

Highlights

Global	<p>Global risk appetite took a breather ahead of the FOMC and BOJ policy meetings due later this week. Amid a quiet data calendar, German IFO business climate retreated slightly from 108.7 to 108.3 (forecast: 107.5), with the current assessment and expectations gauges at 114.7 (previously 114.6) and 102.2 (previously 103.1) respectively, suggesting that the fallout from Brexit was a little more muted than initially tipped.</p> <p>Today's economic data calendar comprises of US' new home sales, consumer confidence, Richmond Fed manufacturing index, S&P/CaseShiller house prices and Markit services and composite PMIs, HK June trade and S'pore industrial production. Risk appetite in Asia may remain on tenterhooks today while awaiting for further cues.</p>
US	Dallas Fed manufacturing outlook survey went from -18.3 in Jun to -1.3 in Jul, with production, capacity utilization and shipment volumes swinging back to positive territory, albeit the orders growth rate was -9.7 (previously -18.6),
SK	2Q prelim GDP growth accelerated from 2.8% yoy (+0.5% qoq) in 1Q to 3.2% yoy (+0.7% qoq sa).
SG	<p>Industrial production could have declined 0.8% yoy (-2.7% mom) in June, after expanding 0.9% yoy (-0.4% mom sa) in May.</p> <p>Headline CPI fell for the 20th straight month but by a less severe 0.7% yoy (+0.7% mom nsa) in June. Note that except for housing & utilities, and transport, the other price segments are back in positive yoy growth territory. Core inflation accelerated from +1.0% yoy in May to +1.1% yoy in June, the highest since February 2015, as services inflation remain predominant. For first half of 2016, headline and core inflation are running at -0.9% yoy and +0.7% yoy respectively. Our sense is that the inflation picture has likely bottomed. MAS maintains 2016 core inflation to still average around 1% and headline inflation at -1% to 0%, and tips core inflation to trend towards its historical average of close to 2.0% over the course of 2017. Headline inflation however may take a few years to converge back to its historical average. Our headline and core inflation forecast remains at -0.4% yoy and +1.0% yoy for the full year. MAS opined that the current stance of monetary policy remains appropriate for overall macroeconomic conditions in 2016 - unless there is a marked deterioration in the global economy or significant shift to the inflation outlook, there is no need to change the monetary policy stance and the exchange rate policy framework is sufficiently flexible to accommodate such heightened volatility in international financial markets.</p>
ID	The tax authority has reportedly received amnesty requests from 34 taxpayers declaring IDR396bn worth of assets so far, yielding IDR7.24bn of tax revenue. This is part of the 9-month long tax amnesty program that was functionally effective last week.
Commodities	Crude oil prices continue to fall now with WTI and Brent at \$43.1/bbl and \$44.72/bbl respectively. Much of the decline is still led by supply concerns, especially as market-watchers await upcoming US oil inventory data. Elsewhere, gold futures fall for its second consecutive trading day, just as the implied probability for the rate hike in the Dec FOMC meeting tunes higher to 47.7%, up from a mere 9% at the onset of the Brexit vote.

