

Highlights

Global	<p>Wall Street climbed overnight as investor optimism improved on the back of healthy earnings from Caterpillar, McDonald's and DuPont, while the 10-year bond sold off to push yields up to 2.33% as market players turned cautious ahead of FOMC and impending bond auctions this week. Meanwhile, the US Senate voted 51-50 with VP Mike Pence as tie-breaker to begin floor debate on repealing the Affordable Care Act, but the market response to this was relatively muted for now amid uncertainty about the final outcome. Elsewhere, German IFO business climate unexpectedly improved from a revised 115.2 in June to hit a record 116.0 (highest since 1991) in July, with both the current assessment and expectations gauges both climbing to 125.4 and 107.3 respectively, which suggested a strong start to 3Q growth momentum.</p> <p>Asian bourses may remain sidelined ahead of FOMC. Today's economic data release calendar comprises US' new home sales, UK' actual 2Q17 GDP growth, Australia's 2Q CPI and Singapore's June industrial production. Speakers include RBA's Lowe, ECB's Lautenschlaeger and BOJ deputy governor Nakaso.</p>
US	<p>More green shoots for the US economy – the Conference Board consumer confidence improved from 117.3 in June to 121.1 in July, with the present situations and expectations gauges also rising to 147.8 (16-year high) and 103.3 respectively. The FGFA house price index increase moderated from a revised 0.6% in April to 0.4% in May, while the S&P CoreLogic 20-city property price index rose 5.7% yoy (+0.1% mom) amid a shortage of listings. The Richmond Fed manufacturing index also increased from a revised 11 in June to 14 in July, led by higher new orders.</p>
JP	<p>BOJ's new members Kataoka and Suzuki both suggested the central bank policy should continue to support the 2% inflation goal and it was too premature to consider an exit now.</p>
AU	<p>RBA assistant governor McDermott said "three trends were particularly important: the neutral interest rate; potential output growth; and the equilibrium real exchange rate" and "they're important to pin down so that monetary policy can be set appropriately".</p>
SG	<p>June industrial production likely surged 12.3% yoy (+7.5% mom sa), up from May's 5.0% yoy (-3.5% mom sa). The key growth driver is likely to remain the electronics, particularly semiconductors.</p>
KR	<p>South Korea raised its growth forecast to 3.0% in a statement yesterday, up from an initial 2.6% growth outlook. The upgrade was led primarily by the rosy external environment, investment and fiscal expansion.</p>
Commodities	<p>Growth-related commodities gained across the board. Oil prices rallied substantially, with Brent crossing its \$50/bbl (+3.3%) while WTI (+3.3%) followed suit. Market-watchers cheered on Saudi Arabia's export cut (down one million barrels per day to 6.6mbpd) while digesting news that US oil producer Anadarko will cut its capital expenditure in 2017 after a larger-than-expected quarterly loss. Investors will also watch closely on tonight's US crude oil inventory print (estimated to see a fall of 3.0 million barrels), amid FOMC meeting result tonight.</p>

