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**Highlights**

<b>Global</b>	While ECB and BI both chose to be static yesterday, other interesting developments were BOJ governor Kuroda's BBC Radio 4 interview whereby he dismissed the need for helicopter money, albeit it was later revealed that the interview was conducted on 17 June (ie. prior to Brexit). Meanwhile, the Nikkei reported that Japan's stimulus package could be as large as JPY30tn if it includes government guarantees and other off-budget measures. Separately, the US Treasury officials sounded relatively conciliatory towards China saying that the latter is moving towards market-driven FX policies and the recent intervention is different from promoting weaker exchange rates. This came ahead of the G20 meeting on 23-24 July in Chengdu, China. Global risk appetite in Asia may continue to consolidate ahead of the weekend, especially on signs that immediate monetary policy easing may not be immediately forthcoming. Today's economic data calendar will focus on the slew of manufacturing and services PMIs from Europe and US.
<b>US</b>	Initial jobless claims unexpectedly fell 1k to a 3-month low of 253k, bringing the 4-week average to 257,750, while the continuing claims clocked in at 2.128m. Existing home sales eased to +1.1% mom (forecast: -0.9%) in June to 5.57m annual pace, the most since Feb 2007, driving the median price up 4.8% to \$247,700 while the inventory fell 5.8% yoy to 2.12m. Meanwhile, the leading index also rebounded 0.3% in June, up from -0.2% in May. However, the Philadelphia Fed survey slumped to contraction territory at -2.9 (previously +4.7) in July, the lowest since Jan, albeit the underlying indicators were relatively resilient – new orders rose from -3.0 to +11.8, while shipments also surged from -2.1 to +6.3, but was dragged down by labor indicators.
<b>EZ</b>	ECB's Draghi is essentially in wait-and-see mode, citing that while risks to the Euro-area growth is tilted to the downside, the ECB remains ready, willing and able to act if needed. He also indicated that funding conditions remain "highly supportive" and interestingly he indicated that a public backstop would be a "very useful" way of addressing NPLs which are a "big problem for Italian lenders".
<b>China</b>	Commercial banks settlement and sales of foreign exchange for clients posted a deficit of CNY116.1 billion in June (vs CNY67.7bn in May). In fact, the willingness to purchase foreign exchange by clients decreased in June, seen from the fall in the ratio of banks' sale of forex for clients to cross border foreign currency expenses to 50% in June from 53% in May. However, the impact of Brexit has yet to be priced into the data prints. Therefore, do expect market's willingness of forex purchase to increase again in the coming months, albeit the upside is limited amid capital outflow controls.
<b>ID</b>	Bank Indonesia kept its policy rate unchanged yesterday, as we expected. While low inflation and stable Rupiah technically gave the central bank some room to ease rates further, it opted to be on hold to wait for further transmission of previous 100bps worth of rate cuts to lending rates.
<b>Commo-dities</b>	Weak tech earnings from the US dragged risk-related assets, including equities and commodities. Brent crude fell significantly by more than 2.0% to \$46.20/bbl to its lowest in May 2016. More importantly, with only about 2 months till the end of the US driving season, the gasoline stock build should it continue, may be a persuasive factor to drag oil prices into 4Q16.

