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Products

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Highlights

Global	<p>Global risk appetite remained subdued ahead of the upcoming FOMC policy meeting and the Brexit referendum next week where the polls continue to tilt towards an exit and weighing on the GBP. Investors were clearly more in the mood for seeking shelter from risk assets overnight and this sets the tone for Asian markets to consolidate further today. MSCI's decision not to include China for the third time, citing the need to improve accessibility of the A-share market, is likely to weigh on risk sentiments as well.</p> <p>The key focus ahead is clearly the FOMC although the consensus view is almost unanimously one for no hike, but of interest will be Yellen's speech and the dots graph. Our view is that Yellen will inevitably walk a tightrope of telegraphing dovish caution with the need to normalise policy at a gradual pace. This would likely mean that market players will focus on the dots graph which in turn may be nuanced in that that two 25bp rate hikes remain pencilled in, but financial markets remain less than convinced about the pace and timing of the hikes. Also on tap are US' PPI, industrial production and Empire manufacturing, UK's jobless claims and ILO unemployment rate, S'pore retail sales, Malaysia's CPI, and China's new Yuan loans and other monetary aggregates data.</p>
US	<p>Retail sales moderated from a 1.3% gain in April to +0.5% mom in May, lifted by gasoline prices (+7.4%), and suggesting that 2Q16 GDP growth is likely to be supported by consumption growth. NFIB small business optimism index unexpectedly edged up from 93.6 in April to 93.8 in May (highest since January), led by improvements in the employment gauges with plans to hire (up from 11% to 12%) and raise worker compensation (26% from 24%). Import prices also doubled to 1.4% mom (-5.0% yoy) in May, the most in more than five years, amid rising oil prices (+17.4% mom) and a weaker USD. Import prices excluding petroleum also rose for the first time in more than two years by 0.4%.</p>
China	<p>The A-share was again blocked from the way of inclusion into the MSCI index, adding downward pressure to the RMB. The hurdles behind include the monthly repatriation limits of QFII and the pre-approval restriction on introducing A-share related financial products. Additionally, the index provider stated that time is needed to assess the effectiveness of recent policy changes on QFII quota allocation, capital outflow control and trading suspension. Eyes are on whether the PBOC will defend the CNY at 6.6 against the greenback.</p>
Malaysia	<p>Inflation data for the month of May is due out today, with market expecting it to print 2%yoy, compared to 2.1% before. Meanwhile, Abu Dhabi's sovereign wealth fund, IPIC, is reportedly seeking USD6.5bn from 1MDB in the London Court of International Arbitration, as part of a dispute regarding money transfers.</p>
Commodities	<p>Crude oil was down another notch, now with Brent surrendering its coveted \$50/bbl level to close below that yesterday. More importantly, the fall was seen even with the International Energy Agency (IEA) call for demand to grow robustly at 1.3mbpd for 2016, and again in 2017. Market-watchers were likely spooked by potential risk-off events like the FOMC and the Brexit referendum this month, and reacting as well to API's report indicating higher US oil inventories.</p>

Major Market

- **US:** The narrative in the markets remains similar compared to the last few days. Cautious investors put aside a positive retail sales data to focus on potential Brexit fallout and the FOMC announcement on Wednesday. Equities were helped by a late-market recovery, with the S&P 500, Dow and Nasdaq closing lower by 0.18%, 0.33% and 0.10% respectively. US Treasury yields also rebounded off year-to-date lows. 2-year Treasuries yield 0.72% while the 10-year notes yield 1.61%. Meanwhile, VIX took a breather after the recent strong upswing to close 2.24% lower.
- **Singapore:** Retail sales likely surged 7.6% yoy (+4.6% mom sa) in April, following the March print of +5.1% yoy (-1.4% mom sa).
- Meanwhile, the STI declined 0.61% to close at 2768.33 yesterday, tracking regional bourses which were also mostly lower amid the risk-off sentiments. The STI could see support and resistance at 2740 and 2780 respectively. With the flight to safety, bids for highly-rated sovereign bonds globally remained well-bid. Note the 10-year German bund yield has fallen below zero for the first time on record, joining Japan and Switzerland. Similarly, SGS bonds should stay supported in the interim until the FOMC and Brexit uncertainties clear.
- **Eurozone:** Industrial production rebounded from a revised 0.7% mom (+0.2% yoy) contraction in March to +1.1% mom (+2.0% yoy) in April, while employment rose 0.3% qoq (+1.4% yoy) in 1Q16.
- **Indonesia:** Trade data for May will be released today. Market is expecting exports to shrink by nearly 8%yoy, but with a negative growth in imports that can still deliver Indonesia a positive trade balance of around USD720mn.

