

Highlights

Global	<p>Global risk appetite remain buoyant overnight, with global equity bourses rallying overnight as BOE governor Carney pledged fresh stimulus and continued policy support, including liquidity auctions for banks on a weekly basis and a “host of other measures”. He opined that “the economic outlook has deteriorated and some monetary policy easing will likely be needed over the summer” and said that the MPC will publish new forecasts after its regular meeting in July and a fuller review in August, which prompted renewed speculation of a rate cut by August.</p> <p>Today’s economic calendar comprises of the slew of Markit manufacturing PMIs across the globe, US’ manufacturing ISM, European unemployment rate, Malaysia May trade data, and Thai CPI. Speakers include ECB’s Coeure and Nowotny, Bundesbank’s Weidmann and Fed’s Mester. Ahead of the Australian elections tomorrow, PM Turnbull’s Liberal-National coalition is tied with Bill Shorten’s Labor Party on 50% on a two-party preferred basis, according to the Ipsos-Farifax poll on 26-29 June.</p>
US	<p>Initial jobless claims rose 10k to 268k, with the 4-week average at 266.75k, while the continuing claims fell by 20k to 2.12m, suggesting that employers remained reluctant to fire workers despite the slow hiring pace in May. The Chicago PMI also surged more than expected from 49.3 in May to 56.8 in June (highest since January 2015), supported by strong new orders (highest since October 2014) and production (highest since January), albeit the employment gauge fell at the fastest pace since November 2009.</p>
Japan	<p>The large manufacturers tankan was unchanged at 6 in June (forecast: 4), while the outlook for large non-manufacturer Tankan was at 19 in line with expectations. Meanwhile core consumer prices fell for a third month by 0.4% yoy despite BOJ efforts, and household spending actually fell 1.1% yoy, worse than the 0.4% decline in April. This heightens the pressure for BOJ to act at the 28-29 July policy meeting.</p>
Singapore	<p>Bank loans growth contracted for a 9th straight month in May, albeit the decline eased slightly to -0.7% yoy from -0.8% yoy in April. Bank loans growth actually expanded 0.5% mom in May after falling 0.1% mom in April. On balance, we anticipate that bank loans could shrink 1.1% yoy in 2Q16 and likely contract 0.2% yoy for the full year in 2016 amid the macro headwinds, especially given lingering post-Brexit uncertainties. Moody’s has also revised the outlook for Singapore’s banking sector from stable to negative over the next 12-18 months to reflect weaker operating conditions for banks, against the backdrop of softer domestic and regional economic and trade growth.</p>
China	<p>PBoC published the statement in its website saying that China has no plan to devalue its currency to gain competitive advantage in reaction to media report that China will allow the USDCNY to go higher to 6.8. The news caused the sudden decline of RMB against dollar on 30 June with the USDCNH spiked to 6.7 level from around 6.6650. The report though being denied by PBoC tested how fragile the sentiment is.</p> <p>The CFETs RMB index fell further to 95.01 yesterday. Nevertheless, it shows that China has followed its current fixing mechanism closely.</p>

