

Highlights

Global	<p>Global risk appetite softened overnight after a week-long rally despite an unexpected decline in US jobless claims and mixed Chinese CPI/PPI data. Wall Street slipped whilst many 10-year bond yields for G7 countries declined with UST at February lows. BOK also unexpectedly trimmed its 7-day repo rate by 25bps to 1.25% whereas RBNZ was content to be static.</p> <p>Asian markets may consolidate today, while awaiting the US' University of Michigan sentiment index, German CPI and Malaysia's industrial production.</p>
US	<p>Initial jobless claims unexpectedly fell 4k to a 6-week low of 264k, bringing the 4-week average to 269.5k, while continuing claims also eased to 2.095m (lowest since October 2000) – these suggest that May's disappointing nonfarm payrolls could have been a blip. Meanwhile, wholesale inventories surged 0.6% in April, faster than market expectations for just a 0.1% gain, while the March data was also revised up from +0.1% to +0.2%.</p>
EZ	<p>Germany's April trade surplus narrowed from a revised EUR26.2b in March to EUR25.6b in April, as exports were flat on-month.</p>
S'pore	<p>The STI slipped 0.65% and closed at 2843.80 yesterday, and could consolidate further ahead of the weekend given weak overnight leads from Wall Street. The STI could see support and resistance at 2820 and 286000. SGS bonds could build on previous gains as risk appetite has softened a tad ahead of the weekend.</p>
China	<p>CPI grew by 2% in May while PPI contracted by less than expected 2.8%. CPI fell by more than expected 0.5% month-on-month due to weaker than expected vegetable prices, which fell by 21.5% mom, overshadowing the small gain in pork prices. Given that vegetable prices are likely to fall further in the coming months, we expect overall food prices to contract further. As such, we expect CPI to settle below 2% in June. PPI increased by 0.5% mom in May, up for the third straight month, beating market expectation. The less than expected contraction of PPI shows that the pressure arising from excessive capacity may start to ease.</p>
Indo-nesia	<p>The government is seeking to set up an independent tax body that will have the authority to require all institutions, including banks, to report information regarding account holders. It is hoping to set up this body in January 2018.</p>
Commodities	<p>Some profit-taking after crude oil's stellar performance over the last three trading days were seen last night, albeit that crude oil saw some interim support above \$50/bbl. Note that several major producers including Continental Resources and Whiting Petroleum Corp had previously indicated drilling more rigs if crude oil price ticks higher into the \$60-70/bbl region. On the same note, US oil-rig counts had once again gained (+9 rigs) for the week ended 3 June 2016, suggesting oil prices even at current levels have spurred bringing some idle rigs into the grid. In a nut-shell, we think that crude oil prices would see a very strong resistance at around \$55/bbl, especially as shale oil producers in the US are increasingly profitable as prices turn higher.</p>

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Major Market

- **US:** Equity markets closed lower on Thursday after successive sessions of gains. Led by financials and commodity producers, the S&P 500 edged lower by 0.17%. Dow and Nasdaq also retreated by 0.11% and 0.32% respectively. Equity indices have been moving within a narrow range recently, with moves of less than 0.5% in either direction for the last 10 sessions. In the US Treasury space, resurfacing economic growth concerns caused yields to fall. The 2-year US Treasury yields 0.77%, while the 10-year note broke through 1.70% psychological barrier to yield 1.68%. Elsewhere, VIX continues its climb, closing higher by 3.98%.