Bond Market Updates

- **Market Commentary:** The SGD swap rates traded upward marginally, trading 1-2bps higher across all tenors. Flows in the SGD Corporates were light with better buying in STANLN 4.4%'26s and better selling in MFCCN 3.85%'26s. Meanwhile we also saw mixed interest in GENSSP 5.13%'49s and UOBSP 4%'49s. In the broader dollar space, the spread on JACI IG Corporates increased by 2bps to 231bps while the yield on JACI HY Corporates increased by 5bps to 7.01%. 10y UST yield remained relatively unchanged at 1.61%.
- **New Issues:** Zhongrong Trust Investment Ltd. has schedule investor meeting for potential USD Bond issue from 15 June onwards. Minsheng Financial Leasing Co. Ltd. has scheduled investor road shows for a potential USD Bond issue. Sichuan Development Holding Co. Ltd. has scheduled investor meetings in Singapore, Malaysia and Middle East for USD300mn 5-year Sukuk issuance.
- **Rating Changes:** Moody's assigned a first time credit rating to Standard Chartered Bank (Singapore) Ltd. of "Aa3" with a negative outlook, aligned with its parent company, Standard Chartered Bank (SCB). The rating is supported by its BCA of a2, which is underpinned by the bank's robust asset quality, strong funding and liquidity profiles. Additionally, the rating also reflects the high probability of support from both SCB and the Government of Singapore. S&P downgraded its credit rating on Japan-based Manulife Life Insurance to "A+" from "AA-" and removed the rating from CreditWatch, where it was placed with negative implications on March 18, 2016. The downgrade follows S&P's review of the policyholder guarantee provided to Manulife Japan by its Canada-based parent company, The Manufacturers Life Insurance Co. (MLI). The guarantee does not meet S&P criteria under its rating methodology and therefore the financial strength of Manulife Japan can no longer depend on its guarantee and is assessed individually. The outlook is stable reflecting S&P's sovereign rating on Japan. Fitch upgraded UBS AG's long-term default credit rating to "A+" from "A" which reflects Fitch's view that the group's buffer of qualifying junior debt, combined with senior debt

