

Highlights

Global	Wall Street and the USD rebounded overnight amid brief relief at the written testimony of former FBI director Comey. Still, the highly anticipated ECB policy decision and tightening race for UK's general elections may drive market action ahead. In particular, fireworks may not materialise if ECB president Draghi remains reluctant to drop his cautious stance for now amid the lack of inflation conviction - watch if the ECB trims its inflation forecast even if it upgrades its growth forecast and drops the reference to "downside" growth risks. In addition, UK PM May risks not getting her strong mandate if the yesterday's Survation poll is anything to go by which put Conservatives to Labour at 41.3% to 40.4%. For this morning, Asian bourses are likely to eye the China trade data for initial direction. The rest of the economic data calendar also comprises of US' initial jobless claims, China's trade data, Japan's Eco Watchers survey, and German industrial production. Bank of Canada also releases its financial system review.
IN	RBI kept its policy settings static as widely expected.
JP	The Japanese economy grew by 1% annualised in 1Q17, below the preliminary estimate of 2.2% and market consensus expectations of 2.4%. While business spending firmed 0.6% (initial estimate: 0.2%), private consumption rose only 0.3% (previously estimated at 0.4%).
SG	MAS said that this year's employment outlook is not expected to be significantly different from last year and while inflation is expected to rise mildly, demand-induced pressures remain subdued at this juncture. Hence, barring the materialisation of downside risks, 2017 GDP growth could be stronger than last year's 2%.
CH	FX reserves rebounded for its fourth consecutive month to US\$3.053 trillion from US\$3.029 trillion. However, FX reserves in SDR terms dropped to 2.2058 trillion from 2.2096 trillion. The divergence between FX reserves in dollar terms and FX reserves in SDR terms shows that the recovery of FX reserves in May was mainly attributed to the valuation effect from the correction of the dollar in the global market. However, it also shows that China's capital outflow pressure has eased further. We expect China's actual cross border flows in May to remain largely balanced.
KR	BOK governor Lee Ju-yeol commented that S. Korea's economic growth pace is expected to be "somewhat" higher than its April outlook of 2.6%, fueling expectations for a possible growth upgrade in their next BOK meeting in July.
Commodities	Crude oil prices plunged overnight on the unexpected climb in US crude oil inventories. US crude oil stockpiles gained 3.3 million barrels for the week ended 2nd June, surprising market consensus at -3.1 million barrels. Note that crude oil inventory gains were led by a strong pick up in US imports, which rose to 8.3 million barrels (+8.25% compared to the previous year). Coupled with the climb in gasoline inventories (+3.3 million barrels as well), the US may be stockpiling energy stocks in anticipation of the upcoming driving season, a period where energy demand accelerates. Elsewhere, crude palm oil prices fell to its lowest since May 2017, despite the on-going Ramadan period, due to expectations of rising CPO production in Malaysia.

