

### Highlights

|               |   |
|---------------|---|
| <b>Global</b> | Market sentiments softened overnight with the slump in crude oil prices, and Asian bourses may trade with a weaker tone as market players await the RBA policy decision (where a 25bp rate cut to 1.5% has been largely discounted and any surprises to stay pat could whipsaw the AUD). Also on tap today are the US' personal income and spending and core PCE deflator, and S'pore's manufacturing and electronics PMI.  |
| <b>PMI</b>    | Eurozone and Germany's final July manufacturing PMI prints proved resilient post-Brexit at 52.0 and 53.8. Elsewhere, the outlook was slightly more murky. China's official manufacturing and non-manufacturing PMIs diverged with the former dipping slightly from 50.0 in June to 49.9 in July, whilst the latter improved from 53.7 to 53.9. The Caixin manufacturing PMI, however, rose more than expected from 48.6 to 50.6, back to expansion territory. Japan's Nikkei manufacturing PMI rose from 48.1 in June to 49.3 in July (highest since Feb 2016), with improvements in new orders (highest since Feb too) and output at 49.4 (previously 48.1). However, for the rest of Asia, improvements were registered for Taiwan (51.0 versus 50.5), Malaysia (48.1 versus 47.1), and India (51.8 versus 51.7), whereas deterioration were seen in Indonesia (48.4 versus 51.9), South Korea (50.1 versus 50.5) and Vietnam (51.9 versus 52.6). |
| <b>US</b>     | Manufacturing ISM slid more than expected from 53.2 to 52.6 in July, but was attributed to lower employment (49.4 versus 50.4) and supplier deliveries (51.8 versus 55.4), whereas new orders (56.9 versus 57.0) and production (55.4 versus 54.7) were relatively resilient. ISM prices paid also eased from 60.5 to 52.6 amid a stronger USD. Meanwhile, construction spending unexpectedly shrank 0.6% mom in June, while the May data was revised up from -0.8% to -0.1%.   |
| <b>JP</b>     | Japan's JPY28.1tn fiscal stimulus plan will include JPY7.5tn of net fiscal spending and JPY6tn of government loans, but as it includes spending across years. GDP growth is tipped at 1% for 2016 and 1.3% for 2017.  |
| <b>SG</b>     | The manufacturing and electronics PMI are likely to stay in contraction territory in July and deviate much from the June readings of 49.6 and 49.0 respectively. The recent manufacturers' business expectations survey saw a net 1% of firms anticipating a bearish 2H16 outlook.  |
| <b>China</b>  | Official PMI dipped by 0.1 to 49.9 in July, below the threshold line. Both new orders and new export orders softened further to 50.4 and 49 from 50.5 and 49.6. Production also softened slightly to 52.1 from 52.5 probably due to bad weather in July. In contrast, the Caixin PMI surged by 2 points to 50.6 in July from 48.6, above 50 for the first time since Feb 15. The contradicting pictures may be attributable to two reasons according to Caixin. The Caixin PMI has higher weight in East part of China, which is more resilient than other parts of China. Meanwhile, the official PMI has higher weight in heavy industry, which suffered from the slowdown in growth. We think it is still too early to call for bottom for Chinese economy despite the strong rebound of Caixin PMI.   |