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Major Market

- **US:** Equity markets continue to stage post-Brexit rebounds. Word was heard on the street that ECB intends to loosen the rules for its bond buying programme, while Carney said BOE is likely to ease policy to support the British economy. S&P 500, Dow and Nasdaq rose 1.36%, 1.33% and 1.33% respectively. Meanwhile, U.S. Treasury notes traded at record low yields, with 2-year notes yielding 0.58% and 10-year notes yielding 1.47%. Meanwhile, VIX is lower by 6.07% to close at 15.63.
- **Eurozone:** UK's final 1Q16 GDP was 0.4% qoq (+2.0% yoy), while the June GfK consumer confidence was unchanged at -1 in June. The German unemployment fell again by 6k to 2.69m, with the unemployment rate unchanged at a record low 6.1%, suggesting that German companies were nonchalant ahead of the Brexit referendum.
- **Singapore:** Business loans continued to decrease for the 8th consecutive month by 3.1% yoy (+0.6% mom) in May after printing -2.9% yoy (-0.5% mom) in April, due to the drag from general commerce (-23.1% yoy) and financial institutions (-7.0% yoy). The outperformer in business loans growth remained the building and construction industry which continued to expand by 15.6% yo y (-0.5% mom). Interestingly, business loans to transport, storage and communications actually recovered 3.2% yoy (+2.2% mom) in May after two consecutive months of declines, possibly signalling some initial stabilisation for this sector. The main support remained the consumer loans segment which continued to accelerate from 2.4% yoy (+0.4% mom) in April to 2.8% yoy (+0.4% mom) in May, carried by sustained momentum housing and bridging loans (+4.0% yoy which was a 4-month high), and to a lesser extent also the share financing loans (+136.5% yoy) whereas car loans eased to -4.1% yoy (April: -4.8% yoy). The auto loan segment should continue to improve modestly over time with the recent easing in car loan measures.
- The STI added 1.73% to close at 2840.93 yesterday, and sustain its uptrend on the recent recovery in risk appetite amid signs of impending BOE monetary policy stimulus. Given still positive overnight leads from Wall Street and Europe, the STI could make a shot for the 2880 resistance, with support tipped at 2820. SGS bond yields rose up to 1bp yesterday and will likely continue to reverse the post-Brexit rally in line with UST bond yields again today.
- **Hong Kong:** Total retail sales continued to decline in May, down 8.4% yoy. Value of retail sales totalled HK\$ 35.7 billion, falling for the 15th straight month on yearly basis. Data signalled that the business environment remained dampened in the retail sector amid weak inbound tourism and subdued tourists spending. We expect that the dimmer economic outlook of HK and the rout in asset markets following Brexit could continue to dent local consumption sentiment. Decline in the luxury segment continued to pose a severe drag on HK retail sales. Value of sales of jewellery and watches contracted for the 20th straight month by 18.7% yoy in May. In the near term, HK retail sector is likely to be constrained by weak inbound tourism activities amid Chinese economic downturn and external uncertainties, in turn weighing down employment in this sector.
- Total demand deposits in HK grew 6.4% yoy to HK\$ 1,690 billion. We believe investors would continue to stay on sideline given recent risk aversion amid the uncertainty in the asset market following Brexit. Also, support from the impending initiation of Shenzhen-Hong Kong stock connect has been digested to a large extent. RMB deposits shrank further by 24.7% yoy for the 9th straight month to RMB 732 billion in May as CNH depreciated 1.5% during last month. In the short term, the unexpected Brexit and the expected inclusion of KRW into CFETs RMB index are likely to push up the RMB's volatility. As a result, the deepening angst of RMB depreciation may result in persistent contraction in offshore RMB deposit. In addition, USD deposits increased 19% yoy to HKD 3,804 billion. Loans for use outside HK increased slightly by 0.5% mom (-1.8% yoy), indicating that demand for Mainland related loan remained soft in China. Both the cheaper borrowing cost in Mainland and the deterioration of credit quality of Mainland enterprises amid China's economic slowdown could keep restraining loan growth in HK. Moreover, loan to finance HK's visible trade

slumped significantly by 14.9% yoy. As HK could continue to witness sagging trade activity amid weak external demand from global uncertainty, growth in loan to finance HK's visible trade may stay sluggish.

- **Indonesia:** June inflation data is due out today. We expect it to print 3.4% yoy, compared to 3.3% of the previous month, as we see a sequential uptick in prices due, with most of the country gears up for the Idul Fitri festivities.
- **Commodities:** Is the rally too good to be true? Crude oil fell once again below \$50/bbl on closing yesterday, even on reports that US crude oil inventories shrank for a 6th week while output fell to its lowest since Sept 2014. On a half-yearly basis, gold had risen nearly 25% in 1H16, an unsurprising behaviour given the various bouts of risk-off events over the same period. We revised our 2H16 Commodities outlook and price forecasts as of yesterday [<Life after Brexit – 30 June 2016>](#).

