

Highlights

Global	Hawkish central bank rhetoric continued to sustain across major markets as investors anticipated the upcoming FOMC balance sheet unwinding and pushed bond yields higher (with 10-year UST bond yield above 2.25%) and weighed on Wall Street overnight. VIX also spiked in its largest intraday spike since the Brexit referendum. Hence, Asian markets are likely to start on a soft note and will be closely watching China's manufacturing and non-manufacturing PMI cues for direction this morning. The rest of today's economic calendar comprises of US' personal income and spending, May core PCE deflator, Chicago PMI and the final June prints for the University of Michigan sentiments, Eurozone's CPI, UK's final 1Q17 GDP growth print, and German unemployment change. ECB's Lautenschlaeger and Coeure are speaking, and Canada is also releasing its senior loan officer survey. This weekend also holds India's launch of its nationwide GST tomorrow and a Tokyo assembly election on Sunday where PM Abe's LDP risks losing its largest party position to a Koike's Tomin First party.
US	Initial jobless claims rose 2k to 244k, while continuing claims came in marginally higher at 1.948m as well. 1Q17 GDP growth was revised up 1.4% annualised qoq, led by higher personal consumption at 1.1%. Meanwhile, the US Treasury is expected to be able to fund the government to early-mid October under the current borrowing limit, according to the Congressional Budget Office. However, the FY17 budget deficit is tipped to be US\$693b, wider than the earlier estimate of US\$559b and up from FY16's US\$585b.
EZ	German inflation accelerated to 1.6% yoy (+0.2% mom) in June, reflecting higher food prices, but still short of the ECB's 2% target even as the ECB is considering adjusting instruments without tightening monetary conditions.
UK	Consumer credit surged 10.3% yoy in May and also marked its largest on-month rise since Nov16, which could explain why the BOE had tightened capital requirements for lenders by GBP11.4b after setting the countercyclical capital buffer at 0.5% of risk-weighted assets effective from Jun 2018 and to rise to 1% in Nov. However, the GfK consumer confidence index slipped from -5 in May to -10 in Jun amid rising inflation and election uncertainties.
JP	Core consumer prices rose for the 5 th straight month to 0.4% yoy, the fastest increase since Dec14, but remains far from the BOJ's 2% inflation target.
SG	MAS MD Menon said that easing property cooling measures now "would send a wrong signal" as "the risk of a renewed unsustainable surge in property prices is not trivial". He also warned that financial sector jobs in focus as the middleman role is under threat and MAS would work with financial institutions to identify early jobs at risk and proactively upskill workers through professional conversion programmes.
Commodities	Crude oil rallied with WTI rising above its \$45/bbl handle comfortably on intraday trading yesterday, while Brent closed higher at \$47.42/bbl (+0.23%). With the gains seen overnight, it marks crude oil's longest winning streak in two months as market digested the lower US crude oil production for the week ended 23rd June 2017. Note that base metal prices, especially copper, has risen markedly in the past weeks, buoyed by lower Chile's Escondida copper production (-63%) in the first quarter of 2017.

