

Highlights

Global	<p>Wall Street retreated overnight amid mixed Fed rhetoric – Dudley opined that “we’re edging closer towards the point where it will be appropriate, I think, to raise interest rate further” and September is “possible”, while Lockhart suggested that “I would not rule out September, at least for a serious discussion” and “if the meeting were today, I think the economic data stream would justify a serious discussion of a rate increase”. The futures market has adjusted higher its probability pricing to 22% for 21 September and 51% for 14 December FOMC meetings.</p> <p>Asian markets may trade with a mixed tone today, with news of the Shenzhen-Hong Kong Connect possibly taking some of the edge off the slightly hawkish Fed commentary overnight. Today’s economic data calendar is relatively light and comprises of FOMC minutes and UK’ ILO unemployment rate and jobless claims. Indonesian market is out for holiday today.</p>
US	<p>Housing starts unexpectedly recovered 2.1% (fastest in five months) in July to 1.211m annualised pace, albeit building permits slid 0.1% mom to 1.15m annualised rate. This suggested a relatively healthy start to the housing market in 3Q16. Headline CPI was flat mom (+0.8% yoy) in July, while core CPI decelerated to +0.1% mom (+2.2% yoy). Meanwhile, industrial production improved to 0.7% mom, albeit the June data was revised down to +0.4%, with capacity utilisation soaring to 75.9%.</p>
EZ	<p>German ZEW survey of expectations for six months ahead recovered from -6.8 in July to +0.5 in August, suggesting that investors had brushed off Brexit concerns. The current conditions gauge also rose from 49.8 to 57.6, whilst that for the euro area expectations gauge also climbed from -14.7 to +4.6. Separately, UK’s CPI rose 0.6% yoy (-0.1% mom) as input costs jumped an annual pace of 4.3% in July, ending 32 months of straight declines, while import prices also climbed the fastest since 2011 amid the GBP weakness. While core CPI eased to +1.3% yoy, the retail price index unexpectedly rose 0.1% mom (+1.9% yoy). UK’s house price index rose 8.7% yoy in June, up from a revised 8.5% in May.</p>
SG	<p>Singapore’s NODX fell by 10.6%yoy and 1.8% mom, seasonally adjusted basis. The contraction is much sharper than expected, with market penciling in 2.5% yoy drop, for instance. Unfavorably high base effect did not help the headline print, while sectorally, both electronics and non-electronics exports registered contractions of 12.9% and 9.5% yoy respectively.</p>
CH	<p>China’s State Council approved the launch of Shenzhen-Hong Kong stock connect but without giving details. According to the statement, China will not set total quota for new stock connect but will keep the daily quota.</p> <p>Chinese banks net purchased US\$19.7 billion for clients in July, widened from US\$17.6 billion in June, signalling the renewed capital outflow risks. SAFE said the jump of foreign currency demand was mainly attributable to short term impact of Brexit and seasonal factors. But the impact has moderated and is controllable according to SAFE. We agree with SAFE’s assessment that the situation is controllable. The mild capital outflow is likely to continue, however, it is unlikely to be detrimental given that China has tightly controlled the channels of capital outflow.</p>

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Major Market

- **US:** Equity markets pulled back on hawkish Fed rhetoric. Dudley suggested that interest rates may rise as soon as next month, while Lockhart signalled confidence in the accelerating domestic economy. It appears that Fed officials intend to lean against what they consider as the market's underestimation of the rate hike probability. S&P 500 and Dow declined 0.55% and 0.45% respectively, while the Nasdaq was the biggest loser, retreating 0.66%. Treasury yields climbed on the back of Fed comments, with 2-year and 10-year benchmark yields closing at 0.75% and 1.57%. Meanwhile, VIX saw a spike overnight, rising 7.03%.
- **Singapore:** STI slid 0.29% yesterday to close at 2858.80 and may remain under pressure today, with support and resistance tipped at 2820 and 2860 respectively. SGS bond yields fell by around 1-5bps yesterday, and may continue to rally today amid the slightly hawkish Fed rhetoric.
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- **Indonesia:** President Jokowi gave a speech on 2017 budget plans yesterday to the parliament. A 2.41% deficit as a percentage of GDP is expected, compared to the 2.5% for the current year. Revenue and expenditure are both projected to be lower than this year's figures, likely reflecting relatively muted pick-up in GDP growth next year, as well as potential cuts in tax rates.
- **Hong Kong:** The State Council approved the Shenzhen-Hong Kong stock connect and the preparatory work for the scheme had been basically completed. Though the launch date has yet been firmed, the news is likely to boost the stock markets across the border in the near term. With the aggregate quota being removed and a wider range of stocks in both Shenzhen and Hong Kong stock markets being included, the benefits of the new scheme to the stock markets across the border may be larger than initially expected. Still, more details about the new stock connect are to be watched.
- Private residential housing starts registered 1,020 units in June. Year-on-year growth in housing starts ticked up from 12.15% in 1Q to 49.77% in 2Q. Figure indicated that the construction activities in private sector could be on a solid growth pace over the next two to three years. This is also one of the main driving forces for HK economy. On the other hand, completion dipped 2.54% yoy to 2,643 units. Year-on-year growth in completion also slumped significantly from 111.37% in 1Q to 7.86% in 2Q, due to fewer housing starts in 2013 (10,064 units) and 2014 (6,427 units). Nevertheless, based on the robust growth of groundbreaking (18,152 units) in 2015, we expect that completion could rebound in early 2017.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve continued to trade downward for the third time this week. Swap rates traded 4-8bps lower across all tenors. Flows in the SGD corporates were significantly more active with better buying seen in GENSSP 5.13%'49s and better selling in GEMAU 5.5%'19s. Meanwhile we also saw mixed interests in FCLSP 5%'49s, SCISP 4.75%'49s, OLAMSP 6%'22s, FIRTSP 5.68%'49s, GRCHAR 6%'17s, PILLSP 5.9%'17s and BTHSP 4.88%'19s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 203bps while the yield on JACI HY corporates increased 2bps to 6.41%. 10y UST yield increased 2bps to 1.58% following hawkish comments from the Fed's Dudley stating that a September rate hike is still possible, as well as stronger industrial production results for July released yesterday.

