

Treasury Advisory
Corporate FX & Structured
Products

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Interest Rate Derivatives

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Products

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Highlights

Global	<p>As market players count down to BOJ and FOMC, Wall Street was left moribund whilst the USD softened. With BOJ taking centerstage, the outcome of the highly anticipated comprehensive assessment is likely to be additional monetary easing, whether now or later. One school of thought is also that the FOMC may recognise the increasing LIBOR, attributable to the money market reform, as one additional reason to delay a 25bp rate hike till December. Nonetheless, Yellen would have to pull off a somewhat hawkish signal to necessitate a market recalibration of the December pricing amid a lowering/flattening of the median dots graph.</p> <p>Expect Asian markets to trade are likely to remain hopeful of additional fiscal stimulus from China and that the Fed would not pull the trigger so soon. Today's economic data calendar remains lightweight apart from the BOJ policy decision, and comprises of US' housing starts and building permits, and German PPI.</p>
US	NAHB housing market index unexpectedly surged from a revised 59 print in August to 65 in September, the highest since October 2015, and suggesting that homebuilding activity should improve in 2H16.
SG	STI clocked up further gains of 0.87% to close at 2852.14 yesterday, tracking gains in regional bourses as crude oil prices rebounded from one-month lows amid news of clashes which halted Libyan supplies. Given Wall Street ended flat overnight, the STI could trade in a 2840-2880 range today while awaiting BOJ's policy decision. The SGS bond yield curve steepened yesterday, but may take a breather ahead of BOJ and FOMC.
CH	The deficit in net purchase of foreign currency by Chinese clients narrowed to US\$3.2 billion in August from US\$19.7 billion in July, signalling the reduced pressure on capital outflows. The willingness for corporates to sell foreign currency also improved slightly. However, the trend of capital outflows has not been reversed yet.
ID	<p>Local press, citing Loto Srinaita Ginting, director of government securities at the Finance Ministry's budget financing and risk management office, reported that the government bond sales target this year has been adjusted to 655t rupiah, as opposed to 628t rupiah at the start of the year, in order to plug a widening budget deficit. The government will aim to keep budget deficit below 2.7% of GDP.</p> <p>Meanwhile, official figures showed that 29.1t rupiah of tax revenue has been raised in the tax amnesty program through Friday, 16 Sep 2016. The government has also identified a total of 58 financial institutions, including OCBC, as gateways for the tax amnesty program. The gateways are tasked to help the tax amnesty participants repatriate and invest the declared assets.</p>
Commodities	Unsurprisingly, crude oil prices remained depressed as more supplies were seen from Saudi Arabia. Empirically, the Kingdom reported that oil exports rose in July give record high oil production seen in the same month. Elsewhere, market expectations over higher supplies from Libya and Nigeria are sustained as domestic conflicts appear to have waned considerably over time.