Major Markets

- **US:** Equities nudged higher on Wednesday ahead of an event-packed Thursday. 8 of 11 industry sectors ended positive, with financials leading gains amid firming Treasury yields. Energy stocks saw out-sized losses, largely cancelling out gains in other sectors, as oil stockpiles surged unexpectedly even as the summer driving season arrives in the US. Overall, the S&P 500 ended 0.16% higher, while the Dow and Nasdaq Composite also rose 0.18% and 0.36%. VIX shaded lower to 10.39, down 0.57%. Meanwhile, Treasury yields were firmer, with the curve steepening as investors digested the initial news on Comey's testimony. 2y and 10y benchmark yields stand at 1.31% and 2.17% at NY close.
- **Singapore:** STI slide another 0.16% and closed lower at 3230.49 yesterday, but may stabilise between 3220-3240 amid overnight positive cues from Wall Street and morning gains in Nikkei. With the retracement of UST bond yields higher as investors turned slightly defensive, SGS bonds may also see yields higher today.
- **China:** The Ministry of Finance sold its 1-year and 10-year government bonds at 3.6695% and 3.6985% on 7 June, its highest since 2014, above market expectation. The higher than expected auction yield shows the concerns over the tight liquidity ahead of the semi-annual end assessment as well as the impact of the de-leveraging campaign remains. However, the yields in the secondary market came off after the auction, showing improving sentiment in the market.
- **Indonesia:** National Planning Minister Bambang Brodjonegoro said that the government is seeking to set a minimum level for investment in local government budgets. This is apparently to make sure that the regional governments do not just spend the budget on operational items. He added that the government is also planning to push SOEs to raise their own financing through divestments and such, versus relying on capital injections from government.
- **Malaysia:** Foreign reserves rose to USD98bn as at May 31st, compared to USD97.3bn as of May 15th. According to Bank Negara's calculations, the reserves are sufficient to finance 8.1 months' worth of retained imports and is 1.1 times Malaysia's short-term external debt.
- **South Korea:** OECD kept S. Korea's growth outlook unchanged at 2.6% in 2017, but downgrades 2018 growth estimate to 2.8%. The organisation also cited that raising interest rate from its all-time low of 1.25% will aid in keeping inflation and household debt in check.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded higher yesterday, with swap rates rising by 1-2bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, UOBSP 3.5%'29s, better selling seen in GENSSP 5.13%'49s, GEMAU 5.5%'19s, and mixed interest in MFCCN 3.85%'26s, CHIPEN 4.9%'22s, HPLSP 4.65%'49s, HRAM 3.2%'21s. In the broader dollar space, the spread on JACI IG corporates changed little at 198bps, while the yield on JACI HY corporates fell 2bps to 6.77%. 10y UST yields rose 3bps to 2.17%, after trading heavy following the release of Comey's opening statement by the Senate Intelligence Committee, which sparked a small relief rally in stocks as markets viewed the statement as somewhat risk positive.
- **New Issues:** Starhub Ltd priced a SGD200mn Perp NC5 at 3.95%. Far East Horizon Ltd priced a USD300mn Perp NC5 at 4.35%, tightening from initial guidance of 4.75%. Tunghsu Venus Holdings Ltd. priced a USD350mn 3-year bond at 7.25%, tightening from initial guidance of 7.375%. The expected issue ratings are 'B/NR/B+'. DianJian Haiyu Ltd. priced a USD500mn Perp NC5

(guaranteed by Power Construction Corporation of China) at 3.5%, tightening from initial guidance of 3.9%. The expected issue ratings are 'NR/Baa1/BBB+'. Hong Kong International Construction Investment Management Group Co. (HKICIM) scheduled investor calls from 7 Jun for potential USD bond issuance. China Great Wall AMC submitted requests for proposal for potential USD and EUR bond issuance.