**Treasury Advisory**  
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## Major Market

- **US:** Energy producers experienced a selloff as crude prices dipped under US\$40. This cancelled out gains in healthcare and technology sectors with S&P 500 and Dow edging lower by 0.13% and 0.15% respectively. Nasdaq rose 0.43% on tech sector gains. Tensions were also observed in the Treasury markets. Net long bets on Treasuries by hedge funds and speculators continue to build, signaling that they expect lower yields going forward. This is at odds with Fed officials' comments, with Dudley on the record that the markets are underpricing the probability of a rate hike this year. Dudley appeared to have the upper hand overnight, with yields rising across the board. 2-year and 10-year US Treasuries yield 0.68% and 1.52% respectively. Meanwhile, VIX is up 4.80%.
- **Singapore:** The STI added 0.83% yesterday and closed at 2892.52, and may remain trapped below the 2900 resistance given weak external cues. The STI's support is tipped at 2840. SGS bonds may be sidelined in the interim.
- **Macau:** Though the gross gaming revenue (GGR) dropped for the 26th straight month to MOP17.77 billion, it fell at a much slower pace by 4.5% yoy, reinforcing the sector's stabilization. The continuous growth in overnight visitors might have lent momentum to the expanding mass-market segment. Looking ahead, given the effect of summer holiday, two new projects to be completed in 2H are expected to bring more leisure gamblers to the city and further underpin a recovery in the gaming sector. However, due to the government's restriction on the growth of gambling tables, one of the two new projects has only 100 gambling tables approved, much fewer than expected. If this is the case, the expansion pace of the mass-market segment may be constrained, especially given the relatively low minimum bet amount of each table. To make things worse, VIP segment which still accounted for 51.5% of total GGR in 2Q is likely to continue its downward trend amid tighter rules and China's anti-corruption campaign. All in all, we expect that the GGR to drop by around 5% yoy over 2016 as a whole.
- **Indonesia:** President Jokowi pledged that his government will "go all out" to make sure that behind his Tax Amnesty Initiative law will not get blocked at the Constitutional Court. He added that he expects that most of the tax amnesty flows will come in later in August or early September after Indonesians do their calculation.
- **Malaysia:** Attorney General Apandi Ali reportedly said that he may attend proceedings on 1MDB-related law suit filed by US Justice Department. This is because the Malaysian government has interest in the case. He may also consider appointed an American law firm to represent the country.

## Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards yesterday with swap rates traded 3-6bps lower across all tenors. Flows in the SGD corporates were heavy with better selling seen in NOLSP 4.25%'17s, UOBSP 4%'49s while mixed interests were seen in TATAIN 4.95%'23s, GENSSP 5.13%'49s, FHREIT 4.45%'49s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates was level at 213bps while the yield on JACI HY corporates decreased by 3bps to 6.44%. 10y UST yield increased by 7bps to 1.52%.
- **New Issues:** CSI Properties Ltd. has priced a USD250mn 5-year bond at 4.88%, tightening from its initial guidance at 5.13%. Hong Kong Airlines has set its final price guidance of a USD 3-year bond at 5.65%, tightening from its initial guidance at 6%.
- **Rating Changes:** S&P lowered its issuer credit rating on PT Gajah Tunggal Tbk. To "B-" from "B"

with a negative outlook. At the same time, S&P also downgraded Gajah Tunggal's senior secured notes to "B-" from "B" with a negative outlook. The downgrade reflects rising refinancing risk relating to Gajah Tunggal's senior notes maturing in February 2018. Moody's assigned a "Baa2" credit rating to Frasers Commercial Trust's SGD1bn MTN program that is established through FCOT Treasury Pte Ltd. The assignment reflects FCOT's strengthened financial profile driven by its prudent financial management and healthy operating performance.

## Key Financial Indicators

### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 95.713    | 0.19%    | <b>USD-SGD</b> | 1.3422    | 0.19%    |
| <b>USD-JPY</b> | 102.390   | 0.32%    | <b>EUR-SGD</b> | 1.4981    | 0.01%    |
| <b>EUR-USD</b> | 1.1132    | 0.00%    | <b>JPY-SGD</b> | 1.3108    | -0.18%   |
| <b>AUD-USD</b> | 0.7536    | -0.79%   | <b>GBP-SGD</b> | 1.7688    | -0.31%   |
| <b>GBP-USD</b> | 1.3179    | -0.39%   | <b>AUD-SGD</b> | 1.0115    | -0.80%   |
| <b>USD-MYR</b> | 4.0245    | -1.02%   | <b>NZD-SGD</b> | 0.9627    | -0.32%   |
| <b>USD-CNY</b> | 6.6439    | 0.13%    | <b>CHF-SGD</b> | 1.3858    | 0.28%    |
| <b>USD-IDR</b> | 13047     | -0.50%   | <b>SGD-MYR</b> | 3.0009    | -0.48%   |
| <b>USD-VND</b> | 22300     | 0.00%    | <b>SGD-CNY</b> | 4.9571    | 0.34%    |

### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3710 | --     | <b>O/N</b> | 0.4129    | --     |
| <b>2M</b>  | -0.3310 | --     | <b>1M</b>  | 0.4959    | --     |
| <b>3M</b>  | -0.2970 | --     | <b>2M</b>  | 0.6074    | --     |
| <b>6M</b>  | -0.1860 | --     | <b>3M</b>  | 0.7591    | --     |
| <b>9M</b>  | -0.1190 | --     | <b>6M</b>  | 1.1117    | --     |
| <b>12M</b> | -0.0490 | --     | <b>12M</b> | 1.4321    | --     |

