

Highlights

Global	<p>Global risk appetite remained supportive, with the S&P500 notching gains even as foreign demand underpinned the 10-year UST note auction given the prospect of a June FOMC rate hike had evaporated. Meanwhile, China also kept its 2016 growth forecast of 6.8% but tipped exports to shrink 1% (previously +3%). Separately, the RBNZ kept its OCR rate steady at 2.25% for a second consecutive meeting, but cited that “monetary policy will continue to be accommodative...Further policy easing may be required to ensure that future average inflation settles near the middle of the target range” and “we will continue to watch closely the emerging flow of economic data”. On inflation, RBNZ opined that “we expect inflation to strengthen reflecting the accommodative stance of monetary policy, increases in fuel and other commodity prices, an expected depreciation in the New Zealand dollar and some increase in capacity pressures”.</p> <p>Asian markets may trade in a range while awaiting China’s CPI/PPI data later today. Other key notable economic data releases due today include US’ initial jobless claims and whole sale inventories, as well as Germany’s April trade balance. Speakers include ECB’s Draghi, BOJ’s Nakaso and BOC’s Poloz on Canada’s financial review.</p>
US	JOLTS job openings unexpectedly rose from a revised 5670 in March to a record 5788 in April, with broad-based gains across manufacturing, transportation, education and healthcare sectors, suggesting that last Friday’s nonfarm payrolls disappointment could stage a rebound in coming months.
EZ	The ECB began buying corporate bonds with names like Italian insurer Generali, Spain’s Telefonica, French utility Engie, and even Telecom Italia SpA (rated junk by Moody’s and S&P, and only rated IG by Fitch).
SG	COE premiums surged to between \$53-56k in the latest tender after the government eased car loan curbs.
China	Exports fell by 4.1% in dollar terms in May, slightly worse than expectation. However, imports improved significantly with the contraction of imports narrowing to 0.4% from 10.9%. The recovery in imports was mainly driven by rebound of commodity prices and a booming domestic property market. China’s trade surplus remained sizeable at US\$50 billion in May, which will provide some support to RMB.
Indonesia	The government is frontloading foreign-currency debt issuance ahead of potential global liquidity issues that may pop up from Brexit, Fed rate hike and US election risks. Press reports suggest that the government is planning to raise 24% of the total IDR550tn bond sale target this year in foreign currencies.
Thailand	The International Monetary Fund (IMF) had commented there “is scope for further monetary easing” in Thailand, further iterating that the economy needs expansionary fiscal and monetary policies to spur growth.
Commodities	Crude oil prices saw further gains past its \$50/bbl handle, with WTI and Brent touching \$51.23/bbl and \$52.51/bbl respectively. The gains were largely driven by EIA’s report of falling US oil inventories, further confirming the API’s Tuesday report. Precious metals rallied especially seen with gold and silver, as investors increasingly discount the probability of a Fed rate hike this June.

Treasury Advisory
Corporate FX & Structured Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured Products

