

Highlights

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| Global | <p>A more cautious start to trading markets today as the IMF kept its global growth forecasts unchanged at 3.5% and 3.6% for 2017 and 2018 respectively and a slowdown in Eurozone manufacturing PMIs (manufacturing retreated from 57.4 to 56.8 in July, bringing the composite down to 55.8 even though services was steady at 55.4). Nasdaq hit a record high ahead of tech earnings reports, with Alphabet (revenue +21% to US\$26b) amongst the gainers. USD also stabilised from a 14-month low. Asian bourses may remain sidelined ahead of FOMC. Today's economic data release calendar will US' Conference Board consumer confidence, FGFA house price index and Richmond Fed manufacturing index, and German IFO.</p> |
| US | <p>US' existing home sales declined 1.8% mom to an annual rate of 5.52m as lean inventory (-7.1% yoy to 1.96m) drove median prices higher (+6.5% yoy to a record US\$263.8k). The preliminary July prints for manufacturing PMI was higher at 53.2, whilst the services PMI was unchanged at 54.2 and the composite PMI also lower at 54.2.</p> |
| IMF | <p>The IMF revised up China's 2017 growth forecast up 0.1% point to 6.7%, but revised down its UK forecast by 0.3% points to 1.7%. IMF also noted that the growth drivers have shifted from the US (tipped at 2.1% for 2017-18 which is lower than April primarily reflecting the assumption that fiscal policy will be less expansionary going forward than previously anticipated) and UK and more to China, Japan (+0.1% point to 1.3%), the Eurozone (+0.2% points to 1.9%) and Canada (+0.6% points to 2.5%). The IMF warned that while risks are broadly balanced in the near term, medium-term risks are tilted to the downside because rich market valuations and very low volatility in an environment of high policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence.</p> |
| SG | <p>Headline inflation moderated more than expected in June to +0.5% yoy (-0.1% mom nsa), compared to +1.4% yoy (+0.3% mom nsa) in May. This was below market expectations and softer than our forecast of +0.8% yoy (0% mom nsa). Core CPI inflation also eased marginally to +1.5% yoy in June, from +1.6% yoy in May, due to lower services and food inflation and in line with our forecast. This brought the 1H17 headline and core inflation prints to +0.7% yoy and +1.4% yoy respectively. Looking ahead, we tip 2H17 headline and core CPI to average 1.2% and 2% yoy, to bring the full-year prints to 1.0% and 1.6%. Water price hikes will also kick in from July. We do not expect MAS to adjust its neutral monetary policy settings at the October review.</p> |
| Commodities | <p>Crude oil prices rallied substantially overnight as Saudi Arabia agreed to cut oil exports by 1 million barrels per day (mbpd) from a year ago to 6.6 mbpd, while Nigeria has agreed to cap production at 1.8 mbpd. In the Joint Ministerial Monitoring Committee meeting (JMMC), the committee also cited that the oil market has made significant progress towards rebalancing and conformity between OPEC members, in regards to the production caps, remained above 90%.</p> |

