

Highlights

Global	<p>With ECB, BOJ and BI all on hold last week, the market attention will shift now to FOMC this Wednesday where the discussion could revolve around a softer inflation outlook and a transitory soft patch which has to sit somewhat uncomfortably with an upgraded economic assessment, coupled with hopefully a clarification of the members' thoughts on the upcoming unwinding of its balance sheet. With summer volatility in the European rates market put on the backburner for now thanks to the yet-again dovish ECB, US politics could be slightly more interesting ahead of its August recess given the pending healthcare reform and US debt ceiling deadlines. However, Asia may not see the same reprieve as summer trading volumes light up and news headlines continue to develop on Japanese PM Abe and the ongoing Chinese crackdown on overseas investments etc.</p> <p>Asian bourses may trade in a consolidative range, awaiting FOMC later this week. Today's economic data release calendar will zoom in on the slew of manufacturing PMIs from Europe and US, US' existing home sales, S'pore's June inflation and Taiwan's unemployment rate. The key focus this week will be FOMC on Wednesday, while US companies like Caterpillar, Facebook, McDonalds, Ford, Boeing, Amazon and ExxonMobil are reporting earnings.</p>
US	<p>The White House indicated that President Trump could sign a sweeping Russia sanctions bill.</p>
ID	<p>The government is planning to exclude sedan from the luxury goods category. This will effectively lower the tax on this particular car model and is part of the government's plan to set up local sedan manufacturing, according to Industry Minister Airlangga Hartarto. Tax rate incurred on sedan purchases amounts to 30% of sales price now, compared to 10% on other models.</p>
MU	<p>Inflation picked up slightly from 0.95% in May to 1.06% in June. In terms of the two heavily-weighted sections, food and beverages inflation accelerated to 1.77% amid higher charges of eating out while the housing and fuels prices deflated at a slower pace by 0.96% yoy given the waned low base effect. Furthermore, clothing and footwear prices grew at a relatively strong pace by 1.39% mom due to new arrival of summer clothing and footwear and the continued improvement in tourism activities. On the other hand, alcoholic beverages & tobacco inflation slowed notably from 3.61% to 1.36% as the impact of increase in tobacco tax continued to fade. With high base effect abating, we expect overall CPI to remain above 1% in the rest of 2H. However, due to muted external price pressure, inflationary risks will likely be limited.</p>
Commodities	<p>Gold tuned higher into the weekend chiefly on dollar-weakness, especially on further ECB policymakers' rhetoric (although anonymous at the current juncture) that the European Central Bank is likely to reduce monetary stimulus as soon as October this year. In the energy markets, note that Russia and Saudi Arabia are slated to meet in St. Petersburg later today to discuss the oil markets. Topics such as production levels out of Libya and Nigeria, and the persistently low oil prices, will likely be on the agenda.</p>

