DAILY TREASURY OUTLOOK

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Monday, July 10, 2017

Highlights

Global	US nonfarm payrolls surprised on the upside at +222k (consensus forecast +174k) with a net 47k upward revision for the last two months, but unemployment rate edged up to 4.4% while wage growth remained muted (+0.2% mom). Wall Street rebounded amid more upbeat investor sentiments post-NFP, but global bond yields continued to grind higher into the weekend with the 10-year UST bond yield settling at 2.39% (highest since 11 May). Meanwhile, the G20 summit underpinned the differences between US president Trump and other leaders on key issues including North Korea, albeit the G20 agreed to address steel overcapacity. Asian bourses may trade off the improved market tone post-NFP this morning, while keeping an eye on today's economic data calendar which may revolve around China's CPI/PPI inflation data. The key focus this week will be Fed chair Yellen's monetary policy testimony on Wednesday and Thursday, as well as BOC policy meeting on Wednesday where market speculation is rife for a 25bp rate hike to 0.75%, but this suggests a sharp about-turn.
US	Private payrolls rose by a strong 253k and the labour force participation rate improved from 62.7% in May to 62.8% in June, but the underemployment rate still lagged and rose from 8.4% to 8.6%. With a very resilient labour market, we maintain that the FOMC would proceed with its third rate hike this year and embark on its balance sheet unwinding by September, but Fed chair Yellen may choose to be more discrete and less overtly hawkish to avoid spooking the market.
EZ	German industrial production accelerated from 0.7% mom sa (+2.8% yoy) in April to 1.2% mom (+5.0% yoy) in May, which reinforced the ECB's recent hawkishness and the IMF's upgraded assessment of Germany's cyclical upswing that is expected to persist in the near-term. In contrast, the UK unexpectedly shrank 0.1% mom (-0.2% yoy) in May, which cast doubt on the 2Q growth performance.
UK	There is near-universal consensus that a deep and comprehensive Brexit agreement is needed and a "no deal" is not seen as a viable option, according to the British Chambers of Commerce.
SG	GIC's annualised real rate of return fell to 3.7% in the 20 years to 31 March, down from 4% previously, and warned that high valuations and low growth rates may weigh on future returns.
ID	President Joko Widodo attended the G20 summit in Hamburg, in which he met with US President Donald Trump. The presidents spoke about trade ties between the two countries including Indonesian exports of palm oil to US, and sales of airplanes and soybean from US to Indonesia.
CMD	Gold closed at $1,209.7/oz (-1.1%) on Friday, as market-watchers digested the surprisingly strong US non-farm payrolls (+222k, strongest since Feb'17). On a similar note, gold prices have also been falling in tandem with the rising US 2-10 yield spread, suggesting that (1) yield-chasing behaviour may continue to depress gold demand while (2) risk-on appetite has been dulling gold's appeal as a safe haven. Elsewhere, crude oil fell further despite Kuwait's comment that Libya and Nigeria may be asked to adhere to production caps. US oil rig counts also rose, however marginally, to 763 (+7).

Major Markets

- **US:** A stronger-than-expected nonfarm payrolls gave equity markets enough confidence to recover from a torrid Thursday, and end the week on firmer footing. Tech stocks led gains, continuing the recent trend of marked swings. Overall, the Dow and S&P 500 rose 0.44% and 0.64% respectively, while Nasdaq Composite added 1.04% on the back of the tech advance. Meanwhile, US Treasury yields continued to firm, following the theme of the week set by the increasingly less dovish central banks. Additional impetus from the strong employment data was somewhat limited. 2y and 10y benchmark yields stood at 1.40% and 2.39% at NY close. The packed schedule of Fed speakers this week will give the market much to chew on, but the key will be Yellen's testimony before Congress on Wednesday and Thursday.

- **Singapore:** The STI managed to eke out modest gains of 0.08% to close at 3229.01 on Friday and the post-NFP euphoria may hopefully lend itself to another session of modestly firmer trading today. STI's support and resistance are tipped at 3220 and 3240 respectively. The SGS bond market continued to sell off on Friday, and with the UST bond yield curve steepening further on Friday, there may be little reprieve for SGS bonds in the interim. With the 3-month SOR crossing the 1% handle recently (compared to just 0.64% in late June) and playing rapid catch-up to its SIBOR counterpart (1.05983%), the spread has narrowed further to just 4bps (which is the narrowest since 3 April and nearing the year-to-date tight of 2.7%).

- **Malaysia:** Exports for the month of May increased by 32.5%yoy, against market expectation of 23.4%. Meanwhile, imports growth surged too from 24.7% in April to 30.4% in May. Foreign reserves stood at USD98.9bn, as of end of June, compared to USD98.7bn half a month before. According to Bank Negara, the amount is sufficient to finance 7.9 months' worth of retained imports and covers 1.1 times short-term external debt.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 4-7bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG Corporates changed little at 185bps, while the yield on JACI HY Corporates rose 2bps to 6.88%. 10y UST yields rose 2bps to 2.39%, as the US jobs report provided little directional catalysts.