Major Markets

- **US:** Equities mostly slipped on Monday, with the exception of financials and tech stocks. The S&P 500 and Dow closed lower by 0.11% and 0.31% respectively, while the Nasdaq Composite rose 0.36% to new record of 6410.81. Kushner's testimony did not cause much of a ripple on the markets, but continue to monitor political developments amidst the busy schedule of earnings releases. Meanwhile, US Treasury yields ended firmer ahead of the July FOMC, with the 2y and 10y benchmarks closing at 1.37% and 2.26%. VIX at 9.43, up 0.75%.
- **Singapore:** The price drags on June inflation came from housing & utilities (-2.0% yoy), communications (-0.6% yoy) and recreation & culture (-0.1% yoy). In particular, the timing effects of the disbursement of S&CC rebates led to sharply lower housing maintenance and repairs inflation. Private road transport inflation also decelerated from +6.1% yoy to +3.0% yoy as car prices fell and petrol prices saw more gradual hikes. In contrast, leading the price hikes were education (+3.2% yoy), healthcare(+2.5% yoy), clothing & footwear (+1.9% yoy), public transport (+1.8% yoy) and food (+1.4% yoy). The lowest 20% income group saw a sustained fall in inflation since 1H15 due to lower accommodation cost, but the highest 20% income group saw inflation accelerate to 1% yoy in 1H17 due to higher car prices and smaller decline in accommodation costs. This is not unexpected. MAS and MTI's inflation language remains benign for now. They noted that external inflation pressures have picked up amid a turnaround in global commodity markets and reiterated that global oil prices are likely to average higher in 2017. In addition, administrative price adjustments are likely to contribute to a temporary increase in inflation this year, but domestic sources of inflation remain relatively muted and the subdued economic environment will limit the magnitude of cost-push inflation to end-consumers. Their 2017 headline and core CPI forecasts remain unchanged at 1-2% and 0.5-1.5% yoy respectively.
STI fell 0.20% to close at 3310.80 yesterday and may meander again today given unconvincing leads elsewhere. STI support and resistance are tipped at 3300 and 3320 respectively. With the UST bond yields backing up 1-2bps overnight, the SGS market may also play it safe ahead of FOMC tomorrow and Thursday's auction of the 7-year SGS bond re-opening.
- **China:** News that China's banks scaled back their lending exposure to those conglomerates expanding aggressively overseas continued to dominate the headline with the HNA Group was reported to receive less funding support from Chinese banks.
- **Indonesia:** China's online giant Alibaba is reportedly in talks for stake in Indonesia's Tokopedia, a domestic online mall. According to Bloomberg, the Chinese company is said to be leading a potential funding round of up to USD500mn.
- **Macau:** The number of visitor arrivals grew marginally by 0.86% yoy in June as June is normally considered off-season. Specifically, visitors from Mainland China merely increased by 1.8% yoy while those from Hong Kong and Taiwan dropped by 3.9% yoy and 9.9% respectively. This indicates that high transportation and accommodation costs may have deter some tourists. Nevertheless, overnight visitors (+10.1% yoy) increased for the 23th consecutive month while the share of overnight visitors rose to the highest level since record at 56.7%. Furthermore, the number of tourists from Japan and South Korea jumped by 13.5% yoy and 42.2% yoy respectively. This indicates factors including global recovery, a stable MOP and a wide range of promotions offered by a slew of new hotels could still help to lure tourists from various countries to stay overnight and therefore continue to support the revival of the tourism sector. Therefore, as summer holiday is approaching, we expect the number of visitor arrivals to rebound during July and August. This will in turn contribute to a moderate growth in the mass-market segment of the gaming sector.

