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Highlights

Global	<p>With financial markets hitting a pause mode ahead of the Jackson Hole symposium and Fed chair Yellen due to speak on “the Federal Reserve’s Monetary Policy Toolkit”, players will be parsing for any words of wisdom on the upcoming FOMC intentions for 22 September and future meetings, albeit she may opt not to douse speculation either way. In the interim, futures pricing continued to creep higher to 32% probability for September and 57% for the December FOMC meetings as Fed’s George reiterated her hawkish intentions and Kaplan (non-voter) also indicated “the case is strengthening” for tightening. The risk is a further market repricing of the Fed rate hike probabilities for the remainder of this year if Yellen is less than true to form dovish. Elsewhere, China’s biggest cities are said to be planning a fresh round of property curbs to rein in runaway prices.</p> <p>Today’s economic data calendar comprises of US’ University of Michigan sentiments index, US’ wholesale inventories, the second reading of 2Q GDP (likely to be revised even lower to 1.1%), preliminary 2Q GDP reading for UK and France, German GfK consumer confidence, and S’pore’s industrial production data for July. ECB’s Coeure and BOJ’s Juroda are also on a panel discussion tomorrow at the Jackson Hole symposium.</p>
US	<p>US’ durable goods rebounded 4.4% in July, beating market expectations for +3.4% although the June data was revised down further to -4.2%. Durable goods orders excluding transportation also rose more than expected by 1.5% following a 0.3% decline, and orders for non-military equipment excluding aircraft also rose for the second month by 1.6% (biggest gain since January), which bodes well for capex. Initial jobless claims unexpectedly fell 1k to 261k, the lowest in five weeks. In addition, consumer comfort rose 3.5 points to 45.3 amid stronger buying climate and personal finance sub-indices. Meanwhile, US CP outstanding fell US\$8.4b to US\$1.0 trillion for the week ended 24 August, according to the Fed.</p>
EZ	<p>German IFO business climate finally succumbed to delayed Brexit concerns and slipped from 108.3 in July to a 6-month low of 106.2 (the largest slippage in more than four years) in August, with the current assessment and expectations gauges both retreating to 112.8 (previously 114.8) and 100.0 (previously 102.1) respectively. Meanwhile, UK’s consumer confidence surged from a 3-year low of 106.6 in July to 109.8 in August as post-Brexit fears subsided, but remained below levels a year ago.</p>
SG	<p>Industrial production may extend declines for a second month by 0.7% yoy (-1.9% mom sa) in July following a contraction of 0.3% yoy (-2.5% mom sa) in June, albeit the Bloomberg market consensus is for +0.8% yoy (+0.3% mom sa). The earlier July NODX slump was likely a harbinger of weakened business confidence impacting demand post-Brexit.</p>
ID	<p>Finance Minister Sri Mulyani said that the government will have to cut spending in the second half due to revenue shortfall. Assuming a successful tax amnesty program, she sees IDR218tn shortfall in 2016 budget. She added that growth would clock 5.32 pct yoy, as tax amnesty supports balance out a softer private consumption.</p>