Bond Market Updates

- **Market Commentary:** The SGD swap rates flattened yesterday, trading 1-6bps lower across all tenors. Flows in the SGD corporates were moderate with better buying in SOCGEN 4.3%'26s, NAB 4.15%'28s, STANLN 4.4%'26s and UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 225bps while the spread on JACI HY corporates decreased by 2bps to 6.94%. 10y UST yields decreased by 2bps to 1.68%, the lowest since February, as renewed concern over softer economic expansion and a potential U.K exit from the EU boosted demand for the safest government securities. The futures market's implied probability of a June Federal Reserve interest rate hike has also fallen to 0% from 22% a week ago.
- **New Issues:** Kookmin Bank has schedule investor meetings in Asia and U.S for a potential USD bond issue from 13 June onwards. The expected issue ratings are "A/A1/A".
- **Rating Changes:** S&P downgraded Chesapeake Energy Corp.'s corporate credit rating to "SD" from "CCC" following the announcement that the company will exchange a portion of its debt maturing or putable in the coming years. S&P viewed the exchanges as distressed because investors are receiving less than the original promise. Also, the company is over leveraged with potential liquidity issues in the near-term due to total 2017 maturities and a likely put totalling about USD1.5bn.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.953	0.39%	USD-SGD	1.3528	0.42%
USD-JPY	107.100	0.10%	EUR-SGD	1.5308	-0.27%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2631	0.32%
AUD-USD	0.7431	-0.54%	GBP-SGD	1.9559	0.11%
GBP-USD	1.4458	-0.32%	AUD-SGD	1.0053	-0.12%
USD-MYR	4.0450	-0.43%	NZD-SGD	0.9614	1.75%
USD-CNY	6.5624	0.00%	CHF-SGD	1.4024	-0.14%
USD-IDR	13287	0.14%	SGD-MYR	2.9941	-0.28%
USD-VND	22345	0.09%	SGD-CNY	4.8659	-0.10%

Equity and Commodity

Index	Value	Net change
DJIA	17,985.19	-19.90
S&P	2,115.48	-3.60
Nasdaq	4,958.62	-16.00
Nikkei 225	16,668.41	-162.50
STI	2,843.80	-18.60
KLCI	1,650.51	-7.30
JCI	4,876.79	-39.30
Baltic Dry	611.00	1.00
VIX	14.64	0.60

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3520	--	O/N	0.3876	--
2M	-0.3010	--	1M	0.4453	--
3M	-0.2640	--	2M	0.5373	--
6M	-0.1600	--	3M	0.6580	--
9M	-0.0900	--	6M	0.9470	--
12M	-0.0180	--	12M	1.2784	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.91 (-0.02)	0.77 (-0.01)
5Y	1.47 (-0.05)	1.22 (-0.01)
10Y	1.98 (-0.07)	1.69 (-0.02)
15Y	2.24 (-0.07)	--
20Y	2.32 (-0.06)	--
30Y	2.41 (-0.06)	2.49 (-0.02)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.53	1.10	3.07
Italy	-0.06	0.20	1.38
Ireland	-0.37	-0.20	0.73
Greece*	7.60	-25.50	7.38
Spain	-0.10	-0.40	1.42
Russia^	2.68	5.90	4.79

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.03	-0.30
EURIBOR-OIS	8.40	--
TED	40.74	-1.73

