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Highlights

Global	<p>Boring may be good? The ECB kept its policy settings static yesterday and Draghi also emphasised that policymakers need to see the “full impact” of existing stimulus and “focus on implementation” of measures first, leading market players to speculate that the next trigger point could be after September. The ECB which start to buy corporate bonds with maturities between 6 months to 30 years on 8 June clarified that it will not automatically sell the corporate bonds which are cut to junk rating, and are willing to buy notes with negative yields as well.</p> <p>Global risk appetite could be constrained ahead of tonight's key US nonfarm payrolls and unemployment report where market consensus is eyeing +160k and 4.9% respectively – a result which may not shift market futures pricing of the June rate hike probabilities significantly unless there are big surprises. Apart from the US' labour market data, non-manufacturing ISM and April factory orders the economic data calendar for today will comprise the services and composite PMIs for Europe and Asia, Eurozone retail sales and Malaysia trade data. With the ECB out of the way, central bank activity will center on Fed's Evans speaking on economy and policy, as well as Brainard and Mester speaking tomorrow.</p>
US	<p>Initial jobless claims fell for the third straight week by 1k to 267k, with the 4-week moving average at 276.75k, whilst continuing claims edged up to 2.172m. Meanwhile, the ADP employment change improved from an upwardly revised 166k in April to 173k in May in line with market expectations, suggesting that private sector hiring intentions remained robust. Separately, the New York ISM slipped from 57 to 37.2 in May.</p>
Singapore	<p>The manufacturing PMI stabilised at 49.8 in May, same as the April print, but marked the 11th straight month of contraction. Meanwhile, the electronics PMI slipped 0.4 points to 49.1 in May, with all the sub-gauges mostly lower across the board with the exception of the finished goods index (50.8). On balance, it is likely that the stabilisation in the overall manufacturing PMI is due to the non-electronics industries, possibly the biomedical/pharmaceuticals cluster, and the near-term outlook for the manufacturing sector will likely remain soft going into 3Q16. We had pencilled in a 2.1% yoy contraction in manufacturing growth in 2Q. The key to watch will be the Nikkei Singapore PMI (which slipped into contraction territory for the first time in April at 49.4) due today which may confirm if the sharper-than-expected 1Q16 deceleration in the services sector will persist.</p> <p>Nominal total wage in the private sector rose by 4% last year, a moderation from the 4.9% increase seen in 2014. However, as headline inflation was negative in 2015, real total wages (including CPF contributions) accelerated from 3.9% in 2014 to 5.4%.</p>
Commodities	<p>OPEC ended the meeting without any form of production ceiling, although a new secretary-general (Mohammed Barkindo of Nigeria) was selected for the group. Despite the absence of a quota, the relative calm compared to the past OPEC meetings had invariably gave market-watchers some confidence that a certain sense of unity still prevails in the 13-member (Gabon would be the 14th member from 1 July), leading oil prices marginally higher. Elsewhere, US oil inventories maintained its decline trend for the second straight week as well, thus giving more lift to oil prices.</p>