Major Market

- **US:** Equities edged lower as early gains were lost in afternoon trade. Tech declines offset gains in financials. The Dow and Nasdaq closed lower by 0.02% and 0.18% respectively, while the S&P 500 closed unchanged. Meanwhile, it appears that investors have settled that a Sep rate hike would not be in play, although some still expect the Fed to lay the path of a Dec hike. US Treasury yields ended higher by 1-2 bps. 2-year benchmark yields stand at 0.78%, while the 10-year yields are at 1.71%. Volatility ended higher, closing at 15.53, up 1.04%.
- **Hong Kong:** The seasonally adjusted unemployment rate remained high at 3.4% in August and underemployment rate was unchanged at 1.4%. The labor market held largely stable in overall terms but the retail sector was still badly hit. Unemployment rate in the retail sector edged up by 0.9% yoy to 5.4% in August, as business performance in retail sales remained clouded amid shrinking tourist expenditure and a lacklustre local consumption. Indeed, employment of the consumption and tourism-related sectors witnessed the 16th consecutive year-on-year decline in August. Unemployment rate in trade and wholesale sector picked up again from 2.8% to 3.0%. This is because decline in export value has widened somewhat recently amid an unsteady global demand conditions after having narrowed in the preceding months. It looks to us that the soft external demand could continue to pose downward risk to exports. On the flip side, unemployment rate in construction sector decreased notably from 4.2% to 3.5%, backed by the accelerating construction activities. What is also worth noticing is that Shenzhen-Hong Kong connect is expected to bring more employment opportunities to security firms and fund houses amid the increasing need for brokerage and asset management from mainland investors. Looking ahead, corporate hiring sentiment could remain overshadowed given the slow-growing domestic economy and lingering external uncertainties.
- Overnight CNH HIBOR surged to the highest since Jan at 23.68% due to seasonality and PBOC's measures to curb short sellers before Fed's decision this week.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve was range-bound yesterday with swap rates trading +/- 2bps across all tenors as investors stayed cautious ahead of FOMC and Bank of Japan meetings that are to be held later this week. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and SCISP 4.75%'49s. Better selling were seen in PILLSP 5.9%'17s while mixed interests were seen in FCLSP 5%'49s, UOBSP 4%'49s, QNMSP 4.4%'18s and OLAMSP 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 203bps while the yield on JACI HY corporates was relatively unchanged at 6.50%. 10y UST yield increased 2bps to 1.71%.
- **New Issues:** Woori Bank has launched a USD AT1 bond that is to be priced later today. The expected issue ratings are "BB+/Ba3/NR".
- **Rating Changes:** S&P revised its outlook on Yuzhou Properties Co. Ltd.'s "B+" credit rating to positive from stable as S&P expects Yuzhou to rapidly expand its operating scale and materially minimize the gap in scale compared with its larger peers' over the next 12 months. S&P raised its issuer credit ratings on SGSP (Australia) Assets Pty Ltd. (SGSPAA) and the company's subsidiary Jemena Ltd. to "A-" from "BBB+" with stable outlook. The rating upgrade follows our assessment of the benefit of group support to SGSPAA from its majority shareholder, State Grid International Development Ltd. (SGID). Moody's assigned a definitive "Baa2" credit rating to NSW Electricity Networks Finance Pty Limited's (NSWEN Finance) senior secured notes with stable outlook. Moody's has withdrawn its long-term credit rating on CITIC Group Corp.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.841	-0.28%	USD-SGD	1.3617	-0.47%
USD-JPY	101.930	-0.35%	EUR-SGD	1.5218	-0.33%
EUR-USD	1.1175	0.18%	JPY-SGD	1.3361	-0.11%
AUD-USD	0.7534	0.57%	GBP-SGD	1.7745	-0.25%
GBP-USD	1.3030	0.22%	AUD-SGD	1.0259	0.17%
USD-MYR	4.1380	0.18%	NZD-SGD	0.9931	-0.10%
USD-CNY	6.6685	-0.09%	CHF-SGD	1.3894	-0.40%
USD-IDR	13152	-0.02%	SGD-MYR	3.0347	0.15%
USD-VND	22310	-0.02%	SGD-CNY	4.8982	0.38%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4204	--
2M	-0.3390	--	1M	0.5318	--
3M	-0.3010	--	2M	0.6688	--
6M	-0.2010	--	3M	0.8571	--
9M	-0.1270	--	6M	1.2473	--
12M	-0.0540	--	12M	1.5449	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.58	1.90	3.37
Italy	-0.07	-0.90	1.31
Ireland	-0.37	0.50	0.48
Greece	7.65	--	8.64
Spain	-0.19	-1.90	1.03
Russia	2.13	5.90	3.97

Equity and Commodity

Index	Value	Net change
DJIA	18,120.17	-3.63
S&P	2,139.12	--
Nasdaq	5,235.03	-9.54
Nikkei 225	16,519.29	--
STI	2,852.14	24.69
KLCI	1,651.71	-1.28
JCI	5,321.84	54.07
Baltic Dry	836.00	36.00
VIX	15.53	0.16

