

Highlights

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|-------------|---|
| Global | <p>Ebbing fears of a US-North Korean war saw global risk appetite improve overnight as VIX fell 20.5% to 12.3%, albeit Defense Secretary Mattis warned that "it could escalate into war very quickly...if they shoot at the United States". Meanwhile, Fed's Dudley opined that "I would be in favour of doing another rate hike later this year" if the economy holds up and that expectations for a September announcement to taper its balance sheet was not "unreasonable" and "fully anticipated" and that the debt ceiling deadline is unlikely to have a "big impact". He also suggested that "we do expect as the labor market continues to tighten, to see firmer wage gains and that will ultimately filter into inflation moving up towards our 2 percent objective". Meanwhile, China's retail sales, industrial production and fixed asset investment data prints also came in slightly short of market expectations.</p> <p>Asian bourses may continue to firm today amid the receding geopolitical uncertainties. Today's economic data calendar comprises of US' retail sales, import prices, Empire manufacturing and NAHB housing market index, UK' CPI/RPI/PPI, German prelim 2Q17 GDP growth, and Indonesia's July trade.</p> |
| US | <p>Fading North Korean concerns gave equities a lift on Monday. Investors appear to pile back into risk assets, while haven assets like the JPY and CHF gave back most of their gains last week. Nasdaq Composite led the major indices higher with a 1.34% gain, while the S&P 500 and Dow rose 1.00% and 0.62% respectively.</p> |
| UK | <p>The UK government is seeking an interim customs union with the EU for an unspecified amount of time after Brexit in March 2019.</p> |
| CN | <p>China's growth data in July including industrial production, retail sales and fixed asset investment all missed market expectation. This suggests that China's growth may have peaked in the first half of 2017. We expect growth to decelerate in the second half due to rising funding costs and less supportive property market as a result of tightening measures.</p> |
| ID | <p>President Jokowi is planning to announce the 16th economic policy package after Independence Day celebrations on 17 August. According to Economics Minister, Darmin Nasution, the package is aimed at changing government procedures in case of investment proposals. As reported by Antara, the government will assign each ministry and non-ministerial institution to set up a task force and settle investment permits.</p> |
| KR | <p>Bank of Korea governor Lee Ju-yeol and Finance Minister Kim Dong-yeon is slated to meet tomorrow to discuss over N. Korean related risks. There will be no plans to discuss monetary policy direction or interest rate adjustment.</p> |
| Commodities | <p>Crude oil prices fell starkly overnight as EIA upgraded their September's shale oil production outlook. Both WTI and Brent fell to close at \$47.59/bbl and \$50.73/bbl respectively. Still, gold prices snapped its three consecutive days of gain, falling by 0.28% at closing yesterday as risk aversion faded into the new week.</p> |