- **Malaysia:** The government is said to have received bids for its Bandar Malaysia property project from nine groups of companies, including China Vanke, China Gezhouba Group and Daiwa House. A Straits Times report, as relayed by Bloomberg, said that the bids received development plans valued between USD7bn-10.5bn.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, WINGTA 4.08%-PERPs, better selling seen in SBREIT 3.6%'21s, and mixed interest seen in STHSP 3.95%-PERPs, NOLSP 4.4%'21s, HYFSP 6%-PERPs, SCISP 3.7%-PERPs. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 191bps. Similarly, the yield on JACI HY Corporates little changed at 6.86%. 10y UST yields rose 2bps to 2.26% yesterday, as treasuries lacked directional catalysts and investors look towards the FOMC meeting on 27 July.
- **New Issues:** The Industrial Bank of Korea priced a USD300mn Perp NC5 at 3.9%, tightening from initial guidance of 4.375%. The expected issue ratings are 'NR/Ba2/BB+'.
- **Rating Changes:** S&P has downgraded China Hongqiao Group Ltd's (Hongqiao) corporate credit rating and issuer rating on its senior unsecured notes to 'B' from 'B+'. The ratings remain on CreditWatch with negative implications. The rating action reflects Hongqiao's increased management and governance risks following an unexpected change in auditor, and also a possible increase in liquidity risk if it fails to file its financial statements by 31 Aug. S&P has affirmed Small Business Corp's (Small) issuer credit rating at 'AA'. The outlook is stable. S&P then withdrew the ratings at Small's request. S&P has assigned Noah Holdings Ltd (Noah) a long-term and short-term issuer credit rating of 'BBB-' and 'A3' respectively. The outlook is stable. The rating action reflects Noah's market position as a leading privately owned wealth management service provider in China, as well as its unique market positioning, good risk management practices and prudent risk appetite. Moody's has affirmed the bank deposit ratings and counterparty risk assessment of seven Indian public sector banks at 'Baa3'. These seven banks are: Bank of Baroda, Bank of India, Canara Bank,, Oriental Bank of Commerce, Punjab National Bank. Syndicate Bank, and Union Bank of India. Moody's has also downgraded the bank deposit ratings of Indian Overseas Bank and Central Bank of India to 'Ba3' from 'Ba1'. Furthermore, Moody's has changed the outlook on Bank of Baroda and Canara Bank to stable from positive, while changing the outlook on Bank of India and Oriental Bank of Commerce to negative from positive, and the outlook on Indian Overseas Bank to stable from negative. The outlook for Central Bank of India was maintained at stable. Moody's has assigned Leap Legal Software Pty Ltd (LEAP) a corporate family rating of 'Ba3', while assigning a provision 'Ba3' rating to its proposed backed senior secured term loan facility. The outlook is stable. The rating action reflects LEAP's leading position in Australia's market for legal practice management platforms for smaller firms, strong position in search and services platforms for professionals; solid cash flow generation and high barriers to entry due to its first-mover advantage. However, the ratings are constrained by LEAP's high debt-to-EBITDA leverage. Fitch has placed Guangzhou R&F Properties Co's (R&F) issuer default rating, senior unsecured rating and ratings of all its outstanding notes issued by its subsidiaries on Rating Watch Negative. The rating action reflects R&F's plan to acquire Dalian Wanda Commercial Property Co Ltd's hotel assets, which would push up R&F's total debt level and leverage near Fitch's threshold.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DX | 93.977 | 0.13% | USD-SGD | 1.3621 | -0.05% |
| USD-JPY | 111.100 | -0.03% | EUR-SGD | 1.5858 | -0.20% |
| EUR-USD | 1.1642 | -0.18% | JPY-SGD | 1.2262 | 0.02% |
| AUD-USD | 0.7924 | 0.10% | GBP-SGD | 1.7746 | 0.20% |
| GBP-USD | 1.3028 | 0.24% | AUD-SGD | 1.0794 | 0.07% |
| USD-MYR | 4.2780 | -0.14% | NZD-SGD | 1.0133 | -0.22% |
| USD-CNY | 6.7512 | -0.23% | CHF-SGD | 1.4408 | -0.01% |
| USD-IDR | 13309 | -0.03% | SGD-MYR | 3.1436 | 0.12% |
| USD-VND | 22736 | 0.03% | SGD-CNY | 4.9582 | -0.11% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3740 | -- | O/N | 1.1789 | -- |
| 2M | -0.3410 | -- | 1M | 1.2322 | -- |
| 3M | -0.3310 | -- | 2M | 1.2606 | -- |
| 6M | -0.2720 | -- | 3M | 1.3144 | -- |
| 9M | -0.2060 | -- | 6M | 1.4531 | -- |
| 12M | -0.1520 | -- | 12M | 1.7357 | -- |

