

Highlights

Global	<p>Brexit repercussions continued to reverberate across the global financial markets as S&P downgraded UK's sovereign credit rating by two notches to AA (negative outlook), while Fitch also downgraded one notch to AA too with negative outlook, with the former citing "risks of a marked deterioration of external financing conditions" and the latter citing the likelihood of "an abrupt slowdown". The 10-year UST bond yield hit a 4-year low of 1.44% while the 10-year gilt yield also fell below 1% for the first time. With another light economic data calendar today, comprising of US' consumer confidence, S&P/Case-Shiller home prices, Richmond Fed manufacturing index, and Vietnam 1Q16 GDP growth. Only ECB's Draghi will be speaking at the Sintra, Portugal conference today, as Yellen and Carney has withdrawn.</p> <p>Market players will be focusing on the EU leader's summit, but apart from more rhetoric, market uncertainty and volatility is likely to remain caught amid the impasse of EU leaders waiting for UK to invoke Article 50 of the Lisbon Treaty and UK's outgoing PM Cameron saying it's the job of his successor to do so. Note German chancellor Merkel has already opined that "we can't afford an extended waiting game because that would be bad for the economy of both sides of the EU...but I have a certain level of understanding</p>
US	<p>The Markit services PMI was unchanged at 51.3 in June, while the composite PMI improved from 50.9 to 51.2. Meanwhile, the Dallas Fed manufacturing activity gauge went from -20.8 in May to -18.3 in June. Also, risk assets continue to suffer from the Brexit fallout. Declines were led by financials and energy producers. S&P 500 barely held the 2000 handle, closing down 1.81% at 2000.54. Dow and Nasdaq fell 1.50% and 2.41% respectively. Post-Brexit, investors have discounted Fed's rate hike hopes, with market-implied probability of a hike by year-end standing at only 8%. This, together with risk-off sentiments, contributed to U.S. Treasury yields trading near record lows, with the 2-year note yielding 0.59% and the 10-year note yielding 1.44%. Elsewhere, VIX continue to fluctuate strongly, closing down 7.42%.</p>
Singapore	<p>The STI slipped 0.28% to close at 2729.85 yesterday, and given the overnight slump in Wall Street and European bourses, the STI may continue to consolidate on Brexit concerns. STI support and resistance are tipped at 2680 and 2740. SGS bonds to lag the UST bond rally but remain supported amid the risk-off sentiments.</p>
CH	<p>PBoC mentioned that Chinese banks will be able to withstand from severe shocks due to relatively high capital levels based on the latest stress test results.</p>
Indonesia	<p>The finance commission of the parliament has approved the government's proposal for a tax amnesty bill yesterday. It will head to the plenary session of the parliament to be discussed and potentially approved today. The bill plans to impose a rate of 2-5% on undeclared funds held abroad that are repatriated. For those who prefer to retain the funds overseas, the tax rates will range from 4% to 10%, depending on when they declare. The program is slated to start on July 1st and to last until March 2017.</p>