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with the swap rates traded 1-6bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in BAERVX 5.9%'49s, GENSSP 5.13%'49s and NAB 4.15%'28s while mixed interests were seen in UCGIM 5.5%'23s and ABNAV 4.7%'22s. . The Itraxx Asia ex-Japan IG index opened at 138bps this morning, 2bps lower from yesterday's close and 5bps lower than the trailing one month average. 10y UST yield decreased by 5bps to 1.47%.
- **Rating Changes:** S&P has placed Nextgen Networks Pty Ltd's "B+" credit rating on review for upgrade. S&P downgraded China XD plastics (CXDC) Co. Ltd. to "B+" from "BB-" with a negative outlook. The downgrade reflects CXDC's shrinking profitability amid softening industry conditions alongside a slowdown of automobile sales in China. S&P affirmed China Merchants Holdings International (CMHI) Co. Ltd.'s credit rating of "BBB+" and revised its outlook to negative from stable. The revision reflects S&P's expectation of CMHI's financial strength to come under pressure due to fragile growth stemming from global macroeconomic conditions, the company's rising leverage to finance acquisitions, and the weaker profitability of its recently acquired assets. Moody's withdrew Bank ICBC Indonesia (P.T.)'s "Baa2" long-term local currency deposit rating, the bank's "Baa3" long-term foreign currency deposit ratings, and the bank's "Baa2" long-term issuer rating due to its own business reasons. Moody's has placed Power Construction Corporation of China's (PowerChina) "A3" credit rating on review for downgrade following concerns over PowerChina's noticeable rising leveraging which is weak for its baseline credit assessment of "Baa3". Moody's downgraded China South City (CSC) Holdings Ltd.'s corporate rating to "B2" from B1" with a negative outlook. The downgrade reflects Moody's expectation of continued weak contracted sales and credit metrics for CSC in the next 12-18 months, which will position the company in the mid-B rating range. Fitch assigned a first time credit rating of "BB+" on Huai'an Development Holdings (HAD) Co. Ltd. with stable outlook. The ratings of HAD are credit-linked to but not equalized with Fitch's internal credit assessment of the Huai'an Municipality. This is reflected in the government's 100% stake in HAD, strong government control and oversight of the company, and strategic importance of HAD's operation to the municipality, giving rise to extraordinary support, if needed from the municipality. Fitch has assigned Insurer Financial Strength rating of "A-" with stable outlook on China United Property Insurance (CUPI) Co. Ltd. The rating reflects CUPI's profitable operating margin, manageable exposure to equities and its ownership linkage with China Orient Asset Management Corporation. Fitch affirmed China Huarong Asset Management (China Huarong) Co Ltd's credit rating of "A" with a stable outlook. China Huarong's rating is credit-linked one notch below that of the Chinese sovereign (A+/Stable), reflecting the company's state ownership and strong control by the authorities. Its strategic ties with the state mean there is a strong likelihood the company would receive extraordinary support from the sovereign, if needed.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.143	0.39%	USD-SGD	1.3472	-0.07%
USD-JPY	103.200	0.36%	EUR-SGD	1.4963	-0.23%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3056	-0.42%
AUD-USD	0.7451	0.00%	GBP-SGD	1.7933	-0.94%
GBP-USD	1.3311	-0.88%	AUD-SGD	1.0039	-0.07%
USD-MYR	4.0288	-0.29%	NZD-SGD	0.9610	0.21%
USD-CNY	6.6480	0.17%	CHF-SGD	1.3803	0.31%
USD-IDR	13210	0.40%	SGD-MYR	2.9865	-0.30%
USD-VND	22304	-0.05%	SGD-CNY	4.9356	0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3640	--	O/N	0.4051	--
2M	-0.3190	--	1M	0.4666	--
3M	-0.2820	--	2M	0.5420	--
6M	-0.1780	--	3M	0.6461	--
9M	-0.1150	--	6M	0.9137	--
12M	-0.0510	--	12M	1.2163	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.58	-7.70	3.01
Italy	-0.11	-4.90	1.26
Ireland	-0.35	-5.80	0.52
Greece*	7.69	36.80	8.29
Spain	-0.19	-6.70	1.16
Russia^	2.23	1.80	4.50

