

## Highlights

Global	<p>Global risk appetite remained supportive overnight as FOMC chair Yellen did not deviate significantly from the Fed script in her monetary policy testimony to the Senate Banking panel. She opined that “economic growth has been uneven over recent quarters” and “the pace of improvement in the labor market appears to have slowed more recently, suggesting that our cautious approach to adjusting monetary policy remains appropriate”. On inflation, she reiterated the optimism that “as the transitory influences holding down inflation fade and the labour market strengthens further, the committee expects inflation to rise to 2 percent over the medium term”, but “nonetheless, in considering future policy decisions, we will continue to carefully monitor actual and expected progress towards our inflation goal”. On downside risks, she cited vulnerabilities in the global economy, including China and Brexit, in addition to that “domestic demand might falter”. She concluded that “the economic outlook is uncertain, so monetary policy is by no means on a preset course and FOMC participants’ projections for the federal funds rate will depend on economic and financial developments and their implications for the outlook and associated risks”. With market speculation now tilting towards eyeballing Yellen as one of the 6 FOMC members who pencilled in only one rate hike this year, her speech has further reinforced the market consensus view that there is no urgency to move at the July FOMC, and either a September or December timing is more plausible.</p> <p>Today’s economic data calendar again remains lightweight, with the BOT policy decision (likely static at 1.5%) due together with US’ existing home sales and Singapore’s COE tender results. Yellen testifies again to the House Committee on Financial Service, but a repeat of her view can be expected. Market attention could turn back to Brexit as the polls remain too close to call even though the bookmakers odds have subsided to around 25% for Leave.</p>
EZ	<p>German ZEW survey unexpectedly saw both current situation and expectations improve more than expected to 54.5 and 19.2 (high since Aug15) in June, up from 53.1 and 6.4 previously, notwithstanding the Brexit jitters. Meanwhile, ECB’s Draghi reiterated his willingness to act, which weighed on the currency. Separately, Germany’s highest court had refrained from halting its participation in the ECB’s bond buying program.</p>
China	<p>In its 2015 annual report published by PBoC yesterday, the central bank said it will roll out the trial of QDII2 to allow individuals to invest in the offshore financial market at an appropriate time. Meanwhile the PBoC will also allow qualified foreign companies to IPO in China’s onshore market. Since late 2015, China has largely shut down outflow channel in the wake of rising RMB volatility. Given the recent stabilized sentiment, China will eventually allow capital outflows as part of its capital account liberalization.</p> <p>In addition, the PBoC also said in its social media account that it is studying the option to allow onshore banks to trade CNH, which may lead to eventual close of gap between CNY and CNH. Meanwhile, China also further opens its interbank deposit to offshore investors.</p>
TH	<p>The Bank of Thailand is to meet today, where we expect the central bank to keep interest rate unchanged at 1.50%.</p>

