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**Investments & Structured
Products**

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Highlights

Global	<p>The US Federal Reserve chose not to rock the boat overnight, choosing to keep the status quo on interest rates, albeit with a 9-1 vote with George as the sole dissenter and also the FOMC statement largely unchanged. Notably, the FOMC statement noted that “near-term risks to the economic outlook have diminished” and the “labor market strengthened” and “household spending has been growing strongly”. Without a clear hint of when the next Fed rate hike intentions are, financial markets reacted typically with a UST bonds rally whilst the USD and S&P500 lower.</p> <p>Focus now shifts to the BOJ policy meeting - Japanese PM Abe who announced that the planned fiscal stimulus package will exceed JPY28tn, albeit market players doubt if all of it is fresh spending. The onus now moves to whether monetary policy will step up even as BOJ governor Kuroda has been recently and consistently dampening “helicopter money” speculation.</p> <p>Asian markets may take some comfort from the Fed’s still cautious stance, but await the upcoming BOJ policy decision. Today’s economic data calendar comprises of US’ initial jobless claims, German unemployment, CPI and consumer confidence, and UK’s Nationwide house price index.</p>
US	<p>US’ pending home sales rose less than expected by 0.2% mom (+0.3% yoy) in June amid tight supply and price appreciation. Meanwhile, durable goods orders fell more than expected by 4.0% in June, the largest drop since August 2014 and led by a plunge in civilian aircraft orders (-77%), while the May data was revised down further to -2.8%, albeit orders for non-military capital goods (a proxy for future business investments) rose for the first time in three months. Excluding transportation, durable orders slipped 0.5% in June after a 0.4% decline in May. Inventories of durable goods also fell for a 6th straight month, prompting some 2Q GDP growth downgrades.</p>
IMF	<p>The IMF opined that “global imbalances increased moderately in 2015”, but held off criticizing the JPY or the CNY. IMF suggested that the JPY’s appreciation reflects “revised market perceptions about monetary policy in Japan vis-à-vis other reserve currencies as well as safe-haven flows” and “has moved towards a level consistent with medium-term fundamentals, although this rapid appreciation may undermine efforts to lower deflation risks” and “ a more forceful and coordinated package is needed to raise growth and inflation”. On the CNY, IMF suggested it “was broadly in line with fundamentals and desirable policies, although its assessment is subject to a high degree of uncertainty”.</p>
SG	<p>We tip 2Q16 unemployment rate to be 2%, slightly higher than 1.9% in 1Q. Meanwhile, the \$1.5b 20-year SGS bond auction fetched a 1.84x bid-cover ratio and a cut-off yield of 2.25% with a tight 4bp tail, which is within market expectations. Separately, GIC’s annualised real rate of return over 20 years fell to 4% for the year ended March 2016, down from 4.9% a year ago, and tips a difficult investment environment with modest growth prospects, greater uncertainty and more volatility in the macro economy and markets.</p>