Major Market

- **US:** Equities edged lower amidst continued sell-off on the healthcare/biotech sector due to political pressures. S&P 500 closed 0.14% lower, while the Dow and Nasdaq shed 0.18% and 0.11% respectively. Equity markets has been remarkably quiet, with average trading volumes at yearly lows. The last 1% move either way for the S&P 500 was back in 8 July. In the Treasury space, yields rose across the board. Yield on the 2-yr note led gains, closing higher by 2.76 bps at 0.79%. 10-yr Treasury yields stand at 1.57%. In contrast to recent auctions of new 2-yr and 5-yr Treasuries, the auction for 7-yr notes on Thursday saw weak demand. Meanwhile, VIX rose 1.34% to close at 13.63.
- **Singapore:** STI extended gains to add 0.26% to close at 2876.93 yesterday, but given weak cues from Wall Street overnight and morning slippage by Kospi and Nikkei, we suspect the STI is also likely to hit a pause mode and consolidate within a 2840-2880. SGS bonds rallied by around 1-3bps yesterday, but are likely vulnerable to hawkish Fed concerns ahead of Yellen's Jackson Hole appearance.
- **Hong Kong:** Export growth in value terms fell for the 15th consecutive month, printing -5.1% yoy in July (vs June's -1.0% yoy). Meanwhile, import growth in value terms contracted 3.3% yoy in July to HK\$ 337.8 billion, bringing the total trade balance to a deficit of HK\$33.3 billion. Decline in export value widened somewhat in July after having narrowed in the preceding months, signaling an unsteady global demand condition. Region-wise, exports to Asia as a whole dropped by 5.4% yoy, led by exports to China which dipped 6.4% yoy. On the flipside, China reported its import growth from Hong Kong to have accelerated to 122.7% yoy in July (vs +70.8% in June). Based on this, we believe that onshore investors are continuing to leverage on trade activities in order to move money across the border as well as a continual capital outflow from Mainland. Elsewhere, exports to other main trading partners showed some weakness, in particular exports to UK (-19.4%), Germany (-5.8%) and the US (-1.7%). This may reflect a looming negative effect following Brexit. Several surveys from UK institutions reported that UK enterprises began to curtail their business investment and that demand from UK shrank amid dent household sentiment. It looks to us that the soft external demand could continue to pose downward risk to HK exports. In the coming months, we expect trade growth to remain in contraction territory given (1) sluggish external demand amid the uncertainty in the aftermath of Brexit, (2) US interest rate normalisation as well as (3) heightened geopolitical tensions in certain regions.
- **Commodities:** Crude oil see-sawed higher as market-watchers await for Jackson Hole, amid possibly some short-covering on the expectations for some oil deal to be reached at the upcoming September informal OPEC meeting. More importantly, Iran ministry is said to attend a talk, a sign that the Middle East nation is perhaps more reciprocal to an oil agreement. More notably is the precious metal space, where Gold has tuned a notch lower since the start of the month to last night's \$1,320.1/oz, as the market turned increasingly cautious ahead of the Jackson Hole Symposium.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards yesterday with swap rates traded 3-6bps lower across all tenors. Flows in the SGD corporates were light with better buying seen in HYFSP 5.75%'49s and mixed interests seen in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 200bps while the yield on JACI HY corporates remained levelled at 6.37%. 10y UST yield increased 1bps to 1.57%.
- **New Issues:** Development Bank of Japan Inc. has priced a dual-tranche issue yesterday, with the USD550mn 5-year bond priced at CT5+57bps while the other 10-year tranche of USD1.1bn was priced at CT10+41bps. Korea National Oil Corp. has scheduled investor meetings from 6 September

onwards for potential USD bond issuance.

- **Rating Changes:** S&P assigned Viva Energy Holdings Pty Ltd. a “BBB-“ corporate credit rating with stable outlook. The rating reflects Viva Energy’s solid market position in Australian fuel retailing and commercial fuels, where the group holds about 25% market share in both segments by volume and has an integrated fuel-supply business throughout the supply chain. S&P has placed China XD Plastics Co. Ltd.’s (CXDC) “B+” long-term corporate credit rating on CreditWatch with negative implications. The CreditWatch placements reflects S&P’s view that a shortened debt maturity profile and less than adequate liquidity expose CXDC to meaningful refinancing risk. Moody’s upgraded St. Barbara Ltd.’s corporate family rating and senior secured rating to “B2” from “B3” with stable outlook. The upgrade reflects the significant improvement in the company’s financial profile, following its efforts to reduce debt, and the continued improvement in its operating costs. Moody’s downgraded China Zhengtong Auto Services Holdings Ltd.’s corporate family rating to “B1” from “Ba3” with a stable outlook. The rating downgrade reflects Moody’s conclusion that ZhengTong’s automotive dealership business will show a weakened level of credit metrics over the next 12-18 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.772	-0.01%	USD-SGD	1.3535	-0.09%
USD-JPY	100.530	0.08%	EUR-SGD	1.5272	0.09%
EUR-USD	1.1285	0.19%	JPY-SGD	1.3462	-0.16%
AUD-USD	0.7618	0.07%	GBP-SGD	1.7854	-0.40%
GBP-USD	1.3192	-0.30%	AUD-SGD	1.0309	-0.04%
USD-MYR	4.0198	-0.48%	NZD-SGD	0.9883	-0.21%
USD-CNY	6.6595	0.01%	CHF-SGD	1.3986	-0.16%
USD-IDR	13242	-0.08%	SGD-MYR	2.9740	-0.28%
USD-VND	22301	--	SGD-CNY	4.9191	0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	0.4183	--
2M	-0.3380	--	1M	0.5199	--
3M	-0.2980	--	2M	0.6496	--
6M	-0.1910	--	3M	0.8254	--
9M	-0.1190	--	6M	1.2234	--
12M	-0.0480	--	12M	1.5266	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.49	-1.50	2.98
Italy	-0.09	-0.10	0.90
Ireland	-0.39	-0.80	1.13
Greece	7.65	--	0.60
Spain	-0.20	-0.50	1.00
Russia	2.04	-1.00	0.42
			8.06
			2.10
			0.92
			-1.00
			0.99
			3.96
			3.80
			4.03