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## Major Market

- **US:** Equities markets fluctuated sideways as Brexit polls continue to dominate the narrative. Meanwhile, Yellen signaled caution about the U.S. economy in her testimony to the Senate Banking Committee. She opined that the U.S. has yet to show clear signs of improvement. Led by energy stocks, S&P 500, Dow and Nasdaq all notched small gains, rising 0.27%, 0.14% and 0.14% respectively. In the Treasury space, 2-year benchmark yields rose to 0.76%, while the 10-year closed at 1.71%. VIX closed up 0.60% to 18.48.
- **Singapore:** The 2-year SGS bond re-opening will be \$1.8b with the auction closing at noon on 28 June for issue on 1 July. Meanwhile, The STI declined 0.41% to close at 2789.45 yesterday, as Asian bourses recorded a mixed session. Given overnight improvement in Wall Street and mixed morning leads from Nikkei and Kospi, the STI could range trade today in a range of 2760-2800. SGS bond yields may range trade to tip slightly higher, taking the lead from UST bonds as risk appetite remains mildly supportive for now.
- **Hong Kong:** Headline inflation decreased slightly from 2.7% to 2.6% in May. The decrease was attributed to the retreat in housing rentals and smaller increases in food price. Food inflation also retreated further from 3.8% to 3.1% amid warmer weather. On the other hand, housing rental inflation decreased slightly from 4.8% to 4.6% as sour market sentiments and the prospect of increasing supply of public housing and subsidized sales flats this year weighed on private housing rental. On the other hand, clothing prices deflated for the 14th consecutive month to -2.8% in May. Soft data of clothing inflation was likely due to sluggish inbound tourist activities. Looking forward, we expect the upside risk of HK inflation to be moderate this year given soft external price pressures as well as a bleak economic outlook.
- **Macau:** Despite higher prices of tobacco and gasoline, Macau's CPI fell below 3% for the first time since August 2010, printing 2.64%. Slower inflation was mainly attributed to more moderate growth of food prices (+3.11%) as the fall in vegetable prices was sufficient enough to offset increases in pork prices and the cost of eating out. Moreover, as more casino junket operators left Macau and fewer non-local workers reside in the city, decreases in housing rentals also dragged housing and fuels prices growth (+1.00%) further down to the weakest since Sep 2010. Also, sluggish domestic consumption and visitor spending have resulted in 10 straight months of deflation in clothing and footwear prices (-3.93%). Overall, inflation pressures on the Macau's economy are concluded to be easing with the CPI expected to average around 3% this year.
- **Indonesia:** The government is proposing an additional allocation in revised 2016 state budget amounting to IDR13.56tn in investment for the state-owned utilities company, Perusahaan Listrik Negara (PLN). The money is to be used for power projects that are not economically feasible and to pay tax bill due to asset revaluation.
- **Commodities:** Gold lost its stellar as the Brexit polls between the two camps narrowed, with the bullion falling to its \$1,270/oz. Silver followed suit to \$17.32/oz. Elsewhere, crude oil is little changed with Brent at \$50.62/bbl though WTI fell by 1% to \$48.85/bbl. Some upside risk for crude oil may be present today, as market-watchers eye closely on the upcoming EIA oil stockpile data, where expectations are calling for a decline of 1.5 million barrels last week.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, trading 4-5bps lower across all tenors. Flows in the SGD corporates were moderate with better buying seen in GEMAU 5.5%'19s and mixed interest seen in STANLN 4.4%'26s and OLAMSP 6%'22s. In the broader dollar space, the spread on JACI IG Corporates decreased by 2bps to 228bps, while the yield on JACI HY Corporates decreased by 2 bps to 6.98%. 10y UST increased by 2bps to 1.71%.
- **New Issues:** Astrea III Pte. Ltd (Singapore) has set its final guidance on its proposed 3-tranche USD/SGD bond deal that is to be priced later today. The final guidance for its Class A-1, A-2, B and C notes are 3.9%, 4.65%, 6.5% and 9.25% respectively.
- **Rating Changes:** S&P affirmed its long term credit rating of "AA-" on DBS Bank Ltd. (Singapore). The affirmation reflects S&P's expectation of DBS's financial profile to stay resilient over the next 18-24 months despite challenging external conditions. Likewise, S&P also affirmed its long term credit rating of "AA-" on OCBC Ltd. (Singapore), reflecting S&P's view that the bank is likely to maintain its strong business position, adequate capital and earnings, adequate risk position, as well as strong funding and liquidity positions in the next 18-24 months, despite on-going external headwinds. Fitch assigned a "BB+" rating on Jiangsu Hanrui Investment Holding (Hanrui) Co. Ltd.'s long term default rating and senior proposed notes with stable outlook. The assignment reflects the credit-link with Fitch's assessment of Zhenjiang Municipality's credit profile. The link shows strong oversight and supervision of Hanrui by the Zhenjiang municipal government, integration of multi-year funding for the company with the municipal budget, and the strategic importance of Hanrui's public-sector construction projects and social housing construction to the municipality.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.017	0.43%	USD-SGD	1.3430	-0.01%
USD-JPY	104.750	0.78%	EUR-SGD	1.5098	-0.64%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2824	-0.76%
AUD-USD	0.7450	-0.09%	GBP-SGD	1.9682	-0.28%
GBP-USD	1.4652	-0.31%	AUD-SGD	1.0008	-0.07%
USD-MYR	4.0328	-0.73%	NZD-SGD	0.9568	0.08%
USD-CNY	6.5910	0.14%	CHF-SGD	1.3962	0.01%
USD-IDR	13247	-0.04%	SGD-MYR	3.0085	-0.61%
USD-VND	22301	0.00%	SGD-CNY	4.9096	0.19%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3580	--	O/N	0.3901	--
2M	-0.3060	--	1M	0.4481	--
3M	-0.2660	--	2M	0.5362	--
6M	-0.1590	--	3M	0.6465	--
9M	-0.0930	--	6M	0.9307	--
12M	-0.0280	--	12M	1.2515	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.78	3.20	3.17
Italy	0.01	1.50	1.45
Ireland	-0.26	0.40	0.79
Greece*	8.98	89.20	7.90
Spain	-0.01	0.70	1.51
Russia^	2.50	-7.00	4.72

\* 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	17,829.73	24.90
S&P	2,088.90	5.70
Nasdaq	4,843.76	6.50
Nikkei 225	16,169.11	203.80
STI	2,789.45	-11.40
KLCI	1,637.69	3.50
JCI	4,878.71	15.20
Baltic Dry	580.00	-2.00
VIX	18.48	0.10