Major Market

- **US:** Wall Street etched out gains last night due to a rally in healthcare stocks. Dow, S&P and Nasdaq ended higher with 0.27%, 0.28%, 0.39% worth of gains respectively while VIX marked losses to close the session at 13.63 (-4.01%). Meanwhile treasury prices lifted across the curve as some investors took a cautious view of the economy after ECB left interest rates unchanged while OPEC producers also failed to reach a deal on an output freeze. As such, US Treasuries yielded 0.887% (-1bps) and 1.799% (-4bps) respectively for the 2 and 10 year tenure.
- **Singapore:** For the manufacturing PMI, the new orders and new exports saw slight slippage to 49.7 and 49.4 respectively, but were offset by the modest increase in factory output (back to 50.1 which is expansion territory for the first time after 10 consecutive months of contraction). In addition, marginal improvements were also seen in the imports index (51.0), and order backlog index (50.7) in May. For the electronics PMI, this suggests that demand conditions have likely softened and electronics manufacturers have not been able to clear their stock and contributed to an inventory overhang. The North American semiconductor book-to-bill ratio reflects a similar picture of softening in April to 1.10x from 1.15x in March.
- A smaller proportion of establishments hiked wages (64% versus 72% previously), whilst a higher proportion of firms kept wages unchanged (25% versus 20%) or cut wages (11% versus 7.7%). In addition, only 46% (previously 59%) of private establishments with employees earnings a monthly basic salary of up to \$1,100 in 2015 gave wage increases to these employees, and only 18% (previously 31%) matched or exceeded the NWC's recommended built-in wage hike of \$60 in 2015. This suggests that business conditions for domestic companies remain fairly challenging amidst the ongoing economic restructuring as 54% of those firms that did not grant wage increases cited already paying market rate (25%), poor business (20%) and high business costs (12%) as reasons. At the industry level, the highest wage growth was among employees in administrative & support services (+6.5%), mainly due to the security sector to meet the requirements of the Progressive Wage Model (PWM) that will be made mandatory from September 2016, followed by the financial & insurance (5.4%), and community, social & personal services (+5.1%).
- The STI added 0.16% to close at 2795.09 yesterday, and may trade in a range ahead of the key US nonfarm payrolls data due later today. STI could see support and resistance at 2760 and 2820. SGS bonds may take the lead from the overnight UST rally but gains may be modest ahead of the actual US employment report.
- **China:** PBoC deputy Governor Pan Gongsheng said that China is revising RQFII rules based on QFII rules. Meanwhile, he also said he hope China's bond will be included in global bond index.
- **Hong Kong:** Thanks to lower housing prices (-8.2% yoy in Apr) and consistently low borrowing costs, housing transaction volumes increased 2% mom to 4,586 units in May. The increased sales and purchase agreements of residential units priced over HK\$5 million were the main drivers of the monthly growth. However, as compared to the same month last year, housing transaction activities remained subdued. The bleak economic outlook due to China's slowdown and tame external demand may put further pressure employers to increase retrenchments or slow wage growth, thereby hurting investor sentiment. Additionally, prospective home buyers are cautious of a steep increase in HIBOR, which we believe to be unlikely this year. In conclusion, with the property cooling measures in place, we hold onto our view that weaknesses in private property transactions will persist in 2H, in turn pushing housing prices down further.
- **Indonesia:** Finance Minister Bambang Brodjonegoro reportedly said that S&P's decision not to upgrade Indonesia's sovereign rating to investment grade is "not appropriate." He added that the agency has "never conducted a thorough analysis." He noted, for instance, that both fiscal deficit and debt-to-GDP ratio of Indonesia are lower than those economies that are more highly rated.