Fed Rate Hike Probability

| Meeting | Prob Hike | Prob Cut | 1-1.25 | 1.25-1.5 | 1.5-1.75 |
|------------|-----------|----------|--------|----------|----------|
| 07/26/2017 | 0.0% | 0.1% | 99.9% | 0.0% | 0.0% |
| 09/20/2017 | 10.1% | 0.1% | 89.8% | 10.1% | 0.0% |
| 11/01/2017 | 10.8% | 0.1% | 89.1% | 10.7% | 0.1% |
| 12/13/2017 | 42.3% | 0.1% | 57.7% | 38.4% | 3.8% |
| 01/31/2018 | 42.8% | 0.1% | 57.2% | 38.6% | 4.1% |
| 03/21/2018 | 59.5% | 0.0% | 40.4% | 44.0% | 14.2% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 46.34 | 1.25% | Copper (per mt) | 6,032.9 | 0.51% |
| Brent (per barrel) | 48.60 | 1.12% | Nickel (per mt) | 9,742.0 | 2.72% |
| Heating Oil (per gallon) | 1.5169 | 0.11% | Aluminium (per mt) | 1,896.3 | -0.18% |
| Gasoline (per gallon) | 1.5568 | -0.42% | | | |
| Natural Gas (per MMBtu) | 2.8990 | -2.39% | | | |
| | | | Asian Commodities | Futures | % chg |
| Precious Metals | Futures | % chg | Crude Palm Oil (MYR/MT) | 2,553.0 | -0.78% |
| Gold (per oz) | 1,260.7 | -0.02% | Rubber (JPY/KG) | 209.3 | -2.42% |
| Silver (per oz) | 16.443 | -0.09% | | | |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 21,513.17 | -66.90 |
| S&P | 2,469.91 | -2.63 |
| Nasdaq | 6,410.81 | 23.05 |
| Nikkei 225 | 19,975.67 | -124.08 |
| STI | 3,310.80 | -3.32 |
| KLCI | 1,761.99 | 2.83 |
| JCI | 5,801.59 | 36.16 |
| Baltic Dry | 977.00 | -- |
| VIX | 9.43 | 0.07 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.20 (-0.01) | 1.36 (+0.02) |
| 5Y | 1.50 (-0.01) | 1.82 (+0.02) |
| 10Y | 2.04 (-0.01) | 2.26 (+0.02) |
| 15Y | 2.25 (-0.02) | -- |
| 20Y | 2.31 (--) | -- |
| 30Y | 2.37 (--) | 2.83 (+0.03) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 14.92 | 0.54 |
| EURIBOR-OIS | 2.68 | -0.10 |
| TED | 15.35 | -- |