Major Markets

- **US:** The S&P 500 climbed 0.29% to yet another record, at 2477.13, after taking a breather for past three sessions. Energy stocks rose 1.26% as a group, as crude prices were pushed higher with Saudi Arabia promising deeper production cuts and a decline with US inventories. Strong gains were also seen in financials as Treasury yields spiked higher ahead of the FOMC statement on Thursday. The Dow rose 0.47%, while the Nasdaq Composite was marginally higher after setting a new record yesterday. Strong corporate earnings and consumer confidence appear to spark risk-on rally, putting pressure on Treasuries ahead of the FOMC statement on Thursday. A new auction of 2y notes drew a yield of 1.395%, highest since Oct 2008. 2y benchmark yield stood at 1.39%, up 3 bps. 10y benchmark yields spiked 8 bps to 2.33%, powering through 100DMA and 200DMA technical
- **Singapore:** STI gained 0.51% to close at 3327.83 yesterday and may sustain its upward momentum on positive leads from Wall Street and strong morning performance from Nikkei and Kospi. STI support and resistance are tipped at 3320 and 3350 respectively. With the UST bond yields backing up to 8bps higher overnight, the SGS market may remain pressured ahead of FOMC tonight and tomorrow's \$1.3b 7-year SGS bond re-opening. The 3-month SIBOR-SOR spread has stabilised around 24bps.
- **China:** China's industrial profit from state-owned companies rose by 24.3% in the first half of 2017. This is helpful to contain high corporate leverage risk as more than half of China's corporate debt was owed by SOE.
- **Hong Kong:** Hong Kong Executive Council approved a plan to let Mainland government rent an area at the West Kowloon Station and allow Mainland officers to enforce mainland laws within the area. Hong Kong Executive Council believed that this plan could keep the operation of a joint checkpoint in full compliance to the "one country, two systems". The Legislative Council may call for a special meeting to discuss on this plan during the summer holiday. As six democratic lawmakers have been disqualified, the probability of the Legislative Council to pass the proposal is higher. If the plan is passed in the Legislative Council, it will help to address the law enforcement issues involved in the adoption of a joint Hong Kong-mainland checkpoint and enable the express rail link to begin operations in 3Q 2018 as scheduled. Upon completion, the express rail link is expected to well facilitate the development of the Greater Bay Area.
- **South Korea:** The finance ministry explained that the KRW11.0 trillion supplementary budget (approved late last week) will focus on job creation and social welfare expansion. Moreover, more than 70% of the said budget will be spent as early as October to facilitate economic growth.
- **Malaysia:** Bank Negara's Governor Muhammad Ibrahim said that the country's foreign reserves are sufficient buffer for external shocks. The last print shows that Malaysia's reserves stood at USD99.1bn as at July 14th.
- **Indonesia:** Bank Indonesia said that it estimates July inflation at 3.84%yoy, with a monthly inflation of 0.18% based on survey through third week of the month. The government flagged the risk of repeat of forest fires which caused haze to blanket parts of Southeast Asia back in 2015 in the coming months. Satellite images reportedly showed 170 hotspots across the country.
- **Commodities:** Elsewhere, copper staged a marked rally (+4.0%) to \$6,275/MT overnight, highest in more than two years, led by strong US earning result amid sustained China economic strength. In Malaysia, palm oil exports surged 4.8% in June 1-25, according to Societe Generale De Surveillance, CPO futures surged 2.9% to MYR2,626/MT, strongest since May 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 1-2bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, and mixed interest seen in HYFSP 6%-PERPs, WINGTA 4.08%-PERPs. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 189bps, while the yield on JACI HY Corporates rose 1bps to 6.87%. 10y UST yields rose 8bps yesterday, as crude oil rallied after a report released by the American Petroleum Institute showed that US crude inventories shrank by the most since September.
- **New Issues:** CDBL Funding 2 has priced a two-tranche deal (guaranteed by Metro Excel Ltd and supported by a keepwell and asset purchase deed with China Development Bank Financial Leasing Co.), with the USD400mn 3-year bond priced at CT3+120bps, tightening from initial guidance of CT3+145bps area; and the USD600mn 5-year tranche priced at CT5+125bps, tightening from initial guidance of CT5+150bps area. The expected issue ratings are 'NR/A2/A+'. PT ABM Investama Tbk has priced a USD300mn 5NC3 bond at 7.375%, tightening from initial guidance of 7.625%. The expected issue ratings are 'NR/Ba3/BB-'. CCTI 2017 Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by China Chengtong Investment Company Ltd) from 25 Jul. Minejesa Capital BV has scheduled investor meetings for potential USD bond issuance (guaranteed by PT Paiton Energy) from 26 Jul. The expected issue ratings are 'NR/Baa3/BBB-'. China Logistics Property Holdings Co has scheduled investor meetings for potential USD bond issuance from 26 Jul. The expected issue ratings are 'NR/B3/B'.
- **Rating Changes:** S&P has upgraded EnergyAustralia Holdings Ltd (EA) and its subsidiaries' corporate credit rating to 'BBB+' from 'BBB'. The outlook is stable. The rating action reflects S&P's view that EA will continue its stable performance and that it will solve its fuel supply issues at Mt Piper. S&P has affirmed Shimao Property Holdings Ltd's (Shimao) corporate credit rating and senior unsecured rating at 'BB+' and 'BB' respectively while revising its outlook to stable from negative. The rating action reflects S&P's view that Shimao's leverage will continue to improve and the company will maintain a prudent expansion strategy.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.054	0.08%	USD-SGD	1.3623	0.01%
USD-JPY	111.890	0.71%	EUR-SGD	1.5866	0.05%
EUR-USD	1.1647	0.04%	JPY-SGD	1.2175	-0.71%
AUD-USD	0.7937	0.16%	GBP-SGD	1.7743	-0.02%
GBP-USD	1.3025	-0.02%	AUD-SGD	1.0812	0.17%
USD-MYR	4.2813	0.08%	NZD-SGD	1.0104	-0.29%
USD-CNY	6.7510	0.00%	CHF-SGD	1.4302	-0.74%
USD-IDR	13327	0.14%	SGD-MYR	3.1448	0.04%
USD-VND	22724	-0.05%	SGD-CNY	4.9587	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1789	--
2M	-0.3390	--	1M	1.2328	--
3M	-0.3290	--	2M	1.2600	--
6M	-0.2710	--	3M	1.3139	--
9M	-0.2080	--	6M	1.4528	--
12M	-0.1530	--	12M	1.7357	--