- **Rating Changes:** S&P assigned energy provider Castle Peak Power Co. Ltd (CAPCO) a 'AA-' corporate rating. S&P also assigned a 'AA-' long-term issue rating to the proposed medium-term notes program issued by Castle Peak Power Finance Co. Ltd. and guaranteed by CAPCO. The rating action reflects S&P's view that the utility operates in an open and transparent regulatory landscape and maintains a solid financial position. S&P affirmed Hong Kong-based property developer Nan Fung International Holdings (Nan Fung) 'BBB-' long-term corporate credit rating and the outstanding senior unsecured notes that the company guarantees. In addition, S&P revised its outlook to stable from positive. The rating action reflects the company's increased leverage as a result of the debt-funded acquisition of a Hong Kong project in Kai Tak, East Kowloon. Moody's affirmed the 'A2' issuer ratings of China Construction Bank (Europe) S.A. (CCB Europe) today and changed the outlook on the ratings to stable from negative. The rating action follows Moody's recent affirmation of the 'A1' ratings of CCB Europe's parent, China Construction Bank Corporation (CCB), and a change in outlook to stable from negative. Moody's affirmed Asahi Kasei Corporation's (Asahi Kasei) 'A2' issuer rating and revised the rating outlook to stable from negative. The rating action reflects S&P's view that Asahi Kasei can manage the potential costs of dealing with the defects discovered in its construction work on a Yokohama condominium complex. Asahi Kasei's rating outlook has been negative after the company announced that its subsidiary Asahi Kasei Construction Materials Corp. (AKCM) had performed faulty installation of a portion of foundation piles for a condominium complex. Moody's downgraded Quintis Limited's (Quintis) corporate family rating and senior secured debt rating to 'Caa1' from 'B3', and has maintained the ratings on review for further downgrade. The rating action follows the company's response on 6 June to an Australia Stock Exchange (ASX) query that creates significant uncertainty around its future earnings and the take up of investments in its new plantations.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.748	0.12%	USD-SGD	1.3825	0.22%
USD-JPY	109.820	0.37%	EUR-SGD	1.5561	0.03%
EUR-USD	1.1257	-0.18%	JPY-SGD	1.2591	-0.11%
AUD-USD	0.7549	0.57%	GBP-SGD	1.7915	0.60%
GBP-USD	1.2960	0.38%	AUD-SGD	1.0436	0.80%
USD-MYR	4.2605	-0.15%	NZD-SGD	0.9948	0.41%
USD-CNY	6.7957	0.01%	CHF-SGD	1.4324	-0.10%
USD-IDR	13303	0.05%	SGD-MYR	3.0886	-0.04%
USD-VND	22701	-0.10%	SGD-CNY	4.9207	-0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.9306	--
2M	-0.3430	--	1M	1.0887	--
3M	-0.3290	--	2M	1.1450	--
6M	-0.2570	--	3M	1.2190	--
9M	-0.1830	--	6M	1.4171	--
12M	-0.1330	--	12M	1.7229	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.22 (+0.01)	1.31 (+0.01)	-0.73 (+0.01)	-0.52 (+0.02)	-0.25 (--)
5Y	1.57 (+0.02)	1.74 (+0.02)	-0.45 (+0.02)	-0.21 (+0.02)	0.95 (+0.02)
10Y	2.06 (+0.01)	2.17 (+0.03)	0.27 (+0.02)	0.69 (+0.02)	2.29 (+0.04)
15Y	2.20 (+0.01)	--	0.53 (+0.01)	1.08 (+0.03)	2.89 (+0.09)
20Y	2.27 (--)	--	0.83 (+0.01)	1.40 (+0.03)	3.00 (+0.09)
30Y	2.37 (--)	2.84 (+0.03)	1.13 (+0.01)	1.69 (+0.02)	3.43 (+0.07)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	92.7%	0.0%	92.7%	.	0.0%
26/07/2017	92.8%	0.0%	91.3%	1.6%	0.0%
20/09/2017	94.9%	0.0%	67.6%	26.8%	0.4%
01/11/2017	94.9%	0.0%	67.1%	27.1%	0.6%
13/12/2017	96.2%	0.0%	51.6%	37.1%	7.3%
31/01/2018	96.3%	0.0%	50.3%	37.5%	8.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	45.72	-5.13%	Copper (per mt)	5,625.1	0.18%
Brent (per barrel)	48.06	-4.11%	Nickel (per mt)	8,764.5	-0.66%
Heating Oil (per gallon)	1.4162	-3.41%	Aluminium (per mt)	1,898.5	0.24%
Gasoline (per gallon)	1.4913	-4.07%			
Natural Gas (per MMBtu)	3.0200	-0.72%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,707.0	-1.13%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	195.4	-2.25%
Gold (per oz)	1,290.1	-0.33%			
Silver (per oz)	17.620	-0.51%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,173.69	37.46
S&P	2,433.14	3.81
Nasdaq	6,297.38	22.32
Nikkei 225	19,984.62	4.72
STI	3,230.49	-5.26
KLCI	1,785.92	-5.09
JCI	5,717.33	9.49
Baltic Dry	821.00	3.00
VIX	10.39	-0.06

