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## Highlights

Global	<p>The June FOMC minutes sounded another cautious tone amid the mixed data points, as “almost all participants judged that the surprisingly weak May employment report increased their uncertainty about the outlook for the labour market...even so, many remarked that they were reluctant to change their outlook materially based on one economic data release”. Overall, “most participants judged that, in the absence of significant economic or financial shocks, raising the target range for the Federal Funds rate would be appropriate” and the next rate hike should “not be delayed too long”, albeit “some other participants were uncertain whether economic conditions would soon warrant an increase” in the fed funds rate. On inflation, “most participants expected to see continued progress” towards their 2% target and “viewed the firming in some measures of core inflation, the evidence that wage growth was picking up”. On Brexit risks, most participants noted it “could generate financial market turbulence that could adversely affect domestic economic performance”. Our view is that the split in the FOMC members’ economic assessment will likely keep them on hold in the near-term (i.e. through summer), especially given Brexit risks have materialised to a certain extent, and that at best one rate hike will occur at the end of the year. That said, there will be some focus on tomorrow’s key nonfarm payrolls and unemployment data (June consensus forecast: +180k and 4.8% versus May’s print of +38k and 4.7% respectively) which will either reinforce the slowdown story in the labour market or prove May to have been a blip. With many of the G7 bond yields already testing record lows, do be wary of a potential kneejerk reaction should the NFP data surprise on the upside tomorrow.</p> <p>Today’s economic release calendar will comprise of US’ initial jobless claims, ADP employment change and Challenger job cuts, Germany and UK’s May industrial production, Thai consumer confidence, Singapore’s COE tender results and June foreign reserves data.</p>
US	<p>The non-manufacturing ISM index climbed strongly from 52.9 in May to 56.5 in June, the fastest pace in seven months and the biggest monthly increase since February 2008. This suggested consumer spending remained resilient and overall growth momentum should be sustained as 15 of the 18 services industries reported growth, as this was earlier accompanied by a pickup in the manufacturing gauge as well.</p>
UK	<p>The Bank of England has announced that the counter cyclical capital buffer rate for UK banks will be lowered to 0% from 0.5% from immediate effect. This is expected to reduce total regulatory buffers by £5.7bn, raising the bank’s lending capacity to households and businesses by at most £150mn.</p>
SG	<p>Factwire reported that SMRT had shipped back faulty subway trains to China for repairs.</p>
China	<p>CFETs said the depreciation of RMB nominal effective exchange rate was mainly due to two reasons including the high base and domestic price level. The base period for RMB index is at a high level and therefore it requires adjustments. In addition, China’s inflation is on a level generally higher than the US. As such, there is need for nominal effective exchange rate to weaken in order to stabilize the real effective exchange rate.</p>