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Major Market

- **US:** Equities retreated from record highs as they were weighed down by lower crude prices. Energy producers were the largest decliners. S&P 500 closed down 0.30%, Dow lost 0.42% and Nasdaq shaded lower by 0.05%. The Treasury sold US\$26b of 2-year notes at higher than expected yields, with demand evaporating pre-FOMC. Investors will be looking out for signs that a rate hike is back in play for this year. Yield on the 2-year notes to jump 3 basis points to close at 0.73%. Yield on 10-year notes closed largely unchanged at 1.57%. Elsewhere, VIX continue to fluctuate, closing up 7.07%.
- **Singapore:** For the June inflation print, the main drags were accommodation costs (-3.5% versus -6.0% previously as the base effects of the S&CC disbursement rebates in May had dissipated) and private road transport costs (-5.7% versus -7.6% previously as COE premiums saw a smaller on-year decline and petrol pump prices rose in line with global oil prices). However, services inflation picked up speed from +1.5% yoy to +1.6% yoy amid more expensive holiday and telco service costs. Food inflation was also relatively stable at +2.1% yoy, compared to +2.2% in May, as prepared meals such as hawker food and restaurant meals rose at a slower pace.
- MAS' annual report highlighted that growth to stay sluggish and the economy's performance in the second half of 2016 will not be too different from the first half, but there will be some month-to-month volatility in economic activity and the composition of growth will shift somewhat. MAS also tipped core inflation will likely average around 1.0% in 2016 and trend towards its historical average of close to 2.0% over the course of 2017, whilst headline inflation is expected to converge towards its historical average over the next couple of years.
- On macroprudential measures, MAS noted that it is not time yet to ease the property cooling measures for now, despite easing the limits on car financing in May this year.
- The STI fell 0.53% to close at 2929.85 yesterday, and may continue to consolidate today given the overnight slide in Wall Street. The STI's resistance and support are tipped at 2940 with support at 2900. The SGS bonds could see some pressure amid MAS' projected inflation trajectory that could have bottomed and is on a modest ascent in 2017.
- **Thailand:** With only two weeks before the referendum vote on 7 August, about 60% of respondents from a poll held by Nida Poll highlighted that they were undecided about how to vote. About 32.3% highlighted their intent to vote 'Yes', while only 6.0% said they will reject the draft charter.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upward yesterday. Swap rates traded 2-5bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in SOCGEN 4.3%'26s and UOBSP 4%'49s. Mixed interests were seen in BPCEGP 4.5%'26s, ARTSP 4.68%'49s, UOBSP 3.5%'26s and TRAFIG 7.5%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 4bps to 213bps while the yield on JACI HY corporates decreased 5bps to 6.40%. 10y UST yield remained relatively unchanged at 1.57%.
- **New Issues:** Kookmin Bank has priced a USD500mn 3-year bond at CT3+88bps, tightening from its price guidance at CT3+105bps. The expected issue ratings are "A/A1/NR".
- **Rating Changes:** S&P has revised its outlook on China Oil and Gas Group Ltd. (COGG) to positive from stable, and affirmed its "BB" corporate credit rating. The revision follows the Qinghai government's delayed decision to allow the company to pass through cost increases to end customers. At the same time, S&P also expects the company's domestic gas distribution business to grow, the dollar margin to recover, and capital expenditure to remain stable over the next 12-18 months. Moody's has downgraded P.T Investama Tbk.'s (BHIT) corporate family rating to "B3" from

“B2” with negative outlook. The downgrade is in view that the company has yet to announce a refinancing plan for a USD243mn loan maturing within the next 120 days at Sky Vision, one of the company’s media subsidiaries. The group will face additional and significant refinancing risks over the next 18 months in addressing Sky Vision’s maturing loan.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.286	-0.19%	USD-SGD	1.3623	0.27%
USD-JPY	105.810	-0.30%	EUR-SGD	1.4979	0.42%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2874	0.52%
AUD-USD	0.7470	0.11%	GBP-SGD	1.7901	0.52%
GBP-USD	1.3140	0.24%	AUD-SGD	1.0176	0.39%
USD-MYR	4.0677	0.17%	NZD-SGD	0.9530	0.20%
USD-CNY	6.6799	0.01%	CHF-SGD	1.3818	0.32%
USD-IDR	13142	0.36%	SGD-MYR	2.9948	0.07%
USD-VND	22305	0.04%	SGD-CNY	4.9029	-0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4179	--
2M	-0.3330	--	1M	0.4904	--
3M	-0.2970	--	2M	0.5870	--
6M	-0.1890	--	3M	0.7210	--
9M	-0.1210	--	6M	1.0444	--
12M	-0.0500	--	12M	1.3719	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.65	-4.00	3.03
Italy	-0.05	0.20	1.24
Ireland	-0.42	0.10	0.48
Greece*	7.59	-35.70	8.09
Spain	-0.16	-0.60	1.11
Russia^	2.38	2.20	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
DJIA	18,493.06	-77.80
S&P	2,168.48	-6.60
Nasdaq	5,097.63	-2.50
Nikkei 225	16,620.29	-7.00
STI	2,929.85	-15.50
KLCI	1,668.26	10.80
JCI	5,220.80	23.60
Baltic Dry	709.00	-9.00
VIX	12.87	0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.97 (+0.03)	0.73 (+0.03)
5Y	1.40 (+0.03)	1.14 (+0.02)
10Y	1.79 (+0.03)	1.57 (+0.01)
15Y	2.12 (+0.03)	--
20Y	2.23 (+0.03)	--
30Y	2.37 (+0.04)	2.29 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	30.99	0.71
EURIBOR-OIS	5.60	0.10
TED	42.40	1.75

