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Highlights

Global	Market sentiment softened overnight on the back of geopolitical risks and natural disasters. On North Korea, although it is probably not a surprise to know that its leader, Kim Jong Un, likes to launch missiles every now and then, yesterday's submarine-based missile launch was an incursion into Japan's Air Defense Identification Zone. If nothing else, it served as a reminder of pockets of instability in the region at a time of already generally rising geopolitical risks. Meanwhile, market also reacted to news of earthquake in Italy and Myanmar, with the former already reeling from economic stagnation and rising political risks. It does not help sentiment too that oil price tumbled on news of higher-than-expected crude stockpiles in the US, with WTI down nearly 3% to trade below USD47 per barrel.
EZ	Germany's 2Q16 GDP grew 3.1% yoy (+0.4% qoqsa) in line with market expectations. The economy was underpinned by foreign trade and consumption in the second quarter, according to Destatis, though weak investment limited the gains.
CH	PBoC re-launched 14-day reverse repo for the first time since Feb. The auction yield remained intact at 2.4%. The re-launch showed that PBoC still aims to maintain liquidity stable in the money market on the aggregate level via open market operation. This reduced the probability of interest rate and reserve requirement ratio cut in the near term. However, the shift of liquidity supply to longer tenor signal that PBoC may want to curb leverage in bond market as funding cost from 14-day reverse repo is higher than that from 7-day and overnight reverse repo, which may increase costs for leverage.
ID	In what is billed as its 13th reform package, the government announced a series of measures to boost affordable housing in the country. It aims to simplify permit process and offer incentives to boost supply of low-cost housing. Measures include the reduction of number of permits required for construction in this segment, from 33 to 11.
MA	CPI inflation for the month of July came in at 1.1%yoy, against market expectation of 1.2%. While basic necessities such as food and housing saw some uptick in prices, these were counterbalanced by an almost 10% drop in transportation costs during the period.
TH	The Constitution Drafting Committee, the body which drafted the latest 20 th constitution, had decided to disallow the military-dominated senate the power to nominate a prime minister. The power to nominate candidates for the prime minister role will then lie in the hands of the MPs. The senate however, will still be able to join the MPs in selecting a prime minister.
Commodities	Crude oil erased all of its previous day's gains, with WTI and Brent printing \$46.77/bbl (-2.8%) and \$49.05/bbl (-1.8%) respectively. Prices were dragged primarily by official US crude oil stock data, which showed additional stockpiling of 2.5 million barrels, defying market expectations for inventories to fall instead. Elsewhere, eyes are on the upcoming Jackson Hole symposium, in-which the market hopes Fed chairwoman Janet Yellen to offer more clarity on the Federal Reserve monetary policy stance. The gold prices fell below its 50-day moving average handle, a behaviour which suggests possible further downside risk.

Major Market

- **US:** Equities retreated in afternoon trade on Wednesday amid a slide in crude oil and a selloff in healthcare/biotech stocks. Recent price hikes by drugmakers drew political attention again, with Clinton making critical remarks on such pricing policy. S&P 500 ended 0.52% lower, while the Dow and Nasdaq retreated 0.35% and 0.81% respectively. US Treasury yields rose marginally across the board. The 2-yr and 10-yr benchmark yields stood at 0.76% and 1.56%. Record demand from foreign central banks and funds for new 5-year Treasury notes was noted in the auction held overnight. The US\$34b auction closed at a yield of 1.125%. This signified that the markets are unconvinced by recent sabre-rattling by Fed officials on rate hikes. All eyes (and ears) on Yellen's comments in Jackson Hole on Friday. Meanwhile, volatility continued its recent spike, with VIX rising 8.64%.
- **Singapore:** The STI managed to print higher for the second straight trading day, clocking 0.67% gain to 2,869.57 and lifting the overall print to above its 50-day moving average level. The gains were led by CapitaLand Ltd (+2.28%) and Sembcorp Industries Ltd (+1.83%), though losses in Thai Beverage PCL (-1.98%) and Golden Agri-Resources Ltd (-1.35%) limited these losses. Despite the gains seen yesterday, the significantly lower oil prices as of last night and lower Wall Street may be effective caps to further gains today, especially as market-watchers may stay on the sidelines awaiting for Fed's rhetoric from the Jackson Hole Symposium.
- **China:** Bonds fell with the yields went up as knee jerk reaction to the news that PBoC re-launched 14-day reverse repo for the first time since Feb. The bond prices may face further pressure in the near term due to reduced easing expectation as well as PBoC's warning shot to leverage. However, the retracement may also create opportunity for investors to buy bonds on dip as the overall trend for yields to go lower remains intact.
- State-owned Asset Supervision and Administration Commission (SASAC) said China Railway Materials Co. has made full payment on CNY6.8 billion due this year in time to avoid default risk.
- **Macau:** Retail sales value (-8.7% yoy) fell for the eighth quarter straight, albeit at a slower pace. This is in line with the fact that decline in total visitors' expenditure narrowed notably from -13.6% yoy in 1Q to -4.5% yoy in 2Q. As the latest hotel openings continued to support the tourism sector, the increased visitor arrivals started to loosen their purse strings. However, visitors from Mainland China remained reluctant to consume. Moving forward, though upcoming hotel openings are likely to attract more visitors, tourist expenditure still lacks steam to retrieve growth given China's relentless anti-corruption campaign and a stronger MOP. Adding on, local consumers might still keep their purse strings tightened on prospects of stagnant or slower wage growth. Therefore, we expect retail sales to continue falling this year but at a slower pace due to base effect. As a result, downward risks on retail shop rental and prices remain.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve was range-bounded yesterday as investors stayed cautious ahead of Yellen's speech. Shorter term rates (<10Y) traded 1-3bps higher while the longer term rates (10-30Y) traded 1-2bps lower. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s while mixed interests were seen in HACLSP 6.5%'19s, NAB 4.15%'28s, BCHINA 2.75%'19s and GRCHAR 6%'17s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 199bps while the yield on JACI HY corporates also remained levelled at 6.37%. 10y UST yield increased 1bps to 1.56%.
- **New Issues:** ASB Finance Ltd. has priced a USD650mn 5-year bond at CT5+105bps, tightening