Major Markets

- **US:** Volatile price movements continued to plague equities on Thursday, with major indices again reversing from the previous session. Tech stocks led equities downwards as funds were rotated out of the sector. High dividend stocks also slumped due to an upswing in Treasury yields. On the flipside, energy stocks rose as crude oil registered gains for the sixth consecutive session. Financials continued to gain from yesterday, after the Fed approved plans to increase share buyback and dividend payouts. Momentum seemed firmly behind financials at the moment. VIX spiked above 15 intraday, before retreating to close at 11.44, up 14%. Meanwhile, US Treasuries retreated alongside stocks intraday, before dip buying provided support into the close. Long end again underperformed, with the 10y gaining 4 bps to 2.27%. The 2y benchmark yield rose 2 bps to 1.37%.
- **Singapore:** STI bounced 1.34% to close at 3258.65 yesterday but risks succumbing to the sea of red ink currently sweeping across Wall Street and European bourses, especially amid profit-taking interest ahead of the US long holiday weekend. Morning slippage by Kospi already sets the tone for the STI which may test support at and may risk a retest of the 3220 support. With UST bond yields climbing overnight, SGS bonds may similarly sell off today with longer-dated tenors in focus.
- **China:** Both China's current account and capital account recorded surplus in the first quarter, first twin surpluses in three years. Capital account surplus increased to US\$36.8 billion mainly due to rising foreign liability, which increased by US\$91.5 billion, as a result of stable currency outlook. With the further opening of bond connect and inclusion of A-share into global benchmark index, we expect more portfolio inflows in the coming quarters, which may further underpin currency stability.
- **Hong Kong:** Growth in retail sales remained muted at 0.5% yoy in May. On the one hand, the sales of clothing, footwear and allied products retreated by 0.8% yoy after increasing for two consecutive months. Sales of jewellery, watches and other luxurious goods (1.4% yoy) continued to increase, albeit at a tepid pace. This is due to a slowing recovery of tourism activities as well as sluggish tourist spending. On the other hand, sales of consumer durable goods dropped for the 19th consecutive month and edged down 6% yoy partially the impact of removal of full exemptions from first registration tax on electric cars. Furthermore, sales of goods in the supermarkets edged down at a faster pace by 1.1% yoy. This reinforces our view that the resilient domestic demand on a stable labor market, a bullish stock market and the housing boom has not benefited the retail sector as local households tend to consume online or during their overseas tour. Therefore, even with low base effect, we expect low single-digit growth in retail sales this year.
- **Indonesia:** Former US President Barack Obama is scheduled to meet with President Jokowi in Jakarta today on a personal visit, and will deliver remarks at a convention for Indonesian diaspora.
- **Macau:** The number of hotel guests rose at its fast pace since last October and was up by 20.1% yoy in May. This is in line with the strong growth of overnight visitors. Notably, guests of hotels and guesthouses from Mainland China (21% yoy), Hong Kong (6.3% yoy), Taiwan (21.2% yoy), South Korea (107.9% yoy) and Japan (16.5% yoy) all increased significantly due to holiday effect. Furthermore, hotel occupancy rate rose by 5 percentage points to 84.9%, reinforcing the high attractiveness of a slew of newly opened hotels. Still, we are concerned that hotel sector will recover at a slower pace during off-season months between June and September.
- **Malaysia:** Natural Resources and Environment Minister, Wan Junaidi Tuanku Jaafar, said that the moratorium on bauxite mining and exports will be extended for 6 more months to ensure that remaining stockpile of the mineral can be cleared.

- **South Korea:** May's industrial production disappointed at 0.1%yoy (+0.2% momsa), versus market calls for it to grow 1.1% momsa. Overall industrial production was dragged primarily by lower automobile production, while manufacturing growth turned flat in May (0% yoy) from April's 1.8% print.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in NOLSP 4.65'20s, LBBW 3.75%'27s, CHIPEN 4.9%'22s, better selling seen in WINGTA 4.08%-PERPs, and mixed interest seen in STHSP 3.95%-PERPs, OUESP 4.25%'19s, HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG changed little at 193bps while the yield on JACI HY Corporates rose by 2bps to 6.89%. 10y UST yields rose 4bps to 2.27%, following the decline in stocks as markets continue to assess the recent spate of comments by central banks to hike interest rates.
- **New Issues:** SGSP (Australia) Assets Pty Limited priced a USD500mn 10-year bond at CT10+132bps, tightening from initial guidance of CT10+155 area. The expected issue ratings are 'A-/A3/NR'. Modern Land (China) Co., Ltd priced a USD300mn 1-year bond at 6.5%. The Republic of Indonesia has scheduled investor meetings for the potential issuance of EUR and/or USD bonds from 3 Jul.
- **Rating Changes:** S&P has withdrawn Sino-Ocean Group Holding (SOG) Limited's corporate credit rating at the company's request after downgrading SOG's rating to 'BB+' from 'BBB-' with a stable outlook. The rating action reflects S&P's view that the strategic relationship of SOG with its largest shareholder, China Life Insurance Co. Ltd., has not progressed as expected. Moody's has assigned a 'Ba1' corporate family rating to Shanghai Huayi (Group) Company (Huayi), while downgrading Huayi's senior bonds to 'Ba2' from 'Ba1', with a stable outlook. In addition, Moody's has withdrawn Huayi's 'Baa3' issuer rating. The rating action reflects Moody's expectation of weak earnings in Huayi's commodity chemicals business amid persistent oversupply, while its business transformation creates execution risks and additional capital spending that will keep debt leverage elevated. Moody's has assigned a long-term foreign currency issuer rating of 'Aaa' to the Asian Infrastructure Investment Bank.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.628	-0.40%	USD-SGD	1.3792	-0.22%
USD-JPY	112.180	-0.11%	EUR-SGD	1.5780	0.34%
EUR-USD	1.1441	0.55%	JPY-SGD	1.2295	-0.10%
AUD-USD	0.7683	0.56%	GBP-SGD	1.7939	0.41%
GBP-USD	1.3007	0.63%	AUD-SGD	1.0598	0.37%
USD-MYR	4.2935	-0.09%	NZD-SGD	1.0068	-0.28%
USD-CNY	6.7870	-0.19%	CHF-SGD	1.4428	0.17%
USD-IDR	13330	-0.09%	SGD-MYR	3.1149	0.45%
USD-VND	22740	0.01%	SGD-CNY	4.9192	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1767	--
2M	-0.3410	--	1M	1.2261	--
3M	-0.3310	--	2M	1.2544	--
6M	-0.2710	--	3M	1.2964	--
9M	-0.1990	--	6M	1.4466	--
12M	-0.1580	--	12M	1.7368	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.23 (+0.03)	1.37 (+0.02)	-0.57 (+0.01)	-0.39 (+0.04)	-0.14 (+0.04)
5Y	1.50 (+0.02)	1.85 (+0.03)	-0.23 (+0.06)	-0.06 (+0.06)	0.85 (+0.08)
10Y	2.06 (+0.03)	2.27 (+0.04)	0.45 (+0.08)	0.80 (+0.09)	2.15 (+0.12)
15Y	2.24 (+0.03)	--	0.70 (+0.08)	1.16 (+0.09)	2.70 (+0.12)
20Y	2.35 (+0.03)	--	0.96 (+0.08)	1.46 (+0.10)	2.83 (+0.12)
30Y	2.41 (+0.03)	2.81 (+0.03)	1.22 (+0.08)	1.72 (+0.09)	3.27 (+0.11)