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

Major Market

- **US:** Equity markets continue to edge higher for the third consecutive session. S&P 500 closed up 0.33% at 2119.12, while the Dow broke the 18000 handle to close up 0.37% at 18005.05. Nasdaq climbed 0.26%. US Treasury yields fell as a new 10-year note auction saw record bidding by indirect bidders. The benchmark 10-year yield fell to 1.70%, while the 2-year yield stands at 0.78%. Elsewhere, VIX is higher by 0.21% to close at 14.08.
- **Singapore:** The STI added 0.5% and closed at 2862.38 yesterday, and may sustain gains today amid positive leads from Wall Street overnight. The STI could see support and resistance at 2840 and 2900. SGS bonds rallied yesterday with yields lower by 3-5bps, and may attempt to capitalise further given the UST bond market gains overnight as the Fed's delay on policy normalisation fuels risk-seeking behaviour across the EM complex.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday as the dollar fell for the fourth straight day on waning expectations of a near-term interest rate hike in June/July. The swap rates traded 2-5bps lower across all tenors. Flows in the SGD corporates were heavy with better buying in TRAFIG 7.5%'49s and better selling in BPCEGP 4.5%'26s and OCBCSP 3.8%'49s. Meanwhile we also saw mixed interest in GENSP 5.13%'49s, HYFSP 5.75%'49s, SOCGEN 4.3%'26s and STANLN 4.4%'26s. The Itraxx Asia ex-Japan IG index opened at 139bps this morning, little changed from yesterday's close. 10y UST decreased by 2bps to 1.70%.
- **New Issues:** Samvardhana Moterson Automotive Systems Group B.V. (SMAS) priced a USD300m 5NC3 bond at 4.88%, tightening from its initial guidance of 5.25%. The expected ratings are "BB+/NR/NR". Sultanate of Oman priced a two-tranche deal with the USD1bn 5-year bond priced at MS+245bps and the other tranche of USD1.5bn priced at MS+320bps. The expected ratings are "BBB-/Baa1/NR".
- **Rating Changes:** Fitch withdrew Hilong Holdings Limited's long-term issuer default credit rating of "BB-" and senior unsecured rating of "BB-" for commercial reasons. Moody's assigned a first time credit rating of "Baa2" with a stable outlook on Taishan Property & Casualty Insurance Co. Ltd with no further information furnished. S&P upgraded its credit ratings on Texhong Textile Group Ltd to "BB" from BB-, reflecting their expectation that Texhong's stronger growth prospects over the next 1-2 years and improved profit margin should more than offset the effect of consolidation of its Xinjiang start up yarn production entity.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.590	-0.25%	USD-SGD	1.3471	-0.32%
USD-JPY	106.990	-0.35%	EUR-SGD	1.5349	0.01%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2591	0.05%
AUD-USD	0.7471	0.16%	GBP-SGD	1.9538	-0.60%
GBP-USD	1.4504	-0.28%	AUD-SGD	1.0065	-0.16%
USD-MYR	4.0623	0.16%	NZD-SGD	0.9449	0.19%
USD-CNY	6.5624	-0.14%	CHF-SGD	1.4044	0.31%
USD-IDR	13269	0.05%	SGD-MYR	3.0026	0.20%
USD-VND	22325	-0.11%	SGD-CNY	4.8706	0.27%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3520	--	O/N	0.3865	--
2M	-0.3010	--	1M	0.4458	--
3M	-0.2610	--	2M	0.5361	--
6M	-0.1590	--	3M	0.6566	--
9M	-0.0890	--	6M	0.9489	--
12M	-0.0180	--	12M	1.2851	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.52	0.90	3.08
Italy	-0.06	1.40	1.39
Ireland	-0.37	0.20	0.76
Greece*	7.85	-24.00	7.41
Spain	-0.10	0.70	1.43
Russia^	2.62	-12.40	4.72

* 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
DJIA	18,005.05	66.80
S&P	2,119.12	7.00
Nasdaq	4,974.64	12.90
Nikkei 225	16,830.92	155.50
STI	2,862.38	14.30
KLCI	1,657.85	-2.80
JCI	4,916.06	-17.90
Baltic Dry	610.00	4.00
VIX	14.08	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (-0.03)	0.78 (-0.01)
5Y	1.52 (-0.06)	1.23 (--)
10Y	2.05 (-0.05)	1.70 (-0.02)
15Y	2.31 (-0.05)	--
20Y	2.38 (-0.05)	--
30Y	2.47 (-0.04)	2.51 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.33	-0.02
EURIBOR-OIS	8.70	0.20
TED	42.47	3.19

