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Highlights

Global	<p>Market players remain sensitised to Fed rhetoric ahead of the upcoming 20-21 September FOMC meeting. While Lockhart had reiterated his call for a “serious discussion” about hiking rates this month, earlier Tarullo sounded more cautious, Kashkari noted no urgency, and Rosengren saw a reasonable case for gradual tightening. The latest was Brainard who argued that “asymmetry in the conventional policy toolkit would lead me to expect policy to be tilted somewhat in favour of guarding against downside risks relative to pre-emptively raising rates to guard against upside risks”. Her view that there is greater risks from normalising policy too fast given weak inflation expectations vis-à-vis delaying too long will likely hold some credence with some Fed members. This prompted the futures pricing for a 25bp rate hike at the September FOMC to converge to 22% probability, with that for December at 57%. Nevertheless, with summer approaching an end and traders on edge given Fed rate hike uncertainties, we would advocate being tactically positioned as financial market volatility may pick up.</p> <p>Today’s economic data calendar is relatively light, with only China’s retail sales and FAI, US’ NFIB small business optimism, German ZEW survey, Eurozone’s 2Q employment, UK’ CPI/PPI/RPI. Expect Asian markets to attempt to stabilise today following yesterday’s de-risking. The key events this week include BOT (likely static at 1.5% tomorrow) and SNB (also static on Thursday).</p>
China	<p>PBoC was reported to gauge market demand for 28-day reverse repo on 12 Sep. The enquiry was ahead of October National Day golden week, which should provide banks liquidity to cover funding needs during the golden week holiday. However, market considers this as another signal to curb leverage in China’s bond market after the re-launch of 14-day reverse repo in August.</p>
US	<p>Equity markets reversed on Monday after the sharp sell-off on Friday. A sense of normalcy returned as Fed Governor Brainard produced a dovish message in the last public appearance by Fed officials ahead of next week’s FOMC. Implied probability of a hike next week retreated to around 20%. Telecoms and biotech shares led gains as S&P 500 rose 1.47%, while the Dow and Nasdaq climbed 1.32% and 1.68% respectively. US Treasuries fluctuated during the session, with 2-year and 10-year yields eventually closing down 1bp at 0.77% and 1.66%. Meanwhile, VIX saw sharp movements over the last two trading days. VIX climbed above 17 from sub-12 levels on Friday, before retreating to 15.16 on Monday.</p>
Commodities	<p>Parts of Asia celebrated Hari Raya Haji on Monday, with many Asia bourses closed as a result. This explained the static crude palm oil prices as well. Market-watchers however, will eye very closely on Malaysia’s MPOB data later where export, production and stockpile data will be released. Elsewhere, market estimates are suggesting another increase in US oil inventories, to be released tomorrow evening. The supply glut has been prevalent for a while now, and especially as we approach the informal OPEC meeting late this month, any cues of an exacerbation of the glut would certainly cap oil prices effectively.</p>