Equity and Commodity

Index	Value	Net change
DJIA	18,448.41	-33.07
S&P	2,172.47	-2.97
Nasdaq	5,212.20	-5.49
Nikkei 225	16,555.95	-41.35
STI	2,876.93	7.36
KLCI	1,680.30	-1.76
JCI	5,454.12	50.12
Baltic Dry	718.00	12.00
VIX	13.63	0.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.80 (-0.01)	0.79 (+0.03)
5Y	1.30 (-0.01)	1.16 (+0.02)
10Y	1.77 (-0.02)	1.57 (+0.01)
15Y	2.05 (-0.02)	--
20Y	2.13 (-0.02)	--
30Y	2.19 (-0.02)	2.26 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.72	-0.12
EURIBOR-OIS	5.60	--
TED	51.59	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.33	1.20%	Coffee (per lb)	1.435	0.95%
Brent (per barrel)	49.67	1.26%	Cotton (per lb)	0.6775	0.50%
Heating Oil (per gallon)	1.509	0.88%	Sugar (per lb)	0.2055	1.63%
Gasoline (per gallon)	1.51	0.12%	Orange Juice (per lb)	1.8585	-1.17%
Natural Gas (per MMBtu)	2.846	1.79%	Cocoa (per mt)	3,025	0.33%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,626.0	-0.13%	Wheat (per bushel)	4.0125	-0.68%
Nickel (per mt)	9,808	-1.52%	Soybean (per bushel)	9.983	-3.15%
Aluminium (per mt)	1,635.3	-0.14%	Corn (per bushel)	3.2350	-1.22%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,320.1	-0.32%	Crude Palm Oil (MYR/MT)	2,804.0	-1.30%
Silver (per oz)	18.489	-0.36%	Rubber (JPY/KG)	161.3	-0.74%