## Major Market

- **US:** Equities started off in a low note before swinging back into positive territory. Fed meeting minutes revealed that officials continue to be uncertain about the labour market in the US and international financial stability. S&P 500 closed out the day higher by 0.54%, while the Dow and Nasdaq rose 0.44% and 0.75% respectively. Demand for US Treasuries remains strong following Fed minutes and continued concerns over European growth post-Brexit. The yield on 10-year Treasury note hit a low of 1.318% intraday, before closing at 1.37%. The 2-year note yields 0.58%. Elsewhere, volatility shades lower, with VIX retreating 3.98%.
- **Eurozone:** German factory orders were flat on-month (-0.2% yoy) in May, which is below market expectations but a modest improvement from revised April readings of -1.9% mom (-0.4% yoy). Separately, the Eurozone's retail PMI slipped from 50.6 to 48.5 (contraction territory) in June, as the German PMI also softened from 54.0 to 51.6.
- **Singapore:** The STI was closed for holiday yesterday, but had slipped a modest 0.21% to 2864.67 on Tuesday. Given positive overnight cues from Wall Street, we could see the STI attempting to firm today amid post-holiday light volumes, with the upside likely limited by the European concerns and ahead of tomorrow's key US nonfarm payrolls report. STI could trade in a range of 2850-2900. SGS bond yields may also see some profit-taking as players trim positions ahead of tomorrow's NFP cues.
- **Hong Kong:** Overall residential property price dipped by 7.8% yoy in May. Growth of smaller residential units' price (below 100 sq.m.) contracted 7.9% yoy while growth of larger units' price (above 100 sq.m.) dipped 4.76% yoy. Meanwhile, the price index fell 10% from the record high hit September 2015. Residential property transaction volume improved for third consecutive month to 4,620 units in June. On a yearly basis, the decline of residential property transactions moderated significantly from 45% in March to 20% in June. By segment, transaction volumes for housing units priced between HKD 3 million and HKD 5 million were mainly responsible for the rebound, which surged from 1,694 units to 1,909 units, up 13% mom. Though China's slowdown combined with a dimmer economic outlook amid weak inbound tourism continued to cloud the property market and dent investor's sentiment, the slower pace of a rate hike in the US given global uncertainty following Brexit has resulted in the unlikely pick up in borrowing costs this year, leaving room for the property market to see a more gradual correction.
- **Commodities:** Gold likely behaved as a safe haven asset over Wednesday, as market-watchers eyed closely on the FOMC minutes. Although generally cautiously-toned, the minutes did weave in evidences supporting economic strength, including that of GDP which is expected to "expand at a modestly faster pace than potential output in 2016 through 2018". More importantly however, was the agreement that additional economic data is needed to decide on any rate hikes. Elsewhere, oil prices gained likely on short-covering behaviour though remained below its \$50/bbl handle.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mostly downward on Tuesday, with the swap rates past the 1-yr mark trading 1-6bps lower across all tenors. Flows in the SGD corporates space were heavy with better buying seen in FCLSP 5%'49s, BAERVX 5.9%'49s and FCLSP 4.88%'49s. Better selling was seen in MLTSP 4.18%'49s while mixed interest was seen in SANYPH 7%'17s. In the broader dollar space yesterday, the spread on JACI IG corporates hasn't moved much in the past 2 days ending at 229bps while the yield on JACI HY corporates has fallen over the same period down 9bps to 6.56%. 10y UST yield remained relatively unchanged overnight at 1.37%.