Major Market

- **Singapore:** STI closed down 0.73% to end at 2873.33 on Friday, and may play catch up today given the local markets were shut for a public holiday yesterday. Given a strong rebound overnight in Wall Street, and follow-through in Kospi this morning, the STI could be spared from a blood-letting today and trade in a 2860-2900 range. With the fluctuations in Fed rate hike expectations, the SGS bond market may also take the cue from UST bond recalibrations, albeit the short-term domestic interest rates remain very suppressed and supportive at this juncture.
- **Macau:** Low borrowing costs and local economic recovery have encouraged potential homebuyers, mainly upgraders, back to the market. In July, housing transaction volume registered double-digit annual growth for the fifth straight month, up by 23.4% yoy to 712 units. As 52% of housing transaction in July was on new and high-end residential flats, average housing price ended its 15 consecutive months of decreases and retrieved robust growth of 15.3% yoy in July. However, the factor supporting the surge is transitory. Also, the housing transaction volume retreated for the second consecutive month on monthly basis, signalling that the housing market is stabilizing rather than thriving. As a result, new residential mortgage loans (RMLs) approval dropped by 16.5% yoy in July to MOP3.5 billion. In the coming months, Fed's slow rate hike pace, rebound in the gross gaming revenue and HK bullish stock market together may boost Macau housing market sentiment. As such, housing transaction volume and mortgage loans are likely to pick up some traction as compared to previous months. Nonetheless, housing transaction volume is unlikely to return to the peak during 2012-2013 as housing cooling measures remain in place and fewer non-local workers reside in the city. Also, housing prices are likely to retreat after the short-lived resurgence.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards last Friday with swap rates trading 5-10bps higher across all tenors. Swap rates were range-bounded yesterday, trading +/- 1bps across all tenors (with the exception of 30Y swap rate, 2bps higher) as Singapore's market is closed due to Hari Raya Haji. Flows in the SGD corporates space were moderate last Friday with better buying seen in, ABNANV 4.75%'26s while mixed interests were seen in, PILLSP 5.9%'17s and OCBCSP 3.8%'49s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 197bps yesterday, erasing last Friday's gain while the yield on JACI HY corporates increased 12bps to 6.48% over the long weekend. 10y UST yield increased 6bps to 1.66% following hawkish comments from Boston Federal Reserve President Eric Rosengren that indicated that the US economy could overheat if policy makers wait too long to raise rates.
- **New Issues:** Housing and Development Board has priced a SGD600mn 10-year bond at 2.035% with expected issue ratings of "NR/Aaa/NR". Powerlong Real Estate Holdings has priced a USD200mn 5NC3 bond at 4.875%, tightening from its initial guidance at low-5%. The expected issue ratings are "NA/B3/NR".
- **Rating Changes:** S&P downgraded Zoomlion Heavy Industry Science and Technology Co. Ltd.'s corporate credit rating to "B" from "B+" with negative outlook. The downgrade reflects S&P's expectation that the company's interest-serving capacity to deteriorate in the coming 12 months. Additionally, Zoomlion's business profitability will likely weaken due to declining revenue from sluggish demand in the construction machinery sector and the company's high fixed-cost structure. Moody's has placed Beijing Automotive Group Co. Ltd.'s (BAIC Group) "A3" issuer rating on review for downgrade. Additionally, BAIC Inalfa HK Investment Co. Ltd.'s "A3" bond ratings were also placed on review. The decision reflects expectation that BAIC Group's financial leverage will remain elevated over the next 12-18 months, given the slower-than-expected deleveraging despite its robust sales performance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.095	-0.25%	USD-SGD	1.3561	-0.18%
USD-JPY	101.850	-0.82%	EUR-SGD	1.5236	-0.19%
EUR-USD	1.1235	0.02%	JPY-SGD	1.3316	0.67%
AUD-USD	0.7566	0.33%	GBP-SGD	1.8087	0.33%
GBP-USD	1.3337	0.53%	AUD-SGD	1.0261	0.17%
USD-MYR	4.1325	1.48%	NZD-SGD	0.9972	0.25%
USD-CNY	6.6802	-0.07%	CHF-SGD	1.3952	0.18%
USD-IDR	13236	0.98%	SGD-MYR	3.0364	0.98%
USD-VND	22290	-0.05%	SGD-CNY	4.9141	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	0.4216	--
2M	-0.3330	--	1M	0.5269	--
3M	-0.3010	--	2M	0.6697	--
6M	-0.1980	--	3M	0.8522	--
9M	-0.1270	--	6M	1.2500	--
12M	-0.0570	--	12M	1.5568	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.47	-3.80	3.19
Italy	-0.06	1.80	3.20
Ireland	-0.35	0.30	2.90
Greece	7.65	--	0.51
Spain	-0.11	1.70	3.70
Russia	2.17	23.70	6.50
			7.50

Equity and Commodity

Index	Value	Net change
DJIA	18,325.07	239.62
S&P	2,159.04	31.23
Nasdaq	5,211.89	85.98
Nikkei 225	16,672.92	-292.84
STI	2,873.33	--
KLCI	1,686.44	--
JCI	5,281.92	--
Baltic Dry	804.00	--
VIX	15.16	-2.34

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.79 (--)	0.77 (-0.01)
5Y	1.24 (--)	1.20 (-0.03)
10Y	1.74 (--)	1.66 (-0.01)
15Y	2.03 (--)	--
20Y	2.10 (--)	--
30Y	2.14 (--)	2.39 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.02	0.18
EURIBOR-OIS	4.05	-0.65
TED	51.64	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.29	0.89%	Coffee (per lb)	1.497	-0.17%
Brent (per barrel)	48.32	0.65%	Cotton (per lb)	0.6697	-2.77%
Heating Oil (per gallon)	1.442	0.78%	Sugar (per lb)	0.2024	1.25%
Gasoline (per gallon)	1.39	2.12%	Orange Juice (per lb)	1.9200	-3.15%
Natural Gas (per MMBtu)	2.915	4.22%	Cocoa (per mt)	2,830	1.29%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,648.0	0.32%	Wheat (per bushel)	3.8325	1.93%
Nickel (per mt)	10,033	-2.83%	Soybean (per bushel)	9.845	-1.28%
Aluminium (per mt)	1,549.8	-0.69%	Corn (per bushel)	3.2925	-0.23%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,321.6	-0.68%	Crude Palm Oil (MYR/MT)	2,898.0	--
Silver (per oz)	18.915	-1.90%	Rubber (JPY/KG)	166.0	-1.78%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 13 Sep 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	384,230	327,808	56,422	Cotton	86,609	90,121	-3,512
Soybean	158,110	132,810	25,300	Silver	86,768	88,800	-2,032
Natural Gas	-118,990	-136,566	17,576	Live Cattle	49,397	51,208	-1,811
Sugar	338,090	323,770	14,320	Palladium	14,863	16,082	-1,219
Cocoa	47,145	33,927	13,218	Copper	-5,718	-4,737	-981
Gold	322,699	312,438	10,261	Platinum	54,983	55,085	-102
Corn	-30,690	-40,853	10,163	Lean Hogs	44,720	42,405	2,315
RBOB Gasoline	56,931	48,036	8,895	Wheat	-87,458	-90,004	2,546
Heating Oil	24,975	18,348	6,627	Coffee	37,608	31,398	6,210