- **New Issues:** Geo Energy Resources Ltd has scheduled investor meetings for potential USD bond issuance from 10 Jul. New Lion Bridge Co has scheduled investor meetings for potential USD bond issuance (guaranteed by Lionbridge Capital Co) from 10 Jul. Jiuding Group Finance Co Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Tongchuangjiuding Investment Management Group Co Ltd) from 10 Jul. The expected issue ratings are 'BB/NR/NR'.

- **Rating Changes:** S&P has affirmed Nippon Steel & Sumitomo Metal Corp's (NSSMC) long-term corporate credit and senior unsecured ratings at 'BBB', while revising its outlook to stable from negative. The rating action reflects S&P's belief that NSSMC's profitability and major financial ratios will improve and remain commensurate with the rating as S&P expects some stability to return to the environment for the steel business. S&P has assigned Tongchuangjiuding Investment Management Group Co Ltd (Tongchuangjiuding) a long-term local issuer currency rating of 'BB' and a short-term local currency rating of 'B'. The outlook is stable. The rating action reflects the group's changing business profile and substantial debt at the holding company and other nonregulated businesses following the debt-financed acquisition of Hong Kong-based FTLife Insurance Co Ltd in 2016. S&P

has assigned Geo Energy Resources Limited (Geo Energy) a 'B' long-term corporate credit rating and 'B' long-term issue rating on the proposed senior unsecured notes to be issued by Geo Coal International Pte. Ltd. and unconditionally guaranteed by Geo Energy. The ratings are based on the company's narrow business profile and hence potentially volatile cash flows, short record of operations, and execution risk on its new projects. The outlook is stable. Moody's has also assigned Geo Energy a corporate family rating of 'B2' and a proposed senior unsecured guaranteed notes rating of 'B2'. The outlook on the ratings is stable. The rating action reflects Geo Energy's relatively short track-record of operating as a pure-play coal producer, the small scale of its business, its high degree of operational concentration and the need to continue making acquisitions in order to grow the business. However, Moody did take into account Geo Energy's decision to contract Bukit Makmur Mandiri Utama (P.T.) (BUMA) as its mining service contractor, which significantly reduces Geo Energy's capex and working capital requirements. Moody's has placed Honda Motor Co Ltd's (Honda) 'A1' issuer rating and senior unsecured ratings on review for a downgrade. The rating action reflects Moody's expectation that Honda has manageable exposure to Takata but its margins will receive pressure from a higher cost base from previous expansion of production capacity and an increase in R&D costs. Moody's has assigned SoftBank Group Corp's (SoftBank) proposed undated subordinated NC6 resettable notes and undated subordinated NC10 resettable notes a subordinated debt rating of 'Ba3'. The rating action reflects the speculative-grade level of SoftBank's corporate family rating ('Ba1') and the characteristics of the notes. Fitch has affirmed Asahi Mutual Life Insurance Co's (Asahi Life) Insurer Financial Strength (IFS) Rating and Issuer Default Rating (IDR) at 'BB+' and 'BB' respectively, and revised its outlook to positive from stable. The rating action reflects the improvement in Asahi Life's capitalization and leverage, as well as its resilient financial performance and earnings backed by steady growth in the profitable third (health) sector.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.008	0.22%	**USD-SGD**	1.3822	--
USD-JPY	113.920	0.62%	**EUR-SGD**	1.5759	-0.18%
EUR-USD	1.1401	-0.19%	**JPY-SGD**	1.2136	-0.59%
AUD-USD	0.7601	0.20%	**GBP-SGD**	1.7813	-0.64%
GBP-USD	1.2890	-0.62%	**AUD-SGD**	1.0487	0.03%
USD-MYR	4.3008	0.02%	**NZD-SGD**	1.0055	-0.02%
USD-CNY	6.8057	0.06%	**CHF-SGD**	1.4336	-0.39%
USD-IDR	13399	0.05%	**SGD-MYR**	3.1085	0.01%
USD-VND	22752	0.07%	**SGD-CNY**	4.9216	0.07%

Equity and Commodity

Index	Value	Net change
DJIA	21,414.34	94.30
S&P	2,425.18	15.43
Nasdaq	6,153.08	63.61
Nikkei 225	19,929.09	-64.97
STI	3,229.01	2.67
KLCI	1,759.93	-10.60
JCI	5,814.79	-34.78
Baltic Dry	822.00	-7.00
VIX	11.19	-1.35