from its initial guidance at CT5+125bps. The expected ratings for the issue are “NR/Aa3/AA-“. Xinyuan Real Estate Co. has priced a USD300mn 3-year bond at 8.125%. The expected ratings for the issue are “B-/NR/B”.

- **Rating Changes:** S&P revised its outlook on China Vanke’s “BBB+” rating to negative from stable. The revision follows the increased uncertainty due to the on-going ownership tussle, thereby increasing the likelihood that the tension among the key shareholders and management team could ultimately weaken the company’s steady business execution and good financial discipline. S&P revised its outlook on Canon Inc.’s “AA” corporate credit rating to negative from stable. The outlook revision reflects S&P’s view that, in addition to the trend of declining profitability over recent years, the negative effects of an appreciating yen and sluggish sales of laser printers have hurt the company’s operating performance and profitability. S&P placed Pactera Technology International Ltd.’s (Pactera) “B+” corporate credit rating on CreditWatch with development implications. The rating action was initiated following a proposal by HNA Group to acquire Pactera where the credit profile of Pactera will be reassessed once the acquisition is completed. Fitch has assigned “BBB” issuer default ratings to Chongqing Western Modern Logistics Industry Zone Development Construction Co. Ltd. with a stable outlook. The key ratings drivers behind the rating assignment are the linkage with Chongqing Municipality and its strong creditworthiness.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.786	0.26%	USD-SGD	1.3547	0.24%
USD-JPY	100.450	0.21%	EUR-SGD	1.5259	-0.13%
EUR-USD	1.1264	-0.36%	JPY-SGD	1.3483	--
AUD-USD	0.7613	-0.03%	GBP-SGD	1.7925	0.50%
GBP-USD	1.3232	0.26%	AUD-SGD	1.0313	0.21%
USD-MYR	4.0390	0.16%	NZD-SGD	0.9904	0.51%
USD-CNY	6.6590	0.27%	CHF-SGD	1.4008	-0.15%
USD-IDR	13252	0.23%	SGD-MYR	2.9825	-0.04%
USD-VND	22301	0.01%	SGD-CNY	4.9104	-0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	0.4178	--
2M	-0.3370	--	1M	0.5244	--
3M	-0.2980	--	2M	0.6551	--
6M	-0.1920	--	3M	0.8254	--
9M	-0.1190	--	6M	1.2290	--
12M	-0.0470	--	12M	1.5310	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.50	-1.10	2.98
Italy	-0.09	0.20	1.13
Ireland	-0.38	-0.60	0.41
Greece	7.65	--	8.04
Spain	-0.20	-1.00	0.93
Russia	2.05	-12.30	3.93