Bond Market Updates

- **Market Commentary:** SGD swap rates traded 1-3bps lower across all tenors yesterday. Flows in the SGD corporates were heavy with better buying in UOBSP 4%'48s and GENSSP 5.13%'49s. Meanwhile we also saw mixed interest in ABNANV 4.75%'26s, FCLSP 5%'49s, MFCCN 3.85%'26s, GEMAU 5.5%'19s, STANLN 4.4%'26s and HYFSP 5.75%'49s. In the broader dollar space, the spread on JACI IG corporates was levelled at 220bps, while the yield on the JACI HY corporates increased by 2 bps to 7.13%. 10y UST yield decreased by 4bps to 1.80%
- **New Issues:** Samvardhana Motherson Group has scheduled investor's road shows from 3 June 2016 onwards for potential USD bond issuance. Apple has launched a 2-tranche AUD Bond, with initial guidance of 2.75% for the 4-year bond and 3.44% for the 7-year bond.
- **Rating Changes:** Moody's affirmed its credit rating on China Cinda Asset Management Co. Ltd. of "A3". This concludes the review initiated on 28 August 2015, and reflects Moody's assumption of a very high probability of support from the Government of China for the company in times of need. The outlook is negative. Moody's downgraded its credit rating on Nanyang Commercial Bank to "A3" from "A1". This concludes the downgrade initiated on 28 August 2015, after China Cinda Asset Management Co. Ltd. announced that it would acquire all issued shares of Nanyang Commercial Bank from Bank of China (Hong Kong) Limited. The outlook is negative. Fitch downgraded its credit rating on Indonesia-based PT Indika Energy Tbk (Indika) to "CCC" from "B". The downgrade reflects Indika's weakened cash generation from expected lower dividend receipts, higher reliance on short-term debt facilities, expectation of negative Cash flow generation at Indika beyond 2016 leading to lower cash reserves and uncertainties relating to how the 2018 note will be redeemed. The outlook is negative.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.564	0.11%	USD-SGD	1.3758	-0.09%
USD-JPY	108.870	-0.61%	EUR-SGD	1.5341	-0.42%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2636	0.53%
AUD-USD	0.7229	-0.39%	GBP-SGD	1.9843	-0.04%
GBP-USD	1.4423	0.05%	AUD-SGD	0.9946	-0.48%
USD-MYR	4.1495	0.04%	NZD-SGD	0.9368	-0.21%
USD-CNY	6.5845	0.07%	CHF-SGD	1.3891	-0.32%
USD-IDR	13643	-0.13%	SGD-MYR	3.0169	0.26%
USD-VND	22430	-0.02%	SGD-CNY	4.7888	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3490	--	O/N	0.3855	--
2M	-0.3010	--	1M	0.4696	--
3M	-0.2610	--	2M	0.5646	--
6M	-0.1530	--	3M	0.6813	--
9M	-0.0860	--	6M	0.9854	--
12M	-0.0180	--	12M	1.3284	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.48	-2.20	3.16
Italy	-0.07	-0.10	1.37
Ireland	-0.36	0.10	0.79
Greece*	7.08	5.70	7.29
Spain	-0.10	-0.10	1.48
Russia^	2.91	-3.80	4.81

* 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	17,838.56	48.90
S&P	2,105.26	5.90
Nasdaq	4,971.36	19.10
Nikkei 225	16,562.55	-393.20
STI	2,795.09	4.60
KLCI	1,630.53	4.00
JCI	4,833.23	-6.40
Baltic Dry	606.00	-6.00
VIX	13.63	-0.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.01 (-0.04)	0.89 (-0.01)
5Y	1.67 (-0.07)	1.35 (-0.03)
10Y	2.18 (-0.04)	1.80 (-0.04)
15Y	2.42 (-0.06)	--
20Y	2.48 (-0.05)	--
30Y	2.54 (-0.04)	2.58 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.39	-0.25
EURIBOR-OIS	8.40	--
TED	40.62	1.41