- **New Issues:** National Australia Bank priced a 4-tranche deal yesterday, with the USD1bn 3-year bond at 1.38% (tightening from its initial guidance of 1.49%), USD1.25bn 5-year bond at 1.88% (tightening from its initial guidance of 1.94%), USD1.25bn 10-year bond at 2.5% (tightening from its initial guidance of 2.58%), and USD500mn 5-year bond at 3mL+100bps. The expected credit ratings for the issues are "AA-/Aa2/NR". Bank of China Limited also priced a 4-tranche deal on Tuesday, with the USD750mn 3-year bond at 3mL+100bps, USD500mn 3-year bond at CT3+125bps (tightening from its initial guidance of CT3+145bps), USD1bn 5-year bond at CT5+135bps (tightening from its initial guidance of CT5+160bps), and EUR500mn 5-year bond at MS+95bps (tightening from its initial guidance of MS+120bps). The expected ratings for the issues are "A/A1/A". Commonwealth Bank of Australia priced a 2-tranche deal, with the AUD1.8bn 5-year bond priced at 3mBBSW+121bps while the other tranche of AUD475mn priced at 2.9%. The expected ratings for the issue are "NR/NR/BBB+". Yunnan Metropolitan Construction Investment Group Co. Ltd. has priced a USD500mn 3-year bond at CT3+260bps, tightening from its initial guidance of CT3+290bps. Shenzhen Expressway has scheduled investor road shows from 7 July onwards for potential USD bond issuance.
- **Rating Changes:** S&P revised its outlook on Cheung Kong Property Holdings Ltd.'s "A-" credit rating to positive from stable on a better financial position. S&P downgraded West China Cement Ltd.'s (WCC) credit rating to "B" from "B+" with negative outlook. The downgrade reflects S&P's view that liquidity risks have risen following the termination of a potential takeover by Anhui Conch Cement Co. Ltd, therefore WCC may encounter a less favourable market for its short-term maturities, given that lenders and investors have become cautious towards borrowers operating in sectors with surplus capacity. Likewise, Fitch downgraded WCC's issuer default rating to "B+" from "BB-" with stable outlook. S&P revised its outlook on Link REIT's "A-" corporate credit rating to stable from negative. The revision reflects S&P's expectation that Link REIT will continue to generate growing rental income despite softening retail sales in Hong Kong. Fitch downgraded China Fishery Group Limited's issuer default rating to "D" from "RD". The downgrade follows China Fishery's announcement on 30 June that the company and its subsidiaries had filed for US bankruptcy protection under Chapter 15 and 11 of the US bankruptcy code. Fitch downgraded CAR Inc.'s issuer default rating to "BB" from "BB+" with negative outlook. The downgrade reflects the substantial and growing related-party transactions with CAR's affiliate UCAR, which has a weak credit profile.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.053	-0.12%	USD-SGD	1.3503	-0.04%
USD-JPY	101.320	-0.41%	EUR-SGD	1.4988	0.14%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3328	0.36%
AUD-USD	0.7520	0.76%	GBP-SGD	1.7461	-0.80%
GBP-USD	1.2931	-0.70%	AUD-SGD	1.0155	0.67%
USD-MYR	4.0493	0.63%	NZD-SGD	0.9630	-0.37%
USD-CNY	6.6886	0.04%	CHF-SGD	1.3850	0.09%
USD-IDR	13209	0.05%	SGD-MYR	2.9900	0.41%
USD-VND	22305	-0.01%	SGD-CNY	4.9470	-0.14%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3630	--	O/N	0.4096	--
2M	-0.3250	--	1M	0.4703	--
3M	-0.2920	--	2M	0.5503	--
6M	-0.1880	--	3M	0.6571	--
9M	-0.1250	--	6M	0.9274	--
12M	-0.0590	--	12M	1.2338	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.66	2.90	3.05	3.10	3.23
Italy	-0.07	0.70	1.24	-1.90	1.42
Ireland	-0.38	1.90	0.48	3.80	0.65
Greece*	7.93	-13.10	7.95	-4.80	8.13
Spain	-0.14	0.70	1.17	-1.60	1.35
Russia^	2.18	1.90	4.44	-0.40	4.62