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Major Markets

- **US:** Equities were marginally weaker on Friday, with the broad market falling in sympathy with the sell-off in European equities in anticipation of ECB withdrawal of monetary stimulus. Energy stocks were further pressured by a slump in crude prices, while industrials were pressured by weak earnings from General Electric. Utilities were the main beneficiaries, as investors bought into high-dividend stocks. VIX at 9.36, down 2.3%. Earnings season in full swing this week, with a slew of companies led by tech giants, Alphabet and Amazon.com, and key names in the industrial space reporting. US Treasury posted gains amidst the weak equity market, especially with the crude price slump affecting the energy sector. Yields were also softer by 1-2 bps, with the 2y and 10y benchmarks at 1.34% and 2.24%. July FOMC will be on this week, but we expect the Fed to stand pat without major changes. However, keep an eye on hints relating to the balance sheet reduction and concerns over weak inflation in the FOMC statement and the following Fed speak.
- **Singapore:** STI added 0.64% to close at 3314.12 on Friday but may be hard-pressed to make further headway without fresh catalysts. Wall Street had marginally lower while the morning signal from Kospi is also soft. STI support and resistance are tipped at 3300 and 3330 respectively. With the UST bond yields rallying on Friday, the SGS market may be content to track the rally for now. Watch if the 10-year SGS bond yield tests the 2% handle again and the 2-10 yield spread narrows and retakes the year-to-date tight of 80bps. Note the 3-month SIBOR has eased slightly to 1.11% whereas its SOR counterpart had whipped around in the past month to settle around 0.88bps for now.
- **EZ:** The UK will begin post-Brexit trade talks with the US today.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened on Friday, with swap rates trading 4-6bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in LBBW 3.75%'27s, and mixed interest seen in HSBC 4.7%-PERPs, HYFSP 6%-PERPs, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 190bps, while the yield on JACI HY Corporates fell 2bps to 6.86%. 10y UST yields fell 2bps to 2.24% yesterday, as lower crude oil prices dragged yields down.
- **New Issues:** There were no new issuances in the Asia ex-Japan G3 currencies or the Singapore Dollar space.
- **Rating Changes:** S&P has downgraded BIS Industries Ltd's (Bis) corporate credit rating to 'CC' from 'CCC-' while affirming the company's payment-in-kind notes that was issued by Bis's related entity Artsonig Pty Ltd (Artsonig) at 'C'. The outlook on the corporate credit rating is negative. The rating action reflects the debt for equity swap that BIS announced, which is highly probable given a reduction in debt is needed for the on-going viability of the business. S&P has upgraded Samsung Electronics Co Ltd's (SEC) corporate credit rating and issuer ratings to 'AA-' from 'A+'. The outlook is stable. The rating action reflects S&P's view that SEC will maintain its robust profitability, generate strong free operating cash flows and increase its cash holdings over the next two years. S&P has upgraded Sharp Corp's (Sharp) corporate credit rating to 'B+' from 'B-', while upgrading its senior unsecured debt rating to 'B' from 'B-'. The outlook is stable. The rating action reflects Sharp's operating performance which exceeded S&P's expectation and the cost saving benefits that Sharp have enjoyed since joining Hon Hai Precision Industry Co Ltd's corporate group in 2016. Moody's has downgraded Artsonig Pty Limited's (Artsonig) senior unsecured payment-in-kind notes to 'C' from 'Caa3' while keeping the corporate family rating (CFR) of Bis Industries Group Limited (Bis)

unchanged at 'Caa1'. The outlook on Artsonig is stable, while the outlook on the Bis' CFR remains negative. The rating action reflects the debt-for-equity swap that is likely to happen, and this constitutes a default event under Moody's definition. Moody's states that they will re-assess Bis' credit profile post transaction as they acknowledge that the transaction will significantly reduce gross debt on Bis' balance sheet. Moody's has downgraded Singapore Telecommunications Limited's (SingTel) senior unsecured ratings to 'A1' from 'Aa3'. The outlook is stable. The rating action reflects SingTel's high leverage that is above the threshold allowed for an 'Aa3' rating. Similarly, Moody's has downgraded Optus Finance Pty Limited's (Optus) senior unsecured MTN ratings to 'A2' from 'A1'. The outlook is stable. The rating action reflects Optus's capital expenditure and dividend payments to SingTel which has led to a significant increase in debt.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.858	-0.48%	USD-SGD	1.3628	-0.25%
USD-JPY	111.130	-0.70%	EUR-SGD	1.5889	-0.01%
EUR-USD	1.1663	0.28%	JPY-SGD	1.2260	0.47%
AUD-USD	0.7916	-0.53%	GBP-SGD	1.7710	-0.07%
GBP-USD	1.2997	0.18%	AUD-SGD	1.0786	-0.81%
USD-MYR	4.2840	-0.16%	NZD-SGD	1.0155	0.51%
USD-CNY	6.7667	0.10%	CHF-SGD	1.4410	0.34%
USD-IDR	13313	-0.15%	SGD-MYR	3.1398	0.27%
USD-VND	22730	--	SGD-CNY	4.9636	0.24%