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	45.9%	0.4%	53.7%	39.9%	5.9%
31/01/2018	46.4%	0.4%	53.3%	40.0%	6.2%
21/03/2017	60.3%	0.3%	39.4%	43.5%	15.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	44.93	0.42%	Copper (per mt)	5,942.6	0.73%
Brent (per barrel)	47.42	0.23%	Nickel (per mt)	9,255.5	0.22%
Heating Oil (per gallon)	1.4460	0.91%	Aluminium (per mt)	1,906.8	0.99%
Gasoline (per gallon)	1.4856	0.16%			
Natural Gas (per MMBtu)	3.0420	-0.82%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,469.0	1.19%
			Rubber (JPY/KG)	205.4	3.11%
Precious Metals	Futures	% chg			
Gold (per oz)	1,245.8	-0.26%			
Silver (per oz)	16.654	-0.82%			

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

Equity and Commodity

Index	Value	Net change
DJIA	21,287.03	-167.58
S&P	2,419.70	-20.99
Nasdaq	6,144.35	-90.06
Nikkei 225	20,220.30	89.89
STI	3,258.65	42.95
KLCI	1,771.36	0.13
JCI	5,829.71	--
Baltic Dry	929.00	--
VIX	11.44	1.41

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.43	-0.18
EURIBOR-OIS	2.86	-0.04
TED	29.39	--

Government CDS (USD)