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	0.0010	**O/N**	1.1739	--
2M	-0.3420	--	**1M**	1.2263	0.0019
3M	-0.3310	-0.0010	**2M**	1.2550	--
6M	-0.2720	0.0010	**3M**	1.3052	0.0011
9M	-0.2040	--	**6M**	1.4654	--
12M	-0.1610	--	**12M**	1.7576	0.0003

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.79	-0.08
EURIBOR-OIS	2.81	0.06
TED	27.76	0.63

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.30 (+0.06)	1.40 (--)	-0.61 (-0.02)	-0.37 (--)	-0.12 (+0.01)
5Y	1.61 (+0.07)	1.95 (+0.01)	-0.09 (-0.02)	0.02 (+0.01)	0.96 (+0.05)
10Y	2.23 (+0.07)	2.39 (+0.02)	0.57 (+0.01)	0.94 (+0.02)	2.34 (+0.08)
15Y	2.43 (+0.08)	--	0.84 (+0.02)	1.29 (+0.02)	2.91 (+0.06)
20Y	2.47 (+0.07)	--	1.11 (+0.02)	1.58 (+0.01)	3.03 (+0.06)
30Y	2.53 (+0.06)	2.93 (+0.03)	1.37 (+0.02)	1.86 (+0.01)	3.46 (+0.07)

Government CDS (USD)

	5Y	% Change
Germany	15.589	4.86%
France	21.186	-3.72%
Italy	150.458	2.53%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
26/07/2017	0.0%	0.7%	99.3%	0.0%	0.0%
20/09/2017	16.0%	0.6%	83.4%	16.0%	0.0%
01/11/2017	16.7%	0.6%	82.8%	16.5%	0.1%
13/12/2017	51.6%	0.3%	48.1%	44.5%	7.1%
31/01/2018	52.5%	0.3%	47.2%	44.6%	7.7%
21/03/2017	67.8%	0.2%	32.0%	45.4%	19.7%

Commodities Futures

Energy	Futures	% chg
WTI (per barrel)	44.23	-2.83%
Brent (per barrel)	46.71	-2.91%
Heating Oil (per gallon)	1.4482	-2.27%
Gasoline (per gallon)	1.4984	-1.98%
Natural Gas (per MMBtu)	2.8640	-0.83%

Precious Metals	Futures	% chg
Gold (per oz)	1,209.7	-1.11%
Silver (per oz)	15.425	-3.49%

Base Metals	Futures	% chg
Copper (per mt)	5,835.6	-0.54%
Nickel (per mt)	8,879.8	-1.74%
Aluminium (per mt)	1,921.0	-0.71%

Asian Commodities	Futures	% chg
Crude Palm Oil (MYR/MT)	2,554.0	-0.27%
Rubber (JPY/KG)	197.1	0.31%

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

CFTC Commodities Futures and Options

For the week ended: 04 Jul 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	12,240	-61,311	73,551	Gold	90,681	132,157	-41,476
Soybean	-70,802	-113,144	42,342	Silver	25,564	35,101	-9,537
Wheat	12,831	-11,730	24,561	Live Cattle	148,877	156,803	-7,926
Lean Hogs	83,374	72,420	10,954	Cotton	39,213	44,268	-5,055
Heating Oil	4,826	-5,919	10,745	Platinum	7,997	10,482	-2,485
Natural Gas	-20,456	-30,311	9,855	Palladium	20,126	20,569	-443
Nymex Crude	386,182	377,620	8,562	Cocoa	-36,417	-35,979	-438
RBOB Gasoline	42,205	38,857	3,348	Copper	16,221	13,549	2,672
Sugar	-49,917	-52,906	2,989	Coffee	-31,148	-33,927	2,779