- **New Issues:** The Wharf Holdings Ltd. Is planning to issue a 3-year Panda bond of up to CNY4bn in China's onshore interbank bond market. Previously, the company sold a CNH300mn 5-year 4.05% bond in January, 2015.
- **Rating Changes:** S&P upgraded Tata Motor's credit rating to "BB+" from "BB" with a stable outlook. The upgrade reflects the improvement in Tata Motors' competitive position following the better performance of its fully-owned subsidiary, Jaguar Land Rover (JLR) Automotive PLC. The stable outlook also reflects that the auto major can maintain firm bottom line figures, especially at JLR, supporting its financial position with ratio of funds from operations (FFO) to debt of about 40% over the next 12-24 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.791	-0.88%	USD-SGD	1.3400	-0.24%
USD-JPY	100.310	-0.94%	EUR-SGD	1.5115	0.62%
EUR-USD	1.1279	0.85%	JPY-SGD	1.3357	0.69%
AUD-USD	0.7695	0.27%	GBP-SGD	1.7483	1.06%
GBP-USD	1.3046	1.29%	AUD-SGD	1.0313	0.05%
USD-MYR	3.9845	-0.46%	NZD-SGD	0.9755	0.74%
USD-CNY	6.6254	-0.19%	CHF-SGD	1.3928	0.87%
USD-IDR	13085	-0.04%	SGD-MYR	2.9805	-0.12%
USD-VND	22305	0.02%	SGD-CNY	4.9469	0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	0.4189	--
2M	-0.3360	--	1M	0.5074	--
3M	-0.2980	--	2M	0.6321	--
6M	-0.1890	--	3M	0.8041	--
9M	-0.1190	--	6M	1.1974	--
12M	-0.0500	--	12M	1.5066	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.46	9.10	2.84
Italy	-0.08	0.50	1.12
Ireland	-0.36	1.50	0.41
Greece	7.65	--	8.15
Spain	-0.16	1.10	0.98
Russia	2.22	13.70	3.93

Equity and Commodity

Index	Value	Net change
DJIA	18,552.02	-84.03
S&P	2,178.15	-12.00
Nasdaq	5,227.11	-34.90
Nikkei 225	16,596.51	-273.05
STI	2,858.80	-8.41
KLCI	1,699.89	9.56
JCI	5,371.85	51.28
Baltic Dry	687.00	6.00
VIX	12.64	0.83

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.84 (-0.03)	0.75 (+0.02)
5Y	1.27 (-0.05)	1.16 (+0.02)
10Y	1.69 (-0.04)	1.57 (+0.02)
15Y	1.96 (-0.05)	--
20Y	2.05 (-0.05)	--
30Y	2.12 (-0.04)	2.30 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	39.07	-1.92
EURIBOR-OIS	5.30	0.10
TED	54.54	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.58	1.84%	Coffee (per lb)	1.374	0.33%
Brent (per barrel)	49.23	1.82%	Cotton (per lb)	0.6801	-0.12%
Heating Oil (per gallon)	1.461	0.79%	Sugar (per lb)	0.2026	1.40%
Gasoline (per gallon)	1.42	1.56%	Orange Juice (per lb)	1.7860	-1.52%
Natural Gas (per MMBtu)	2.617	1.04%	Cocoa (per mt)	3,041	0.36%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,811.0	0.92%	Wheat (per bushel)	4.2350	0.36%
Nickel (per mt)	10,226	-2.31%	Soybean (per bushel)	10.195	-0.42%
Aluminium (per mt)	1,687.3	1.29%	Corn (per bushel)	3.2750	0.31%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,350.5	0.76%	Crude Palm Oil (MYR/MT)	2,741.0	4.62%
Silver (per oz)	19.874	0.14%	Rubber (JPY/KG)	180.1	-2.23%