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Major Market

- **Hong Kong:** The decline in HK exports value narrowed significantly from 2.3% yoy to 0.1% yoy in May, reflecting further improvement in trading activities. Meanwhile, import value dipped by 4.3% yoy in May to HK\$ 317.7 billion, falling for the 16th consecutive month. A visible trade deficit of HK\$26.2 was recorded as a result. Exports to major markets rebounded as well, with total exports to Asia as a whole growing by 0.6% yoy, among which the value of exports to China increased by 0.9% yoy. By comparison, in the same month, growth in China's import from HK jumped 242.6% yoy after increasing 203.5% in previous month. The persistent mismatch in data prints continues to signal that the fake invoicing activities continued to support capital outflow from the onshore market. In the short term, the unexpected Brexit and the expected inclusion of KRW into CFETs RMB index are likely to push up the currency's volatility. As a result, the deepening angst of RMB depreciation may exacerbate trade data mismatch in coming months. Elsewhere, export to other main trading partners showed some weakness, with exports to US falling 6.1% yoy and those to UK dipping 13.4% yoy. It raises concerns that demand across the globe may be further dampened amid the heightened uncertainty of global recovery after Brexit. In this case, we expect trade growth of HK to remain sagging in the coming months.
- **Macau:** Jobless rate was unchanged at 1.9% in May, indicating a strong labour market. However, due to Macau's government tightening of rules on the gaming sector and the diminishing marginal benefit of last year's hotel and casino openings, the gaming sector as well as the hotels, restaurant and similar activities showed decrease in employment. The increasing margin pressure on hotel operators amid fiercer competition is also to blame for the lower employment in the sector. Additionally, delays in the completion of new projects resulted in further layoffs in the construction sector. Elsewhere, employment in wholesale & retail trade sector showed its first monthly growth in the past 6 months. However, the prospect of a stronger MOP on the back of a stronger USD amid risk-off bias post-Brexit may result in further weakness in tourists' purchasing power, thereby hitting retail sales and the sector's employment. On the other hand, new hotels and casinos scheduled to open in the coming 1-2 years are expected to bring more job opportunities. All in all, we expect the jobless rate to stabilize below 2.0% this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downward yesterday, trading 6-13bps lower across all tenors on fading expectations for further rate hikes in 2016. Flows in the SGD corporates were moderate with better buying seen in STANLN 4.4%'26s, GENSSP 5.13%'49s and FRESHK 4.25%'19s. Meanwhile, mixed interest was also seen in ABNAV 4.75%'26s. In the broader dollar space, the spread on JACI IG corporates decreased by 6bps to 235bps while the yield on JACI HY corporates decreased by 2bps to 6.95%. 10y UST decreased by 12bps to 1.44% as investors continue to seek treasuries amidst global uncertainty following Brexit.
- **Rating Changes:** S&P downgraded its sovereign credit rating on the UK to "AA" from "AAA". The Bank of England long-term issuer credit rating was also downgraded to "AA" from "AAA" from S&P. The downgrade reflects S&P's view that the "leave" result in the UK referendum will weaken the predictability, stability and effectiveness of policymaking in the UK and will negatively affect the economy, GDP growth and fiscal and external balances. The downgrade also reflects what S&P considers enhanced risks of a marked deterioration of external financing conditions in light of the UK's extremely elevated level of externally financed growth requirements. The outlook is negative. On a similar note, Fitch also downgraded UK sovereign rating to "AA" from "AA+" and Bank of England's credit rating to "AA" from "AA+" with a negative outlook. S&P downgraded its corporate credit rating on Beijing Capital Group Co. Ltd. (BCG) to "BBB-" from "BBB" with negative outlook. The downgrade reflects the expectation that the company's leverage will remain high over the next two

years owing to its aggressive debt-funded expansion to significantly boost scale. BCG's profitability may also recover only moderately following a material deterioration over the past one-to-two years due to the very low margin for property projects in lower-tier cities. S&P affirmed Bank of Nanjing Co. Ltd. (BONJ) "BB+" long-term issuer credit rating and revised its outlook to negative from stable. The negative outlook reflected BONJ's eroded capital buffer to weather heightened economic risk in China. The credit rating was subsequently withdrawn at the company's request.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.544	1.15%	USD-SGD	1.3631	0.71%
USD-JPY	102.000	-0.22%	EUR-SGD	1.5029	0.00%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3362	0.88%
AUD-USD	0.7330	-1.82%	GBP-SGD	1.8027	-2.55%
GBP-USD	1.3225	-3.32%	AUD-SGD	0.9995	-1.03%
USD-MYR	4.0995	0.16%	NZD-SGD	0.9534	-1.22%
USD-CNY	6.6474	0.39%	CHF-SGD	1.3930	0.08%
USD-IDR	13351	-0.30%	SGD-MYR	3.0228	0.02%
USD-VND	22345	0.09%	SGD-CNY	4.8750	-0.73%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3640	--	O/N	0.3934	--
2M	-0.3220	--	1M	0.4493	--
3M	-0.2810	--	2M	0.5244	--
6M	-0.1750	--	3M	0.6236	--
9M	-0.1100	--	6M	0.8941	--
12M	-0.0470	--	12M	1.2052	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.88	-2.40	3.30
Italy	0.03	-2.70	1.51
Ireland	-0.24	0.90	0.74
Greece*	9.46	-40.50	8.71
Spain	-0.03	-8.70	1.45
Russia^	2.47	-4.70	4.75

