

## Highlights

Global	<p>FOMC minutes came in less hawkish and more divisive than what market participants anticipated after Dudley's earlier comments, and UST bonds rallied in response. The FOMC minutes noted that "members generally agreed that, before taking another step in removing monetary accommodation, it was prudent to accumulate more data in order to gauge the underlying momentum in the labor market and economic activity" and "a couple of members preferred also to wait for more evidence that inflation would rise to 2 percent on a sustained basis". In particular, "several suggested that the Committee would likely have ample time to react if inflation rose more quickly than they currently anticipated, and they preferred to defer another increase in the federal funds rate until they were more confident that inflation was moving closer to 2 percent on a sustained basis". That said, "however, some other participants viewed recent economic developments as indicating that labor market conditions were at or close to those consistent with maximum employment and expected that the recent progress in reaching the Committee's inflation objective would continue, even with further steps to gradually remove monetary policy accommodation" and "they judged that another increase in the federal funds rate was or would soon be warranted, with a couple of them advocating an increase at this meeting". With an essentially undecided Fed, fed funds futures pricing for the next rate hike continue to hover around 22% for 21 September and 49% for 14 December FOMC. Our view remains that December looks more plausible. Today's economic data calendar include Philippines' 2Q GDP growth, US initial jobless claims, Philadelphia Fed business and leading index, Eurozone's CPI, UK's retail sales, and Japan's machine tool orders.</p>
US	<p>Mortgage applications fell 4.0% in the last week after expanding 7.1% in the prior week.</p>
EZ	<p>UK's ILO unemployment rate was unchanged at 4.9% in June, while July claimant rate was also steady at 2.2% as jobless claims unexpectedly fell by 8.6k (forecast: +9.0k) and the June data was revised higher from +0.4k to +0.9k. This set of data suggested post-Brexit resilience in the labour market.</p>
SG	<p>NODX slumped more than expected in July, contracting 10.6% yoy (-1.8% mom sa), partly due to a relatively high base in July 2015. This also marked the second consecutive month of yoy decline, and NODX has effectively shrunk for 5 of the 7 months year-to-date. This also disappointed Bloomberg consensus forecast for -2.5% yoy (-0.3% mom sa) and our already pessimistic forecast for -6.4% yoy (-1.0% mom sa). Both electronics (-12.9% yoy) and non-electronics (-9.5% yoy) NODX saw weakness in July. Going ahead, we reiterate that there is some downside risks to 3Q and the upcoming July industrial production print on 26 August will be key to watch. While this July NODX print heralds a very soft start to 3Q, we do not automatically interpret this as a fresh and significant deterioration in economic prospects from a week ago. Nevertheless, our full-year 2016 GDP and NODX growth forecasts remain intact at 1.8% and -4% respectively, which is also in line with MTI's 1-2% (previously 1-3%) and IESingapore's -3% to -4% (previously -3% to -5%) forecasts.</p>

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## Major Market

- **US:** Equity markets recovered from early declines as Fed minutes struck a less hawkish than expected tone, especially when compared with recent comments by Dudley and Lockhart. Major indices all edged higher, with S&P 500 leading the way with a 0.19% gain, and Dow and Nasdaq rising 0.12% and 0.03% respectively. US Treasury yields turned south after two days of gains, with the 2-year and 10-year notes both losing 2-3 basis points to end at 0.73% and 1.55%. Meanwhile, VIX gave back some gains from Tuesday, falling 3.56%.
- **Singapore:** Electronics NODX slumped more than expected in July, contracting 10.6% yoy (-1.8% mom sa), partly due to a relatively high base in July 2015. This also marked the second consecutive month of yoy decline, and NODX has effectively shrunk for 5 of the 7 months year-to-date. This also disappointed Bloomberg consensus forecast for -2.5% yoy (-0.3% mom sa) and our already pessimistic forecast for -6.4% yoy (-1.0% mom sa). Both electronics (-12.9% yoy) and non-electronics (-9.5% yoy) NODX saw weakness in July. Electronics NODX, which had been contracting on-year for five straight months, also marked the first double-digit yoy contraction since February 2015. The contributing factors were a decrease in electronics domestic exports of PCs, parts of ICs and diodes & transistors. Meanwhile, non-electronics NODX, which was earlier supposed to account for potential upside by IESingapore, was also similarly dragged lower by petrochemicals, civil engineering equipment parts, and specialized machinery.
- By markets, the July performance was also a step back with 9 of the top 10 NODX markets shrinking compared to June which saw half of the top 10 NODX markets expanding yoy. The exception was NODX to EU28 which rose 3.0% yoy in July, marking an improvement over the -5.8% print seen in June, as non-electronics NODX growth (+10.7% yoy) offset electronics NODX weakness (-31.5% yoy). The NODX contraction in July was led by China (-16.6% yoy), US (-19.1% yoy) and Indonesia (-22.6%) which saw reduced NODX for both electronics and non-electronics. As we highlighted in our NODX note on 11 August, we expect that NODX to EU28 may falter in momentum going forward.
- STI extended losses by another 0.54% yesterday to close at 2843.35 and may trade with a slightly firmer tone today, with support and resistance tipped at 2820 and 2860 respectively. SGS bond may also firm in line with UST bonds overnight.
- **Commodities:** Crude oil continued to stay at its multi-week high after OPEC's former head, Chakib Khelil, commented that the group is on its way to agree on an output freeze deal. Elsewhere, news that US oil inventories fell by a strong 2.51 million barrels in the week ending Aug 12 also led prices higher. On precious metals, note that the implied probability for a December rate hike has been creeping higher over the past month (from 30% at end July to yesterday's 48.5%). Should the probability continue to inch higher on favourable US-centric economic cues, gold prices especially may eventually break below its \$1,300/oz into end-year.

## Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates trading 1-7bps higher across all tenors. Flows in the SGD corporates were moderate with better buying seen in GENSSP 5.13%'49s and better selling seen in ABNAV 4.7%'22s and ANVAU 5.5%'76s. Meanwhile we also saw mixed interests seen in FCLSP 5%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 3bps to 201bps while the yield on JACI HY corporates increased 2bps to 6.43%. 10y UST yield decreased 2bps to 1.55% following the release of FOMC's July 26-27 meeting minutes that were less hawkish than expected.
- **Rating Changes:** S&P revised its outlook on PT Japfa Comfeed Indonesia Tbk. (PT Japfa) to stable from negative and affirmed its corporate credit rating of "B". The revision was in view that PT Japfa

has articulated a credible strategy to address the refinancing risk associated with its 2017 debt maturities and that its liquidity has improved following a sale of equity to KKR & Co. S&P has placed China-based pharmaceutical and hospital services provider Hua Han Health Industry Holdings Ltd. (Hua Han)'s "BB-" long-term corporate credit rating on CreditWatch with negative implications. Fitch has also placed Hua Han Health Industry Holdings Ltd.'s foreign-currency issuer default rating of "BB-" on Rating Watch Negative (RWN). This follows the delay in Hua Han's response to allegations that it had inflated its revenue and cash balance, which raises uncertainties over the robustness of the company's corporate governance and internal controls. Fitch highlighted yesterday that Singapore Telecommunications Ltd.'s rating may come under pressure if it proceeds to acquire Temasek Holdings' stake in Thailand's Intouch Holdings. Assuming that the acquisition is debt funded, it would further weaken SingTel's net leverage, and may threaten its rating, as ratings headroom for SingTel is already low. Moody's downgraded West China Cement's (WCC) corporate family rating to "B1" from "Ba3" with a negative outlook. The downgrade reflects WCC's weakened credit profile, owing to the on-going and challenging conditions prevalent in the cement industry. Moody's has revised its outlook on Longfor Properties Co. Ltd. corporate family of "Ba1" to positive from stable. The revision reflects Moody's expectation that Longfor's financial profile will continue to improve over the next 12-18 months.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	94.718	-0.08%	<b>USD-SGD</b>	1.3429	0.22%
<b>USD-JPY</b>	100.280	-0.03%	<b>EUR-SGD</b>	1.5161	0.30%
<b>EUR-USD</b>	1.1289	0.09%	<b>JPY-SGD</b>	1.3392	0.26%
<b>AUD-USD</b>	0.7655	-0.52%	<b>GBP-SGD</b>	1.7514	0.18%
<b>GBP-USD</b>	1.3042	-0.03%	<b>AUD-SGD</b>	1.0282	-0.30%
<b>USD-MYR</b>	4.0175	0.83%	<b>NZD-SGD</b>	0.9738	-0.17%
<b>USD-CNY</b>	6.6344	0.14%	<b>CHF-SGD</b>	1.3941	0.09%
<b>USD-IDR</b>	13147	0.47%	<b>SGD-MYR</b>	2.9811	0.02%
<b>USD-VND</b>	22302	-0.01%	<b>SGD-CNY</b>	4.9338	-0.26%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3690	--	<b>O/N</b>	0.4178	--
<b>2M</b>	-0.3370	--	<b>1M</b>	0.5074	--
<b>3M</b>	-0.2990	--	<b>2M</b>	0.6318	--
<b>6M</b>	-0.1890	--	<b>3M</b>	0.8013	--
<b>9M</b>	-0.1200	--	<b>6M</b>	1.1946	--
<b>12M</b>	-0.0500	--	<b>12M</b>	1.4982	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
<b>Portugal</b>	0.50	3.80	2.87
<b>Italy</b>	-0.08	--	1.12
<b>Ireland</b>	-0.35	1.00	0.40
<b>Greece</b>	7.65	--	8.10
<b>Spain</b>	-0.17	-1.00	0.97
<b>Russia</b>	2.11	-10.80	3.96

