

Highlights

Global	<p>Global risk appetite continued to creep back overnight, with the FTSE100 recouped its post-Brexit losses. This came amid EU leaders' meeting statement that "there is a need to organise the withdrawal of the UK from the EU in an orderly fashion" and "this should be done as quickly as possible". Note Italian PM said "Europe must be not harsh, but very clear with the UK". Separately, Morgan Stanley received a conditional approval in the Fed annual stress tests, while thirty other firms passed and two subsidiaries failed (US units of Deutsche Bank AG and Banco Santander SA) due to "broad and substantial weaknesses" in capital management, according to Bloomberg.</p> <p>Today's economic release calendar comprises of US' initial jobless claims, Chicago PMI, UK's final 1Q16 GDP, German unemployment rate for June, Thai trade and S'pore's bank loans data. Expect the market bounce to stretch a further as Brexit anxieties subside further, but watch for BOE governor Carney who is speaking today, and there is market speculation that he may unveil some monetary policy stimulus to ward off an impending recession. Taiwan's benchmark rate is also due today, market expects a 12.5bps cut to leave rates at 1.375%.</p>
US	<p>Pending home sales fell more than expected by 3.7% mom (+2.4% yoy) in May, suggesting some signs of demand cooling after a strong start to 2Q. Pending home sales fell across the four regions, albeit the sales gauge remained healthy. Meanwhile, personal income rose slightly less than tipped at 0.2% in May, albeit the April data was revised higher to +0.5%. However, personal spending sustained at a robust +0.4% clip after outsized improvements (+1.1%) in the previous month, marking the best two months of spending since 2009. The savings rate fell from 5.4% to 5.3% (lowest this year). Core PCE deflator also rose 0.2% mom (+1.6% yoy) in May.</p>
EZ	<p>European consumer confidence was unchanged at -7.3 in June, while GfK consumer confidence and UK' Nationwide house prices rose to 10.1 (prev: 9.8) and 0.2% (prev: 0%) respectively. German CPI was also static at 0.2% yoy.</p>
China	<p>China is speculated to intervene in both onshore and offshore RMB market to bring down the USDCNY spot after RMB continued to weaken against the dollar yesterday despite stronger fixing. The retreat of dollar overnight may alleviate some near-term pressure for RMB to go weaker further.</p>
Indonesia	<p>Bank Indonesia's Deputy Governor Perry Warjiyo said that the central bank sees room for monetary and macro-prudential policy easing. This is because the tax amnesty program is expected to result in better growth, lower inflation and stronger rupiah. He added that the program will help to boost loan growth to 12% this year and 16-17% next year.</p>
Commodities	<p>Risk appetite continued to recover into the second day after post-Brexit. For a start, both WTI and Brent managed to touch \$50/bbl on intraday trading yesterday, while the latter continued past the \$50 post to end higher. Other growth-related commodities such as copper, nickel and aluminium were also lifted higher. Gold as a safe haven however also rose, albeit this time likely on dollar weakness as well. For today, in line with the sustained risk appetite seen overnight in Wall Street, growth-related commodities are likely to see further gains.</p>