* 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	17,140.24	-260.50
S&P	2,000.54	-36.90
Nasdaq	4,594.44	-113.50
Nikkei 225	15,309.21	357.20
STI	2,729.85	-5.50
KLCI	1,629.52	-4.50
JCI	4,836.05	1.50
Baltic Dry	616.00	7.00
VIX	23.85	-1.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.99 (-0.01)	0.59 (-0.03)
5Y	1.45 (-0.03)	0.98 (-0.09)
10Y	1.84 (-0.07)	1.44 (-0.12)
15Y	2.13 (-0.07)	--
20Y	2.21 (-0.07)	--
30Y	2.31 (-0.07)	2.26 (-0.15)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.27	-0.56
EURIBOR-OIS	8.80	-1.20
TED	38.36	0.85

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.33	-2.75%	Coffee (per lb)	1.345	0.11%
Brent (per barrel)	47.16	-2.58%	Cotton (per lb)	0.6348	-1.58%
Heating Oil (per gallon)	1.429	-1.79%	Sugar (per lb)	0.1948	2.53%
Gasoline (per gallon)	1.48	-3.17%	Orange Juice (per lb)	1.6550	-0.48%
Natural Gas (per MMBtu)	2.716	2.03%	Cocoa (per mt)	3,034	-1.17%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,710.0	0.26%	Wheat (per bushel)	4.4675	-1.76%
Nickel (per mt)	8,946	-0.47%	Soybean (per bushel)	11.330	2.72%
Aluminium (per mt)	1,589.8	-1.33%	Corn (per bushel)	3.8525	0.20%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,322.5	0.19%	Crude Palm Oil (MYR/MT)	2,467.0	-0.12%
Silver (per oz)	17.744	-0.25%	Rubber (JPY/KG)	163.0	1.94%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/27/2016 06:45	NZ Trade Balance	May	182m	358m	292m	326m
06/27/2016 06:45	NZ Exports	May	4.31b	4.57b	4.30b	--
06/27/2016 06:45	NZ Imports	May	4.15b	4.22b	4.01b	3.98b
06/27/2016 13:11	MU Unemployment Rate	May	--	1.90%	1.90%	--
06/27/2016 16:00	EC M3 Money Supply YoY	May	4.80%	4.90%	4.60%	--
06/27/2016 16:30	HK Exports YoY	May	-1.70%	-0.10%	-2.30%	--
06/27/2016 16:30	HK Imports YoY	May	-4.00%	-4.30%	-4.50%	--
06/27/2016 16:30	HK Trade Balance	May	-31.0b	-26.2b	-31.0b	--
06/27/2016 21:45	US Markit US Services PMI	Jun P	52	51.3	51.3	--
06/27/2016 21:45	US Markit US Composite PMI	Jun P	--	51.2	50.9	--
06/27/2016 22:30	US Dallas Fed Manf. Activity	Jun	-15	-18.3	-20.8	--
06/28/2016 10:15	VN Exports YTD YoY	Jun	6.50%	--	6.60%	--
06/28/2016 10:15	VN GDP YTD YoY	2Q	5.83%	--	5.46%	--
06/28/2016 11:00	PH Budget Balance PHP	Apr	--	--	-74.4b	--
06/28/2016 14:00	GE Import Price Index MoM	May	0.60%	--	-0.10%	--
06/28/2016 14:00	GE Import Price Index YoY	May	-5.80%	--	-6.60%	--
06/28/2016 14:45	FR Consumer Confidence	Jun	97	--	98	--
06/28/2016 16:00	IT Consumer Confidence Index	Jun	112.5	--	112.7	--
06/28/2016 16:00	IT Manufacturing Confidence	Jun	102.1	--	102.1	--
06/28/2016 16:00	IT Economic Sentiment	Jun	--	--	103.4	--
06/28/2016 20:30	US GDP Annualized QoQ	1Q T	1.00%	--	0.80%	--
06/28/2016 20:30	US Personal Consumption	1Q T	2.00%	--	1.90%	--
06/28/2016 20:30	US GDP Price Index	1Q T	0.60%	--	0.60%	--
06/28/2016 20:30	US Core PCE QoQ	1Q T	2.10%	--	2.10%	--
06/28/2016 22:00	US Consumer Confidence Index	Jun	93.5	--	92.6	--
06/28/2016 22:00	US Richmond Fed Manufact. Index	Jun	3	--	-1	--

Source: Bloomberg

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