

Highlights

Global	Financial markets were largely rangebound amid a lack of data convictions and as central bank rhetoric remained mixed even though oil prices stabilised. On the hawkish end of the spectrum, ECB's Praet warned that "when the day comes, we will look at inflation and act accordingly, regardless of whether governments complain" about ending the asset purchase program. BOE's Forbes also opined that "the UK economy appears to be solid enough on key economic criteria and even 'overstimulated' by others, such that a moderate reduction in the substantial amount of monetary stimulus...makes sense". In contrast, BOJ's Iwata commented that "there is absolutely no need to raise interest rates and diminish the degree of monetary easing, which is not that big compared with that of the United States". Similarly, PBOC advisor Sheng Songcheng noted that "the PBOC does not have the huge portfolio of securities assets that need to be dealt with". Meanwhile, CBC and BSP kept rates unchanged as anticipated. For today, note the slew of PMIs from Europe, US' new home sales, SG's CPI and industrial production. Speakers include Fed's Bullard, Mester and Powell.
UK	PM May said that almost all 3 million EU citizens currently in the UK will be able to stay after Brexit.
SG	Inflation likely accelerated to 1.2% yoy (+0.2% mom nsa) in May, up from 0.44% yoy (-0.3% mom nsa) in April, while industrial production may come in at +6.0% yoy (-1.8% mom sa) compared to +6.7% yoy (+0.1% mom sa) in April. The 3-month SOR has softened to 0.64% even as the 3-month SIBOR holds relatively steady at 0.99%. We see the tear between SIBOR and SOR may persist for longer.
CH	China Wanda's bonds and shares were sold off in the past few days due to concerns about rising political risk after Anbang's Chairman was reported to be detained. The volatility later spread to Fosun after the news came out that China's banking regulator asked some banks in mid-June to check their risk exposure to China's five top conglomerates, which are active in overseas expansions due to concerns about systemic risks posed by those big companies.
MA	S&P, a ratings agency, reaffirmed its ratings for Malaysia with a stable outlook. According to the agency, Malaysia is expected to continue implementing prudent budgetary and economic policies, and that growth will proceed at an average rate of over 4% between now and 2020. It added, however, that uncertainty related to upcoming parliamentary elections could put upward pressure on cost of refinancing Malaysia's gross external financing needs.
Commodities	Crude oil's decline pauses after the many sessions of decline. WTI and Brent turned north at \$42.74/bbl (+0.49%) and \$45.22/bbl (+0.89%), respectively. Note Iran energy minister Zanganeh commented that OPEC may decide on further oil-output cuts, though consensus could be "difficult". Elsewhere, gold consolidated higher, after its many days of decline post FOMC decision last week, likely on short-covering behaviour.