Major Market

- **US:** Equities ended mixed following Fed's decision to stand pat. The Dow and S&P 500 ended marginally lower by 0.01% and 0.02% respectively. Tech-heavy Nasdaq was supported by a big gain from Apple Inc, closing up 0.58%. Meanwhile, US Treasuries rose on the back on Japan's 29tn yen stimulus. Yields tumbled, with the 2-year note yielding 0.72% and the 10-year note yielding 1.50%. Elsewhere, VIX ended lower by 1.69%.
- **Singapore:** The STI eked out modest gains again (+0.27%) to close at 2941.49 yesterday, but may trade sideways today as investors await FOMC cues. The STI's resistance and support are tipped at 2980 with support at 2920. OCBC's 2Q profit fell 15% to \$885m, while UOB's net income rose 5% to \$801m. SGS bond yields are likely to track UST bond yields lower today, amid a gradualist FOMC.
- **China:** Onshore short-term liquidity got tighter with overnight SHIBOR rising for the eighth consecutive trading day, up by 0.5 basis points to 2.037% on July 26. Corporates paying tax in July coupled with long-term government bonds frenzy might be the reasons behind the jump in short-term rate. Despite that, the PBOC may not add broad-based stimulus, as such act will push up capital outflow risks and corporates' deleveraging pressures. As such, the central bank is likely to inject more liquidity via the non-traditional monetary tools in the near term.
- Industrial profit for firms with annual revenue over CNY20 million grew at a faster pace in June, up by 5.1% yoy. More notably, finished goods inventory, fell for the third straight month by 1.9% yoy. This suggests the easing pressure from high inventory.
- **Macau:** The jobs market remained stable with the unemployment rate unchanged at 1.9% in 2Q. Despite tighter rules, the persistent increase in overnight visitors has lent support to the gaming sector, allowing it to add jobs by 0.7% mom. However, the growth of overnight visitors appeared to be less supportive to the hotel, restaurant and related sectors due to increasing margin pressure. Moving forward, upon completions of two new projects in 2H, employment in the construction sector (-0.9% mom) may face further downward pressure whereas job creations in the gaming and hotel & restaurant sector are likely to gain traction. Besides, China's slowdown coupled with a stronger MOP may continue to hit the retail sector and its employment (0% mom). All in all, we expect the jobless rate to stabilize below 2.0% this year. However, the median monthly salary (unchanged since Q1 2015) is expected to grow at slower pace amid economic uncertainty at home and abroad, thereby hurting consumer sentiments.
- **Indonesia:** President Jokowi reshuffled his cabinet for the second time since he first came into power in 2014. Sri Mulyani, a former finance minister during SBY era who has been serving a top post at the World Bank for the past five years, will return to the country to lead her former ministry again. She is replacing Bambang Brodjonegoro, who is taking over the National Planning portfolio. Another key change is the shuffling of Tom Lembong from his Trade portfolio to be the head of the Investment Coordinating Agency.
- **Commodities:** It's a question of what market-watchers are focusing on in respect to the latest FOMC statement. On one hand, a rosier economic outlook in the labor and household spending has been portrayed in the latest FOMC statement. However on the other hand, inflation is likely to remain weak in the coming months while an explicit note indicating that rates are expected to remain below levels that are expected in the longer run. With gold prices rallying to its 2-week high of \$1,348/oz handle (note UST bonds gained while USD and S&P500 printed south), it is obvious that market-watchers chose to dwell on the lack of concrete cues indicating a hike in the year ahead.
- Elsewhere, US oil inventories surprised with a positive print in the week ended 22 July 2016, gaining 1.67 million barrels vs market calls for a fall of 2 million barrels instead. Elsewhere, gasoline inventories continued to gain (+452k barrels). Reactively, crude oil prices fell further with WTI and