Major Market

- **US markets:** All except one of the S&P 500 industry sectors saw gains, with real estate and tech stocks leading the way. Energy stocks slipped alongside weaker crude prices. VIX lower at 12.33. Meanwhile, US Treasury yields were firmer on the back of somewhat hawkish comments by Dudley overnight. Dudley continued to expect a 3rd rate hike in 2017. Market implied probabilities for another hike by December jumped higher in response. 2y and 10y benchmark yields were firmer by around 3 bps to 1.32% and 2.22%.
- **Singapore:** STI advanced 0.88% to close at 3308.69 yesterday and may attempt to make further headway towards the 3320 resistance today with support tipped at 3300, amid more positive cues from Wall Street overnight and morning gains in Nikkei. With the UST bond market taking a knock from Dudley's more hawkish comments overnight, SGS bonds may also extend declines today even after yields crept some 4bps higher in the longer tenors.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 2-4bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 2bps to 189bps, while the yield on JACI HY Corp traded little changed at 7.02%. 10y UST yields rose 3bps to 2.22%, after comments by the Federal Reserve's Dudley saw yields end near session highs.
- **New Issues:** Singapore Airlines Ltd has priced a SGD700mn 10-year bond at 3.13%, in line with initial guidance of 3.13%. Wing Tai Properties (Finance) Ltd has scheduled investor meetings for potential SGD perpetual issuance (guaranteed by Wing Tai Properties Ltd) from 14 Aug. Singtel Optus Pty has mandated ANZ and CBA for a potential 5 year AUD MTN issue.
- **Rating Changes:** S&P has upgraded Yingde Gases Group Co Ltd's (Yingde) corporate credit rating to 'CCC+' from 'CCC-'. The outlook is positive. The outlook reflects S&P's view that Yingde will pay its outstanding debt and that its controlling shareholder, PAG Asia Capital, will provide liquidity support when needed. S&P has downgraded Noble Group Ltd's (Noble) corporate credit rating to 'CCC-' from 'CCC+' while downgrading the rating on Noble's senior unsecured notes to 'CC' from 'CCC'. The outlook is negative. The rating action reflects S&P's view that Noble will not be able to meet its debt obligations in the next six months, and will breach its financial covenants. Moody's has downgraded Noble Group Ltd's (Noble) corporate family and senior unsecured rating, as well as the rating on its senior unsecured medium-term note to 'Caa3' from 'Caa1'. The rating action reflects the significant default risks that Noble faces in the next several quarters, given its operating cash burn, declining cash levels and large debt maturities. Moody's has withdrawn United Energy Distribution Pty Limited's (UED) issuer and senior unsecured ratings. The rating outlook was stable. Moody's states that it has withdrawn the ratings for its own business reasons. Fitch has upgraded Sony Corporation's (Sony) Issuer Default Rating (IDR) and senior unsecured ratings to 'BB+' from 'BB'. The outlook is positive. The rating action reflects Sony's improving profitability and credit profile after restructuring.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 93.411 | 0.37% | USD-SGD | 1.3628 | 0.14% |
| USD-JPY | 109.630 | 0.40% | EUR-SGD | 1.6054 | -0.17% |
| EUR-USD | 1.1780 | -0.35% | JPY-SGD | 1.2431 | -0.22% |
| AUD-USD | 0.7852 | -0.53% | GBP-SGD | 1.7668 | -0.16% |
| GBP-USD | 1.2964 | -0.38% | AUD-SGD | 1.0700 | -0.34% |
| USD-MYR | 4.2933 | -0.04% | NZD-SGD | 0.9931 | -0.29% |
| USD-CNY | 6.6712 | 0.11% | CHF-SGD | 1.4022 | -0.88% |
| USD-IDR | 13349 | -0.09% | SGD-MYR | 3.1532 | 0.16% |
| USD-VND | 22727 | 0.00% | SGD-CNY | 4.8977 | 0.11% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|-------|---------|--------|-------|-----------|--------|
| 1M | -0.3720 | -- | O/N | 1.1778 | -- |
| 2M | -0.3390 | -- | 1M | 1.2267 | -- |
| 3M | -0.3290 | -- | 2M | 1.2611 | -- |
| 6M | -0.2710 | -- | 3M | 1.3150 | -- |
| 9M | -0.2110 | -- | 6M | 1.4558 | -- |
| 12M | -0.1560 | -- | 12M | 1.7246 | -- |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) | Bund (chg) | FR (chg) | IT (chg) |
|-------|--------------|--------------|---------------|---------------|---------------|
| 2Y | 1.23 (+0.01) | 1.32 (+0.02) | -0.73 (--) | -0.50 (--) | -0.23 (-0.02) |
| 5Y | 1.53 (+0.02) | 1.77 (+0.03) | -0.29 (+0.01) | -0.15 (+0.01) | 0.70 (-0.02) |
| 10Y | 2.11 (+0.04) | 2.22 (+0.03) | 0.40 (+0.02) | 0.70 (+0.02) | 2.01 (-0.01) |
| 15Y | 2.31 (+0.04) | -- | 0.59 (+0.03) | 1.07 (+0.03) | 2.57 (-0.01) |
| 20Y | 2.40 (+0.04) | -- | 0.87 (+0.03) | 1.37 (+0.03) | 2.70 (-0.01) |
| 30Y | 2.46 (+0.04) | 2.81 (+0.02) | 1.15 (+0.03) | 1.74 (+0.04) | 3.16 (--) |

Fed Rate Hike Probability

| Meeting | Prob Hike | Prob Cut | 1-1.25 | 1.25-1.5 | 1.5-1.75 |
|------------|-----------|----------|--------|----------|----------|
| 09/20/2017 | 0.00% | 0.40% | 99.60% | 0.00% | 0.00% |
| 11/01/2017 | 0.80% | 0.40% | 98.90% | 0.80% | 0.00% |
| 12/13/2017 | 25.50% | 0.30% | 74.20% | 25.30% | 0.20% |
| 01/31/2018 | 25.40% | 0.40% | 74.20% | 25.30% | 0.20% |
| 03/21/2018 | 42.60% | 0.30% | 57.10% | 36.50% | 6.00% |
| 05/02/2018 | 43.50% | 0.30% | 56.20% | 36.90% | 6.50% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|---------|--------|-------------------------|----------|--------|
| WTI (per barrel) | 47.59 | -2.52% | Copper (per mt) | 6,403.3 | -0.26% |
| Brent (per barrel) | 50.73 | -2.63% | Nickel (per mt) | 10,407.0 | -1.95% |
| Heating Oil (per gallon) | 1.6057 | -1.77% | Aluminium (per mt) | 2,027.3 | -0.54% |
| Gasoline (per gallon) | 1.5767 | -2.25% | | | |
| Natural Gas (per MMBtu) | 2.9590 | -0.80% | | | |
| | | | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,665.0 | -0.63% |
| | | | Rubber (JPY/KG) | 210.0 | -1.91% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,290.4 | -0.28% | | | |
| Silver (per oz) | 17.122 | 0.30% | | | |