Major Markets

- **US:** Wall Street was relatively flat with the Dow (-0.06%) and S&P (-0.05%) declining further while the tech-rich Nasdaq gained 0.04%. Notably, health stocks rose after Republicans unveiled a bill to repeal Obamacare while energy stocks bucked its decline with slightly higher oil prices overnight.
- **US:** initial jobless claims rose modestly by 3k to 241k, with the four-week moving average also up 1.5k to 244.75k, while the leading index improved from 0.2% in April to 0.3% in May. Meanwhile, 34 of the largest banks in the US also cleared the first phase of the annual Fed stress test, even though Morgan Stanley trailed on a supplemental leverage ratio.
- **Singapore:** STI rebounded 0.43% to close at 3215.55 yesterday, holding above the 3200 support and may trade with a slightly firmer tone again today amid positive morning cues from Kospi and Nikkei, but watch for potential profit-taking ahead of the long holiday weekend. STI's support and resistance are tipped at 3200 and 3240. SGS bonds traded in a narrow range yesterday and may do likewise today, but watch the steepening bias in the UST curve overnight.
- The confluence of a slightly more aggressive pace of FOMC balance sheet unwinding (possibly starting by September 2016 beginning with UST and agency/MBS at US\$6b and US\$4b monthly with quarterly step-ups to reach US\$30b and US\$20b per month over 12 months), as well as an still intended third 25bp rate hike later this year, have contributed to a higher USDSGD. SOR, on the other hand, has plunged as market players attempt to pre-empt tightening USD liquidity story once the FOMC embarks on its balance sheet unwinding intentions, especially ahead of the half-year end funding requirements coming up in end-June.
- **China:** Regarding the sell-off in Wanda's bonds and shares, it is still not clear about the drivers behind this round of panic sale of those related shares and bonds. However, this, at least, shows that China's sentiment remains fragile and concerns about political risk and regulatory tightening remain high leading to the leadership reshuffle in 19th Party Congress this year.
- **Hong Kong:** China's Ministry of Finance issued RMB 2 billion five-year bond in HK. The bond yield is 4.1%, the highest level since 2009 when MOF started to issue Dim Sum Bond. Meanwhile, the MOF issued RMB 5 billion three-year bond in HK, which offers a record-high yield of 3.99%. The increase in bond yield offered in the primary market is mainly due to low liquidity and limited supply. Looking forward, funding needs associated with the One Belt One Road initiative is expected to increase while demand for the CNH may also grow following the launch of the bond connect. As a result, the development of HK's offshore yuan market is likely to deepen while the liquidity of Dim Sum Bond market may improve.
- **Indonesia:** Government said that Freeport, a mining company, may receive mining permit extension. While the company is seeking extension until 2041, but may only receive an extension until 2031.
- **Thailand:** Exports rose 13.2% yoy in May, clocking its third straight month of expansion and its fastest pace in 52 months, while imports surged 18.2% yoy. For the first five months, exports grew at an encouraging pace of 7.2%, suggesting that Thailand's external environment is likely to support growth into 2H17. The trade ministry reiterates its export growth target of 5.0% this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 2-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, better selling seen in SCISP 4.75%-PERPs, mixed interest seen in LMRTSP 6.6% PERPs, GRCHAR 6% '17s. In the broader dollar space, the spread on JACI IG corporates changed little at 195bps, while the yield on JACI HY corporates rose sharply by 7bps to 6.83%, potentially due to news out of China regarding the investigation of certain firms that have been active in overseas acquisitions such as Fosun. 10y UST yields fell by 2bps to 2.15%, after 30-year TIPS auction, stoking long-end demand and flattening the UST curve into the close.
- **New Issues:** Adani Ports & Special Economic Zone Ltd priced a USD500mn 10-year bond at CT10+195bps, tightening from the initial guidance of CT10+210bps. The expected issue ratings are 'BBB-/Baa3/BBB-'. Franshion Brilliant Limited has priced a USD300mn Perp NC5.5 at 4.0% (guaranteed by China Jinmao Holdings Group Ltd), tightening from initial guidance of 4.3% area. The expected issue ratings are 'NR/Baa3/NR'. Shimao Property Holdings Ltd has priced a USD450mn 5NC3 bond at 4.75%, tightening from initial guidance of 5% area. The expected issue ratings are 'BB/NR/BBB-'. NTT Finance Corporation has priced a USD500mn 3-year bond at 3mL+53bps, tightening from the initial guidance of 3mL+75bps. Kaisa Group Holdings Ltd is planning to issue up to USD3.45bn of bonds with maturities ranging from 2020 to 2024. Rural Electrification Corporation Ltd has scheduled investor meetings for potential USD Green Bond issuance from 26 Jun to 28 Jun. Samvardhana Motherson Automotive Systems Group B.V. has scheduled investor meetings for a potential EUR300mn 7-year bond issuance from 26 Jun. The expected issue ratings are 'BB+/NR/BBB-'.
- **Rating Changes:** S&P has upgraded Guotai Junan Securities Co. Ltd. (GTJA) and Guotai Junan International Holdings Ltd. (GTJAI) to 'BBB+' from 'BBB'. In addition, S&P removed all the ratings from CreditWatch with positive implications, and placed the upgraded ratings on stable outlook. The rating action reflects S&P's expectation for the company to sustain its very strong capital position over the next 12-24 months, as denoted by S&P's expectation of a risk-adjusted capital (RAC) ratio above 15%. Moody's has assigned a 'Ba1' corporate family rating to Alinta Energy Limited (Alinta) with stable outlook. The rating action reflects the absence of a track record under the new owner, as well as the possibility of future material acquisitions, which could increase financial leverage and/or the company's business risk.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.593	0.03%	USD-SGD	1.3902	0.06%
USD-JPY	111.330	-0.04%	EUR-SGD	1.5505	-0.06%
EUR-USD	1.1152	-0.14%	JPY-SGD	1.2486	0.10%
AUD-USD	0.7542	-0.15%	GBP-SGD	1.7631	0.16%
GBP-USD	1.2682	0.09%	AUD-SGD	1.0485	-0.09%
USD-MYR	4.2865	-0.02%	NZD-SGD	1.0098	0.58%
USD-CNY	6.8348	0.08%	CHF-SGD	1.4305	0.13%
USD-IDR	13324	0.05%	SGD-MYR	3.0849	0.06%
USD-VND	22725	0.00%	SGD-CNY	4.9146	0.10%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1772	--
2M	-0.3410	--	1M	1.2156	--
3M	-0.3290	--	2M	1.2506	--
6M	-0.2710	--	3M	1.2894	--
9M	-0.2010	--	6M	1.4450	--
12M	-0.1610	--	12M	1.7354	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.17 (-0.01)	1.34 (-0.01)	-0.64 (--)	-0.49 (--)	-0.22 (--)
5Y	1.46 (-0.01)	1.76 (-0.01)	-0.39 (-0.01)	-0.22 (-0.01)	0.66 (+0.01)
10Y	1.98 (--)	2.15 (-0.02)	0.25 (-0.01)	0.60 (--)	1.90 (--)
15Y	2.17 (--)	--	0.50 (-0.01)	0.95 (--)	2.45 (-0.01)
20Y	2.25 (--)	--	0.76 (-0.02)	1.26 (--)	2.58 (--)
30Y	2.32 (--)	2.72 (-0.01)	1.03 (-0.02)	1.53 (--)	3.02 (-0.01)