* 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	17,929.99	235.30
S&P	2,098.86	28.10
Nasdaq	4,842.67	63.40
Nikkei 225	15,575.92	9.10
STI	2,840.93	48.20
KLCI	1,654.08	11.90
JCI	5,016.65	36.50
Baltic Dry	660.00	20.00
VIX	15.63	-1.00

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.03 (-0.01)	0.58 (-0.06)
5Y	1.51 (--)	1.00 (-0.06)
10Y	1.91 (+0.01)	1.47 (-0.05)
15Y	2.19 (+0.01)	--
20Y	2.27 (+0.01)	--
30Y	2.37 (+0.01)	2.28 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.79	-2.32
EURIBOR-OIS	7.60	--
TED	39.54	0.80

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.33	-3.11%	Coffee (per lb)	1.441	0.88%
Brent (per barrel)	49.68	-1.84%	Cotton (per lb)	0.6282	-2.60%
Heating Oil (per gallon)	1.485	-3.18%	Sugar (per lb)	0.2015	-3.22%
Gasoline (per gallon)	1.50	-1.53%	Orange Juice (per lb)	1.7715	2.46%
Natural Gas (per MMBtu)	2.924	2.13%	Cocoa (per mt)	3,004	-2.40%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,845.0	0.14%	Wheat (per bushel)	4.3125	0.41%
Nickel (per mt)	9,410	0.05%	Soybean (per bushel)	11.750	2.66%
Aluminium (per mt)	1,645.8	0.92%	Corn (per bushel)	3.5875	-3.76%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,320.6	-0.47%	Crude Palm Oil (MYR/MT)	2,400.0	0.71%
Silver (per oz)	18.582	1.20%	Rubber (JPY/KG)	167.8	1.39%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/30/2016 06:45	NZ Building Permits MoM	May	--	-0.90%	6.60%	6.80%
06/30/2016 07:00	SK Industrial Production SA MoM	May	0.30%	2.50%	-1.30%	-1.20%
06/30/2016 07:00	SK Industrial Production YoY	May	0.30%	4.30%	-2.80%	-2.60%
06/30/2016 07:05	UK GfK Consumer Confidence	Jun	-2	-1	-1	--
06/30/2016 07:50	JN Industrial Production MoM	May P	-0.20%	-2.30%	0.50%	--
06/30/2016 09:30	AU Private Sector Credit MoM	May	0.50%	0.40%	0.50%	--
06/30/2016 11:00	NZ Money Supply M3 YoY	May	--	7.30%	7.80%	--
06/30/2016 14:45	FR CPI EU Harmonized YoY	Jun P	0.30%	0.30%	0.10%	--
06/30/2016 14:45	FR CPI MoM	Jun P	0.20%	0.20%	0.40%	--
06/30/2016 14:45	FR CPI YoY	Jun P	0.20%	0.20%	0.00%	--
06/30/2016 15:30	TH Foreign Reserves	Jun-24	--	\$178.8b	\$179.7b	--
06/30/2016 15:30	TH BoP Current Account Bal	May	\$3112m	\$2234m	\$3164m	--
06/30/2016 15:55	GE Unemp Change (000's)	Jun	-5k	-6k	-11k	--
06/30/2016 15:55	GE Unemployment Claims Rate SA	Jun	6.10%	6.10%	6.10%	--
06/30/2016 16:30	HK Retail Sales Value YoY	May	-8.80%	-8.40%	-7.50%	--
06/30/2016 16:30	HK Retail Sales Volume YoY	May	-8.00%	-9.00%	-7.60%	-7.70%
06/30/2016 16:30	UK GDP QoQ	1Q F	0.40%	0.40%	0.40%	--
06/30/2016 16:30	UK GDP YoY	1Q F	2.00%	2.00%	2.00%	--