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	43.13	-2.40%	Coffee (per lb)	1.411	-0.56%
Brent (per barrel)	44.72	-2.12%	Cotton (per lb)	0.7212	-0.55%
Heating Oil (per gallon)	1.323	-2.52%	Sugar (per lb)	0.1989	1.53%
Gasoline (per gallon)	1.33	-2.05%	Orange Juice (per lb)	1.8735	3.71%
Natural Gas (per MMBtu)	2.747	-1.08%	Cocoa (per mt)	2,854	-1.11%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,899.0	-0.43%	Wheat (per bushel)	4.2900	0.88%
Nickel (per mt)	10,445	0.61%	Soybean (per bushel)	9.838	-2.26%
Aluminium (per mt)	1,594.3	-0.33%	Corn (per bushel)	3.3475	-0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,319.5	-0.29%	Crude Palm Oil (MYR/MT)	2,322.0	-1.69%
Silver (per oz)	19.615	-0.21%	Rubber (JPY/KG)	188.1	-1.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/25/2016 07:50	JN Trade Balance	Jun	¥474.4b	¥692.8b	-¥40.7b	-¥40.6b
07/25/2016 07:50	JN Trade Balance Adjusted	Jun	¥244.2b	¥335.0b	¥269.8b	¥294.5b
07/25/2016 13:00	SI CPI NSA MoM	Jun	0.40%	0.70%	-0.70%	--
07/25/2016 13:00	SI CPI YoY	Jun	-1.10%	-0.70%	-1.60%	--
07/25/2016 13:00	JN Leading Index CI	May F	--	99.7	100	--
07/25/2016 16:00	GE IFO Business Climate	Jul	107.5	108.3	108.7	--
07/25/2016 16:00	GE IFO Current Assessment	Jul	114	114.7	114.5	114.6
07/25/2016 16:00	GE IFO Expectations	Jul	101.6	102.2	103.1	--
07/25/2016 22:30	US Dallas Fed Manf. Activity	Jul	-10	-1.3	-18.3	--
07/26/2016 06:45	NZ Trade Balance	Jun	150m	127m	358m	348m
07/26/2016 06:45	NZ Exports	Jun	4.22b	4.26b	4.57b	4.56b
07/26/2016 06:45	NZ Imports	Jun	4.13b	4.13b	4.22b	4.21b
07/26/2016 07:00	SK GDP YoY	2Q P	3.00%	3.20%	2.80%	--
07/26/2016 07:00	SK GDP SA QoQ	2Q P	0.60%	0.70%	0.50%	--
07/26/2016 09:00	PH Imports YoY	May	26.60%	--	29.20%	--
07/26/2016 09:00	PH Trade Balance	May	-\$1500m	--	-\$2275m	--
07/26/2016 13:00	SI Industrial Production YoY	Jun	0.50%	--	0.90%	--
07/26/2016 13:00	SI Industrial Production SA MoM	Jun	-1.40%	--	-0.40%	--
07/26/2016 16:30	UK BBA Loans for House Purchase	Jun	39650	--	42187	--
07/26/2016 16:30	HK Exports YoY	Jun	-1.60%	--	-0.10%	--
07/26/2016 16:30	HK Imports YoY	Jun	-5.00%	--	-4.30%	--
07/26/2016 16:30	HK Trade Balance	Jun	-34.7b	--	-26.2b	--
07/26/2016 21:45	US Markit US Services PMI	Jul P	52	--	51.4	--
07/26/2016 21:45	US Markit US Composite PMI	Jul P	--	--	51.2	--
07/26/2016 22:00	US Consumer Confidence Index	Jul	96	--	98	--
07/26/2016 22:00	US Richmond Fed Manufact. Index	Jul	-5	--	-7	--
07/26/2016 22:00	US New Home Sales	Jun	560k	--	551k	--
07/26/2016 22:00	US New Home Sales MoM	Jun	1.60%	--	-6.00%	--
07/25/2016 07/31	VN Exports YTD YoY	Jul	5.60%	--	5.90%	--
07/26/2016 07/29	PH Budget Balance PHP	May	--	--	55.0b	--

Source: Bloomberg

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