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

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
08/25/2016 07:50	JN Foreign Buying Japan Bonds	Aug-19	--	¥298.1b	¥474.8b
08/25/2016 07:50	JN Foreign Buying Japan Stocks	Aug-19	--	¥229.6b	¥94.7b
08/25/2016 09:00	PH Imports YoY	Jun	13.80%	15.40%	39.30%
08/25/2016 09:00	PH Trade Balance	Jun	-\$2003m	-\$2098m	-\$2021m
08/25/2016 14:45	FR Manufacturing Confidence	Aug	103	101	103
08/25/2016 14:45	FR Production Outlook Indicator	Aug	--	0.00%	300.00%
08/25/2016 16:00	GE IFO Business Climate	Aug	108.50	106.20	108.30
08/25/2016 16:00	GE IFO Current Assessment	Aug	114.9	112.8	114.7
08/25/2016 16:00	GE IFO Expectations	Aug	102.4	100.1	102.2
08/25/2016 16:30	HK Exports YoY	Jul	-2.10%	-5.10%	-1.00%
08/25/2016 16:30	HK Imports YoY	Jul	-1.50%	-3.30%	-0.90%
08/25/2016 16:30	HK Trade Balance	Jul	-31.3b	-33.3b	-45.6b
08/25/2016 20:30	US Initial Jobless Claims	Aug-20	265k	261k	262k
08/25/2016 20:30	US Continuing Claims	Aug-13	2155k	2145k	2175k
08/25/2016 20:30	US Durable Goods Orders	Jul P	3.40%	4.40%	-3.90%
08/25/2016 20:30	US Durables Ex Transportation	Jul P	0.40%	1.50%	-0.40%
08/25/2016 20:30	US Cap Goods Orders Nondef Ex Air	Jul P	0.20%	1.60%	0.40%
08/25/2016 20:30	US Cap Goods Ship Nondef Ex Air	Jul P	0.30%	-0.40%	-0.20%
08/25/2016 21:45	US Markit US Services PMI	Aug P	5180.00%	50.9	5140.00%
08/25/2016 21:45	US Markit US Composite PMI	Aug P	--	51.5	51.8
08/25/2016 21:45	US Bloomberg Consumer Comfort	Aug-21	--	45.3	43.6
08/26/2016 07:30	JN Natl CPI YoY	Jul	-0.40%	-0.40%	-0.40%
08/26/2016 07:30	JN Natl CPI Ex Fresh Food YoY	Jul	-0.40%	-0.50%	-0.40%
08/26/2016 07:30	JN Natl CPI Ex Food, Energy YoY	Jul	0.40%	0.30%	0.50%
08/26/2016 07:30	JN Tokyo CPI YoY	Aug	-0.40%	-0.50%	-0.40%
08/26/2016 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Aug	-0.40%	-0.40%	-0.30%
08/26/2016 07:30	JN Tokyo CPI Ex Food, Energy YoY	Aug	0.30%	0.10%	0.40%
08/26/2016 11:30	TH Customs Imports YoY	Jul	-5.62%	--	-10.10%
08/26/2016 11:30	TH Customs Exports YoY	Jul	-2.25%	--	-0.10%
08/26/2016 11:30	TH Customs Trade Balance	Jul	\$1263m	--	\$1965m
08/26/2016 13:00	SI Industrial Production YoY	Jul	0.80%	--	-0.30%
08/26/2016 13:00	SI Industrial Production SA MoM	Jul	0.30%	--	-2.50%
08/26/2016 14:00	GE GfK Consumer Confidence	Sep	10	--	10
08/26/2016 14:45	FR Consumer Confidence	Aug	9600.00%	--	9600.00%
08/26/2016 14:45	FR GDP YoY	2Q P	1.40%	--	1.40%
08/26/2016 14:45	FR GDP QoQ	2Q P	0.00%	--	0.00%
08/26/2016 15:30	TH Foreign Reserves	Aug-19	--	--	\$181.8b
08/26/2016 16:00	EC M3 Money Supply YoY	Jul	5.00%	--	5.00%
08/26/2016 16:30	UK GDP QoQ	2Q P	0.60%	--	0.60%
08/26/2016 16:30	UK GDP YoY	2Q P	2.20%	--	2.20%
08/26/2016 20:30	US Wholesale Inventories MoM	Jul P	0.10%	--	0.30%
08/26/2016 20:30	US GDP Annualized QoQ	2Q S	1.10%	--	1.20%
08/26/2016 20:30	US Personal Consumption	2Q S	4.20%	--	4.20%
08/26/2016 20:30	US GDP Price Index	2Q S	2.20%	--	2.20%
08/26/2016 20:30	US Core PCE QoQ	2Q S	1.70%	--	1.70%
08/26/2016 22:00	US U. of Mich. Sentiment	Aug F	90.8	--	90.4
08/26/2016	MU Unemployment Rate	Jul	--	--	1.90%
08/26/2016 08/31	VN Exports YTD YoY	Aug	5.30%	--	5.30%

Source: Bloomberg

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