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	18,573.94	21.92
<b>S&amp;P</b>	2,182.22	4.07
<b>Nasdaq</b>	5,228.66	1.55
<b>Nikkei 225</b>	16,745.64	149.13
<b>STI</b>	2,843.35	-15.45
<b>KLCI</b>	1,694.32	-5.57
<b>JCI</b>	5,371.85	--
<b>Baltic Dry</b>	685.00	-2.00
<b>VIX</b>	12.19	-0.45

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.87 (+0.03)	0.73 (-0.02)
<b>5Y</b>	1.33 (+0.06)	1.13 (-0.03)
<b>10Y</b>	1.77 (+0.08)	1.55 (-0.03)
<b>15Y</b>	2.04 (+0.08)	--
<b>20Y</b>	2.11 (+0.07)	--
<b>30Y</b>	2.18 (+0.06)	2.26 (-0.04)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	37.97	-1.10
<b>EURIBOR-OIS</b>	5.40	0.20
<b>TED</b>	52.74	--

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.79	0.45%	Coffee (per lb)	1.351	-1.71%
Brent (per barrel)	49.85	1.26%	Cotton (per lb)	0.6836	0.51%
Heating Oil (per gallon)	1.489	1.91%	Sugar (per lb)	0.1972	-2.67%
Gasoline (per gallon)	1.45	1.96%	Orange Juice (per lb)	1.7555	-1.71%
Natural Gas (per MMBtu)	2.619	0.08%	Cocoa (per mt)	3,055	0.46%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,774.0	-0.77%	Wheat (per bushel)	4.2600	0.59%
Nickel (per mt)	10,189	-0.36%	Soybean (per bushel)	10.305	1.08%
Aluminium (per mt)	1,687.5	0.01%	Corn (per bushel)	3.3025	0.84%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,342.7	-0.58%	Crude Palm Oil (MYR/MT)	2,888.0	5.36%
Silver (per oz)	19.648	-1.14%	Rubber (JPY/KG)	180.7	0.33%