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Major Market

- **US:** Equity markets gained for the second straight day as normalcy appear to return. The strength of the rebound suggests that new buyers are entering the market. Financials and energy continue to lead the way as the broad-based recovery pushed S&P 500 higher by 1.70%. The Dow and Nasdaq also rose 1.64% and 1.86% respectively. Yields rose in the Treasury space as a returning risk appetite and a US\$14b investment-grade corporate bond issuance by Oracle Corp curtailed demand for Treasuries. 2-year notes yield 0.637%, while 10-year notes yield 1.516%. Meanwhile, VIX closed lower by 11.25% at 16.64.
- **Japan:** Industrial production fell 2.3% mom (-0.1% yoy) in May, disappointing market expectations and reinforcing the need for a policy response amid the many headwinds facing the sluggish Japanese economy.
- **Singapore:** Bank loans growth likely contracted for a 9th month in May amid the cautious business sentiments and softening macro-environment. Meanwhile, the STI added 1.31% to close at 2792.73 yesterday, and may attempt to cross the 2800 resistance today given the recovering risk appetite. STI support and resistance are tipped at 2780 and 2820. SGS bond yields are likely to continue to mimic the rising UST bond yields and tip 1-2bps higher again.
- **Macau:** Hotel guest growth (+9.2% yoy) increased at a slower pace in May, adding to concerns over the milder growth of overnight visitor. This also reinforces the notion that the benefit of last year's new hotel and casino openings is diminishing. Due to a lack of diversified entertainment facilities, hotel operators have to persistently offer room rate discounts to lure guests and as a result intensifying the pressures on their margins and causing employers to slow wage growth or even increase retrenchments. However, we still believe that given more new hotel and casino openings ahead, coupled with the upcoming completion of a theme park, may be able to help sustain the increase in overnight visitors over the medium term. On the flip side, further increases in available rooms after new hotel projects completed in the coming 1-2 years also means that hotel occupancy rates (79.3% in May) is likely to be capped below 80%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with the swap rates traded 1-5bps higher across all tenors except the 12 year spot. Flows in the SGD corporates were heavy with better buying seen in GEMAU 5.5%'19s, MLTSP 4.18%'49s, YLLGSP 6.2%'17s and ABNANV 4.7%'22s. Better selling were seen in HYFSP 5.75%'49s while we also saw mixed interest in OLAMSP 6%'22s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 233bps while the yield on JACI HY corporates decreased by 8bps to 6.84%. 10y UST yield increased by 5bps to 1.52% following diminished concern over the impact of UK's exit from the EU.
- **New Issues:** Fullerton Healthcare Corp. priced a 2-tranche deal yesterday, with the SGD50mn 5NC3 bond priced at 2.45%, tightening from its initial guidance of 2.55%. The other tranche of SGD50mn 7NC3 was priced at 2.75%, tightening from its initial guidance of 2.85%. The expected ratings are "AA/NR/NR".
- **Rating Changes:** S&P affirmed its corporate credit rating of "BB-" on Golden Eagle Retail Group Ltd. with a stable outlook. The affirmation follows S&P's view that Golden Eagle will be able to maintain adequate liquidity after receiving consent waivers from lenders for its covenant breach. S&P downgraded its credit rating on COFCO Hong Kong Ltd. to "BBB+" from "A-" with a stable outlook. The downgrade reflects S&P's expectation of EBITDA interest coverage for COFCO HK's parent COFCO to remain relatively weak and its debt leverage to stay high over the next 12 months

as a result of weak cash flows amid challenging operating conditions. S&P affirmed its “A-“ issuer credit rating on China Cinda Asset Management Co. Ltd. (China Cinda) with a stable outlook and also raised the issuer credit rating on Hong Kong-based subsidiary China Cinda HK Holdings Co. Ltd. (Cinda HK) to “A-“ from “BBB+” with a stable outlook. The affirmation of China Cinda reflects S&P’s expectation that its planned RMB30bn preference share issuance will be able to replenish its capitalization. The relative strength of newly-acquired bank Nanyang Commercial Bank also supports China Cinda’s credit profile. The upgrade of its subsidiary reflects S&P’s view that it views Cinda HK as a core subsidiary of the group. Moody’s has placed Nextgen Networks Group Pty. Ltd.’s “B1” corporate credit rating on review for upgrade. The decision follows Moody’s assumption that the agreement for Vocus Communications Limited to acquire Nextgen Networks will be credit positive due to operational benefits from becoming part of a full-service vertically integrated telecommunications provider.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.769	-0.49%	USD-SGD	1.3481	-0.40%
USD-JPY	102.830	0.08%	EUR-SGD	1.4997	0.13%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3111	-0.47%
AUD-USD	0.7451	0.88%	GBP-SGD	1.8104	0.24%
GBP-USD	1.3429	0.64%	AUD-SGD	1.0046	0.49%
USD-MYR	4.0405	-0.90%	NZD-SGD	0.9590	0.51%
USD-CNY	6.6368	-0.17%	CHF-SGD	1.3761	-0.18%
USD-IDR	13157	-0.24%	SGD-MYR	2.9956	-0.34%
USD-VND	22315	0.07%	SGD-CNY	4.9294	0.56%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3610	--	O/N	0.4016	--
2M	-0.3190	--	1M	0.4603	--
3M	-0.2810	--	2M	0.5337	--
6M	-0.1760	--	3M	0.6311	--
9M	-0.1120	--	6M	0.8982	--
12M	-0.0490	--	12M	1.2048	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.66	-10.50	3.09
Italy	-0.06	-1.60	1.37
Ireland	-0.29	-1.20	0.60
Greece*	7.32	-129.00	8.19
Spain	-0.12	-2.50	1.26
Russia^	2.21	-15.20	4.59