## Major Market

- **US:** Equity markets retreated from record highs after a decidedly mixed set of earnings releases on Thursday. Strong results from Qualcomm, eBay and Biogen were offset by misses from Intel, American Express and Southwest Airlines. Concerns over extended valuations were also creeping into the minds of investors. S&P 500 retreated 0.36% to close at 2165.17. The Dow and Nasdaq declined 0.42% and 0.31% respectively. US Treasury yields fell amid strong demand in a new auction of 10-year TIPS. \$13b of the inflation-indexed Treasuries were sold at 0.045%, the lowest since May 2013. 2-year notes yield 0.68%, while the 10-year notes yield 1.56%. Meanwhile, VIX rose 8.2% after six consecutive days of declines. This is the largest gain since Brexit.
- **Singapore:** The STI declined 0.18% to close at 2940.48 yesterday, and may succumb to further consolidation today amid weak overnight cues from Wall Street and morning slippage by Kospi. The STI's resistance and support are tipped at 2950 with support at 2900. The SGS bonds may continue to be better supported amid the slight risk-off sentiments.
- **Hong Kong:** Private residential housing starts registered 833 units in May. Housing starts in the first five months was 26.41% higher than that of same period last year. Figure indicated that the housing supply in private sector could be on a solid growth pace over next two to three years. On the other hand, completion in May rose significantly to 2,441 units amid the accelerated pace of construction. Completion in the first five months also surged 42.68% yoy. Based on the average housing starts figures, average supply of private residential units during 2016 to 2018 is estimated at about 16,526 units, higher than the five-year average of around 11,397 units in 2010 to 2014. This reinforces our view that the increasing housing supply could add downward pressure to HK housing market in the longer term. For the year, however, we upgrade our forecast for the average property price growth from -20% to -10%, as housing demand should be underpinned by low borrowing costs especially on a slower rate hike pace by the Fed.
- Headline inflation decelerated further from 2.6% to 2.4% in June. The slower print was mainly attributed to a retreat in housing rentals and abating increases in food price. Food inflation retreated further from 3.1% to 2.7% after the extremely cold winter weather, lowest since September 2010. On the other hand, housing rental inflation decreased from 4.6% to a three-month low of 4.4%, far lower than the average of 5.1% in 2015. Given poor market sentiment in the private housing market, some residential property owners may prefer to lease rather than sell their homes during the correction period, in turn weighing down private housing rental and thereby adding downward pressure to overall domestic prices. Utility CPI deflated notably by 2.2%. On the other hand, clothing prices contracted for the 15th consecutive month to -3.3% in June amid tepid inbound tourist activities. For the rest of this year, any upside risk to inflation should be muted by (1) softening external price pressures, (2) dampened consumption sentiment and (3) overall bleak economic outlook. As such, headline inflation for the year is likely to average 2.2%.
- **Macau:** CPI slowed further to 2.26% in June, the lowest growth print since March 2010. This slowdown is led by the two most heavily-weighted sections. Specifically, Food & Non-Alcoholic Beverages prices moderated to 2.57% (weakest since Oct 2009) as the fall in vegetable prices outweighed the increase seen in fresh fish prices and the cost of eating out. On the other hand, Housing & Fuels prices merely grew by 0.61% yoy (weakest since Aug 2010) as tighter scrutiny on casino junket operators and the decreasing willingness of non-local workers to reside in Macau dented the rental market. Elsewhere, subdued local and visitor consumption resulted in the 11th straight month of contraction in clothing and footwear prices (-3.91%). Given the expected slower wage growth, overall headline CPI is expected to print below 3.0% this year.
- **Commodities:** Crude palm oil prices grew for its 5<sup>th</sup> consecutive trading day after falling to its MYR2,270/MT last week. Into the months ahead, although Asia's palm oil production should

seasonally pick up till October 2016, note that any impending signs of weather extremities owing the La Nina syndrome may be a persuasive factor to lift CPO prices into the year-end.

## Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve flattened yesterday, with the short-to-middle-end rates traded 3-6bps higher while the long-end rates traded 2-3bps higher. Flows in the SGD corporates were heavy yesterday with better buying seen in SOCGEN 4.3%'26s and mixed interests seen in GENSSP 5.13%'49s, BAERVX 5.9%'49s, MFCCN 3.85%'26s, ARTSP 4.68%'49s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates decreased by 1bps to 216bps while the yield on JACI HY corporates increased by 1bps to 6.46%. 10y UST decreased by 3bps to 1.55% despite initial jobless claims and existing home sales beating expectations, as US equities and oil prices fell.
- **New Issues:** ANZ (New Zealand) Ltd. launched a two-tranche deal yesterday, with the USD 750mn 5-year bond priced at CT5+105bps, tightening from its initial guidance of CT5+125bps. The other tranche of USD250mn was priced at 3mL+101bps. The expected issue ratings are "AA-/Aa3/AA-". China Railway Xunjie Co. Ltd. has priced a USD500mn 10-year bond at CT10+170bps, tightening from its initial guidance of CT10+205bps. The expected issue ratings are "NR/A3/A-". Greenland HK has launched a USD 3-year bond deal with final priced guidance set at 4.25%, tightening from its initial price guidance at 4.625%. The expected issue ratings are "B+/Ba3/BB+"
- **Rating Changes:** S&P assigned first time issuer credit ratings of "AA-" to China Development Bank Capital Corp. Ltd (CDB Capital) with a negative outlook. The assignment reflects S&P's view that CDB Capital is a wholly owned core subsidiary of China Development Bank Corp. (CDB) in carrying out its policy-driven strategic objectives. Due to the company's involvement in these policy-driven businesses, S&P believes that extraordinary government support to the parent bank is indirectly available to CDB Capital if needed. The negative outlook on CDB Capital reflects S&P's outlook on the sovereign credit rating on China, and therefore on its parent bank CDB. At the same time, S&P also assigned first time issuer ratings of "AA-" to China Development Bank International Holdings Ltd. (CDBI), subsidiary of CDB Capital with negative outlook. The assignment follows the same rationale that any extraordinary support given to CDB will indirectly support its subsidiaries.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.000	-0.21%	USD-SGD	1.3555	-0.07%
USD-JPY	105.820	-1.00%	EUR-SGD	1.4945	0.02%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2809	0.92%
AUD-USD	0.7495	0.23%	GBP-SGD	1.7937	0.11%
GBP-USD	1.3233	0.19%	AUD-SGD	1.0159	0.04%
USD-MYR	4.0398	0.25%	NZD-SGD	0.9483	-0.49%
USD-CNY	6.6755	-0.03%	CHF-SGD	1.3749	0.07%
USD-IDR	13099	-0.10%	SGD-MYR	2.9859	0.65%
USD-VND	22303	0.01%	SGD-CNY	4.9249	0.18%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4174	--
2M	-0.3330	--	1M	0.4874	--
3M	-0.2970	--	2M	0.5770	--
6M	-0.1890	--	3M	0.7016	--
9M	-0.1220	--	6M	1.0202	--
12M	-0.0560	--	12M	1.3449	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.70	1.50	3.05	-1.90	3.07
Italy	-0.05	1.00	1.25	0.40	1.26
Ireland	-0.41	0.40	0.49	-1.10	0.51
Greece*	8.11	2.50	8.03	7.70	8.05
Spain	-0.15	-0.80	1.12	-3.30	1.14
Russia^	2.34	0.30	4.29	0.00	4.31

\* 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	18,517.23	-77.80
S&P	2,165.17	-7.80
Nasdaq	5,073.90	-16.00
Nikkei 225	16,810.22	128.30
STI	2,940.48	-5.30
KLCI	1,657.54	-12.10
JCI	5,216.97	-25.90
Baltic Dry	726.00	-10.00
VIX	12.74	1.00

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.97 (+0.01)	0.68 (-0.03)
5Y	1.40 (+0.04)	1.09 (-0.04)
10Y	1.80 (+0.06)	1.56 (-0.02)
15Y	2.13 (+0.05)	--
20Y	2.24 (+0.06)	--
30Y	2.38 (+0.06)	2.29 (-0.01)