### Eurozone & Russia Update

|                 | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread % |
|-----------------|-----------------------|------------------------|-------------------|
| <b>Portugal</b> | 0.41                  | -5.70                  | 2.90              |
| <b>Italy</b>    | -0.06                 | -0.30                  | 1.18              |
| <b>Ireland</b>  | -0.43                 | 1.10                   | 0.43              |
| <b>Greece*</b>  | 7.30                  | -24.00                 | 8.20              |
| <b>Spain</b>    | -0.17                 | -1.00                  | 1.03              |
| <b>Russia^</b>  | 2.70                  | 7.00                   | 4.29              |

\* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 18,404.51 | -27.70     |
| <b>S&amp;P</b>    | 2,170.84  | -2.80      |
| <b>Nasdaq</b>     | 5,184.20  | 22.10      |
| <b>Nikkei 225</b> | 16,635.77 | 66.50      |
| <b>STI</b>        | 2,892.52  | 23.80      |
| <b>KLCI</b>       | 1,665.23  | 12.00      |
| <b>JCI</b>        | 5,361.58  | 145.60     |
| <b>Baltic Dry</b> | 650.00    | -6.00      |
| <b>VIX</b>        | 12.44     | 0.60       |

### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 0.92 (-0.03) | 0.68 (+0.03) |
| <b>5Y</b>  | 1.39 (-0.04) | 1.08 (+0.05) |
| <b>10Y</b> | 1.77 (-0.04) | 1.52 (+0.07) |
| <b>15Y</b> | 2.05 (-0.03) | --           |
| <b>20Y</b> | 2.17 (-0.03) | --           |
| <b>30Y</b> | 2.25 (-0.03) | 2.27 (+0.09) |

### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 35.37 | 1.46   |
| <b>EURIBOR-OIS</b> | 5.70  | --     |
| <b>TED</b>         | 50.55 | --     |

### Commodities Futures

| Energy                   | Futures | % chg  | Soft Commodities        | Futures | % chg  |
|--------------------------|---------|--------|-------------------------|---------|--------|
| WTI (per barrel)         | 40.06   | -3.70% | Coffee (per lb)         | 1.435   | -1.88% |
| Brent (per barrel)       | 42.14   | -0.75% | Cotton (per lb)         | 0.7417  | 0.01%  |
| Heating Oil (per gallon) | 1.258   | -1.42% | Sugar (per lb)          | 0.1881  | -1.26% |
| Gasoline (per gallon)    | 1.30    | -1.32% | Orange Juice (per lb)   | 1.8085  | 3.55%  |
| Natural Gas (per MMBtu)  | 2.771   | -3.65% | Cocoa (per mt)          | 2,926   | 3.21%  |
| Base Metals              | Futures | % chg  | Grains                  | Futures | % chg  |
| Copper (per mt)          | 4,882.0 | -0.87% | Wheat (per bushel)      | 4.0600  | -0.43% |
| Nickel (per mt)          | 10,701  | 0.97%  | Soybean (per bushel)    | 9.960   | -3.54% |
| Aluminium (per mt)       | 1,626.0 | -0.66% | Corn (per bushel)       | 3.2575  | -2.62% |
| Precious Metals          | Futures | % chg  | Asian Commodities       | Futures | % chg  |
| Gold (per oz)            | 1,351.4 | 0.18%  | Crude Palm Oil (MYR/MT) | 2,375.0 | 0.04%  |
| Silver (per oz)          | 20.500  | 0.75%  | Rubber (JPY/KG)         | 184.9   | 0.49%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