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	16.7%	0.6%	82.8%	16.5%	0.1%
13/12/2017	40.2%	0.4%	59.4%	35.4%	4.8%
31/01/2018	40.7%	0.4%	58.9%	35.6%	5.1%
21/03/2017	52.5%	0.3%	47.2%	40.2%	11.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	42.74	0.49%	Copper (per mt)	5,729.8	-0.12%
Brent (per barrel)	45.22	0.89%	Nickel (per mt)	8,982.0	0.18%
Heating Oil (per gallon)	1.3716	0.50%	Aluminium (per mt)	1,861.5	0.17%
Gasoline (per gallon)	1.4345	1.70%			
Natural Gas (per MMBtu)	2.8940	0.03%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,597.0	0.39%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	196.4	-0.30%
Gold (per oz)	1,247.6	0.34%			
Silver (per oz)	16.509	0.82%			

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

Equity and Commodity

Index	Value	Net change
DJIA	21,397.29	-12.74
S&P	2,434.50	-1.11
Nasdaq	6,236.69	2.73
Nikkei 225	20,110.51	-28.28
STI	3,215.55	13.78
KLCI	1,777.43	1.86
JCI	5,829.71	11.16
Baltic Dry	844.00	--
VIX	10.48	-0.27

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.00	0.75
EURIBOR-OIS	3.00	0.02
TED	30.13	--

Government CDS (USD)