06/30/2016 16:51	TA CBC Benchmark Rate	Jun-30	1.38%	1.38%	1.50%	--
06/30/2016 17:00	EC CPI Estimate YoY	Jun	0.00%	0.10%	-0.10%	--
06/30/2016 17:00	IT CPI NIC incl. tobacco MoM	Jun P	0.20%	0.10%	0.30%	--
06/30/2016 20:30	US Initial Jobless Claims	Jun-25	267k	268k	259k	258k
06/30/2016 20:30	CA GDP MoM	Apr	0.10%	0.10%	-0.20%	--
06/30/2016 21:45	US Chicago Purchasing Manager	Jun	51	56.8	49.3	--
07/01/2016 07:00	SK CPI MoM	Jun	0.10%	0.00%	0.00%	--
07/01/2016 07:00	SK CPI YoY	Jun	0.80%	0.80%	0.80%	--
07/01/2016 07:30	AU AiG Perf of Mfg Index	Jun	--	51.8	51	--
07/01/2016 07:30	JN Jobless Rate	May	3.20%	3.20%	3.20%	--
07/01/2016 07:30	JN Job-To-Applicant Ratio	May	1.35	1.36	1.34	--
07/01/2016 07:30	JN Natl CPI Ex Fresh Food YoY	May	-0.40%	-0.40%	-0.30%	--
07/01/2016 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jun	-0.50%	-0.50%	-0.50%	--
07/01/2016 07:50	JN Tankan Large Mfg Index	2Q	4	6	6	--
07/01/2016 08:00	SK Exports YoY	Jun	-8.20%	--	-6.00%	--
07/01/2016 08:00	SK Imports YoY	Jun	-10.00%	--	-9.30%	-9.00%
07/01/2016 09:00	CH Manufacturing PMI	Jun	50	--	50.1	--
07/01/2016 09:30	SK Nikkei South Korea PMI Mfg	Jun	--	--	50.1	--
07/01/2016 09:45	CH Caixin China PMI Mfg	Jun	49.2	--	49.2	--
07/01/2016 10:00	JN Nikkei Japan PMI Mfg	Jun F	--	--	47.8	--
07/01/2016 10:30	TA Nikkei Taiwan PMI Mfg	Jun	--	--	48.5	--
07/01/2016 11:00	ID Nikkei Indonesia PMI Mfg	Jun	--	--	50.6	--
07/01/2016 11:30	TH CPI YoY	Jun	0.50%	--	0.46%	--
07/01/2016 12:00	VN Nikkei Vietnam PMI Mfg	Jun	--	--	52.7	--
07/01/2016 12:00	MA Exports YoY	May	2.00%	--	1.60%	--
07/01/2016 13:00	IN Nikkei India PMI Mfg	Jun	--	--	50.7	--
07/01/2016 14:30	AU Commodity Index YoY	Jun	--	--	-10.00%	--
07/01/2016 15:45	IT Markit Italy Mfg PMI	Jun	52.4	--	52.4	--
07/01/2016 15:50	FR Markit France Mfg PMI	Jun F	47.9	--	47.9	--
07/01/2016 15:55	GE Markit Germany Mfg PMI	Jun F	54.4	--	54.4	--
07/01/2016 16:00	EC Markit Eurozone Mfg PMI	Jun F	52.6	--	52.6	--
07/01/2016 16:30	UK Markit UK PMI Mfg SA	Jun	50.1	--	50.1	--
07/01/2016 17:00	EC Unemployment Rate	May	10.10%	--	10.20%	--
07/01/2016 21:45	US Markit US Manufacturing PMI	Jun F	51.2	--	51.4	--
07/01/2016 22:00	US ISM Manufacturing	Jun	51.3	--	51.3	--
07/01/2016 22:00	US ISM Prices Paid	Jun	63.5	--	63.5	--
07/01/2016 22:00	US Construction Spending MoM	May	0.60%	--	-1.80%	--
07/01/2016	ID CPI YoY	Jun	3.40%	--	3.33%	--
07/01/2016	ID CPI NSA MoM	Jun	0.54%	--	0.24%	--
07/01/2016	ID CPI Core YoY	Jun	3.42%	--	3.41%	--
07/01/2016 07/14	ID Foreign Reserves	Jun	--	--	\$103.60b	--

Source: Bloomberg

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