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

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
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%	--
<b>08/17/2016 06:45</b>	<b>NZ Unemployment Rate</b>	<b>2Q</b>	<b>5.30%</b>	<b>5.10%</b>	<b>5.70%</b>	<b>5.20%</b>
<b>08/17/2016 06:45</b>	<b>NZ Employment Change QoQ</b>	<b>2Q</b>	<b>0.60%</b>	<b>2.40%</b>	<b>1.20%</b>	<b>1.30%</b>
08/17/2016 06:45	NZ Employment Change YoY	2Q	2.30%	4.50%	2.00%	--
<b>08/17/2016 08:30</b>	<b>AU Westpac Leading Index MoM</b>	<b>Jul</b>	<b>--</b>	<b>0.05%</b>	<b>-0.22%</b>	<b>--</b>
<b>08/17/2016 08:30</b>	<b>SI Non-oil Domestic Exports YoY</b>	<b>Jul</b>	<b>-2.50%</b>	<b>-10.60%</b>	<b>-2.30%</b>	<b>-2.40%</b>
08/17/2016 16:00	SI Automobile COE Open Bid Cat A Aug-17		--	53334	52503	--
08/17/2016 16:00	SI Automobile COE Open Bid Cat B Aug-17		--	56500	57903	--
<b>08/17/2016 16:30</b>	<b>UK Claimant Count Rate</b>	<b>Jul</b>	<b>2.20%</b>	<b>2.20%</b>	<b>2.20%</b>	<b>--</b>
<b>08/17/2016 16:30</b>	<b>UK Jobless Claims Change</b>	<b>Jul</b>	<b>9.0k</b>	<b>-8.6k</b>	<b>0.4k</b>	<b>0.9k</b>
<b>08/17/2016 16:30</b>	<b>UK ILO Unemp Rate 3Mths</b>	<b>Jun</b>	<b>4.90%</b>	<b>4.90%</b>	<b>4.90%</b>	<b>--</b>
<b>08/17/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>Aug-12</b>	<b>--</b>	<b>-4.00%</b>	<b>7.10%</b>	<b>--</b>
08/18/2016 07:50	JN Trade Balance	Jul	¥273.2b	--	¥692.8b	¥693.1b
08/18/2016 07:50	JN Trade Balance Adjusted	Jul	¥167.7b	--	¥335.0b	--
08/18/2016 07:50	JN Imports YoY	Jul	-20	--	-18.8	--
08/18/2016 07:50	JN Foreign Buying Japan Stocks	Aug-12	--	--	-¥492.2b	--
<b>08/18/2016 09:30</b>	<b>AU Employment Change</b>	<b>Jul</b>	<b>10.0k</b>	<b>--</b>	<b>7.9k</b>	<b>--</b>
<b>08/18/2016 09:30</b>	<b>AU Unemployment Rate</b>	<b>Jul</b>	<b>5.80%</b>	<b>--</b>	<b>5.80%</b>	<b>--</b>
08/18/2016 09:30	AU Full Time Employment Change	Jul	--	--	38.4k	--
<b>08/18/2016 09:30</b>	<b>AU Participation Rate</b>	<b>Jul</b>	<b>64.90%</b>	<b>--</b>	<b>64.90%</b>	<b>--</b>
08/18/2016 09:30	AU RBA FX Transactions Market	Jul	--	--	1720m	--
<b>08/18/2016 10:00</b>	<b>PH GDP YoY</b>	<b>2Q</b>	<b>6.60%</b>	<b>--</b>	<b>6.90%</b>	<b>--</b>
08/18/2016 14:00	JN Machine Tool Orders YoY	Jul F	--	--	-19.60%	--
<b>08/18/2016 16:30</b>	<b>UK Retail Sales Ex Aut Fuel MoM</b>	<b>Jul</b>	<b>0.30%</b>	<b>--</b>	<b>-0.90%</b>	<b>--</b>
<b>08/18/2016 16:30</b>	<b>UK Retail Sales Ex Auto Fuel YoY</b>	<b>Jul</b>	<b>3.90%</b>	<b>--</b>	<b>3.90%</b>	<b>--</b>
<b>08/18/2016 16:30</b>	<b>UK Retail Sales Inc Aut Fuel MoM</b>	<b>Jul</b>	<b>0.10%</b>	<b>--</b>	<b>-0.90%</b>	<b>--</b>
<b>08/18/2016 16:30</b>	<b>UK Retail Sales Inc Auto Fuel YoY</b>	<b>Jul</b>	<b>4.20%</b>	<b>--</b>	<b>4.30%</b>	<b>--</b>
<b>08/18/2016 16:30</b>	<b>HK Unemployment Rate SA</b>	<b>Jul</b>	<b>3.40%</b>	<b>--</b>	<b>3.40%</b>	<b>--</b>
<b>08/18/2016 17:00</b>	<b>EC CPI MoM</b>	<b>Jul</b>	<b>-0.50%</b>	<b>--</b>	<b>0.20%</b>	<b>--</b>
<b>08/18/2016 17:00</b>	<b>EC CPI YoY</b>	<b>Jul F</b>	<b>0.20%</b>	<b>--</b>	<b>0.20%</b>	<b>0.10%</b>
08/18/2016 17:00	EC CPI Core YoY	Jul F	0.90%	--	0.90%	--
08/18/2016 20:30	CA Int'l Securities Transactions	Jun	--	--	14.73b	--
<b>08/18/2016 20:30</b>	<b>US Initial Jobless Claims</b>	<b>Aug-13</b>	<b>265k</b>	<b>--</b>	<b>266k</b>	<b>--</b>
08/18/2016 20:30	US Continuing Claims	Aug-06	2142k	--	2155k	--
	<b>Philadelphia Fed Business</b>					
<b>08/18/2016 20:30</b>	<b>US Outlook</b>	<b>Aug</b>	<b>2</b>	<b>--</b>	<b>-2.9</b>	<b>--</b>
08/18/2016 21:45	US Bloomberg Economic Exp	Aug	--	--	44.5	--
08/18/2016 21:45	US Bloomberg Consumer Comfort	Aug-14	--	--	41.8	--
<b>08/18/2016 22:00</b>	<b>US Leading Index</b>	<b>Jul</b>	<b>0.30%</b>	<b>--</b>	<b>0.30%</b>	<b>--</b>
08/18/2016	HK Composite Interest Rate	Jul	--	--	0.26%	--

Source: Bloomberg

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