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

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/16/2016 04:00	US Total Net TIC Flows	Jun	--	-\$202.8b	-\$11.0b	--
08/16/2016 04:00	US Net Long-term TIC Flows	Jun	\$42.0b	-\$3.6b	\$41.1b	\$40.8b
08/16/2016 09:30	AU New Motor Vehicle Sales MoM	Jul	--	-1.30%	3.10%	3.50%
08/16/2016 09:30	AU New Motor Vehicle Sales YoY	Jul	--	1.60%	2.10%	2.30%
08/16/2016 11:00	NZ Non Resident Bond Holdings	Jul	--	67.20%	67.40%	--
08/16/2016 12:00	JN Tokyo Condominium Sales YoY	Jul	--	-30.70%	-12.90%	--
08/16/2016 14:30	IN Wholesale Prices YoY	Jul	2.84%	3.55%	1.62%	--
08/16/2016 16:30	UK CPI MoM	Jul	-0.10%	-0.10%	0.20%	--
08/16/2016 16:30	UK CPI YoY	Jul	0.50%	0.60%	0.50%	--
08/16/2016 16:30	UK CPI Core YoY	Jul	1.40%	1.30%	1.40%	--
08/16/2016 16:30	UK Retail Price Index	Jul	262.9	263.4	263.1	--
08/16/2016 16:30	UK RPI MoM	Jul	-0.10%	0.10%	0.40%	--
08/16/2016 16:30	UK RPI YoY	Jul	1.70%	1.90%	1.60%	--
08/16/2016 16:30	UK RPI Ex Mort Int. Payments (YoY)	Jul	1.70%	1.90%	1.70%	--
08/16/2016 16:30	UK PPI Output NSA MoM	Jul	0.20%	0.30%	0.20%	0.30%
08/16/2016 16:30	UK PPI Output NSA YoY	Jul	0.00%	0.30%	-0.40%	-0.20%
08/16/2016 17:00	GE ZEW Survey Current Situation	Aug	50.2	57.6	49.8	--
08/16/2016 17:00	GE ZEW Survey Expectations	Aug	2	0.5	-6.8	--
08/16/2016 17:00	EC ZEW Survey Expectations	Aug	--	4.6	-14.7	--
08/16/2016 20:30	CA Manufacturing Sales MoM	Jun	0.50%	0.80%	-1.00%	--
08/16/2016 20:30	US Housing Starts	Jul	1180k	1211k	1189k	1186k
08/16/2016 20:30	US Building Permits	Jul	1160k	1152k	1153k	--
08/16/2016 20:30	US CPI MoM	Jul	0.00%	0.00%	0.20%	--
08/16/2016 20:30	US CPI Ex Food and Energy MoM	Jul	0.20%	0.10%	0.20%	--
08/16/2016 20:30	US CPI YoY	Jul	0.90%	0.80%	1.00%	--
08/16/2016 20:30	US CPI Ex Food and Energy YoY	Jul	2.30%	2.20%	2.30%	--
08/16/2016 21:15	US Industrial Production MoM	Jul	0.30%	0.70%	0.60%	0.40%
08/16/2016 21:15	US Capacity Utilization	Jul	75.60%	75.90%	75.40%	--
08/17/2016 06:45	NZ PPI Input QoQ	2Q	--	0.90%	-1.00%	--
08/17/2016 06:45	NZ PPI Output QoQ	2Q	--	0.20%	-0.20%	--
08/17/2016 06:45	NZ Unemployment Rate	2Q	5.30%	5.10%	5.70%	5.20%
08/17/2016 06:45	NZ Employment Change QoQ	2Q	0.60%	2.40%	1.20%	1.30%
08/17/2016 06:45	NZ Employment Change YoY	2Q	2.30%	4.50%	2.00%	--
08/17/2016 08:30	AU Westpac Leading Index MoM	Jul	--	--	-0.22%	--
08/17/2016 08:30	SI Non-oil Domestic Exports YoY	Jul	-2.50%	--	-2.30%	--
08/17/2016 16:30	UK Claimant Count Rate	Jul	2.20%	--	2.20%	--
08/17/2016 16:30	UK Jobless Claims Change	Jul	9.0k	--	0.4k	--
08/17/2016 16:30	UK ILO Unemp Rate 3Mths	Jun	4.90%	--	4.90%	--
08/17/2016 19:00	US MBA Mortgage Applications	Aug-12	--	--	7.10%	--

Source: Bloomberg

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