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.02 (-0.02)	0.76 (+0.02)
5Y	1.59 (-0.04)	1.20 (+0.02)
10Y	2.09 (-0.05)	1.71 (+0.02)
15Y	2.37 (-0.04)	--
20Y	2.44 (-0.04)	--
30Y	2.54 (-0.04)	2.51 (+0.02)

### Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.01	-0.19
EURIBOR-OIS	8.30	0.10
TED	37.29	-2.44

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.85	-1.05%	Coffee (per lb)	1.385	-0.72%
Brent (per barrel)	50.62	-0.06%	Cotton (per lb)	0.6285	-2.39%
Heating Oil (per gallon)	1.517	-0.70%	Sugar (per lb)	0.1924	-2.29%
Gasoline (per gallon)	1.59	0.64%	Orange Juice (per lb)	1.6510	-1.08%
Natural Gas (per MMBtu)	2.768	0.76%	Cocoa (per mt)	3,195	0.79%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,670.0	0.56%	Wheat (per bushel)	4.5850	-3.07%
Nickel (per mt)	9,160	-1.02%	Soybean (per bushel)	11.333	-0.90%
Aluminium (per mt)	1,628.8	0.14%	Corn (per bushel)	3.9625	-5.93%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,270.5	-1.51%	Crude Palm Oil (MYR/MT)	2,431.0	-0.49%
Silver (per oz)	17.319	-1.11%	Rubber (JPY/KG)	160.0	0.95%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
<b>06/21/2016 12:30</b>	<b>JN All Indust Activity Index MoM</b>	<b>Apr</b>	<b>1.20%</b>	<b>1.30%</b>	<b>0.10%</b>	<b>0.20%</b>
06/21/2016 16:30	UK Public Finances (PSNCR)	May	--	3.4b	-2.4b	-2.0b
06/21/2016 16:30	UK Public Sector Net Borrowing	May	9.4b	9.1b	6.6b	7.6b
06/21/2016 16:30	UK PSNB ex Banking Groups	May	9.5b	9.7b	7.2b	8.2b
<b>06/21/2016 16:30</b>	<b>HK CPI Composite YoY</b>	<b>May</b>	<b>2.60%</b>	<b>2.60%</b>	<b>2.70%</b>	--
<b>06/21/2016 17:00</b>	<b>GE ZEW Survey Current Situation</b>	<b>Jun</b>	<b>53</b>	<b>54.5</b>	<b>53.1</b>	--
<b>06/21/2016 17:00</b>	<b>GE ZEW Survey Expectations</b>	<b>Jun</b>	<b>4.8</b>	<b>19.2</b>	<b>6.4</b>	--
06/21/2016 17:00	EC ZEW Survey Expectations	Jun	--	20.2	16.8	--
06/21/2016 17:40	MU CPI Composite YoY	May	--	2.64%	3.02%	--
06/21/2016 18:00	MA Foreign Reserves	Jun-15	--	\$97.4b	\$97.3b	--
06/22/2016 08:30	TA Unemployment Rate	May	3.95%	--	3.97%	--
<b>06/22/2016 08:30</b>	<b>AU Westpac Leading Index MoM</b>	<b>May</b>	--	--	<b>0.24%</b>	--
06/22/2016 11:00	NZ Credit Card Spending YoY	May	--	--	9.10%	--
<b>06/22/2016 15:30</b>	<b>TH BoT Benchmark Interest Rate</b>	<b>Jun-22</b>	<b>1.50%</b>	--	<b>1.50%</b>	--
06/22/2016 16:00	SI COE Open Bid Cat A	Jun-22	--	--	53694	--
06/22/2016 16:00	SI COE Open Bid Cat B	Jun-22	--	--	56000	--
<b>06/22/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>Jun-17</b>	--	--	<b>-2.40%</b>	--
<b>06/22/2016 20:30</b>	<b>CA Retail Sales MoM</b>	<b>Apr</b>	<b>0.80%</b>	--	<b>-1.00%</b>	--
06/22/2016 20:30	CA Retail Sales Ex Auto MoM	Apr	0.70%	--	-0.30%	--
06/22/2016 21:00	US FHFA House Price Index MoM	Apr	0.60%	--	0.70%	--
<b>06/22/2016 22:00</b>	<b>EC Consumer Confidence</b>	<b>Jun A</b>	<b>-7</b>	--	<b>-7</b>	--
<b>06/22/2016 22:00</b>	<b>US Existing Home Sales</b>	<b>May</b>	<b>5.55m</b>	--	<b>5.45m</b>	--
06/22/2016 22:00	US Existing Home Sales MoM	May	1.80%	--	1.70%	--
06/22/2016 06/24	PH Budget Balance PHP	Apr	--	--	-74.4b	--

Source: Bloomberg

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