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/09/2016 00:30	CA Housing Starts	Aug	190.0k	182.7k	198.4k	194.7k
09/09/2016 07:50	JN Money Stock M2 YoY	Aug	3.30%	3.30%	3.30%	3.40%
09/09/2016 07:50	JN Money Stock M3 YoY	Aug	2.90%	2.80%	2.90%	--
09/09/2016 08:58	SK BoK 7-Day Repo Rate	Sep-09	1.25%	1.25%	1.25%	--
09/09/2016 09:00	PH Exports YoY	Jul	-10.00%	-13.00%	-11.40%	--
09/09/2016 09:00	PH Trade Balance	Jul	--	-\$2053m	-\$2098m	--
09/09/2016 09:30	CH CPI YoY	Aug	1.70%	1.30%	1.80%	--
09/09/2016 09:30	CH PPI YoY	Aug	-0.90%	-0.80%	-1.70%	--
09/09/2016 09:30	AU Home Loans MoM	Jul	-1.50%	-4.20%	1.20%	1.70%
09/09/2016 12:00	MA Industrial Production YoY	Jul	4.50%	4.10%	5.30%	--
09/09/2016 12:30	JN Tertiary Industry Index MoM	Jul	0.40%	0.30%	0.80%	0.70%
09/09/2016 14:45	FR Industrial Production MoM	Jul	0.30%	-0.60%	-0.80%	-0.70%
09/09/2016 14:45	FR Industrial Production YoY	Jul	1.00%	-0.10%	-1.30%	-1.10%
09/09/2016 14:45	FR Manufacturing Production MoM	Jul	0.70%	-0.30%	-1.20%	-1.10%
09/09/2016 15:30	TH Foreign Reserves	Sep-02	--	\$181.1b	\$182.2b	--
09/09/2016 16:30	UK Trade Balance	Jul	-£4,200	-£4,502	-£5,084	-£5,573
09/09/2016 20:30	CA Unemployment Rate	Aug	7.00%	7.00%	6.90%	--
09/09/2016 20:30	CA Net Change in Employment	Aug	14.0k	26.2k	-31.2k	--
09/12/2016 07:50	JN Machine Orders MoM	Jul	-2.90%	4.90%	8.30%	--
09/12/2016 07:50	JN PPI YoY	Aug	-3.40%	-3.60%	-3.90%	--
09/12/2016 16:30	VN Domestic Vehicle Sales YoY	Aug	--	28.40%	36.60%	--
09/12/2016 20:00	IN Industrial Production YoY	Jul	1.40%	-2.40%	2.10%	2.00%
09/13/2016 06:45	NZ Food Prices MoM	Aug	--	1.30%	-0.20%	--
09/13/2016 07:00	SK Unemployment rate SA	Aug	3.60%	3.80%	3.60%	--
09/13/2016 09:30	AU NAB Business Conditions	Aug	--	--	8	--
09/13/2016 09:30	AU NAB Business Confidence	Aug	--	--	4	--
09/13/2016 10:00	CH Industrial Production YoY	Aug	6.20%	--	6.00%	--
09/13/2016 10:00	CH Retail Sales YoY	Aug	10.20%	--	10.20%	--
09/13/2016 14:00	GE CPI MoM	Aug F	0.00%	--	0.00%	--
09/13/2016 14:00	GE CPI YoY	Aug F	0.40%	--	0.40%	--
09/13/2016 14:00	GE CPI EU Harmonized YoY	Aug F	0.30%	--	0.30%	--
09/13/2016 16:00	IT Industrial Production MoM	Jul	0.20%	--	-0.40%	--
09/13/2016 16:30	UK CPI MoM	Aug	0.40%	--	-0.10%	--
09/13/2016 16:30	UK CPI YoY	Aug	0.70%	--	0.60%	--
09/13/2016 16:30	UK CPI Core YoY	Aug	1.40%	--	1.30%	--
09/13/2016 16:30	UK RPI MoM	Aug	0.40%	--	0.10%	--
09/13/2016 16:30	UK PPI Output NSA MoM	Aug	0.30%	--	0.30%	--
09/13/2016 17:00	GE ZEW Survey Current Situation	Sep	56	--	57.6	--
09/13/2016 17:00	GE ZEW Survey Expectations	Sep	2.5	--	0.5	--
09/13/2016 17:00	EC ZEW Survey Expectations	Sep	--	--	4.6	--
09/13/2016 09:15	CH Money Supply M2 YoY	Aug	10.50%	--	10.20%	--
09/12/2016 09:16	IN Exports YoY	Aug	--	--	-6.80%	--

Source: Bloomberg

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