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.17	0.33%	Coffee (per lb)	1.230	0.90%
Brent (per barrel)	50.04	0.64%	Cotton (per lb)	0.6287	-0.47%
Heating Oil (per gallon)	1.509	0.66%	Sugar (per lb)	0.1808	3.85%
Gasoline (per gallon)	1.63	1.19%	Orange Juice (per lb)	1.5705	1.82%
Natural Gas (per MMBtu)	2.405	1.01%	Cocoa (per mt)	3,057	0.36%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,608.0	-0.19%	Wheat (per bushel)	4.8550	2.48%
Nickel (per mt)	8,435	-0.06%	Soybean (per bushel)	11.443	4.05%
Aluminium (per mt)	1,531.3	-1.81%	Corn (per bushel)	4.1525	0.36%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,209.8	-0.17%	Crude Palm Oil (MYR/MT)	2,660.0	1.37%
Silver (per oz)	16.025	0.62%	Rubber (JPY/KG)	156.7	0.13%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
06/02/2016 07:00	SK GDP YoY	1Q F	2.70%	2.80%	2.70%
06/02/2016 07:00	SK GDP SA QoQ	1Q F	0.40%	0.50%	0.40%
06/02/2016 07:50	JN Monetary Base YoY	May	--	25.50%	26.80%
06/02/2016 07:50	JN Foreign Buying Japan Stocks	May-27	--	¥175.3b	¥40.4b
06/02/2016 09:30	AU Trade Balance	Apr	-2100m	-1579m	-2163m
06/02/2016 09:30	AU Retail Sales MoM	Apr	0.30%	0.20%	0.40%
06/02/2016 17:00	EC PPI MoM	Apr	0.10%	-0.30%	0.30%
06/02/2016 17:00	EC PPI YoY	Apr	-4.10%	-4.40%	-4.20%
06/02/2016 19:45	EC ECB Main Refinancing Rate	Jun-02	0.00%	0.00%	0.00%
06/02/2016 19:45	EC ECB Deposit Facility Rate	Jun-02	-0.40%	-0.40%	-0.40%
06/02/2016 19:45	EC Facility	Jun-02	0.25%	0.25%	0.25%
06/02/2016 20:15	US ADP Employment Change	May	173k	173k	156k
06/02/2016 20:30	US Initial Jobless Claims	May-28	270k	267k	268k
06/02/2016 20:30	US Continuing Claims	May-21	2150k	2172k	2163k
06/02/2016 21:00	SI Purchasing Managers Index	May	49.7	49.8	49.8
06/02/2016 21:45	US Bloomberg Consumer Comfort	May-29	--	43.2	42
06/03/2016 09:00	NZ ANZ Commodity Price	May	--	--	-0.80%
06/03/2016 09:45	CH Caixin China PMI Services	May	--	--	51.8
06/03/2016 10:00	JN Nikkei Japan PMI Services	May	--	--	49.3
06/03/2016 10:30	HK Nikkei Hong Kong PMI	May	--	--	45.3
06/03/2016 12:00	MA Exports YoY	Apr	2.00%	--	0.20%
06/03/2016 12:00	MA Trade Balance MYR	Apr	8.62b	--	11.19b
06/03/2016 13:00	IN Nikkei India PMI Services	May	--	--	53.7
06/03/2016 13:00	IN Nikkei India PMI Composite	May	--	--	52.8
06/03/2016 15:30	TH Foreign Reserves	May-27	--	--	\$176.6b
06/03/2016 15:50	FR Markit France Services PMI	May F	51.8	--	51.8
06/03/2016 15:50	FR Markit France Composite PMI	May F	51.1	--	51.1
06/03/2016 15:55	GE Markit Germany Services PMI	May F	55.2	--	55.2
06/03/2016 16:00	EC Markit EZ Composite PMI	May F	52.9	--	52.9
06/03/2016 16:30	UK Markit/CIPS UK Services PMI	May	52.5	--	52.3
06/03/2016 17:00	EC Retail Sales MoM	Apr	0.40%	--	-0.50%
06/03/2016 17:00	EC Retail Sales YoY	Apr	2.10%	--	2.10%
06/03/2016 20:30	US Trade Balance	Apr	-\$41.0b	--	-\$40.4b
06/03/2016 20:30	CA Int'l Merchandise Trade	Apr	-2.50b	--	-3.41b
06/03/2016 20:30	US Change in Nonfarm Payrolls	May	160k	--	160k
06/03/2016 20:30	US Change in Manufact. Payrolls	May	-2k	--	4k
06/03/2016 20:30	US Unemployment Rate	May	4.90%	--	5.00%
06/03/2016 21:45	US Markit US Services PMI	May F	51.4	--	51.2
06/03/2016 21:45	US Markit US Composite PMI	May F	--	--	50.8
06/03/2016 22:00	US ISM Non-Manf. Composite	May	55.3	--	55.7
06/03/2016 22:00	US Factory Orders	Apr	1.90%	--	1.10%
06/03/2016 22:00	US Durable Goods Orders	Apr F	--	--	3.40%

Source: Bloomberg

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