| Date Time               | Event                                  | Survey        | Actual        | Prior          | Revised          |
|-------------------------|--|---------------|---------------|----------------|------------------|
| 08/01/2016 07:00        | SK BoP Current Account Balance         | Jun           | -- \$12168.4m | \$10361.3m     | --               |
| 08/01/2016 07:30        | AU AiG Perf of Mfg Index               | Jul           | --            | 56.4           | 51.8             |
| <b>08/01/2016 08:00</b> | <b>SK Exports YoY</b>                  | <b>Jul</b>    | <b>-6.70%</b> | <b>-10.20%</b> | <b>-2.70%</b>    |
| 08/01/2016 08:00        | SK Imports YoY                         | Jul           | -10.50%       | -14.00%        | -8.00%           |
| <b>08/01/2016 09:00</b> | <b>AU Melbourne Ins. Inflation MoM</b> | <b>Jul</b>    | <b>--</b>     | <b>-0.30%</b>  | <b>0.60%</b>     |
| 08/01/2016 09:00        | AU HIA New Home Sales MoM              | Jun           | --            | 8.20%          | -4.40%           |
| <b>08/01/2016 09:00</b> | <b>CH Manufacturing PMI</b>            | <b>Jul</b>    | <b>50</b>     | <b>49.9</b>    | <b>50</b>        |
| 08/01/2016 09:00        | CH Non-manufacturing PMI               | Jul           | --            | 53.9           | 53.7             |
| <b>08/01/2016 09:30</b> | <b>SK Nikkei South Korea PMI Mfg</b>   | <b>Jul</b>    | <b>--</b>     | <b>50.1</b>    | <b>50.5</b>      |
| <b>08/01/2016 09:45</b> | <b>CH Caixin China PMI Mfg</b>         | <b>Jul</b>    | <b>48.8</b>   | <b>50.6</b>    | <b>48.6</b>      |
| <b>08/01/2016 10:00</b> | <b>JN Nikkei Japan PMI Mfg</b>         | <b>Jul F</b>  | <b>--</b>     | <b>49.3</b>    | <b>49</b>        |
| <b>08/01/2016 10:30</b> | <b>TA Nikkei Taiwan PMI Mfg</b>        | <b>Jul</b>    | <b>--</b>     | <b>51</b>      | <b>50.5</b>      |
| <b>08/01/2016 11:00</b> | <b>ID Nikkei Indonesia PMI Mfg</b>     | <b>Jul</b>    | <b>--</b>     | <b>48.4</b>    | <b>51.9</b>      |
| <b>08/01/2016 11:30</b> | <b>TH CPI YoY</b>                      | <b>Jul</b>    | <b>0.50%</b>  | <b>0.10%</b>   | <b>0.38%</b>     |
| <b>08/01/2016 12:00</b> | <b>VN Nikkei Vietnam PMI Mfg</b>       | <b>Jul</b>    | <b>--</b>     | <b>51.9</b>    | <b>52.6</b>      |
| <b>08/01/2016 12:05</b> | <b>ID CPI YoY</b>                      | <b>Jul</b>    | <b>3.37%</b>  | <b>3.21%</b>   | <b>3.45%</b>     |
| <b>08/01/2016 13:00</b> | <b>IN Nikkei India PMI Mfg</b>         | <b>Jul</b>    | <b>--</b>     | <b>51.8</b>    | <b>51.7</b>      |
| 08/01/2016 13:00        | JN Vehicle Sales YoY                   | Jul           | --            | -0.20%         | 3.00%            |
| <b>08/01/2016 15:45</b> | <b>IT Markit/ADACI Italy Mfg PMI</b>   | <b>Jul</b>    | <b>52.5</b>   | <b>51.2</b>    | <b>53.5</b>      |
| <b>08/01/2016 15:50</b> | <b>FR Markit France Mfg PMI</b>        | <b>Jul F</b>  | <b>48.6</b>   | <b>48.6</b>    | <b>48.6</b>      |
| <b>08/01/2016 15:55</b> | <b>GE Markit/BME GE Mfg PMI</b>        | <b>Jul F</b>  | <b>53.7</b>   | <b>53.8</b>    | <b>53.7</b>      |
| <b>08/01/2016 16:00</b> | <b>EC Markit Eurozone Mfg PMI</b>      | <b>Jul F</b>  | <b>51.9</b>   | <b>52</b>      | <b>51.9</b>      |
| <b>08/01/2016 16:30</b> | <b>UK Markit UK PMI Mfg SA</b>         | <b>Jul F</b>  | <b>49.1</b>   | <b>48.2</b>    | <b>49.1</b>      |
| <b>08/01/2016 21:45</b> | <b>US Markit US Manufacturing PMI</b>  | <b>Jul F</b>  | <b>52.9</b>   | <b>52.9</b>    | <b>52.9</b>      |
| <b>08/01/2016 22:00</b> | <b>US Construction Spending MoM</b>    | <b>Jun</b>    | <b>0.50%</b>  | <b>-0.60%</b>  | <b>-0.80%</b>    |