* 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	17,694.68	285.00
S&P	2,070.77	34.70
Nasdaq	4,779.25	87.40
Nikkei 225	15,566.83	243.70
STI	2,792.73	36.20
KLCI	1,642.21	8.20
JCI	4,980.11	97.90
Baltic Dry	640.00	13.00
VIX	16.64	-2.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.03 (+0.01)	0.64 (+0.02)
5Y	1.51 (+0.02)	1.06 (+0.05)
10Y	1.90 (+0.01)	1.52 (+0.05)
15Y	2.18 (+0.02)	--
20Y	2.26 (+0.01)	--
30Y	2.36 (+0.01)	2.32 (+0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.11	-0.76
EURIBOR-OIS	7.70	-0.40
TED	38.74	0.99

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.88	4.24%	Coffee (per lb)	1.429	2.84%
Brent (per barrel)	50.61	4.18%	Cotton (per lb)	0.6450	-0.25%
Heating Oil (per gallon)	1.534	4.24%	Sugar (per lb)	0.2082	5.10%
Gasoline (per gallon)	1.52	0.98%	Orange Juice (per lb)	1.7290	4.03%
Natural Gas (per MMBtu)	2.863	-1.85%	Cocoa (per mt)	3,078	0.92%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,838.0	0.42%	Wheat (per bushel)	4.2950	-3.21%
Nickel (per mt)	9,405	1.07%	Soybean (per bushel)	11.445	-0.52%
Aluminium (per mt)	1,630.8	0.80%	Corn (per bushel)	3.7275	-3.24%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,326.9	0.88%	Crude Palm Oil (MYR/MT)	2,383.0	-2.34%
Silver (per oz)	18.362	2.91%	Rubber (JPY/KG)	165.5	0.73%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/29/2016 05:00	SK Business Survey Manufacturing	Jul	--	72	74	--
06/29/2016 07:50	JN Retail Trade YoY	May	-1.60%	-1.90%	-0.80%	-0.90%
06/29/2016 07:50	JN Retail Sales MoM	May	0.00%	0.00%	0.00%	-0.10%
06/29/2016 09:00	AU HIA New Home Sales MoM	May	--	-4.40%	-4.70%	--
06/29/2016 10:00	SK Department Store Sales YoY	May	--	-2.70%	4.30%	--
06/29/2016 11:00	PH Budget Balance PHP	Apr	--	55.0b	-74.4b	--
06/29/2016 13:00	JN Small Business Confidence	Jun	46.1	46.5	45.6	--
06/29/2016 14:00	GE GfK Consumer Confidence	Jul	9.8	10.1	9.8	--
06/29/2016 14:00	UK Nationwide House PX MoM	Jun	0.00%	0.20%	0.20%	--
06/29/2016 14:40	MU Hotel Occupancy Rate	May	--	79.3	79	--
06/29/2016 16:30	UK Mortgage Approvals	May	65.3k	67.0k	66.3k	66.2k
06/29/2016 16:30	UK Money Supply M4 MoM	May	--	1.20%	-0.10%	--
06/29/2016 17:00	EC Economic Confidence	Jun	104.7	104.4	104.7	104.6
06/29/2016 17:00	EC Consumer Confidence	Jun F	-7.3	-7.3	-7.3	--
06/29/2016 19:00	US MBA Mortgage Applications	Jun-24	--	-2.60%	2.90%	--
06/29/2016 20:00	GE CPI MoM	Jun P	0.20%	0.10%	0.30%	--
06/29/2016 20:00	GE CPI YoY	Jun P	0.30%	0.30%	0.10%	--
06/29/2016 20:00	GE CPI EU Harmonized MoM	Jun P	0.10%	0.10%	0.40%	--
06/29/2016 20:00	GE CPI EU Harmonized YoY	Jun P	0.20%	0.20%	0.00%	--
06/29/2016 20:30	US Personal Income	May	0.30%	0.20%	0.40%	0.50%
