

Highlights

Global	<p>With global risk appetite still hanging in the fine balance awaiting the Brexit referendum results, Asian markets are likely to tread water and market sentiments may whip around nervously to the each regional results. If Remain, expect a relief rally across risk markets, whereas Exit would engender swing back to risk-off. Elsewhere, BSP kept its overnight borrowing rate unchanged at 3% as expected. Today's economic data calendar comprises of US' durable goods orders and University of Michigan sentiments, German IFO business climate, France's final 1Q16 GDP growth and S'pore's May industrial production (our forecast: +1.0% yoy and -0.9% mom sa, versus April's +2.9% yoy and +4.8% mom sa).</p>
US	<p>New home sales unexpectedly shrank 6.0% mom to an annual pace of 551k in May, after a revised +12.3% mom gain to a 8-year high of 586k in April, and the supply of homes at the current sales pace rose from 4.9 months to 5.3 months. Meanwhile, initial jobless claims fell sharply 18k to 259k, the biggest drop since the first week of February and bringing the 4-week average lower to 267k, and suggesting resilience in the labour market. Separately, the Markit manufacturing PMI improved from 50.7 to 51.4 in June, and the Kansas City Fed manufacturing activity index rose from -5 to +2, but the leading index slipped from +0.6% to -0.2% in May and the Chicago Fed national activity index also retreated from +0.05 to -0.51.</p>
EZ	<p>The Eurozone's manufacturing PMI improved from 51.5 in May to 52.6 in June, but the services PMI softened from 53.3 to 52.4, leaving the composite PMI a tad weaker at 52.8 (previously 53.1). The PMI picture was similar for Germany, with manufacturing at 54.4 (previously 52.1), services at 53.2 (previously 55.2) and composite at 54.1 (previously 54.5).</p>
Singapore	<p>Headline inflation fell for 19th straight months by more than expected by 1.6% yoy (-0.7% mom nsa) in May, mainly due to drags from housing & utilities (-6.4% yoy) and transport (-5.7% yoy), especially private road transport (-7.6% yoy), which more than offset the price increases in household durables & services (+3.3% yoy), education (+3.2% yoy) and food (+2.2% yoy). This is the biggest on-year decline in the headline CPI since August 1986 (-2.5% yoy) and the sharpest on-month contraction since April 2013 (-1.5% mom nsa). That said, MAS core inflation accelerated from +0.8% yoy in April to +1.0% yoy in May, the fastest pace since March 2015 and led by a pickup in services inflation as the reduction in foreign domestic worker concessionary levy since May 2015 faded. MTI-MAS reiterated that MAS core inflation is still expected to pick up gradually over the course of the year, albeit at a mild pace given the weak external price outlook, subdued economic growth prospects and a reduction in labour market tightness. For the first five months of 2016, headline CPI have slipped by 0.9% yoy, whereas MAS core inflation rose by 0.6% yoy for the same period. Our 2016 forecast for headline and core inflation stand at -0.4% and +1.0% yoy, compared to the official forecasts for headline inflation at -1.0-0% and core inflation in the lower half of the 0.5-1.5% yoy.</p>
CMD	<p>Risk aversion abated with higher oil prices while gold as a safe haven asset fell for the fourth consecutive trading day. Do expect market-watchers to stay on the sidelines today as we await the final result of the Brexit referendum.</p>