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.23	1.73%	Coffee (per lb)	1.397	5.64%
Brent (per barrel)	52.51	2.08%	Cotton (per lb)	0.6578	-0.11%
Heating Oil (per gallon)	1.571	1.88%	Sugar (per lb)	0.1961	3.21%
Gasoline (per gallon)	1.62	2.06%	Orange Juice (per lb)	1.6430	-1.91%
Natural Gas (per MMBtu)	2.468	-0.24%	Cocoa (per mt)	3,113	0.81%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,578.0	0.24%	Wheat (per bushel)	5.1950	2.06%
Nickel (per mt)	8,921	4.39%	Soybean (per bushel)	11.778	3.20%
Aluminium (per mt)	1,596.8	2.62%	Corn (per bushel)	4.3125	0.82%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,259.8	1.24%	Crude Palm Oil (MYR/MT)	2,632.0	-0.30%
Silver (per oz)	16.985	3.60%	Rubber (JPY/KG)	155.6	-0.26%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/08/2016 07:50	JN BoP Current Account Bal	Apr	¥2303.0b	¥1878.5b	¥2980.4b	--
06/08/2016 07:50	JN Trade Balance BoP Basis	Apr	¥919.0b	¥697.1b	¥927.2b	--
06/08/2016 07:50	JN GDP SA QoQ	1Q F	0.50%	0.50%	0.40%	--
06/08/2016 07:50	JN GDP Annualized SA QoQ	1Q F	1.90%	1.90%	1.70%	--
06/08/2016 07:50	JN GDP Nominal SA QoQ	1Q F	0.60%	0.60%	0.50%	--
06/08/2016 07:50	JN GDP Deflator YoY	1Q F	0.90%	0.90%	0.90%	--
06/08/2016 09:30	AU Home Loans MoM	Apr	2.50%	1.70%	-0.90%	-0.70%
06/08/2016 11:07	CH Trade Balance	May	\$55.70b	\$49.98b	\$45.56b	--
06/08/2016 11:07	CH Exports YoY	May	-4.00%	-4.10%	-1.80%	--
06/08/2016 11:07	CH Imports YoY	May	-6.80%	-0.40%	-10.90%	--
06/08/2016 13:00	JN Eco Watchers Survey Current	May	43.4	43	43.5	--
06/08/2016 16:00	SI COE Open Bid Cat A	Jun-08	--	53694	47020	--
06/08/2016 16:00	SI COE Open Bid Cat B	Jun-08	--	56000	49156	--
06/08/2016 16:30	UK Industrial Production MoM	Apr	0.00%	2.00%	0.30%	--
06/08/2016 16:30	UK Manufacturing Prod MoM	Apr	-0.10%	2.30%	0.10%	--
06/08/2016 16:45	ID Consumer Confidence Index	May	--	112.1	109	--
06/08/2016 19:00	US MBA Mortgage Applications	Jun-03	--	9.30%	-4.10%	--
06/08/2016 20:15	CA Housing Starts	May	189.0k	188.6k	191.5k	191.4k
06/08/2016 20:30	CA Building Permits MoM	Apr	1.50%	-0.30%	-7.00%	-6.30%
06/08/2016 22:00	UK NIESR GDP Estimate	May	--	0.50%	0.30%	0.40%
06/09/2016 05:00	NZ RBNZ Official Cash Rate	Jun-09	2.25%	2.25%	2.25%	--
06/09/2016 07:01	UK RICS House Price Balance	May	35%	19%	41%	39%
06/09/2016 07:50	JN Machine Orders MoM	Apr	-3.00%	-11.00%	5.50%	--
06/09/2016 07:50	JN Machine Orders YoY	Apr	-1.80%	-8.20%	3.20%	--
06/09/2016 07:50	JN Money Stock M2 YoY	May	3.30%	3.40%	3.30%	--
06/09/2016 07:50	JN Money Stock M3 YoY	May	2.70%	2.80%	2.70%	--
06/09/2016 07:50	JN Foreign Buying Japan Stocks	Jun-03	--	¥97.8b	¥175.3b	--
06/09/2016 09:30	CH CPI YoY	May	2.20%	--	2.30%	--
06/09/2016 09:30	CH PPI YoY	May	-3.20%	--	-3.40%	--
06/09/2016 13:30	FR Non-Farm Payrolls QoQ	1Q F	0.20%	--	0.20%	--
06/09/2016 14:00	JN Machine Tool Orders YoY	May P	--	--	-26.30%	--
06/09/2016 14:00	GE Trade Balance	Apr	22.8b	--	26.0b	26.2b
06/09/2016 14:00	GE Current Account Balance	Apr	21.0b	--	30.4b	--
06/09/2016 16:00	IT Unemployment Rate Quarterly	1Q	11.60%	--	11.50%	--
06/09/2016 20:30	US Initial Jobless Claims	Jun-04	270k	--	267k	--
06/09/2016 20:30	CA Capacity Utilization Rate	1Q	81.30%	--	81.10%	--
06/09/2016 20:30	US Continuing Claims	May-28	2171k	--	2172k	--
06/09/2016 21:45	US Bloomberg Consumer Comfort	Jun-05	--	--	43.2	--
06/09/2016 22:00	US Wholesale Inventories MoM	Apr	0.10%	--	0.10%	--
06/09/2016	SK BoK 7-Day Repo Rate	Jun-09	1.50%	--	1.50%	--
06/08/2016 06/13	VN Domestic Vehicle Sales YoY	May	--	--	38.10%	--
06/09/2016 06/13	IN Local Car Sales	May	--	--	162566	--

Source: Bloomberg

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W