06/29/2016 20:30	US Personal Spending	May	0.40%	0.40%	1.00%	1.10%
06/29/2016 20:30	US PCE Core MoM	May	0.20%	0.20%	0.20%	--
06/29/2016 22:00	US Pending Home Sales MoM	May	-1.10%	-3.70%	5.10%	3.90%
06/30/2016 06:45	NZ Building Permits MoM	May	--	-0.90%	6.60%	6.80%
06/30/2016 07:00	SK Industrial Production SA MoM	May	0.30%	2.50%	-1.30%	-1.20%
06/30/2016 07:00	SK Industrial Production YoY	May	0.30%	4.30%	-2.80%	-2.60%
06/30/2016 07:05	UK GfK Consumer Confidence	Jun	-2	-1	-1	--
06/30/2016 07:50	JN Industrial Production MoM	May P	-0.20%	-2.30%	0.50%	--
06/30/2016 07:50	JN Industrial Production YoY	May P	1.90%	-0.10%	-3.30%	--
06/30/2016 09:00	NZ ANZ Business Confidence	Jun	--	--	11.3	--
06/30/2016 09:30	AU Private Sector Credit MoM	May	0.50%	--	0.50%	--
06/30/2016 11:00	NZ Money Supply M3 YoY	May	--	--	7.80%	--
06/30/2016 13:00	JN Housing Starts YoY	May	4.80%	--	9.00%	--
06/30/2016 14:00	GE Retail Sales MoM	May	0.60%	--	-0.90%	-0.30%
06/30/2016 14:45	FR PPI YoY	May	--	--	-4.10%	--
06/30/2016 14:45	FR CPI EU Harmonized YoY	Jun P	0.30%	--	0.10%	--
06/30/2016 14:45	FR CPI MoM	Jun P	0.20%	--	0.40%	--
06/30/2016 14:45	FR CPI YoY	Jun P	0.20%	--	0.00%	--
06/30/2016 15:30	TH Foreign Reserves	Jun-24	--	--	\$179.7b	--
06/30/2016 15:30	TH Exports YoY	May	--	--	-7.60%	--
06/30/2016 15:30	TH Trade Balance	May	--	--	\$2450m	--
06/30/2016 15:30	TH BoP Current Account Bal	May	\$3112m	--	\$3164m	--
06/30/2016 15:55	GE Unemp Change (000's)	Jun	-5k	--	-11k	--
06/30/2016 15:55	GE Unemployment Claims Rate SA	Jun	6.10%	--	6.10%	--
06/30/2016 16:30	HK Retail Sales Value YoY	May	-8.80%	--	-7.50%	--
06/30/2016 16:30	HK Retail Sales Volume YoY	May	-8.00%	--	-7.60%	--
06/30/2016 16:30	UK GDP QoQ	1Q F	0.40%	--	0.40%	--
06/30/2016 16:30	UK GDP YoY	1Q F	2.00%	--	2.00%	--
06/30/2016 17:00	EC CPI Estimate YoY	Jun	0.00%	--	-0.10%	--
06/30/2016 17:00	EC CPI Core YoY	Jun A	0.80%	--	0.80%	--
06/30/2016 17:00	IT CPI NIC incl. tobacco MoM	Jun P	0.20%	--	0.30%	--
06/30/2016 17:00	IT CPI EU Harmonized MoM	Jun P	0.20%	--	0.30%	--
06/30/2016 17:00	IT CPI EU Harmonized YoY	Jun P	-0.20%	--	-0.30%	--
06/30/2016 18:00	IT PPI MoM	May	--	--	-0.90%	--
06/30/2016 20:30	US Initial Jobless Claims	Jun-25	267k	--	259k	--
06/30/2016 20:30	CA GDP MoM	Apr	0.10%	--	-0.20%	--
06/30/2016 20:30	US Continuing Claims	Jun-18	2151k	--	2142k	--
06/30/2016 20:30	CA Industrial Product Price MoM	May	0.30%	--	-0.50%	--
06/30/2016 21:45	US Bloomberg Consumer Comfort	Jun-26	--	--	44.2	--
06/30/2016	TA CBC Benchmark Interest Rate	Jun-30	1.38%	--	1.50%	--

Source: Bloomberg

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