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Major Market

- **US:** Markets continue to move in accordance to news filtering through from the Brexit referendum. Equities rose alongside global counterparts in expectation that the Remain will prevail. S&P 500 marked the biggest gain in weeks, rising 1.3% to 2113.32. Strong upswings were mirrored in Dow and Nasdaq, climbing 1.3% and 1.6% respectively. US Treasury yields also rose, with 2-year notes yielding 0.78% and 10-year notes yielding 1.75%. Elsewhere, VIX fell 18.5% to 17.25.
- **Singapore:** The other segments that contributed to the headline CPI slump included clothing & footwear (-0.3% yoy) and communication (-0.1% yoy). Note there were timing effects of the disbursement of S&CC rebates which had contributed to a sharp drop in the cost of housing maintenance & repairs, even though actual and imputed rentals were largely stable. In addition, while COE premiums appear to have bottomed around February and have climbed after the recent easing of auto loan measures, they are still below the 2H15 average. As such, the disinflationary pressures may not dissipate significantly for the headline inflation prints in the coming months.
- The STI reversed to add 0.28% to close at 2793.85 yesterday, and may waver around the current range as market players await the Brexit referendum results, notwithstanding overnight improvements in Wall Street and European bourses. STI support and resistance are tipped at 2760 and 2800. SGS bond could be bid higher amid a neck and neck race in the Brexit referendum results.
- **China:** In its first joint press conference about China's debt problem, senior official from National Development and Reform Commission said a stable growth is the precondition for China to de-leverage. As such, in order to lower the leverage ratio, China need to keep its growth within a reasonable range. Meanwhile, China plans to shift leverage from corporate sector to government sector.
- **Indonesia:** The government has formalized its decision to lower its tax on government bonds to zero in a bid to indirectly lower government bond yields. The move has been flagged over the last few months, and will apply to foreign-currency notes issues overseas bonds in both Islamic and non-Islamic forms. Previously, domestic investors were subjected to a 15% withholding tax on government bonds, while 20% applied to foreign holders.
- **Malaysia:** Bank Negara has extended trading hours for MYR today, with Brexit uncertainties in mind. Operating hours started at 7am and will close at 6pm rather than 5pm. BNM stated that "together with the Malaysian financial market participants", it is "monitoring and will remain vigilant on any potential emerging risks and challenges to the domestic financial markets."
- **Macau:** After the effect of high base amid the Easter Holiday dissipated, visitor arrivals unexpectedly dropped by 2.78% yoy in May. Without diversified entertainment facilities, coupled with the delays in completions of new hotel and casino projects, the gains obtained from last year's new hotel and casino openings on the tourism sector might not be sustainable. Additionally, though the number of overnight visitors ticked up for the 10th straight month, growth slowed to 3.76% yoy despite continuous room rate cuts. More data should be monitored for confirmation on whether the tourism sector is losing its footing again. Nevertheless, at this juncture, we hold onto our view that the new hotel, casino and theme park openings in the coming 1-2 years will be able to lure an increasing number of overnight visitor and casual gamblers. As such, the tourism and gaming sectors may still be set for a gradual recovery.