### Financial Spread (bps)

	Value	Change
LIBOR-OIS	29.33	0.33
EURIBOR-OIS	5.50	-0.35
TED	40.50	2.30

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.75	-0.42%	Coffee (per lb)	1.469	-0.10%
Brent (per barrel)	46.20	-2.06%	Cotton (per lb)	0.7266	0.99%
Heating Oil (per gallon)	1.371	-2.47%	Sugar (per lb)	0.1956	1.45%
Gasoline (per gallon)	1.36	-0.64%	Orange Juice (per lb)	1.8070	-0.88%
Natural Gas (per MMBtu)	2.692	1.28%	Cocoa (per mt)	2,902	-2.26%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,976.0	0.20%	Wheat (per bushel)	4.1775	1.15%
Nickel (per mt)	10,733	1.69%	Soybean (per bushel)	10.325	0.54%
Aluminium (per mt)	1,590.5	-1.50%	Corn (per bushel)	3.3425	-0.96%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,331.0	0.89%	Crude Palm Oil (MYR/MT)	2,394.0	0.29%
Silver (per oz)	19.784	1.03%	Rubber (JPY/KG)	185.2	4.46%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
07/21/2016 09:30	AU NAB Business Confidence	2Q	--	2	4
07/21/2016 09:30	AU RBA FX Transactions Market	Jun	--	1720m	909m
07/21/2016 11:00	NZ Credit Card Spending YoY	Jun	--	4.10%	5.90%
07/21/2016 11:17	MU CPI Composite YoY	Jun	--	2.26%	2.64%
07/21/2016 12:30	JN All Industry Activity Ind. MoM	May	-1.10%	-1.00%	1.30%
07/21/2016 14:00	JN Machine Tool Orders YoY	Jun F	--	-19.90%	-19.90%
07/21/2016 14:45	FR Manufacturing Confidence	Jul	101	103	102
07/21/2016 16:28	ID Rate	Jul-21	6.25%	6.50%	6.50%
07/21/2016 16:30	UK Public Finances (PSNCR)	Jun	--	14.9b	3.4b
07/21/2016 16:30	UK Public Sector Net Borrowing	Jun	9.2b	7.3b	9.1b
07/21/2016 16:30	UK PSNB ex Banking Groups	Jun	9.5b	7.8b	9.7b
07/21/2016 16:30	HK CPI Composite YoY	Jun	2.50%	2.40%	2.60%
07/21/2016 19:45	EC ECB Main Refinancing Rate	Jul-21	0.00%	0.00%	0.00%
07/21/2016 19:45	EC ECB Deposit Facility Rate	Jul-21	-0.40%	-0.40%	-0.40%
07/21/2016 19:45	EC ECB Marginal Lending Fac.	Jul-21	0.25%	0.25%	0.25%
07/21/2016 20:30	US Chicago Fed Nat Activity Index	Jun	-0.2	0.16	-0.51
07/21/2016 20:30	CA Wholesale Trade Sales MoM	May	0.20%	1.80%	0.10%
07/21/2016 20:30	US Initial Jobless Claims	Jul-16	265k	253k	254k
07/21/2016 20:30	US Continuing Claims	Jul-09	2137k	2128k	2149k
07/21/2016 20:30	US Philadel. Fed Biz Outlook	Jul	4.5	-2.9	4.7
07/21/2016 21:00	US FHFA House Price Index MoM	May	0.40%	0.20%	0.20%
07/21/2016 22:00	US Existing Home Sales	Jun	5.48m	5.57m	5.53m
07/21/2016 22:00	US Leading Index	Jun	0.20%	0.30%	-0.20%
07/22/2016 07:50	JN Foreign Buying Japan Stocks	Jul-15	--	--	¥306.8b
07/22/2016 08:30	TA Unemployment Rate	Jun	3.98%	--	3.96%
07/22/2016 10:00	JN Nikkei Japan PMI Mfg	Jul P	--	--	48.1
07/22/2016 15:00	FR Markit France Manufacturing	Jul P	48	--	48.3
07/22/2016 15:00	FR Markit France Services PMI	Jul P	49.5	--	49.9
07/22/2016 15:00	FR Markit France Composite PMI	Jul P	49.2	--	49.6
07/22/2016 15:30	GE Markit/BME Germany	Jul P	53.4	--	54.5
07/22/2016 15:30	TH Foreign Reserves	Jul-15	--	--	\$179.2b
07/22/2016 15:30	GE Markit Germany Services PMI	Jul P	53.2	--	53.7
07/22/2016 15:30	GE Markit/BME Germany	Jul P	53.6	--	54.4
07/22/2016 16:00	TA Industrial Production YoY	Jun	0.50%	--	1.89%
07/22/2016 16:00	IT Industrial Orders MoM	May	--	--	1.00%
07/22/2016 16:00	EC Markit Eurozone	Jul P	52	--	52.8
07/22/2016 16:00	EC Markit Eurozone Services PMI	Jul P	52.3	--	52.8
07/22/2016 16:00	EC Markit Eurozone Composite	Jul P	52.5	--	53.1
07/22/2016 16:30	UK Markit UK PMI Manufacturing	Jul P	48.7	--	52.1
07/22/2016 16:30	UK Markit/CIPS UK Services PMI	Jul P	48.8	--	52.3
07/22/2016 16:30	UK Markit/CIPS UK Composite PMI	Jul P	49	--	52.4
07/22/2016 17:00	IT Retail Sales MoM	May	-0.20%	--	0.10%
07/22/2016 18:00	MA Foreign Reserves	Jul-15	--	--	\$97.2b
07/22/2016 20:30	CA Retail Sales MoM	May	0.00%	--	0.90%
07/22/2016 20:30	CA Retail Sales Ex Auto MoM	May	0.30%	--	1.30%
07/22/2016 20:30	CA CPI NSA MoM	Jun	0.10%	--	0.40%
07/22/2016 20:30	CA CPI YoY	Jun	1.40%	--	1.50%
07/22/2016 20:30	CA CPI Core YoY	Jun	2.00%	--	2.10%
07/22/2016 21:45	US Markit US Manufacturing PMI	Jul P	51.5	--	51.3
07/22/2016	MU Visitor Arrivals	Jun	--	--	2478t
07/22/2016 07/29	PH Budget Balance PHP	May	--	--	55.0b

Source: Bloomberg

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

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