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 21,993.71 | 135.39 |
| S&P | 2,465.84 | 24.52 |
| Nasdaq | 6,340.23 | 83.68 |
| Nikkei 225 | 19,537.10 | -192.64 |
| STI | 3,308.69 | 28.97 |
| KLCI | 1,771.08 | 4.12 |
| JCI | 5,801.49 | 35.35 |
| Baltic Dry | 1,138.00 | -- |
| VIX | 12.33 | -3.18 |

Financial Spread (bps)

| | Value | Change |
|-------------|-------|--------|
| LIBOR-OIS | 14.92 | 0.13 |
| EURIBOR-OIS | 2.78 | 0.03 |
| TED | 27.75 | -- |

Government CDS (USD)

| | 5Y | % Change |
|---------|---------|----------|
| Germany | 12.977 | -4.24% |
| France | 19.369 | 1.09% |
| Italy | 138.147 | -1.70% |

Key Economic Indicators

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|-------------------------------------|--------------|----------------|--------------|----------------|--------------|
| 08/14/2017 06:45 | NZ Retail Sales Ex Inflation QoQ | 2Q | 0.70% | 2.00% | 1.50% | 1.60% |
| 08/14/2017 07:50 | JN GDP SA QoQ | 2Q P | 0.60% | 1.00% | 0.30% | 0.40% |
| 08/14/2017 07:50 | JN GDP Annualized SA QoQ | 2Q P | 2.50% | 4.00% | 1.00% | 1.50% |
| 08/14/2017 10:00 | CH Retail Sales YoY | Jul | 10.80% | 10.40% | 11.00% | -- |
| 08/14/2017 10:00 | CH Fixed Assets Ex Rural YTD YoY | Jul | 8.60% | 8.30% | 8.60% | -- |
| 08/14/2017 10:00 | CH Industrial Production YoY | Jul | 7.10% | 6.40% | 7.60% | -- |
| 08/14/2017 14:30 | IN Wholesale Prices YoY | Jul | 1.40% | 1.88% | 0.90% | -- |
| 08/14/2017 17:00 | EC Industrial Production SA MoM | Jun | -0.50% | -0.60% | 1.30% | 1.20% |
| 08/14/2017 20:00 | IN CPI YoY | Jul | 2.05% | 2.36% | 1.54% | 1.46% |
| 08/14/2017 20:07 | IN Exports YoY | Jul | -- | 3.90% | 4.40% | -- |
| 08/14/2017 20:07 | IN Imports YoY | Jul | -- | 15.40% | 19.00% | -- |
| 08/15/2017 09:30 | AU New Motor Vehicle Sales MoM | Jul | -- | -- | 1.20% | -- |
| 08/15/2017 09:30 | AU RBA Aug. Rate Meeting Minutes | | | | | |
| 08/15/2017 12:00 | ID Exports YoY | Jul | 35.72% | -- | -11.82% | -- |
| 08/15/2017 12:00 | ID Trade Balance | Jul | \$1125m | -- | \$1631m | -- |
| 08/15/2017 12:00 | JN Tokyo Condominium Sales YoY | Jul | -- | -- | -25.10% | -- |
| 08/15/2017 12:30 | JN Industrial Production MoM | Jun F | -- | -- | 1.60% | -- |
| 08/15/2017 12:30 | JN Capacity Utilization MoM | Jun | -- | -- | -4.10% | -- |
| 08/15/2017 14:00 | GE GDP SA QoQ | 2Q P | 0.70% | -- | 0.60% | -- |
| 08/15/2017 16:30 | UK CPI Core YoY | Jul | 2.50% | -- | 2.40% | -- |
| 08/15/2017 16:30 | UK Retail Price Index | Jul | 272.5 | -- | 272.3 | -- |
| 08/15/2017 16:30 | UK RPI MoM | Jul | 0.10% | -- | 0.20% | -- |
| 08/15/2017 16:30 | UK RPI Ex Mort Int.Payments (YoY) | Jul | 3.70% | -- | 3.80% | -- |
| 08/15/2017 16:30 | UK PPI Output NSA MoM | Jul | 0.00% | -- | 0.00% | -- |
| 08/15/2017 20:30 | US Import Price Index MoM | Jul | 0.10% | -- | -0.20% | -- |
| 08/15/2017 20:30 | US Empire Manufacturing | Aug | 10 | -- | 9.8 | -- |
| 08/15/2017 20:30 | US Retail Sales Advance MoM | Jul | 0.30% | -- | -0.20% | -- |
| 08/15/2017 22:00 | US NAHB Housing Market Index | Aug | 64 | -- | 64 | -- |
| 08/15/2017 | CH Money Supply M2 YoY | Jul | 9.50% | -- | 9.40% | -- |
| 08/15/2017 | CH New Yuan Loans CNY | Jul | 800.0b | -- | 1540.0b | -- |
| 08/15/2017 | PH Overseas Remittances YoY | Jun | 5.10% | -- | 5.50% | -- |

Source: Bloomberg

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