Equity and Commodity

Index	Value	Net change
DJIA	18,481.48	-65.82
S&P	2,175.44	-11.46
Nasdaq	5,217.70	-42.38
Nikkei 225	16,597.30	99.94
STI	2,869.57	19.14
KLCI	1,682.06	-1.01
JCI	5,403.99	-13.15
Baltic Dry	706.00	14.00
VIX	13.45	1.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.81 (-0.01)	0.76 (+0.02)
5Y	1.32 (--)	1.14 (+0.01)
10Y	1.78 (--)	1.56 (+0.02)
15Y	2.07 (--)	--
20Y	2.15 (--)	--
30Y	2.21 (--)	2.25 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	39.47	--
EURIBOR-OIS	5.60	0.10
TED	52.61	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.77	-2.77%	Coffee (per lb)	1.422	-2.17%
Brent (per barrel)	49.05	-1.82%	Cotton (per lb)	0.6741	-1.04%
Heating Oil (per gallon)	1.496	-0.37%	Sugar (per lb)	0.2022	-2.46%
Gasoline (per gallon)	1.51	0.72%	Orange Juice (per lb)	1.8805	0.51%
Natural Gas (per MMBtu)	2.796	1.27%	Cocoa (per mt)	3,015	-0.79%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,632.0	-1.66%	Wheat (per bushel)	4.0400	-0.92%
Nickel (per mt)	9,960	-2.66%	Soybean (per bushel)	10.308	-0.34%
Aluminium (per mt)	1,637.5	-1.40%	Corn (per bushel)	3.2750	-0.30%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,324.4	-1.21%	Crude Palm Oil (MYR/MT)	2,841.0	0.28%
Silver (per oz)	18.556	-1.93%	Rubber (JPY/KG)	162.5	-3.96%

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

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/24/2016 06:45	NZ Trade Balance	Jul	-325m	-433m	127m	110m
08/24/2016 06:45	NZ Exports	Jul	4.07b	3.96b	4.26b	4.25b
08/24/2016 06:45	NZ Imports	Jul	4.45b	4.40b	4.13b	4.14b
08/24/2016 11:00	VN CPI YoY	Aug	2.63%	2.57%	2.39%	--
08/24/2016 12:00	MA CPI YoY	Jul	1.20%	1.10%	1.60%	--
08/24/2016 13:00	JN Leading Index CI	Jun F	--	99.2	98.4	--
08/24/2016 14:00	GE Private Consumption QoQ	2Q	0.20%	0.20%	0.40%	0.30%
08/24/2016 14:00	GE GDP SA QoQ	2Q F	0.40%	0.40%	0.40%	--
08/24/2016 14:00	GE GDP WDA YoY	2Q F	1.80%	1.80%	1.80%	--
08/24/2016 14:00	GE GDP NSA YoY	2Q F	3.10%	3.10%	3.10%	--
08/24/2016 16:30	UK BBA Loans for House Purchase	Jul	38000	37662	40103	39763
08/24/2016 19:00	US MBA Mortgage Applications	Aug-19	--	-2.10%	-4.00%	--
08/24/2016 21:00	US FHFA House Price Index MoM	Jun	0.30%	0.20%	0.20%	--
08/24/2016 22:00	US Existing Home Sales	Jul	5.51m	5.39m	5.57m	--
08/24/2016 22:00	US Existing Home Sales MoM	Jul	-1.10%	-3.20%	1.10%	--
08/25/2016 07:50	JN Foreign Buying Japan Bonds	Aug-19	--	--	¥474.8b	--
08/25/2016 07:50	JN Foreign Buying Japan Stocks	Aug-19	--	--	¥94.7b	--
08/25/2016 09:00	PH Imports YoY	Jun	13.80%	--	39.30%	--
08/25/2016 09:00	PH Trade Balance	Jun	-\$2003m	--	-\$2021m	--
08/25/2016 14:45	FR Manufacturing Confidence	Aug	103	--	103	--
08/25/2016 16:00	GE IFO Business Climate	Aug	108.5	--	108.3	--
08/25/2016 16:00	GE IFO Current Assessment	Aug	114.9	--	114.7	--
08/25/2016 16:00	GE IFO Expectations	Aug	102.4	--	102.2	--
08/25/2016 16:30	HK Exports YoY	Jul	-2.10%	--	-1.00%	--
08/25/2016 16:30	HK Imports YoY	Jul	-1.50%	--	-0.90%	--
08/25/2016 16:30	HK Trade Balance	Jul	-31.3b	--	-45.6b	--
08/25/2016 20:30	US Initial Jobless Claims	Aug-20	265k	--	262k	--
08/25/2016 20:30	US Continuing Claims	Aug-13	2155k	--	2175k	--
08/25/2016 20:30	US Durable Goods Orders	Jul P	3.40%	--	-3.90%	--
08/25/2016 20:30	US Durables Ex Transportation	Jul P	0.40%	--	-0.40%	--
08/25/2016 20:30	US Cap Goods Orders Nondef Ex Air	Jul P	0.20%	--	0.40%	--
08/25/2016 20:30	US Cap Goods Ship Nondef Ex Air	Jul P	0.30%	--	-0.20%	--
08/25/2016 21:45	US Markit US Services PMI	Aug P	51.8	--	51.4	--
08/25/2016 21:45	US Markit US Composite PMI	Aug P	--	--	51.8	--
08/25/2016 21:45	US Bloomberg Consumer Comfort	Aug-21	--	--	43.6	--
08/25/2016 08/31	VN Exports YTD YoY	Aug	5.30%	--	5.30%	--

Source: Bloomberg

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