Financial Spread (bps)

	Value	Change
LIBOR-OIS	9.57	-0.62
EURIBOR-OIS	3.10	-0.15
TED	24.90	--

Government CDS (USD)

	5Y	% Change
Germany	16.344	1.30%
France	28.589	0.09%
Italy	177.237	0.69%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
06/07/2017	06:45	NZ Mfg Activity SA QoQ	1Q	--	2.80%	0.80%	1.30%
06/07/2017	07:30	AU AiG Perf of Construction Index	May	--	56.7	51.9	--
06/07/2017	07:50	JN Official Reserve Assets	May	--	\$1251.9b	\$1242.3b	--
06/07/2017	09:30	AU GDP SA QoQ	1Q	0.30%	0.30%	1.10%	--
06/07/2017	09:30	AU GDP YoY	1Q	1.60%	1.70%	2.40%	--
06/07/2017	13:00	JN Leading Index CI	Apr P	104.3	104.5	105.5	105.7
06/07/2017	13:45	VN Domestic Vehicle Sales YoY	May	--	-3.20%	-7.10%	--
06/07/2017	14:00	GE Factory Orders MoM	Apr	-0.30%	-2.10%	1.00%	1.10%
06/07/2017	14:00	GE Factory Orders WDA YoY	Apr	4.70%	3.50%	2.40%	2.50%
06/07/2017	14:30	AU Foreign Reserves	May	--	A\$88.5b	A\$79.9b	--
06/07/2017	15:00	MA Foreign Reserves	May-31	--	\$98.0b	\$97.3b	--
06/07/2017	15:30	UK Halifax House Price 3Mths/Year	May	3.00%	3.30%	3.80%	--
06/07/2017	15:30	UK Halifax House Prices MoM	May	-0.20%	0.40%	-0.10%	0.00%
06/07/2017	16:00	IT Retail Sales MoM	Apr	0.20%	-0.10%	0.00%	--
06/07/2017	16:00	IT Retail Sales YoY	Apr	0.90%	1.20%	-0.40%	-0.50%
06/07/2017	16:00	TA Trade Balance	May	\$3.20b	\$3.46b	\$2.78b	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat A	Jun-07	--	45201	46489	--
06/07/2017	16:00	TA Exports YoY	May	7.00%	8.40%	9.40%	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat B	Jun-07	--	50110	53001	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat E	Jun-07	--	50526	52000	--
06/07/2017	16:00	TA Imports YoY	May	9.60%	10.20%	23.50%	--
06/07/2017	16:01	CH Foreign Reserves	May	\$3046.0b	\$3053.6b	\$3029.5b	--
06/07/2017	16:30	HK Foreign Reserves	May	--	\$402.7b	\$400.0b	\$400.1b
06/07/2017	17:00	SI Foreign Reserves	May	--	\$264.56b	\$260.73b	--
06/07/2017	17:00	IN RBI Repurchase Rate	Jun-07	6.25%	6.25%	6.25%	--
06/07/2017	17:00	IN RBI Reverse Repo Rate	Jun-07	6.00%	6.00%	6.00%	--
06/07/2017	17:00	IN RBI Cash Reserve Ratio	Jun-07	4.00%	4.00%	4.00%	--
06/07/2017	17:56	ID Consumer Confidence Index	May	--	125.9	123.7	--
06/07/2017	19:00	US MBA Mortgage Applications	Jun-02	--	7.10%	-3.40%	--
06/07/2017	19:03	PH Foreign Reserves	May	--	\$82.1b	\$81.8b	\$82.0b
06/07/2017	20:30	CA Building Permits MoM	Apr	3.00%	-0.20%	-5.80%	-4.90%