	5Y	% Change
Germany	14.835	-0.42%
France	21.756	-0.28%
Italy	145.169	-0.48%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
06/29/2017	05:00	SK Business Survey Manufacturing	Jul	--	80	84	--
06/29/2017	07:50	JN Retail Sales MoM	May	-1.00%	-1.60%	1.40%	--
06/29/2017	07:50	JN Retail Trade YoY	May	2.60%	2.00%	3.20%	--
06/29/2017	09:00	NZ ANZ Business Confidence	Jun	--	24.8	14.9	--
06/29/2017	09:51	VN CPI YoY	Jun	2.75%	2.54%	3.19%	--
06/29/2017	09:53	VN Exports YTD YoY	Jun	19.60%	18.90%	17.40%	--
06/29/2017	14:00	GE GfK Consumer Confidence	Jul	10.4	10.6	10.4	--
06/29/2017	16:30	UK Mortgage Approvals	May	64.0k	65.2k	64.6k	65.1k
06/29/2017	16:30	HK Retail Sales Value YoY	May	1.50%	0.50%	0.10%	--
06/29/2017	16:58	MU Hotel Occupancy Rate	May	--	84.9	86.1	--
06/29/2017	17:00	EC Consumer Confidence	Jun F	-1.3	-1.3	-1.3	--
06/29/2017	20:00	GE CPI MoM	Jun P	0.00%	0.20%	-0.20%	--
06/29/2017	20:00	GE CPI YoY	Jun P	1.40%	1.60%	1.50%	--
06/29/2017	20:00	GE CPI EU Harmonized MoM	Jun P	0.00%	0.20%	-0.20%	--
06/29/2017	20:00	GE CPI EU Harmonized YoY	Jun P	1.30%	1.50%	1.40%	--
06/29/2017	20:30	US GDP Annualized QoQ	1Q T	1.20%	1.40%	1.20%	--
06/29/2017	20:30	US Personal Consumption	1Q T	0.60%	1.10%	0.60%	--
06/29/2017	20:30	US GDP Price Index	1Q T	2.20%	1.90%	2.20%	--
06/29/2017	20:30	US Core PCE QoQ	1Q T	2.10%	2.00%	2.10%	--
06/29/2017	20:30	US Initial Jobless Claims	Jun-24	240k	244k	241k	242k
06/29/2017	20:30	US Continuing Claims	Jun-17	1935k	1948k	1944k	1942k
06/29/2017	21:45	US Bloomberg Consumer Comfort	Jun-25	--	48.6	49.4	--
06/30/2017	06:45	NZ Building Permits MoM	May	--	7.00%	-7.60%	-7.40%
06/30/2017	07:00	SK Industrial Production SA MoM	May	1.10%	0.20%	-2.20%	--
06/30/2017	07:00	SK Industrial Production YoY	May	-0.20%	0.10%	1.70%	1.80%
06/30/2017	07:30	JN Jobless Rate	May	2.80%	3.10%	2.80%	--
06/30/2017	07:30	JN Job-To-Applicant Ratio	May	1.48	1.49	1.48	--
06/30/2017	07:30	JN Natl CPI YoY	May	0.50%	0.40%	0.40%	--
06/30/2017	07:30	JN Natl CPI Ex Fresh Food YoY	May	0.40%	0.40%	0.30%	--
06/30/2017	07:30	JN Tokyo CPI YoY	Jun	0.30%	0.00%	0.20%	--
06/30/2017	07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jun	0.20%	0.00%	0.10%	--
06/30/2017	07:50	JN Industrial Production MoM	May P	-3.00%	--	4.00%	--
06/30/2017	07:50	JN Industrial Production YoY	May P	6.90%	--	5.70%	--
06/30/2017	09:00	CH Manufacturing PMI	Jun	51	--	51.2	--
06/30/2017	09:30	AU Private Sector Credit MoM	May	0.40%	--	0.40%	--
06/30/2017	09:30	AU Private Sector Credit YoY	May	5.00%	--	4.90%	--
06/30/2017	13:00	JN Housing Starts YoY	May	-0.70%	--	1.90%	--
06/30/2017	14:00	GE Retail Sales MoM	May	0.30%	--	-0.20%	--
06/30/2017	14:00	GE Retail Sales YoY	May	2.80%	--	-0.90%	--
06/30/2017	14:45	FR CPI EU Harmonized MoM	Jun P	0.00%	--	0.00%	--
06/30/2017	14:45	FR CPI EU Harmonized YoY	Jun P	0.80%	--	0.90%	--
06/30/2017	14:45	FR CPI MoM	Jun P	0.00%	--	0.00%	--
06/30/2017	14:45	FR CPI YoY	Jun P	0.70%	--	0.80%	--
06/30/2017	15:30	TH Foreign Reserves	Jun-23	--	--	\$184.5b	--
06/30/2017	15:30	TH Exports YoY	May	--	--	5.90%	--
06/30/2017	15:30	TH BoP Current Account Balance	May	\$2000m	--	\$2906m	--
06/30/2017	15:55	GE Unemployment Change (000's)	Jun	-10k	--	-9k	--
06/30/2017	15:55	GE Unemployment Claims Rate SA	Jun	5.70%	--	5.70%	--
06/30/2017	16:30	UK GDP QoQ	1Q F	0.20%	--	0.20%	--
06/30/2017	16:30	UK GDP YoY	1Q F	2.00%	--	2.00%	--
06/30/2017	17:00	EC CPI Estimate YoY	Jun	1.20%	--	1.40%	--
06/30/2017	17:00	EC CPI Core YoY	Jun A	1.00%	--	0.90%	--
06/30/2017	20:30	US Personal Income	May	0.30%	--	0.40%	--
06/30/2017	20:30	CA GDP MoM	Apr	0.20%	--	0.50%	--
06/30/2017	20:30	US Personal Spending	May	0.10%	--	0.40%	--
06/30/2017	20:30	CA Industrial Product Price MoM	May	0.40%	--	0.60%	--
06/30/2017	20:30	US PCE Core MoM	May	0.10%	--	0.20%	--
06/30/2017	21:45	US Chicago Purchasing Manager	Jun	58	--	59.4	--
06/30/2017	22:00	US U. of Mich. Sentiment	Jun F	94.5	--	94.5	--

Source: Bloomberg

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Co.Reg.no.:193200032W