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.85 (-0.01)	0.78 (+0.02)
5Y	1.33 (+0.01)	1.22 (+0.02)
10Y	1.87 (+0.01)	1.71 (+0.02)
15Y	2.17 (--)	--
20Y	2.25 (--)	--
30Y	2.26 (--)	2.46 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.51	-0.45
EURIBOR-OIS	4.53	0.63
TED	57.81	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	43.30	0.63%	Coffee (per lb)	1.515	2.99%
Brent (per barrel)	45.95	0.39%	Cotton (per lb)	0.6898	1.83%
Heating Oil (per gallon)	1.394	-0.76%	Sugar (per lb)	0.2210	1.47%
Gasoline (per gallon)	1.42	-2.79%	Orange Juice (per lb)	1.9890	1.12%
Natural Gas (per MMBtu)	2.934	-0.47%	Cocoa (per mt)	2,872	2.46%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,776.0	-0.25%	Wheat (per bushel)	4.0400	0.19%
Nickel (per mt)	10,102	4.41%	Soybean (per bushel)	9.725	0.67%
Aluminium (per mt)	1,568.5	0.45%	Corn (per bushel)	3.3725	0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,313.8	0.58%	Crude Palm Oil (MYR/MT)	2,831.0	-0.07%
Silver (per oz)	19.206	2.26%	Rubber (JPY/KG)	170.3	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
09/19/2016 06:00	NZ Westpac Consumer Confidence	3Q	--	108	106
09/19/2016 06:30	NZ Performance Services Index	Aug	--	57.9	54.2
09/19/2016 07:01	UK Rightmove House Prices MoM	Sep	--	0.70%	-1.20%
09/19/2016 07:01	UK Rightmove House Prices YoY	Sep	--	4.00%	4.10%
09/19/2016 09:30	CH China August Property Prices				
09/19/2016 13:31	PH BoP Overall	Aug	--	\$682m	\$215m
09/19/2016 16:00	EC ECB Current Account SA	Jul	--	21.0b	28.2b
09/19/2016 16:00	EC Current Account NSA	Jul	--	31.5b	37.6b
09/19/2016 16:30	IT Current Account Balance	Jul	--	9418m	7185m
09/19/2016 16:30	HK Unemployment Rate SA	Aug	3.40%	3.40%	3.40%
09/19/2016 17:00	EC Construction Output MoM	Jul	--	1.80%	0.00%
09/19/2016 17:00	EC Construction Output YoY	Jul	--	3.10%	0.60%
09/19/2016 22:00	CA Bloomberg Nanos Confidence	Sep-16	--	56.7	57.7
09/19/2016 22:00	US NAHB Housing Market Index	Sep	60	65	60
09/20/2016 09:30	AU RBA Sept. Meeting Minutes				
09/20/2016 09:30	AU House Price Index QoQ	2Q	2.80%	--	-0.20%
09/20/2016 09:30	AU House Price Index YoY	2Q	5.10%	--	6.80%
09/20/2016 14:00	GE PPI MoM	Aug	0.00%	--	0.20%
09/20/2016 14:00	GE PPI YoY	Aug	-1.60%	--	-2.00%
09/20/2016 15:00	JN Convenience Store Sales YoY	Aug	--	--	0.30%
09/20/2016 20:30	US Housing Starts	Aug	1190k	--	1211k
09/20/2016 20:30	US Housing Starts MoM	Aug	-1.70%	--	2.10%
09/20/2016 20:30	US Building Permits	Aug	1165k	--	1152k
09/20/2016 20:30	US Building Permits MoM	Aug	1.80%	--	-0.10%
09/20/2016	HK Composite Interest Rate	Aug	--	--	0.26%
09/20/2016 09/27	TH Car Sales	Aug	--	--	60635
09/19/2016 09/30	IN BoP Current Account Balance	2Q	\$2.70b	--	-\$0.30b

Source: Bloomberg

<u>OCBC Treasury Research</u>		<u>OCBC Wing Hang Research</u>
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com	<u>Wing Hang</u> Kam Liu kamyyliu@ocbcwh.com Carie Li carierli@ocbcwh.com

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