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
07/07/2017 08:00	JN	Labor Cash Earnings YoY	May	0.40%	0.70%	0.50%	--
07/07/2017 10:18	**VN**	**Domestic Vehicle Sales YoY**	**Jun**	**--**	**4.00%**	**-3.20%**	**--**
07/07/2017 12:00	MA	Exports YoY	May	23.40%	32.50%	20.60%	20.40%
07/07/2017 12:00	MA	Trade Balance MYR	May	6.89b	5.49b	8.75b	8.66b
07/07/2017 14:00	**GE**	**Industrial Production SA MoM**	**May**	**0.20%**	**1.20%**	**0.80%**	**0.70%**
07/07/2017 14:00	GE	Industrial Production WDA YoY	May	4.00%	5.00%	2.90%	2.80%
07/07/2017 14:30	AU	Foreign Reserves	Jun	--	A$84.1b	A$88.5b	--
07/07/2017 14:45	FR	Trade Balance	May	-5100m	-4886m	-5535m	-5586m
07/07/2017 14:45	**FR**	**Industrial Production MoM**	**May**	**0.60%**	**1.90%**	**-0.50%**	**-0.60%**
07/07/2017 14:45	**FR**	**Industrial Production YoY**	**May**	**1.40%**	**3.20%**	**0.60%**	**0.10%**
07/07/2017 14:45	FR	Manufacturing Production MoM	May	0.60%	2.00%	-1.20%	-1.30%
07/07/2017 15:00	MA	Foreign Reserves	Jun-30	--	$98.9b	$98.7b	--
07/07/2017 15:30	UK	Halifax House Price 3Mths/Year	Jun	3.10%	2.60%	3.30%	--
07/07/2017 15:30	**UK**	**Halifax House Prices MoM**	**Jun**	**0.20%**	**-1.00%**	**0.40%**	**0.30%**
07/07/2017 15:30	**TH**	**Foreign Reserves**	**Jun-30**	**--**	**$185.6b**	**$184.4b**	**--**
07/07/2017 16:00	**IT**	**Retail Sales MoM**	**May**	**0.30%**	**-0.10%**	**-0.10%**	**-0.40%**
07/07/2017 16:00	IT	Retail Sales YoY	May	1.00%	1.00%	1.20%	0.80%
07/07/2017 16:00	CH	Foreign Reserves	Jun	$3061.0b	$3056.8b	$3053.6b	--
07/07/2017 16:00	TA	Trade Balance	Jun	$3.20b	$5.83b	$3.46b	--
07/07/2017 16:00	TA	Exports YoY	Jun	8.80%	13.00%	8.40%	--
07/07/2017 16:24	HK	Foreign Reserves	Jun	--	$408.0b	$402.7b	--
07/07/2017 16:30	**UK**	**Industrial Production MoM**	**May**	**0.40%**	**-0.10%**	**0.20%**	**--**
07/07/2017 16:30	UK	Industrial Production YoY	May	0.20%	-0.20%	-0.80%	--
07/07/2017 16:30	**UK**	**Manufacturing Production MoM**	**May**	**0.50%**	**-0.20%**	**0.20%**	**--**
07/07/2017 16:30	UK	Visible Trade Balance GBP/Mn	May	-£10,850	-£11,863	-£10,383	-£10,595
07/07/2017 16:30	UK	Trade Balance Non EU GBP/Mn	May	-£2,450	-£3,796	-£2,068	-£2,621
07/07/2017 16:30	UK	Trade Balance	May	-£2,500	-£3,073	-£2,050	-£2,116
07/07/2017 17:00	SI	Foreign Reserves	Jun	--	$266.30b	$264.56b	--
07/07/2017 20:00	UK	NIESR GDP Estimate	Jun	--	0.30%	0.20%	--
07/07/2017 20:30	**US**	**Change in Nonfarm Payrolls**	**Jun**	**178k**	**222k**	**138k**	**152k**
07/07/2017 20:30	**CA**	**Net Change in Employment**	**Jun**	**10.0k**	**45.3k**	**54.5k**	**--**
07/07/2017 20:30	**CA**	**Unemployment Rate**	**Jun**	**6.60%**	**6.50%**	**6.60%**	**--**
07/07/2017 20:30	US	Change in Manufact. Payrolls	Jun	5k	1k	-1k	-2k
07/07/2017 20:30	**US**	**Unemployment Rate**	**Jun**	**4.30%**	**4.40%**	**4.30%**	**--**
07/07/2017	PH	Foreign Reserves	Jun	--	$81.4b	$82.1b	--
07/07/2017	**ID**	**Foreign Reserves**	**Jun**	**--**	**$123.09b**	**$124.95b**	**--**
07/10/2017 07:50	**JN**	**Machine Orders MoM**	**May**	**1.70%**	**--**	**-3.10%**	**--**
07/10/2017 07:50	JN	Machine Orders YoY	May	7.60%	--	2.70%	--
07/10/2017 07:50	**JN**	**BoP Current Account Balance**	**May**	**¥1792.8b**	**--**	**¥1951.9b**	**--**
07/10/2017 07:50	JN	Trade Balance BoP Basis	May	-¥45.0b	--	¥553.6b	--
07/10/2017 09:30	**CH**	**CPI YoY**	**Jun**	**1.60%**	**--**	**1.50%**	**--**
07/10/2017 09:30	**CH**	**PPI YoY**	**Jun**	**5.50%**	**--**	**5.50%**	**--**
07/10/2017 14:00	GE	Imports SA MoM	May	0.30%	--	1.20%	--
07/10/2017 07/15	**CH**	**Money Supply M2 YoY**	**Jun**	**9.50%**	**--**	**9.60%**	**--**
07/10/2017 07/15	CH	New Yuan Loans CNY	Jun	1300.0b	--	1110.0b	--
07/10/2017 07/14	**NZ**	**REINZ House Sales YoY**	**Jun**	**--**	**--**	**-18.40%**	**--**
07/10/2017 07/12	IN	Local Car Sales	Jun	--	--	166630	--

Source: Bloomberg

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