Equity and Commodity

Index	Value	Net change
DJIA	21,580.07	-31.71
S&P	2,472.54	-0.91
Nasdaq	6,387.75	-2.25
Nikkei 225	20,099.75	-44.84
STI	3,314.12	20.99
KLCI	1,759.16	3.53
JCI	5,765.42	-59.78
Baltic Dry	977.00	13.00
VIX	9.36	-0.22

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1789	--
2M	-0.3410	--	1M	1.2322	0.0050
3M	-0.3310	0.0010	2M	1.2606	0.0022
6M	-0.2720	0.0020	3M	1.3144	0.0019
9M	-0.2060	--	6M	1.4531	-0.0029
12M	-0.1520	-0.0010	12M	1.7357	-0.0022

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.22 (-0.02)	1.34 (-0.01)
5Y	1.50 (-0.03)	1.80 (-0.01)
10Y	2.06 (-0.05)	2.24 (-0.02)
15Y	2.27 (-0.04)	--
20Y	2.31 (-0.03)	--
30Y	2.38 (-0.02)	2.81 (-0.02)

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	10.1%	0.1%	89.8%	10.1%	0.0%
11/01/2017	12.7%	0.1%	87.2%	12.4%	0.3%
12/13/2017	40.4%	0.1%	59.6%	36.2%	4.1%
01/31/2018	42.1%	0.1%	57.9%	36.8%	5.0%
03/21/2018	57.2%	0.0%	42.7%	42.3%	13.4%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.92	0.28
EURIBOR-OIS	2.78	-0.02
TED	15.35	-2.01

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	45.77	-2.18%	Copper (per mt)	6,002.1	0.24%
Brent (per barrel)	48.06	-2.52%	Nickel (per mt)	9,484.0	0.26%
Heating Oil (per gallon)	1.5152	-1.84%	Aluminium (per mt)	1,899.8	-0.08%
Gasoline (per gallon)	1.5633	-2.67%			
Natural Gas (per MMBtu)	2.9700	-2.40%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,573.0	-0.12%
			Rubber (JPY/KG)	214.5	-0.79%
Precious Metals	Futures	% chg			
Gold (per oz)	1,261.0	0.71%			
Silver (per oz)	16.457	0.69%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 18 Jul 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	443,253	405,935	37,318	Cotton	30,229	35,505	-5,276
Soybean	33,866	16,733	17,133	Wheat	31,700	36,480	-4,780
Coffee	-21,687	-32,138	10,451	Silver	8,630	12,981	-4,351
Corn	166,098	157,654	8,444	Cocoa	-43,846	-40,120	-3,726
Sugar	-57,893	-62,077	4,184	Live Cattle	140,836	144,050	-3,214
Platinum	9,015	5,262	3,753	Lean Hogs	84,250	86,724	-2,474
Copper	15,071	11,854	3,217	Natural Gas	-36,434	-34,675	-1,759
Gold	58,045	55,034	3,011	RBOB Gasoline	49,707	49,786	-79
Heating Oil	10,184	7,844	2,340	Palladium	19,014	18,571	443