Brent closing at \$41.92/bbl and \$43.47/bbl respectively.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upward yesterday, trading 2-5bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in MLTSP 4.18%'49s, SCISP 4.75%'49s and SOCGEN 4.3%'26s. Meanwhile, mixed interests were seen in NOLSP 4.25%'17s, SINTEC 4.05%'17s, NOLSP 4.4%'19s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates decreased by 1bps to 213bps while the yield on JACI HY corporates increased by 1bps to 6.4%. 10y UST yield decreased by 6bps to 1.50% as the Federal Reserve held off raising interest rates following the FOMC meeting held yesterday.
- **New Issues:** CDB Capital priced its USD500mn 5-year bond at CT5+115bps, tightening from initial guidance of CT5+145bps. China Minsheng Investment priced a USD500mn 3-year bond at 3.8%, tightening from its initial guidance at 4.13%.
- **Rating Changes:** S&P revised Australian National University's (ANU) "AA+" credit rating outlook to stable from negative. The revision was in view of ANU's healthy market position which is backed by strong management, economic fundamentals, and financial resources that are balanced against its average financial performance and moderate debt burden. Moody's affirmed Malaysia Airports Holdings Berhad's (MAHB) issuer rating of "A3" and revised its outlook to negative from stable. The revision reflects heightened operating challenges for MAHB's wholly owned subsidiary, Sabiha Gokcen International Airport (SGIA), which owns and operate the second largest airport in Istanbul, Turkey. Moody's expects SGIA to experience a material decline in passenger traffic growth in the next 12-18 months, following the coup attempt that ended on 16 July. Following the downgrade of the local currency issuer default rating on Malaysia to "A-" from "A" and Thailand to "BBB+" from "A-", Fitch has downgraded the following 7 Asian insurance companies' insurer financial strength ratings; (1) Etiqa Insurance Berhad to "A-" from "A", (2) Etiqa Takaful Berhad to "A-" from "A", (3) Etiqa Insurance Pte Ltd. to "A-" from "A", (4) Malaysian Reinsurance Berhad to "A-" from "A", (5) Muang Thai Life Assurance Public Co. Ltd. to "BBB+" from "A-", (6) Thai Life Insurance Public Co. Ltd. to "BBB+" from "A-" and (7) Thai Reinsurance Public Co. Ltd. to "BBB+" from "A-". All outlooks are stable. The other companies that are affected by the downgrade of Malaysia and Thailand's issuer default ratings are Petronas Capital Ltd. to "A-" from "A", Petroliaam Nasional Bhd. to "A-" from "A", and PTT Public Co. Ltd. to "BBB+" from "A-". All outlooks are stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.053	-0.11%	USD-SGD	1.3535	-0.37%
USD-JPY	105.400	0.71%	EUR-SGD	1.4967	0.28%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2837	-1.12%
AUD-USD	0.7491	-0.15%	GBP-SGD	1.7896	0.32%
GBP-USD	1.3223	0.71%	AUD-SGD	1.0139	-0.52%
USD-MYR	4.0790	0.38%	NZD-SGD	0.9573	-0.10%
USD-CNY	6.6700	-0.03%	CHF-SGD	1.3729	0.31%
USD-IDR	13137	-0.29%	SGD-MYR	3.0062	0.30%
USD-VND	22305	0.00%	SGD-CNY	4.9138	0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4179	--
2M	-0.3330	--	1M	0.4927	--
3M	-0.2980	--	2M	0.6012	--
6M	-0.1870	--	3M	0.7430	--
9M	-0.1210	--	6M	1.0732	--
12M	-0.0480	--	12M	1.3986	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.54	-10.20	3.00
Italy	-0.05	-1.10	1.21
Ireland	-0.44	-1.40	0.46
Greece*	7.43	-17.40	8.07
Spain	-0.16	-0.60	1.10
Russia^	2.50	2.50	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	18,472.17	-1.60
S&P	2,166.58	-2.60
Nasdaq	5,139.81	29.80
Nikkei 225	16,664.82	281.80
STI	2,941.49	8.00
KLCI	1,663.56	2.10
JCI	5,274.36	50.00
Baltic Dry	679.00	-17.00
VIX	12.83	-0.20