| <b>08/01/2016 22:00</b> | <b>US ISM Manufacturing</b>            | <b>Jul</b>    | <b>53</b>     | <b>52.6</b>    | <b>53.2</b>      |
| 08/01/2016 22:00        | US ISM Prices Paid                     | Jul           | 61            | 55             | 60.5             |
| <b>08/02/2016 07:00</b> | <b>SK CPI YoY</b>                      | <b>Jul</b>    | <b>0.80%</b>  | <b>0.70%</b>   | <b>0.80%</b>     |
| <b>08/02/2016 07:50</b> | <b>JN Monetary Base YoY</b>            | <b>Jul</b>    | <b>--</b>     | <b>--</b>      | <b>25.40%</b>    |
| 08/02/2016 08:00        | NZ QV House Prices YoY                 | Jul           | --            | --             | 13.50%           |
| <b>08/02/2016 09:30</b> | <b>AU Trade Balance</b>                | <b>Jun</b>    | <b>-2000m</b> | <b>--</b>      | <b>-2218m</b>    |
| <b>08/02/2016 09:30</b> | <b>AU Building Approvals MoM</b>       | <b>Jun</b>    | <b>0.80%</b>  | <b>--</b>      | <b>-5.20%</b>    |
| 08/02/2016 09:30        | AU Building Approvals YoY              | Jun           | -2.40%        | --             | -9.10%           |
| 08/02/2016 11:00        | NZ 2Yr Inflation Expectation           | 3Q            | --            | --             | 1.64%            |
| <b>08/02/2016 12:30</b> | <b>AU RBA Cash Rate Target</b>         | <b>Aug-02</b> | <b>1.50%</b>  | <b>--</b>      | <b>1.75%</b>     |
| 08/02/2016 14:30        | AU Commodity Index AUD                 | Jul           | --            | --             | 89.7             |
| <b>08/02/2016 14:30</b> | <b>AU Commodity Index YoY</b>          | <b>Jul</b>    | <b>--</b>     | <b>--</b>      | <b>-9.90%</b>    |
| 08/02/2016 16:30        | UK Markit/CIPS UK Con. PMI             | Jul           | 44            | --             | 46               |
| <b>08/02/2016 16:30</b> | <b>HK Retail Sales Value YoY</b>       | <b>Jun</b>    | <b>-8.10%</b> | <b>--</b>      | <b>-8.40%</b>    |
| 08/02/2016 17:00        | EC PPI YoY                             | Jun           | -3.40%        | --             | -3.90%           |
| <b>08/02/2016 20:30</b> | <b>US Personal Income</b>              | <b>Jun</b>    | <b>0.30%</b>  | <b>--</b>      | <b>0.20%</b>     |
| <b>08/02/2016 20:30</b> | <b>US Personal Spending</b>            | <b>Jun</b>    | <b>0.30%</b>  | <b>--</b>      | <b>0.40%</b>     |
| 08/02/2016 20:30        | US PCE Core MoM                        | Jun           | 0.10%         | --             | 0.20%            |
| <b>08/02/2016 21:00</b> | <b>SI Purchasing Managers Index</b>    | <b>Jul</b>    | <b>49.5</b>   | <b>--</b>      | <b>49.6</b>      |
| <b>08/02/2016 21:30</b> | <b>CA RBC Canadian Mfg PMI</b>         | <b>Jul</b>    | <b>--</b>     | <b>--</b>      | <b>51.8</b>      |
| <b>08/02/2016 08/05</b> | <b>ID Foreign Reserves</b>             | <b>Jul</b>    | <b>--</b>     | <b>--</b>      | <b>\$109.79b</b> |

Source: Bloomberg

| <u>OCBC Treasury Research</u>  |   | <u>OCBC Wing Hang Research</u>  |
|--|---|---|
| <b><u>Macro Research</u></b><br><b>Selena Ling</b><br>LingSSSelena@ocbc.com<br><b>Emmanuel Ng</b><br>NgCYEmmanuel@ocbc.com<br><b>Wellian Wiranto</b><br>WellianWiranto@ocbc.com<br><b>Tommy Xie Dongming</b><br>XieD@ocbc.com<br><b>Barnabas Gan</b><br>BarnabasGan@ocbc.com | <b><u>Credit Research</u></b><br><b>Andrew Wong</b><br>WongVKAM@ocbc.com<br><b>Wong Liang Mian (Nick)</b><br>NickWong@ocbc.com<br><b>Ezien Hoo</b><br>EzienHoo@ocbc.com | <b><u>Wing Hang</u></b><br><b>Kam Liu</b><br>kamyliu@ocbcwh.com<br><b>Carie Li</b><br>carierli@ocbcwh.com |

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