which raises uncertainty over the company's ability to manage down its debt leverage to a level appropriate for its 'B1' corporate family rating. Fitch downgraded Reward's Foreign-Currency IDR to 'B' from 'B+', with stable outlook. Moody's withdrew Suncorp Insurance Funding 2007 Ltd.'s Long-Term Rating.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.760	0.22%	USD-SGD	1.3893	0.17%
USD-JPY	111.450	-0.07%	EUR-SGD	1.5469	0.04%
EUR-USD	1.1134	-0.13%	JPY-SGD	1.2465	0.23%
AUD-USD	0.7580	-0.26%	GBP-SGD	1.7546	-0.68%
GBP-USD	1.2629	-0.85%	AUD-SGD	1.0532	-0.09%
USD-MYR	4.2835	0.15%	NZD-SGD	1.0060	0.28%
USD-CNY	6.8292	0.14%	CHF-SGD	1.4249	0.23%
USD-IDR	13292	0.08%	SGD-MYR	3.0903	-0.04%
USD-VND	22726	0.01%	SGD-CNY	4.9113	-0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1767	--
2M	-0.3410	--	1M	1.2139	--
3M	-0.3290	--	2M	1.2461	--
6M	-0.2710	--	3M	1.2802	--
9M	-0.2010	--	6M	1.4332	--
12M	-0.1560	--	12M	1.7284	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.22 (-0.01)	1.34 (-0.01)	-0.66 (--)	-0.49 (-0.01)	-0.22 (-0.01)
5Y	1.52 (-0.01)	1.76 (-0.02)	-0.40 (-0.01)	-0.22 (-0.01)	0.66 (-0.04)
10Y	2.04 (--)	2.16 (-0.03)	0.26 (-0.02)	0.60 (-0.03)	1.90 (-0.04)
15Y	2.22 (+0.01)	--	0.51 (-0.02)	0.95 (-0.03)	2.46 (-0.05)
20Y	2.29 (+0.01)	--	0.79 (-0.02)	1.26 (-0.03)	2.59 (-0.05)
30Y	2.37 (+0.01)	2.74 (-0.05)	1.07 (-0.03)	1.54 (-0.03)	3.04 (-0.05)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
26/07/2017	0.0%	0.7%	99.3%	0.0%	0.0%
20/09/2017	16.0%	0.6%	83.4%	16.0%	0.0%
01/11/2017	18.4%	0.6%	91.0%	17.9%	0.5%
13/12/2017	41.3%	0.4%	58.3%	35.8%	5.4%
31/01/2018	41.8%	0.4%	57.8%	36.0%	5.7%
21/03/2017	53.4%	0.3%	46.3%	40.3%	11.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	43.23	-2.19%	Copper (per mt)	5,631.7	-1.35%
Brent (per barrel)	46.02	-1.90%	Nickel (per mt)	8,780.5	-1.92%
Heating Oil (per gallon)	1.3949	-1.15%	Aluminium (per mt)	1,877.5	0.16%
Gasoline (per gallon)	1.4240	-1.83%			
Natural Gas (per MMBtu)	2.9070	0.45%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,603.0	-1.40%
			Rubber (JPY/KG)	197.0	-4.42%
Precious Metals	Futures	% chg			
Gold (per oz)	1,241.0	-0.26%			
Silver (per oz)	16.417	-0.52%			

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

Equity and Commodity

Index	Value	Net change
DJIA	21,467.14	-61.85
S&P	2,437.03	-16.43
Nasdaq	6,188.03	-50.98
Nikkei 225	20,230.41	162.66
STI	3,230.42	-16.76
KLCI	1,780.71	-8.19
JCI	5,791.90	50.00
Baltic Dry	848.00	--
VIX	10.86	0.49

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.84	0.68
EURIBOR-OIS	3.13	0.10
TED	25.71	--

Government CDS (USD)

	5Y	% Change
Germany	15.230	0.55%
France	24.582	2.09%
Italy	146.040	-0.03%

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
06/20/2017	13:30	JN	Nationwide Dept Sales YoY	May	--	0.00%	0.70%
06/20/2017	13:30	JN	Tokyo Dept Store Sales YoY	May	--	-1.10%	-0.80%
06/20/2017	14:00	GE	PPI MoM	May	-0.10%	-0.20%	0.40%
06/20/2017	14:00	GE	PPI YoY	May	2.90%	2.80%	3.40%
06/20/2017	16:00	TA	Export Orders YoY	May	7.50%	9.10%	7.40%
06/20/2017	16:00	EC	ECB Current Account SA	Apr	--	22.2b	34.1b
06/20/2017	16:00	IT	Current Account Balance	Apr	--	3432m	3121m
06/20/2017	16:30	HK	CPI Composite YoY	May	2.10%	2.00%	2.00%
06/20/2017	16:30	HK	Unemployment Rate SA	May	3.20%	3.20%	3.20%
06/20/2017	20:30	CA	Wholesale Trade Sales MoM	Apr	0.50%	1.00%	0.90%
06/20/2017	20:30	US	Current Account Balance	1Q	-\$123.8b	-\$116.8b	-\$112.4b
06/21/2017	08:30	AU	Westpac Leading Index MoM	May	--	--	-0.12%
06/21/2017	12:00	MA	CPI YoY	May	4.10%	--	4.40%
06/21/2017	12:30	JN	All Industry Activity Index MoM	Apr	1.60%	--	-0.60%
06/21/2017	13:00	JN	Supermarket Sales YoY	May	--	--	0.60%
06/21/2017	14:00	JN	Machine Tool Orders YoY	May F	--	--	24.40%
06/21/2017	16:00	SI	Automobile COE Open Bid Cat A	Jun-21	--	--	45201
06/21/2017	16:00	SI	Automobile COE Open Bid Cat B	Jun-21	--	--	50110
06/21/2017	16:00	SI	Automobile COE Open Bid Cat E	Jun-21	--	--	50526
06/21/2017	16:30	UK	Public Finances (PSNCR)	May	--	--	-15.2b
06/21/2017	16:30	UK	Public Sector Net Borrowing	May	7.0b	--	9.6b
06/21/2017	16:30	UK	PSNB ex Banking Groups	May	6.8b	--	10.4b
06/21/2017	19:00	US	MBA Mortgage Applications	Jun-16	--	--	2.80%
06/21/2017	22:00	US	Existing Home Sales	May	5.55m	--	5.57m
06/21/2017	22:00	US	Existing Home Sales MoM	May	-0.40%	--	-2.30%
06/21/2017		MU	CPI Composite YoY	May	--	--	0.80%
06/19/2017	06:30	PH	Budget Balance PHP	May	--	--	52.8b

Source: Bloomberg

<u>OCBC Treasury 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 Wong Hong Wei WongHongWei@ocbc.com

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