- **Thailand:** More cues on growth prospect may be seen from today's trade data later in the morning. However, market expectations are still looking at both export and import prints to contract further in May.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was range-bound yesterday, with the short term rates trading 3bps lower, while the belly-to-long-end rates traded 1-2bps higher. Flows in the SGD corporates were light with mixed interest seen in GENSSP 5.13%'49s and SOCGEN 4.3%'26s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 225bps while the yield on JACI HY corporates remains relatively unchanged at 6.98%. 10y UST yield increased by 6bps to 1.75% on last minute expectations of a remain vote for BREXIT.
- **New Issues:** CapitalLand Commercial Trust (CCT) Ltd. priced a SGD75mn 6-year bond at 2.77% with expected ratings of "A-/NR/NR". Hanrui Overseas Investment Co. priced a USD300mn 3-year bond at 5.25%, tightening from its initial guidance of 5.4%. The expected ratings are "NR/NR/BB+".
- **Rating Changes:** S&P downgraded Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (SSREIT) credit rating to "BB+" from "BBB-" and subsequently withdrew it ratings at the company's request. S&P revised its outlook on Japan-based information and communication technology company NEC Corp.'s "BBB" long term corporate credit rating to negative from stable. The revision reflects S&P's view that there is at least a one-third chance that financial indicators for the company will not improve within the next 18-24 months, as a result of a delay in recovery of its profitability or high debt under its aggressive growth strategy in 2016 and beyond. S&P also revised its outlook on CITIC Group Corp. and CITIC Ltd.'s "A-" long term credit rating to negative from stable, citing China's slowing economy and straining capitalization on a risk-adjusted basis as the main reasons. S&P downgraded its credit rating on China Automation Group Ltd. (CAG) to "B-" from "B+" with negative outlook. The downgrade reflects weakened profitability and leverage over the next 12 months and that profitability will remain sluggish. Moody's downgraded its family corporate credit rating of Golden Eagle Retail Group Ltd. to "B1" from "Ba3" with a negative outlook. The downgrade reflects Moody's concern that Golden Eagle's financial position will not improve materially in the next 12 to 18 months as China's economy continues to slow and the department store sector faces strong competition from online retail platforms. Moody's assigned a "A1" credit rating to ICBC Ltd. (Tokyo)'s USD4bn medium term note program, in line with ICBC Ltd.'s "A1" long term deposit rating, reflecting the structure of the proposed issuance. Moody's also assigned a "Ba3" credit rating to Biostime International Holding's Limited's USD400mn 7.25% 5-year bond with stable outlook. The rating assignment follows Biostime's completion of its USD bond issuance, the final terms and conditions which are consistent with Moody's expectation.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.529	-0.20%	USD-SGD	1.3376	-0.06%
USD-JPY	106.160	1.68%	EUR-SGD	1.5230	0.73%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2601	-1.69%
AUD-USD	0.7613	1.49%	GBP-SGD	1.9915	1.17%
GBP-USD	1.4877	1.16%	AUD-SGD	1.0181	1.41%
USD-MYR	4.0165	-0.47%	NZD-SGD	0.9696	1.13%
USD-CNY	6.5807	0.03%	CHF-SGD	1.3961	-0.01%
USD-IDR	13248	-0.26%	SGD-MYR	3.0047	-0.06%
USD-VND	22306	0.00%	SGD-CNY	4.9117	0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3580	--	O/N	0.3896	--
2M	-0.3090	--	1M	0.4521	--
3M	-0.2680	--	2M	0.5327	--
6M	-0.1610	--	3M	0.6401	--
9M	-0.0940	--	6M	0.9297	--
12M	-0.0290	--	12M	1.2510	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.76	-1.90	3.09
Italy	0.00	-1.70	1.40
Ireland	-0.27	-0.60	0.78
Greece*	7.57	-54.00	7.78
Spain	-0.01	-0.70	1.47
Russia^	2.46	-2.60	4.65