issued by the holding company, is now sufficient to protect their senior obligations from default in case of failure. The outlook is stable. Fitch revised its outlook on General Motor Co. to positive from stable, supported by a significant number of recall-related settlements accomplished over the past year, which has removed a significant amount of uncertainty related to those legacy issues.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.928	0.60%	USD-SGD	1.3550	-0.01%
USD-JPY	106.110	-0.14%	EUR-SGD	1.5185	-0.76%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2771	0.14%
AUD-USD	0.7358	-0.39%	GBP-SGD	1.9125	-1.09%
GBP-USD	1.4114	-1.09%	AUD-SGD	0.9970	-0.40%
USD-MYR	4.1070	0.41%	NZD-SGD	0.9476	-0.97%
USD-CNY	6.5970	0.17%	CHF-SGD	1.4067	0.11%
USD-IDR	13393	0.71%	SGD-MYR	3.0292	0.55%
USD-VND	22307	-0.08%	SGD-CNY	4.8668	0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3530	--	O/N	0.3855	--
2M	-0.3030	--	1M	0.4421	--
3M	-0.2630	--	2M	0.5372	--
6M	-0.1580	--	3M	0.6525	--
9M	-0.0890	--	6M	0.9364	--
12M	-0.0200	--	12M	1.2593	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.79	17.00	3.39
Italy	0.09	9.00	1.51
Ireland	-0.37	0.00	0.84
Greece*	11.73	180.20	8.21
Spain	0.05	6.00	1.56
Russia^	2.74	5.80	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	17,674.82	-57.70
S&P	2,075.32	-3.70
Nasdaq	4,843.55	-4.90
Nikkei 225	15,859.00	-160.20
STI	2,768.33	-17.10
KLCI	1,626.11	-3.70
JCI	4,821.59	14.40
Baltic Dry	608.00	-1.00
VIX	20.50	-0.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.94 (+0.03)	0.72 (+0.01)
5Y	1.45 (+0.01)	1.14 (+0.01)
10Y	1.98 (+0.01)	1.61 (--)
15Y	2.25 (+0.01)	--
20Y	2.33 (+0.01)	--
30Y	2.42 (+0.01)	2.42 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.21	-0.10
EURIBOR-OIS	8.70	0.30
TED	39.03	-0.86