	5Y	% Change
Germany	15.618	1.13%
France	23.918	-1.13%
Italy	144.950	-1.06%

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
06/22/2017 05:00	NZ	RBNZ Official Cash Rate	Jun-22	1.75%	1.75%	1.75%	--
06/22/2017 07:50	JN	Japan Buying Foreign Bonds	Jun-16	--	¥1090.1b	¥526.6b	¥534.1b
06/22/2017 07:50	JN	Japan Buying Foreign Stocks	Jun-16	--	¥367.1b	¥50.4b	¥50.8b
06/22/2017 07:50	JN	Foreign Buying Japan Bonds	Jun-16	--	-¥601.8b	¥309.6b	--
06/22/2017 07:50	JN	Foreign Buying Japan Stocks	Jun-16	--	-¥331.6b	-¥143.1b	-¥142.5b
06/22/2017 08:30	TA	Unemployment Rate	May	3.80%	3.79%	3.78%	--
06/22/2017 11:00	NZ	Credit Card Spending YoY	May	--	7.60%	6.40%	6.50%
06/22/2017 14:45	FR	Manufacturing Confidence	Jun	109	108	109	--
06/22/2017 14:45	FR	Production Outlook Indicator	Jun	--	17	7	--
06/22/2017 15:00	MA	Foreign Reserves	Jun-15	--	\$98.7b	\$98.0b	--
06/22/2017 15:30	TH	Customs Exports YoY	May	8.00%	13.20%	8.50%	8.49%
06/22/2017 15:30	TH	Customs Imports YoY	May	11.50%	18.20%	13.40%	13.38%
06/22/2017 15:30	TH	Customs Trade Balance	May	\$1165m	\$944m	\$60m	\$57m
06/22/2017 16:10	PH	BSP Overnight Borrowing Rate	Jun-22	3.00%	3.00%	3.00%	--
06/22/2017 17:10	TA	CBC Benchmark Interest Rate	Jun-22	1.38%	1.38%	1.38%	--
06/22/2017 20:30	US	Initial Jobless Claims	Jun-17	240k	241k	237k	238k
06/22/2017 20:30	CA	Retail Sales MoM	Apr	0.30%	0.80%	0.70%	0.50%
06/22/2017 20:30	US	Continuing Claims	Jun-10	1928k	1944k	1935k	1936k
06/22/2017 20:30	CA	Retail Sales Ex Auto MoM	Apr	0.70%	1.50%	-0.20%	-0.10%
06/22/2017 21:00	US	FHFA House Price Index MoM	Apr	0.50%	0.70%	0.60%	0.70%
06/22/2017 21:45	US	Bloomberg Consumer Comfort	Jun-18	--	49.4	50	--
06/22/2017 21:45	US	Bloomberg Economic Expectations	Jun	--	52	49.5	--
06/22/2017 22:00	EC	Consumer Confidence	Jun A	-3	-1.3	-3.3	--
06/22/2017 22:00	US	Leading Index	May	0.30%	0.30%	0.30%	0.20%
06/23/2017 08:30	JN	Nikkei Japan PMI Mfg	Jun P	--	--	53.1	--
06/23/2017 13:00	SI	CPI YoY	May	1.30%	--	0.40%	--
06/23/2017 13:00	SI	CPI NSA MoM	May	0.10%	--	-0.30%	--
06/23/2017 13:00	SI	Industrial Production YoY	May	7.50%	--	6.70%	--
06/23/2017 13:00	SI	Industrial Production SA MoM	May	-0.70%	--	0.10%	--
06/23/2017 14:45	FR	GDP QoQ	1Q F	0.40%	--	0.40%	--
06/23/2017 14:45	FR	GDP YoY	1Q F	1.00%	--	1.00%	--
06/23/2017 15:00	FR	Markit France Manufacturing PMI	Jun P	54	--	53.8	--
06/23/2017 15:00	FR	Markit France Services PMI	Jun P	57	--	57.2	--
06/23/2017 15:00	FR	Markit France Composite PMI	Jun P	56.7	--	56.9	--
06/23/2017 15:30	GE	Markit/BME Germany Manufacturing PMI	Jun P	59	--	59.5	--
06/23/2017 15:30	GE	Markit Germany Services PMI	Jun P	55.4	--	55.4	--
06/23/2017 15:30	GE	Markit/BME Germany Composite PMI	Jun P	57.2	--	57.4	--
06/23/2017 15:30	TH	Foreign Reserves	Jun-16	--	--	\$184.1b	--
06/23/2017 16:00	TA	Industrial Production YoY	May	0.50%	--	-0.59%	--
06/23/2017 16:00	EC	Markit Eurozone Manufacturing PMI	Jun P	56.8	--	57	--
06/23/2017 16:00	EC	Markit Eurozone Services PMI	Jun P	56.1	--	56.3	--
06/23/2017 16:00	EC	Markit Eurozone Composite PMI	Jun P	56.6	--	56.8	--
06/23/2017 16:00	IT	Industrial Orders MoM	Apr	--	--	-4.20%	--
06/23/2017 16:00	IT	Industrial Orders NSA YoY	Apr	--	--	9.20%	--
06/23/2017 16:00	IT	Industrial Sales MoM	Apr	--	--	0.50%	--
06/23/2017 16:00	IT	Industrial Sales WDA YoY	Apr	--	--	7.20%	--
06/23/2017 20:30	CA	CPI NSA MoM	May	0.20%	--	0.40%	--
06/23/2017 20:30	CA	CPI YoY	May	1.50%	--	1.60%	--
06/23/2017 21:45	US	Markit US Manufacturing PMI	Jun P	53	--	52.7	--
06/23/2017 21:45	US	Markit US Services PMI	Jun P	53.5	--	53.6	--
06/23/2017 21:45	US	Markit US Composite PMI	Jun P	--	--	53.6	--
06/23/2017 22:00	US	New Home Sales	May	590k	--	569k	--
06/23/2017 22:00	US	New Home Sales MoM	May	3.70%	--	-11.40%	--
06/23/2017	MU	Visitor Arrivals	May	--	--	2743t	--
06/19/2017 06:30	PH	Budget Balance PHP	May	--	--	52.8b	--

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