* 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	18,011.07	230.20
S&P	2,113.32	27.90
Nasdaq	4,910.04	76.70
Nikkei 225	16,238.35	172.60
STI	2,793.85	7.70
KLCI	1,639.98	2.30
JCI	4,874.31	-22.50
Baltic Dry	596.00	11.00
VIX	17.25	-3.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.01 (+0.01)	0.78 (+0.04)
5Y	1.57 (+0.03)	1.26 (+0.06)
10Y	2.04 (+0.01)	1.75 (+0.06)
15Y	2.34 (+0.01)	--
20Y	2.41 (+0.02)	--
30Y	2.53 (+0.02)	2.55 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.95	-0.13
EURIBOR-OIS	8.33	0.10
TED	35.60	-2.03

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	50.11	1.99%	Coffee (per lb)	1.393	1.68%
Brent (per barrel)	50.91	2.06%	Cotton (per lb)	0.6488	3.08%
Heating Oil (per gallon)	1.521	1.05%	Sugar (per lb)	0.1904	--
Gasoline (per gallon)	1.60	0.96%	Orange Juice (per lb)	1.6720	1.83%
Natural Gas (per MMBtu)	2.698	0.78%	Cocoa (per mt)	3,235	0.94%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,780.0	1.68%	Wheat (per bushel)	4.5425	-0.98%
Nickel (per mt)	9,194	-0.06%	Soybean (per bushel)	11.245	-1.14%
Aluminium (per mt)	1,636.3	0.46%	Corn (per bushel)	3.8725	-1.46%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,261.2	-0.54%	Crude Palm Oil (MYR/MT)	2,466.0	1.44%
Silver (per oz)	17.353	0.24%	Rubber (JPY/KG)	161.0	1.26%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/23/2016 10:00	JN Nikkei Japan PMI Mfg	Jun P	--	47.8	47.7	--
06/23/2016 12:04	MU Visitor Arrivals	May	--	2478t	2471t	--
06/23/2016 13:00	SI CPI NSA MoM	May	0.00%	-0.70%	-0.10%	--
06/23/2016 13:00	SI CPI YoY	May	-0.80%	-1.60%	-0.50%	--
06/23/2016 13:00	JN Leading Index CI	Apr F	--	100	100.5	--
06/23/2016 14:45	FR Manufacturing Confidence	Jun	103	102	104	--
06/23/2016 15:00	FR Markit France Mfg PMI	Jun P	48.7	47.9	48.4	--
06/23/2016 15:00	FR Markit France Services PMI	Jun P	51.6	49.9	51.6	--
06/23/2016 15:00	FR Markit France Composite PMI	Jun P	51	49.4	50.9	--
06/23/2016 15:30	GE Markit Germany Mfg PMI	Jun P	52	54.4	52.1	--
06/23/2016 15:30	GE Markit Germany Services PMI	Jun P	55	53.2	55.2	--
06/23/2016 16:00	TA Industrial Production YoY	May	-1.20%	1.89%	-4.06%	-3.57%
06/23/2016 16:00	PH BSP Overnight Rate	Jun-23	3.00%	3.00%	3.00%	--
06/23/2016 16:00	IT Industrial Orders MoM	Apr	--	1.00%	-3.30%	-3.40%
06/23/2016 16:00	IT Industrial Orders NSA YoY	Apr	--	-11.30%	0.10%	--
06/23/2016 16:00	EC Markit Eurozone Mfg PMI	Jun P	51.4	52.6	51.5	--
06/23/2016 16:00	EC Markit Eurozone Services PMI	Jun P	53.2	52.4	53.3	--
06/23/2016 20:30	US Chicago Fed Nat Activity Index	May	0.11	-0.51	0.1	0.05
06/23/2016 20:30	US Initial Jobless Claims	Jun-18	270k	259k	277k	--
06/23/2016 20:30	US Continuing Claims	Jun-11	2150k	2142k	2157k	2162k
06/23/2016 21:45	US Bloomberg Consumer Comfort	Jun-19	--	44.2	42.1	--
06/23/2016 21:45	US Markit US Manufacturing PMI	Jun P	50.9	51.4	50.7	--
06/23/2016 22:00	US New Home Sales	May	560k	551k	619k	586k
06/23/2016 22:00	US Leading Index	May	0.10%	-0.20%	0.60%	--
06/24/2016 09:00	PH Trade Balance	Apr	-\$1883m	--	-\$1747m	--
06/24/2016 11:30	TH Customs Exports YoY	May	-3.20%	--	-8.00%	--
06/24/2016 11:30	TH Customs Imports YoY	May	-5.00%	--	-14.92%	--
06/24/2016 11:30	TH Customs Trade Balance	May	\$2434m	--	\$721m	--
06/24/2016 13:00	SI Industrial Production SA MoM	May	-0.90%	--	4.80%	--
06/24/2016 13:00	SI Industrial Production YoY	May	1.00%	--	2.90%	--
06/24/2016 14:45	FR GDP QoQ	1Q F	0.60%	--	0.60%	--
06/24/2016 14:45	FR GDP YoY	1Q F	1.40%	--	1.40%	--
06/24/2016 15:30	TH Foreign Reserves	Jun-17	--	--	\$178.9b	--
06/24/2016 16:00	GE IFO Business Climate	Jun	107.4	--	107.7	--
06/24/2016 16:00	GE IFO Current Assessment	Jun	114	--	114.2	--
06/24/2016 16:00	GE IFO Expectations	Jun	101.2	--	101.6	--
06/24/2016 16:00	IT Retail Sales MoM	Apr	0.40%	--	-0.60%	--
06/24/2016 16:00	IT Retail Sales YoY	Apr	--	--	2.20%	--
06/24/2016 16:30	UK BBA Loans for House Purchase	May	37850	--	40104	--
06/24/2016 20:30	US Durable Goods Orders	May P	-0.50%	--	3.40%	--
06/24/2016 20:30	US Durables Ex Transportation	May P	0.10%	--	0.50%	--
06/24/2016 20:30	US Cap Goods Ship Nondef Ex Air	May P	0.30%	--	0.40%	--
06/24/2016 22:00	US U. of Mich. Sentiment	Jun F	94.1	--	94.3	--
06/24/2016	VN CPI YoY	Jun	2.38%	--	2.28%	--

Source: Bloomberg

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