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
07/21/2017	07:50	JN Japan Buying Foreign Bonds	Jul-14	--	¥947.8b	¥839.5b	¥805.8b
07/21/2017	07:50	JN Japan Buying Foreign Stocks	Jul-14	--	¥438.6b	¥324.9b	¥325.3b
07/21/2017	07:50	JN Foreign Buying Japan Bonds	Jul-14	--	¥413.7b	-¥408.5b	-¥413.4b
07/21/2017	07:50	JN Foreign Buying Japan Stocks	Jul-14	--	¥341.0b	-¥35.0b	-¥35.2b
07/21/2017	11:00	NZ Credit Card Spending YoY	Jun	--	8.30%	7.60%	--
07/21/2017	11:25	MU CPI Composite YoY	Jun	--	1.06%	0.95%	--
07/21/2017	13:30	JN Nationwide Dept Sales YoY	Jun	--	1.40%	0.00%	--
07/21/2017	13:30	JN Tokyo Dept Store Sales YoY	Jun	--	1.10%	-1.10%	--
07/21/2017	15:00	MA Foreign Reserves	Jul-14	--	\$99.1b	\$98.9b	--
07/21/2017	15:30	TH Foreign Reserves	Jul-14	--	\$185.4b	\$184.3b	--
07/21/2017	16:30	UK Public Finances (PSNCR)	Jun	--	18.3b	13.4b	--
07/21/2017	16:30	UK Public Sector Net Borrowing	Jun	4.2b	6.3b	6.0b	6.4b
07/21/2017	16:30	UK PSNB ex Banking Groups	Jun	4.9b	6.9b	6.7b	7.0b
07/21/2017	20:30	CA CPI NSA MoM	Jun	-0.10%	-0.10%	0.10%	--
07/21/2017	20:30	CA CPI YoY	Jun	1.10%	1.00%	1.30%	--
07/21/2017	20:30	CA Retail Sales MoM	May	0.30%	0.60%	0.80%	0.70%
07/21/2017	20:30	CA Retail Sales Ex Auto MoM	May	0.00%	-0.10%	1.50%	1.30%
07/24/2017	08:30	JN Nikkei Japan PMI Mfg	Jul P	--	--	52.4	--
07/24/2017	13:00	JN Supermarket Sales YoY	Jun	--	--	-1.80%	--
07/24/2017	13:00	JN Leading Index CI	May F	--	--	104.7	--
07/24/2017	13:00	SI CPI YoY	Jun	0.70%	--	1.40%	--
07/24/2017	13:00	SI CPI NSA MoM	Jun	-0.20%	--	0.30%	--
07/24/2017	15:00	FR Markit France Manufacturing PMI	Jul P	54.6	--	54.8	--
07/24/2017	15:00	FR Markit France Services PMI	Jul P	56.7	--	56.9	--
07/24/2017	15:00	FR Markit France Composite PMI	Jul P	56.4	--	56.6	--
07/24/2017	15:30	GE Markit/BME Germany Manufacturing PMI	Jul P	59.2	--	59.6	--
07/24/2017	15:30	GE Markit Germany Services PMI	Jul P	54.3	--	54	--
07/24/2017	15:30	GE Markit/BME Germany Composite PMI	Jul P	56.3	--	56.4	--
07/24/2017	16:00	EC Markit Eurozone Manufacturing PMI	Jul P	57.2	--	57.4	--
07/24/2017	16:00	EC Markit Eurozone Services PMI	Jul P	55.4	--	55.4	--
07/24/2017	16:00	EC Markit Eurozone Composite PMI	Jul P	56.2	--	56.3	--
07/24/2017	16:00	TA Unemployment Rate	Jun	3.71%	--	3.79%	--
07/24/2017	16:00	TA Industrial Production YoY	Jun	1.90%	--	0.78%	--
07/24/2017	20:30	CA Wholesale Trade Sales MoM	May	0.50%	--	1.00%	--
07/24/2017	21:45	US Markit US Manufacturing PMI	Jul P	52.2	--	52	--
07/24/2017	21:45	US Markit US Services PMI	Jul P	54	--	54.2	--
07/24/2017	21:45	US Markit US Composite PMI	Jul P	--	--	53	--
07/24/2017	22:00	US Existing Home Sales	Jun	5.57m	--	5.62m	--
07/24/2017	22:00	US Existing Home Sales MoM	Jun	-0.90%	--	1.10%	--
07/24/2017		MU Visitor Arrivals	Jun	--	--	2570t	--
07/24/2017		VN CPI YoY	Jul	--	--	2.54%	--
07/21/2017	07/27	TH Car Sales	Jun	--	--	--	--
07/19/2017	07/31	PH Budget Balance PHP	Jun	--	--	-33.4b	--

Source: Bloomberg

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