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.49	-0.80%	Coffee (per lb)	1.351	-1.60%
Brent (per barrel)	49.83	-1.03%	Cotton (per lb)	0.6304	-1.18%
Heating Oil (per gallon)	1.502	-0.83%	Sugar (per lb)	0.1934	-1.02%
Gasoline (per gallon)	1.52	-0.97%	Orange Juice (per lb)	1.6375	-2.18%
Natural Gas (per MMBtu)	2.604	0.74%	Cocoa (per mt)	3,145	-0.06%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,510.5	-1.02%	Wheat (per bushel)	4.8500	-1.27%
Nickel (per mt)	8,854	0.16%	Soybean (per bushel)	11.695	0.04%
Aluminium (per mt)	1,605.3	0.14%	Corn (per bushel)	4.3650	1.51%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,285.6	0.09%	Crude Palm Oil (MYR/MT)	2,520.0	-1.98%
Silver (per oz)	17.424	-0.11%	Rubber (JPY/KG)	149.7	-2.41%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/14/2016 06:45	NZ Food Prices MoM	May	--	-0.50%	0.30%	--
06/14/2016 09:30	AU NAB Business Conditions	May	--	10	9	10
06/14/2016 09:30	AU NAB Business Confidence	May	--	3	5	--
06/14/2016 12:30	JN Industrial Production MoM	Apr F	--	0.50%	0.30%	--
06/14/2016 12:30	JN Industrial Production YoY	Apr F	--	-3.30%	-3.50%	--
06/14/2016 12:30	JN Capacity Utilization MoM	Apr	--	-1.00%	3.20%	--
06/14/2016 14:30	IN Wholesale Prices YoY	May	0.50%	0.79%	0.34%	--
06/14/2016 16:00	IT CPI EU Harmonized YoY	May F	-0.30%	-0.30%	-0.30%	--
06/14/2016 16:30	UK CPI MoM	May	0.30%	0.20%	0.10%	--
06/14/2016 16:30	UK CPI YoY	May	0.40%	0.30%	0.30%	--
06/14/2016 16:30	UK CPI Core YoY	May	1.30%	1.20%	1.20%	--
06/14/2016 16:30	UK Retail Price Index	May	262.2	262.1	261.4	--
06/14/2016 16:30	UK RPI MoM	May	0.30%	0.30%	0.10%	--
06/14/2016 16:30	UK RPI YoY	May	1.50%	1.40%	1.30%	--
06/14/2016 16:30	UK PPI Output NSA MoM	May	0.30%	0.10%	0.40%	0.30%
06/14/2016 16:30	UK PPI Output NSA YoY	May	-0.50%	-0.70%	-0.70%	--
06/14/2016 17:00	EC Industrial Production SA MoM	Apr	0.80%	1.10%	-0.80%	-0.70%
06/14/2016 17:00	EC Industrial Production WDA YoY	Apr	1.40%	2.00%	0.20%	--
06/14/2016 18:00	US NFIB Small Business Optimism	May	93.6	93.8	93.6	--
06/14/2016 20:30	US Import Price Index MoM	May	0.70%	1.40%	0.30%	0.70%
06/14/2016 20:30	US Retail Sales Advance MoM	May	0.30%	0.50%	1.30%	--
06/14/2016 20:30	US Retail Sales Ex Auto MoM	May	0.40%	0.40%	0.80%	--
06/14/2016 20:30	US Retail Sales Ex Auto and Gas	May	0.30%	0.30%	0.60%	--
06/15/2016 05:00	NZ REINZ House Sales YoY	May	--	13.60%	18.40%	--
06/15/2016 06:45	NZ BoP Current Account Balance	1Q	0.960b	1.306b	-2.614b	-2.894b
06/15/2016 07:00	SK Unemployment rate SA	May	3.80%	3.70%	3.70%	--
06/15/2016 12:00	MA CPI YoY	May	2.00%	--	2.10%	--
06/15/2016 13:00	SI Retail Sales YoY	Apr	6.10%	--	5.10%	--
06/15/2016 13:00	SI Retail Sales SA MoM	Apr	2.20%	--	-1.40%	--
06/15/2016 14:00	JN Machine Tool Orders YoY	May F	--	--	-25.00%	--
06/15/2016 14:45	FR CPI EU Harmonized MoM	May F	0.30%	--	0.30%	--
06/15/2016 14:45	FR CPI EU Harmonized YoY	May F	0.00%	--	0.00%	--
06/15/2016 14:45	FR CPI MoM	May F	0.40%	--	0.40%	--
06/15/2016 14:45	FR CPI YoY	May F	-0.10%	--	-0.10%	--
06/15/2016 16:30	UK Claimant Count Rate	May	2.10%	--	2.10%	--
06/15/2016 16:30	UK Jobless Claims Change	May	0.0k	--	-2.4k	--
06/15/2016 16:30	UK ILO Unemp Rate 3Mths	Apr	5.10%	--	5.10%	--
06/15/2016 19:00	US MBA Mortgage Applications	Jun-10	--	--	9.30%	--
06/15/2016 20:30	CA Manufacturing Sales MoM	Apr	0.60%	--	-0.90%	--
06/15/2016 20:30	US PPI Final Demand MoM	May	0.30%	--	0.20%	--
06/15/2016 20:30	US PPI Ex Food and Energy MoM	May	0.10%	--	0.10%	--
06/15/2016 20:30	US PPI Final Demand YoY	May	-0.10%	--	0.00%	--
06/15/2016 20:30	US PPI Ex Food and Energy YoY	May	1.00%	--	0.90%	--
06/15/2016 20:30	US Empire Manufacturing	Jun	-4.9	--	-9.02	--
06/15/2016 21:15	US Industrial Production MoM	May	-0.20%	--	0.70%	--
06/15/2016 21:15	US Capacity Utilization	May	75.20%	--	75.40%	--
06/15/2016	ID Trade Balance	May	\$723m	--	\$667m	--
06/15/2016	ID Exports YoY	May	-7.80%	--	-12.64%	--
06/15/2016	PH Overseas Remittances YoY	Apr	7.50%	--	1.50%	--
06/15/2016	PH Overseas Workers Remittances	Apr	--	--	\$2425m	--
06/14/2016 06/15	CH New Yuan Loans CNY	May	750.0b	--	555.6b	--
06/14/2016 06/15	CH Money Supply M2 YoY	May	12.50%	--	12.80%	--
06/14/2016 06/17	IN Imports YoY	May	--	--	-23.10%	--
06/14/2016 06/17	IN Exports YoY	May	--	--	-6.70%	--

Source: Bloomberg

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