06/08/2017	03:00	US Consumer Credit	Apr	\$15.000b	\$8.197b	\$16.431b	\$19.536b
06/08/2017	07:01	UK RICS House Price Balance	May	20%	17%	22%	22%
06/08/2017	07:50	JN GDP SA QoQ	1Q F	0.60%	--	0.50%	--
06/08/2017	07:50	JN GDP Annualized SA QoQ	1Q F	2.40%	--	2.20%	--
06/08/2017	07:50	JN GDP Nominal SA QoQ	1Q F	0.00%	--	0.00%	--
06/08/2017	07:50	JN GDP Deflator YoY	1Q F	-0.80%	--	-0.80%	--
06/08/2017	07:50	JN BoP Current Account Balance	Apr	¥1698.8b	--	¥2907.7b	--
06/08/2017	07:50	JN BoP Current Account Adjusted	Apr	¥1624.4b	--	¥1731.2b	--
06/08/2017	07:50	JN Trade Balance BoP Basis	Apr	¥494.0b	--	¥865.5b	--
06/08/2017	07:50	JN Japan Buying Foreign Bonds	Jun-02	--	--	¥732.1b	--
06/08/2017	07:50	JN Japan Buying Foreign Stocks	Jun-02	--	--	¥630.3b	--
06/08/2017	07:50	JN Foreign Buying Japan Bonds	Jun-02	--	--	¥460.9b	--
06/08/2017	07:50	JN Foreign Buying Japan Stocks	Jun-02	--	--	¥129.6b	--
06/08/2017	07:50	JN Bank Lending Incl Trusts YoY	May	--	--	3.00%	--
06/08/2017	07:50	JN Bank Lending Ex-Trusts YoY	May	3.00%	--	3.00%	--
06/08/2017	09:30	AU Trade Balance	Apr	A\$2000m	--	A\$3107m	--
06/08/2017	11:30	TH Consumer Confidence Economic	May	--	--	65.4	--
06/08/2017	12:30	JN Bankruptcies YoY	May	--	--	-2.15%	--
06/08/2017	14:00	GE Industrial Production SA MoM	Apr	0.50%	--	-0.40%	--
06/08/2017	14:00	GE Industrial Production WDA YoY	Apr	2.10%	--	1.90%	--
06/08/2017	14:45	FR Trade Balance	Apr	-5950m	--	-5353m	--
06/08/2017	17:00	EC Household Cons QoQ	1Q	0.40%	--	0.40%	0.50%
06/08/2017	17:00	IT Bol Balance-Sheet Aggregates					
06/08/2017	17:00	EC GDP SA QoQ	1Q F	0.50%	--	0.50%	--
06/08/2017	17:00	EC GDP SA YoY	1Q F	1.70%	--	1.70%	--
06/08/2017	19:45	EC ECB Main Refinancing Rate	Jun-08	0.00%	--	0.00%	--
06/08/2017	19:45	EC ECB Marginal Lending Facility	Jun-08	0.25%	--	0.25%	--
06/08/2017	19:45	EC ECB Deposit Facility Rate	Jun-08	-0.40%	--	-0.40%	--
06/08/2017	20:15	CA Housing Starts	May	202.0k	--	214.1k	213.1k
06/08/2017	20:30	CA New Housing Price Index MoM	Apr	0.20%	--	0.20%	--
06/08/2017	20:30	US Initial Jobless Claims	Jun-03	240k	--	248k	--
06/08/2017	20:30	US Continuing Claims	May-27	1920k	--	1915k	--
06/08/2017		CH Imports YoY	May	8.30%	--	11.90%	--
06/08/2017		CH Exports YoY	May	7.20%	--	8.00%	--
06/08/2017		CH Trade Balance	May	\$47.80b	--	\$38.05b	\$38.03b
06/08/2017		ID Foreign Reserves	May	--	--	\$123.25b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W