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.99 (+0.01)	0.72 (-0.04)
5Y	1.43 (+0.05)	1.09 (-0.05)
10Y	1.80 (+0.05)	1.50 (-0.06)
15Y	2.12 (+0.04)	--
20Y	2.26 (+0.06)	--
30Y	2.35 (+0.01)	2.21 (-0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.25	0.39
EURIBOR-OIS	5.60	--
TED	43.35	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.92	-2.33%	Coffee (per lb)	1.412	-0.28%
Brent (per barrel)	43.47	-3.12%	Cotton (per lb)	0.7383	0.27%
Heating Oil (per gallon)	1.295	-2.34%	Sugar (per lb)	0.1910	-2.15%
Gasoline (per gallon)	1.32	-1.77%	Orange Juice (per lb)	1.8980	-1.79%
Natural Gas (per MMBtu)	2.672	-1.47%	Cocoa (per mt)	2,857	0.21%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,850.0	-1.62%	Wheat (per bushel)	4.1475	-0.06%
Nickel (per mt)	10,322	0.03%	Soybean (per bushel)	10.105	1.71%
Aluminium (per mt)	1,581.5	-0.03%	Corn (per bushel)	3.3575	0.98%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,326.7	0.45%	Crude Palm Oil (MYR/MT)	2,356.0	0.17%
Silver (per oz)	19.965	1.58%	Rubber (JPY/KG)	181.3	2.26%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/27/2016 08:30	PH Budget Balance PHP	Jun	--	-45.2b	-17.7b	--
07/27/2016 09:30	AU CPI YoY	2Q	1.10%	1.00%	1.30%	--
07/27/2016 09:30	AU CPI Trimmed Mean YoY	2Q	1.50%	1.70%	1.70%	--
07/27/2016 12:00	TH Customs Exports YoY	Jun	-2.60%	-0.10%	-4.40%	--
07/27/2016 12:00	TH Customs Imports YoY	Jun	-8.90%	-10.10%	0.50%	--
07/27/2016 12:00	TH Customs Trade Balance	Jun	\$1499m	\$1965m	\$1540m	--
07/27/2016 12:10	MU Unemployment Rate	Jun	--	1.90%	1.90%	--
07/27/2016 13:00	JN Small Business Confidence	Jul	--	47.8	46.5	--
07/27/2016 14:00	GE Import Price Index YoY	Jun	-4.60%	-4.60%	-5.50%	--
07/27/2016 14:00	GE GfK Consumer Confidence	Aug	9.9	10	10.1	--
07/27/2016 14:45	FR Consumer Confidence	Jul	96	96	97	--
07/27/2016 14:45	FR PPI MoM	Jun	--	0.40%	0.30%	0.40%
07/27/2016 14:45	FR PPI YoY	Jun	--	-3.10%	-3.50%	-3.40%
07/27/2016 15:15	VN Exports YTD YoY	Jul	5.60%	5.30%	5.90%	--
07/27/2016 16:00	EC M3 Money Supply YoY	Jun	5.00%	5.00%	4.90%	--
07/27/2016 16:00	IT Consumer Confidence Index	Jul	109.2	111.3	110.2	--
07/27/2016 16:00	IT Manufacturing Confidence	Jul	102	103.1	102.8	102.9
07/27/2016 16:00	IT Economic Sentiment	Jul	--	103.3	101.2	--
07/27/2016 16:30	UK GDP QoQ	2Q A	0.50%	0.60%	0.40%	--
07/27/2016 16:30	UK GDP YoY	2Q A	2.10%	2.20%	2.00%	--
07/27/2016 19:00	US MBA Mortgage Applications	Jul-22	--	-11.20%	-1.30%	--
07/27/2016 20:30	US Durable Goods Orders	Jun P	-1.40%	-4.00%	-2.30%	-2.80%
07/27/2016 20:30	US Durables Ex Transportation	Jun P	0.30%	-0.50%	-0.30%	-0.40%
07/27/2016 20:30	US Cap Goods Ship Nondef Ex Air	Jun P	0.40%	-0.40%	-0.50%	--
07/27/2016 22:00	US Pending Home Sales MoM	Jun	1.20%	0.20%	-3.70%	--
	FOMC Rate Decision (Upper Bound)	Jul-27	0.50%	0.50%	0.50%	--
07/28/2016 07:50	JN Foreign Buying Japan Stocks	Jul-22	--	--	¥444.6b	--
07/28/2016 10:00	SK Discount Store Sales YoY	Jun	--	--	-6.30%	--
07/28/2016 10:00	SK Department Store Sales YoY	Jun	--	--	-2.70%	--
07/28/2016 10:30	SI Unemployment rate SA	2Q P	2.00%	--	1.90%	--
07/28/2016 14:00	UK Nationwide House PX MoM	Jul	0.00%	--	0.20%	--
07/28/2016 14:00	UK Nationwide House Px NSA YoY	Jul	4.50%	--	5.10%	--
	Unemployment Change (000's)	Jul	-4k	--	-6k	--
07/28/2016 15:55	GE Unemployment Claims Rate SA	Jul	6.10%	--	6.10%	--
07/28/2016 17:00	EC Economic Confidence	Jul	103.5	--	104.4	--
07/28/2016 17:00	EC Consumer Confidence	Jul F	-7.9	--	-7.9	--
07/28/2016 20:00	GE CPI MoM	Jul P	0.20%	--	0.10%	--
07/28/2016 20:00	GE CPI YoY	Jul P	0.30%	--	0.30%	--
07/28/2016 20:30	US Initial Jobless Claims	Jul-23	262k	--	253k	--
07/28/2016 20:30	US Continuing Claims	Jul-16	2136k	--	2128k	--
07/28/2016 21:45	US Bloomberg Consumer Comfort	Jul-24	--	--	42.9	--
07/28/2016	MU Hotel Occupancy Rate	Jun	--	--	79.3	--

Source: Bloomberg

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