* 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

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.56	-1.31%	Coffee (per lb)	1.340	-4.08%
Brent (per barrel)	51.95	-1.07%	Cotton (per lb)	0.6496	-1.25%
Heating Oil (per gallon)	1.551	-1.23%	Sugar (per lb)	0.1974	0.66%
Gasoline (per gallon)	1.62	-0.07%	Orange Juice (per lb)	1.6660	1.40%
Natural Gas (per MMBtu)	2.617	6.04%	Cocoa (per mt)	3,116	0.10%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,515.0	-1.38%	Wheat (per bushel)	5.1025	-1.78%
Nickel (per mt)	8,894	-0.30%	Soybean (per bushel)	11.760	-0.15%
Aluminium (per mt)	1,570.3	-1.66%	Corn (per bushel)	4.2650	-1.10%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,270.2	0.83%	Crude Palm Oil (MYR/MT)	2,635.0	0.11%
Silver (per oz)	17.268	1.67%	Rubber (JPY/KG)	154.9	-0.45%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
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%	3.40%
06/09/2016 07:50	JN Money Stock M3 YoY	May	2.70%	2.80%	2.70%	2.80%
06/09/2016 07:50	JN Foreign Buying Japan Stocks	Jun-03	--	¥97.8b	¥175.3b	--
06/09/2016 09:00	SK BoK 7-Day Repo Rate	Jun-09	1.50%	1.25%	1.50%	--
06/09/2016 09:30	CH CPI YoY	May	2.20%	2.00%	2.30%	--
06/09/2016 09:30	CH PPI YoY	May	-3.20%	-2.80%	-3.40%	--
06/09/2016 13:00	IN Local Car Sales	May	--	158996	162566	--
06/09/2016 13:30	FR Non-Farm Payrolls QoQ	1Q F	0.20%	0.30%	0.20%	--
06/09/2016 14:00	GE Trade Balance	Apr	22.8b	25.6b	26.0b	26.2b
06/09/2016 14:00	GE Current Account Balance	Apr	21.0b	28.8b	30.4b	29.9b
06/09/2016 16:00	IT Unemployment Rate Quarterly	1Q	11.60%	11.60%	11.50%	11.60%
06/09/2016 20:30	US Initial Jobless Claims	Jun-04	270k	264k	267k	268k
06/09/2016 20:30	CA Capacity Utilization Rate	1Q	81.30%	81.40%	81.10%	80.90%
06/09/2016 20:30	CA New Housing Price Index MoM	Apr	0.20%	0.30%	0.20%	--
06/09/2016 20:30	US Continuing Claims	May-28	2171k	2095k	2172k	--
06/09/2016 21:45	US Bloomberg Consumer Comfort	Jun-05	--	43.5	43.2	--
06/09/2016 22:00	US Wholesale Inventories MoM	Apr	0.10%	0.60%	0.10%	0.20%
06/10/2016 07:50	JN PPI MoM	May	0.10%	--	-0.30%	--
06/10/2016 07:50	JN PPI YoY	May	-4.20%	--	-4.20%	--
06/10/2016 09:00	PH Exports YoY	Apr	-4.70%	--	-15.10%	--
06/10/2016 12:00	MA Industrial Production YoY	Apr	3.50%	--	2.80%	--
06/10/2016 12:30	JN Tertiary Industry Index MoM	Apr	0.60%	--	-0.70%	--
06/10/2016 14:00	GE CPI MoM	May F	0.30%	--	0.30%	--
06/10/2016 14:00	GE CPI YoY	May F	0.10%	--	0.10%	--
06/10/2016 14:00	GE CPI EU Harmonized MoM	May F	0.40%	--	0.40%	--
06/10/2016 14:00	GE CPI EU Harmonized YoY	May F	0.00%	--	0.00%	--
06/10/2016 14:45	FR Industrial Production MoM	Apr	0.40%	--	-0.30%	--
06/10/2016 14:45	FR Industrial Production YoY	Apr	1.00%	--	-0.80%	--
06/10/2016 15:30	TH Foreign Reserves	Jun-03	--	--	\$176.1b	--
06/10/2016 16:00	IT Industrial Production MoM	Apr	0.30%	--	0.00%	--
06/10/2016 16:00	IT Industrial Production WDA YoY	Apr	1.00%	--	0.50%	--
06/10/2016 16:00	IT Industrial Production NSA YoY	Apr	--	--	-0.40%	--
06/10/2016 20:00	IN Industrial Production YoY	Apr	0.70%	--	0.10%	--
06/10/2016 20:30	CA Net Change in Employment	May	1.8k	--	-2.1k	--
06/10/2016 20:30	CA Unemployment Rate	May	7.20%	--	7.10%	--
06/10/2016 22:00	US U. of Mich. Sentiment	Jun P	94	--	94.7	--
06/09/2016 06/13	VN Domestic Vehicle Sales YoY	May	--	--	38.10%	--
06/10/2016 06/15	CH Money Supply M1 YoY	May	21.90%	--	22.90%	--
06/10/2016 06/20	ID Local Auto Sales	May	--	--	84685	--
06/10/2016 06/15	IN Imports YoY	May	--	--	-23.10%	--
06/10/2016 06/15	IN Exports YoY	May	--	--	-6.70%	--
06/10/2016 06/15	CH New Yuan Loans CNY	May	750.0b	--	555.6b	--
06/10/2016 06/15	CH Money Supply M2 YoY	May	12.50%	--	12.80%	--

Source: Bloomberg

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