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	10.8%	0.1%	89.1%	10.7%	0.1%
12/13/2017	45.4%	0.1%	54.6%	41.1%	4.2%
01/31/2018	46.4%	0.1%	53.6%	41.4%	4.9%
03/21/2018	63.7%	0.0%	36.3%	45.3%	16.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.89	3.34%	Copper (per mt)	6,275.5	4.02%
Brent (per barrel)	50.20	3.29%	Nickel (per mt)	9,970.0	2.34%
Heating Oil (per gallon)	1.5685	3.40%	Aluminium (per mt)	1,914.3	0.95%
Gasoline (per gallon)	1.5962	2.53%			
Natural Gas (per MMBtu)	2.9440	1.55%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,626.0	2.86%
Gold (per oz)	1,258.5	-0.17%	Rubber (JPY/KG)	211.5	1.05%
Silver (per oz)	16.542	0.60%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,613.43	100.26
S&P	2,477.13	7.22
Nasdaq	6,412.17	1.36
Nikkei 225	19,955.20	-20.47
STI	3,327.83	17.03
KLCI	1,763.34	1.35
JCI	5,813.54	11.95
Baltic Dry	977.00	--
VIX	9.43	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.21 (+0.01)	1.39 (+0.03)
5Y	1.51 (+0.02)	1.89 (+0.07)
10Y	2.07 (+0.03)	2.34 (+0.08)
15Y	2.27 (+0.02)	--
20Y	2.32 (+0.01)	--
30Y	2.39 (+0.01)	2.92 (+0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.85	-0.07
EURIBOR-OIS	2.88	--
TED	14.52	--