\* 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	17,918.62	78.00
S&P	2,099.73	11.20
Nasdaq	4,859.16	36.30
Nikkei 225	15,378.99	-290.30
STI	2,864.67	--
KLCI	1,650.71	--
JCI	4,971.58	--
Baltic Dry	694.00	2.00
VIX	14.96	-0.60

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (--)	0.58 (+0.03)
5Y	1.35 (--)	0.94 (--)
10Y	1.73 (--)	1.37 (-0.01)
15Y	2.03 (--)	--
20Y	2.10 (--)	--
30Y	2.22 (--)	2.14 (-0.02)

### Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.07	0.48
EURIBOR-OIS	7.30	0.65
TED	39.22	-2.14

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.43	1.78%	Coffee (per lb)	1.420	-1.56%
Brent (per barrel)	48.80	1.75%	Cotton (per lb)	0.6378	0.05%
Heating Oil (per gallon)	1.471	1.76%	Sugar (per lb)	0.2057	-1.44%
Gasoline (per gallon)	1.43	0.29%	Orange Juice (per lb)	1.8585	-0.43%
Natural Gas (per MMBtu)	2.786	0.80%	Cocoa (per mt)	3,119	0.48%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,750.0	-1.39%	Wheat (per bushel)	4.1575	-0.89%
Nickel (per mt)	9,946	2.89%	Soybean (per bushel)	11.063	-0.96%
Aluminium (per mt)	1,644.0	-0.20%	Corn (per bushel)	3.3575	-2.40%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,367.1	0.62%	Crude Palm Oil (MYR/MT)	2,409.0	--
Silver (per oz)	20.160	1.48%	Rubber (JPY/KG)	160.7	-5.47%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
07/06/2016 10:30	HK Nikkei Hong Kong PMI	Jun	--	45.4	47.2
<b>07/06/2016 14:00</b>	<b>GE Factory Orders MoM</b>	<b>May</b>	<b>1.00%</b>	<b>0.00%</b>	<b>-2.00%</b>
07/06/2016 14:00	GE Factory Orders WDA YoY	May	0.90%	-0.20%	-0.50%
07/06/2016 15:30	GE PMI	Jun	--	50.4	52.7
07/06/2016 16:10	GE Markit Germany Retail PMI	Jun	--	51.6	54
07/06/2016 16:10	EC Markit Eurozone Retail PMI	Jun	--	48.5	50.6
07/06/2016 16:10	FR Markit France Retail PMI	Jun	--	51	50.6
07/06/2016 16:10	IT Markit Italy Retail PMI	Jun	--	40.2	45.2
<b>07/06/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>Jul-01</b>	<b>--</b>	<b>14.20%</b>	<b>-2.60%</b>
<b>07/06/2016 20:30</b>	<b>US Trade Balance</b>	<b>May</b>	<b>-\$40.0b</b>	<b>-\$41.1b</b>	<b>-\$37.4b</b>
07/06/2016 20:30	CA Int'l Merchandise Trade	May	-2.70b	-3.28b	-2.94b
07/06/2016 21:45	US Markit US Services PMI	Jun F	51.3	51.4	51.3
07/06/2016 21:45	US Markit US Composite PMI	Jun F	--	51.2	51.2
<b>07/06/2016 22:00</b>	<b>US ISM Non-Manf. Composite</b>	<b>Jun</b>	<b>53.3</b>	<b>56.5</b>	<b>52.9</b>
07/07/2016 07:50	JN Foreign Buying Japan Stocks	Jul-01	--	--	¥184.2b
07/07/2016 13:00	JN Leading Index CI	May P	100	--	100
<b>07/07/2016 14:00</b>	<b>GE Industrial Pdn SA MoM</b>	<b>May</b>	<b>0.10%</b>	<b>--</b>	<b>0.80%</b>
07/07/2016 14:00	GE Industrial Production WDA YoY	May	1.50%	--	1.20%
07/07/2016 14:45	FR Trade Balance	May	-4925m	--	-5219m
<b>07/07/2016 15:30</b>	<b>UK Halifax House Prices MoM</b>	<b>Jun</b>	<b>0.30%</b>	<b>--</b>	<b>0.60%</b>
07/07/2016 16:00	SI COE Open Bid Cat A	Jul-07	--	--	55200
07/07/2016 16:00	SI COE Open Bid Cat B	Jul-07	--	--	57010
<b>07/07/2016 16:30</b>	<b>UK Industrial Production MoM</b>	<b>May</b>	<b>-1.00%</b>	<b>--</b>	<b>2.00%</b>
07/07/2016 16:30	UK Industrial Production YoY	May	0.50%	--	1.60%
<b>07/07/2016 16:30</b>	<b>UK Mfg Production MoM</b>	<b>May</b>	<b>-1.20%</b>	<b>--</b>	<b>2.30%</b>
07/07/2016 17:00	SI Foreign Reserves	Jun	--	--	\$247.13b
<b>07/07/2016 20:15</b>	<b>US ADP Employment Change</b>	<b>Jun</b>	<b>160k</b>	<b>--</b>	<b>173k</b>
07/07/2016 20:30	CA Building Permits MoM	May	1.50%	--	-0.30%
<b>07/07/2016 20:30</b>	<b>US Initial Jobless Claims</b>	<b>Jul-02</b>	<b>269k</b>	<b>--</b>	<b>268k</b>
07/07/2016 20:30	US Continuing Claims	Jun-25	2120k	--	2120k
07/07/2016 21:45	US Bloomberg Consumer Comfort	Jul-03	--	--	43.9
07/07/2016 22:00	UK NIESR GDP Estimate	Jun	--	--	0.50%
07/07/2016	HK Foreign Reserves	Jun	--	--	\$360.3b
07/07/2016	CH Foreign Reserves	Jun	\$3167.0b	--	\$3191.7b
07/07/2016	PH Foreign Reserves	Jun	--	--	\$83.5b
<b>07/06/2016 07/13</b>	<b>VN Domestic Vehicle Sales YoY</b>	<b>Jun</b>	<b>--</b>	<b>--</b>	<b>33.10%</b>
07/07/2016 07/15	PH Budget Balance PHP	May	--	--	55.0b

Source: Bloomberg

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