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

Key Economic Indicators

| Date | Time | Event | | Survey | Actual | Prior | Revised |
|------------------|------|------------------------------------|-------|--------|--------|--------|---------|
| 07/24/2017 08:30 | JN | Nikkei Japan PMI Mfg | Jul P | -- | 52.2 | 52.4 | -- |
| 07/24/2017 11:13 | TH | Car Sales | Jun | -- | 69798 | 66422 | -- |
| 07/24/2017 11:27 | PH | Budget Balance PHP | Jun | -- | -90.9b | -33.4b | -- |
| 07/24/2017 11:48 | MU | Visitor Arrivals | Jun | -- | 2379t | 2570t | -- |
| 07/24/2017 13:00 | JN | Supermarket Sales YoY | Jun | -- | -1.20% | -1.80% | -- |
| 07/24/2017 13:00 | JN | Leading Index CI | May F | -- | 104.6 | 104.7 | -- |
| 07/24/2017 13:00 | SI | CPI YoY | Jun | 0.70% | 0.50% | 1.40% | -- |
| 07/24/2017 13:00 | SI | CPI NSA MoM | Jun | -0.10% | -0.10% | 0.30% | -- |
| 07/24/2017 15:00 | FR | Markit France Manufacturing PMI | Jul P | 54.6 | 55.4 | 54.8 | -- |
| 07/24/2017 15:00 | FR | Markit France Services PMI | Jul P | 56.7 | 55.9 | 56.9 | -- |
| 07/24/2017 15:00 | FR | Markit France Composite PMI | Jul P | 56.4 | 55.7 | 56.6 | -- |
| 07/24/2017 15:30 | GE | Markit/BME Germany Mfg PMI | Jul P | 59.2 | 58.3 | 59.6 | -- |
| 07/24/2017 15:30 | GE | Markit Germany Services PMI | Jul P | 54.3 | 53.5 | 54 | -- |
| 07/24/2017 15:30 | GE | Markit/BME Germany Composite PMI | Jul P | 56.3 | 55.1 | 56.4 | -- |
| 07/24/2017 16:00 | EC | Markit Eurozone Manufacturing PMI | Jul P | 57.2 | 56.8 | 57.4 | -- |
| 07/24/2017 16:00 | EC | Markit Eurozone Services PMI | Jul P | 55.4 | 55.4 | 55.4 | -- |
| 07/24/2017 16:00 | EC | Markit Eurozone Composite PMI | Jul P | 56.2 | 55.8 | 56.3 | -- |
| 07/24/2017 16:00 | TA | Unemployment Rate | Jun | 3.79% | 3.78% | 3.79% | -- |
| 07/24/2017 16:00 | TA | Industrial Production YoY | Jun | 1.95% | 3.14% | 0.78% | 0.85% |
| 07/24/2017 20:30 | CA | Wholesale Trade Sales MoM | May | 0.50% | 0.90% | 1.00% | 0.80% |
| 07/24/2017 21:45 | US | Markit US Manufacturing PMI | Jul P | 52.3 | 53.2 | 52 | -- |
| 07/24/2017 21:45 | US | Markit US Services PMI | Jul P | 54.2 | 54.2 | 54.2 | -- |
| 07/24/2017 21:45 | US | Markit US Composite PMI | Jul P | -- | 54.2 | 53 | 53.9 |
| 07/24/2017 22:00 | US | Existing Home Sales | Jun | 5.57m | 5.52m | 5.62m | -- |
| 07/24/2017 22:00 | US | Existing Home Sales MoM | Jun | -0.90% | -1.80% | 1.10% | -- |
| 07/25/2017 05:00 | SK | Consumer Confidence | Jul | -- | 111.2 | 111.1 | -- |
| 07/25/2017 14:00 | GE | Import Price Index MoM | Jun | -0.70% | -- | -1.00% | -- |
| 07/25/2017 14:00 | GE | Import Price Index YoY | Jun | 2.90% | -- | 4.10% | -- |
| 07/25/2017 14:45 | FR | Manufacturing Confidence | Jul | 108 | -- | 108 | -- |
| 07/25/2017 14:45 | FR | Production Outlook Indicator | Jul | -- | -- | 17 | -- |
| 07/25/2017 14:45 | FR | PPI MoM | Jun | -- | -- | -0.60% | -- |
| 07/25/2017 14:45 | FR | PPI YoY | Jun | -- | -- | 2.10% | -- |
| 07/25/2017 16:00 | GE | IFO Business Climate | Jul | 114.9 | -- | 115.1 | -- |
| 07/25/2017 16:00 | GE | IFO Expectations | Jul | 106.5 | -- | 106.8 | -- |
| 07/25/2017 16:00 | GE | IFO Current Assessment | Jul | 123.8 | -- | 124.1 | -- |
| 07/25/2017 16:00 | IT | Industrial Orders MoM | May | -- | -- | -0.70% | -- |
| 07/25/2017 16:00 | IT | Industrial Orders NSA YoY | May | -- | -- | -2.20% | -- |
| 07/25/2017 16:00 | IT | Industrial Sales MoM | May | -- | -- | -0.50% | -- |
| 07/25/2017 16:00 | IT | Industrial Sales WDA YoY | May | -- | -- | 4.00% | -- |
| 07/25/2017 21:00 | US | FHFA House Price Index MoM | May | 0.50% | -- | 0.70% | -- |
| 07/25/2017 21:00 | US | S&P CoreLogic CS 20-City YoY NSA | May | 5.75% | -- | 5.67% | -- |
| 07/25/2017 21:00 | US | S&P CoreLogic CS 20-City NSA Index | May | -- | -- | 197.19 | -- |
| 07/25/2017 21:00 | US | S&P CoreLogic CS US HPI YoY NSA | May | -- | -- | 5.50% | -- |
| 07/25/2017 21:00 | US | S&P CoreLogic CS US HPI NSA Index | May | -- | -- | 188.5 | -- |
| 07/25/2017 22:00 | US | Conf. Board Consumer Confidence | Jul | 116.5 | -- | 118.9 | -- |
| 07/25/2017 22:00 | US | Richmond Fed Manufact. Index | Jul | 7 | -- | 7 | -- |

Source: Bloomberg

| <u>OCBC Treasury Research</u> | |
|---|---|
| <u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com | <u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com |

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