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised	
07/25/2017	05:00	SK	Consumer Confidence	Jul	--	111.2	111.1	--
07/25/2017	14:00	GE	Import Price Index MoM	Jun	-0.70%	-1.10%	-1.00%	--
07/25/2017	14:00	GE	Import Price Index YoY	Jun	2.90%	2.50%	4.10%	--
07/25/2017	14:45	FR	Manufacturing Confidence	Jul	108	109	108	109
07/25/2017	14:45	FR	Production Outlook Indicator	Jul	--	21	17	16
07/25/2017	14:45	FR	PPI MoM	Jun	--	-0.40%	-0.60%	--
07/25/2017	14:45	FR	PPI YoY	Jun	--	1.40%	2.10%	2.20%
07/25/2017	16:00	GE	IFO Business Climate	Jul	114.9	116	115.1	115.2
07/25/2017	16:00	GE	IFO Expectations	Jul	106.5	107.3	106.8	--
07/25/2017	16:00	GE	IFO Current Assessment	Jul	123.8	125.4	124.1	124.2
07/25/2017	16:00	IT	Industrial Orders MoM	May	--	4.30%	-0.70%	-0.50%
07/25/2017	16:00	IT	Industrial Orders NSA YoY	May	--	13.70%	-2.20%	--
07/25/2017	16:00	IT	Industrial Sales MoM	May	--	1.50%	-0.50%	-0.40%
07/25/2017	16:00	IT	Industrial Sales WDA YoY	May	--	7.60%	4.00%	4.10%
07/25/2017	21:00	US	FHFA House Price Index MoM	May	0.50%	0.40%	0.70%	0.60%
07/25/2017	21:00	US	S&P CoreLogic CS 20-City YoY NSA	May	5.80%	5.69%	5.67%	5.77%
07/25/2017	21:00	US	S&P CoreLogic CS 20-City NSA Index	May	--	198.97	197.19	197.38
07/25/2017	21:00	US	S&P CoreLogic CS US HPI YoY NSA	May	--	5.58%	5.50%	5.65%
07/25/2017	21:00	US	S&P CoreLogic CS US HPI NSA Index	May	--	190.61	188.5	188.77
07/25/2017	22:00	US	Conf. Board Consumer Confidence	Jul	116.5	121.1	118.9	117.3
07/25/2017	22:00	US	Richmond Fed Manufact. Index	Jul	7	14	7	11
07/26/2017	06:45	NZ	Trade Balance NZD	Jun	150m	242m	103m	74m
07/26/2017	06:45	NZ	Exports NZD	Jun	4.60b	4.70b	4.95b	4.92b
07/26/2017	06:45	NZ	Imports NZD	Jun	4.40b	4.46b	4.85b	4.84b
07/26/2017	06:45	NZ	Trade Balance 12 Mth YTD NZD	Jun	-3680m	-3661m	-3754m	-3796m
07/26/2017	07:50	JN	PPI Services YoY	Jun	0.80%	--	0.70%	--
07/26/2017	09:30	AU	CPI QoQ	2Q	0.40%	--	0.50%	--
07/26/2017	09:30	AU	CPI YoY	2Q	2.20%	--	2.10%	--
07/26/2017	09:30	AU	CPI Trimmed Mean QoQ	2Q	0.50%	--	0.50%	--
07/26/2017	09:30	AU	CPI Trimmed Mean YoY	2Q	1.80%	--	1.90%	--
07/26/2017	09:30	AU	CPI Weighted Median QoQ	2Q	0.50%	--	0.40%	--
07/26/2017	09:30	AU	CPI Weighted Median YoY	2Q	1.70%	--	1.70%	--
07/26/2017	13:00	JN	Small Business Confidence	Jul	49.8	--	49.2	--
07/26/2017	13:00	SI	Industrial Production YoY	Jun	8.50%	--	5.00%	--
07/26/2017	13:00	SI	Industrial Production SA MoM	Jun	3.60%	--	-3.50%	--
07/26/2017	14:45	FR	Consumer Confidence	Jul	108	--	108	--
07/26/2017	16:00	IT	Economic Sentiment	Jul	--	--	106.4	--
07/26/2017	16:00	IT	Manufacturing Confidence	Jul	107	--	107.3	--
07/26/2017	16:00	IT	Consumer Confidence Index	Jul	106.3	--	106.4	--
07/26/2017	16:30	UK	BBA Loans for House Purchase	Jun	40000	--	40347	--
07/26/2017	16:30	UK	GDP QoQ	2Q A	0.30%	--	0.20%	--
07/26/2017	16:30	UK	GDP YoY	2Q A	1.70%	--	2.00%	--
07/26/2017	16:30	UK	Index of Services 3M/3M	May	0.40%	--	0.20%	--
07/26/2017	19:00	US	MBA Mortgage Applications	Jul-21	--	--	6.30%	--
07/26/2017	22:00	US	New Home Sales	Jun	615k	--	610k	--
07/26/2017	22:00	US	New Home Sales MoM	Jun	0.80%	--	2.90%	--

Source: Bloomberg

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