

Highlights

Global	<p>Market disappointment at the end of last week was clear with BOJ's policy decision (the tweak is to purchase more ETFs from JPY3.3tn to JPY6tn and doubled size of USD lending program, with no change to the deposit rate or corporate bonds, albeit Kuroda has ordered an assessment of the BOJ policy effectiveness). US' 2Q GDP growth also rose a more tepid 1.2% qoq annualised (the worst performance since 2013), with personal consumption (+4.2%) mitigating the business investment, trade and government spending weakness, whereas 1Q16 growth was revised down from +1.1% to +0.8%. Meanwhile, EBA's bank stress test results were less negative with all banking systems except for Ireland (namely Bank of Ireland and Allied Irish Bank) reporting a CET1 ratio above 7% in 2018 in adverse conditions, whilst at the individual bank level, Monte Paschi was the only bank with its capital base wiped out in an adverse scenario, with Raiffeisen and bank of Ireland whose CET1 ratios fell below 7%.</p> <p>Expect Asian markets to trade with a softer tone today - kicking off a heavy data calendar this week is today's slew of global PMIs on tap, including China's official manufacturing and services PMIs and US' ISM, as well as Thai CPI. Key central bank meetings this week include RBA on 2 Aug (incoming governor Philip Lowe is likely to cut 25bps to 1.5% to compensate for Treasurer Scott Morrison's emphasis on "getting the deficit down"), BOT on 3 Aug (likely unchanged at 1.5%), and BOE on 4 Aug (with a possible 25bp rate cut to 0.25% and/or additional QE or lending measures, albeit views have been mixed within the BOE with Weale pointing out that BOE is "not a nurse to markets").</p>
US	<p>Core PCE rose 1.7% qoq in 2Q, after a revised 2.1% gain in 1Q, while the employment cost index was unchanged at +0.6% in 2Q. Meanwhile, the Chicago PMI retreated less than anticipated from 56.8 in June to 55.8 (forecast 54.0) in July, but the University of Michigan sentiment index slid from 93.5 in June to 90 in July, with the current conditions and expectations gauges both softening to 109 (previously 110.8) and 77.8 (previously 82.4) respectively. Notably, a record share of households in the top third income bracket citing Brexit as weighing on their outlook.</p>
SG	<p>S'pore's bank loans fell for the 9th consecutive month by 2.7% yoy (-0.4% mom) in June, highlighting the very weak business sentiments. Bank loans growth contracted by 1.4% yoy in 2Q16, worse than our forecast of -1.1%. This suggests there is some downside risk to our full year bank loans growth forecast of -0.2%. The business outlook remains cloudy for 2H. The business expectations survey revealed that a net weighted 1% of manufacturers expect a worse outlook for 2H, with the most bearish being chemicals (-19%) and transport engineering (-11%). The most upbeat were precision engineering (+10%) and electronics (+6%), which is consistent with the recent June industrial production data. For services, a net weighted 6% of firms anticipated a less favourable business conditions for 2H as well, albeit this is less severe than the -13% seen three months ago. The more upbeat industries were accommodation (+21%), F&B (+20%), and business services (+5%), whereas the most bearish was a close tie between real estate (-20%) and wholesale trade (-19%).</p>

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Major Market

- **US:** Equities ended the last trading day of July largely unchanged, with S&P 500 and Nasdaq marking gains of 0.16% and 0.14%, and the Dow retreating 0.13%. Equities continue to perform well, with S&P 500 and the Dow recording their fifth and sixth monthly gains respectively. Meanwhile, rate hike expectations faded following a slower than expected GDP growth number released on Friday. Benchmark yields fell across the board, with the 2-year note yielding 0.66%, and the 10-year note 1.45%. VIX retreated 6.68% to close at 11.87.
- **Singapore:** Bank loans fell an average of 1.4% yoy for the first half of 2016. Business loans contracted by a more severe 6.2% yoy in June, double the 3.1% decline in May, and the sharpest fall since October 2009 (Lehman crisis). The main loans drag were from general commerce which clearly may not have bottomed yet at -24.7% yoy (which is the worst performance since at least 1981), which is a testament to the weakness in regional trade activity. That said, it's not all doom and gloom as general commerce loans actually expanded for the second straight month by 0.9% mom in June (May: +0.5% mom), after a streak of 8 months of declines. The building/construction loan segment moderated sharply to just +3.7% yoy (+0.2% mom) in June after 25 straight months of double-digit yoy growth, which suggests that building activity is gradually succumbing to the pull of gravity amid the cooling market sentiments. Separately, manufacturing loans also slide on-year for 19 straight months, which affirms the extended soft patch for the sector. Consumer loans growth remained resilient at +2.8% yoy for the second consecutive month in June, aided by housing/bridging loans (+3.8% yoy vis-à-vis +4.0% in May). Interestingly, car loans has fallen on-year for 43 straight months, but rose for the first time since February by a modest 0.08% mom in June, possibly due to the easing of auto loan restrictions.
- The STI slumped 1.71% on Friday to close at 2868.69 amid the BOJ policy disappointment, and may continue to consolidate amid mixed cues from Wall Street, Nikkei and Kospi. The STI's resistance and support are tipped at 2920 with support at 2840. SGS bonds may be better bid today amid the slight risk-off market sentiment as central bank policy decisions and economic data releases have disappointed of late.
- **Hong Kong:** Actual private residential construction surged notably, ramping up 105% from 7,900 units in 1H 2015 to 16,200 units in 1H 2016. Assuming little seasonal factors and no significant changes in the construction, total construction will be around 32,500 units in 2016. The figure remained 118% larger than the 5-year average of 14,900 units from 2011 to 2015. Meanwhile, actual 5,100 units were completed in the 1H 2016, 45% more than that in the same period of 2015. According to the Rating and Valuation Department, 18,200 units will be completed in 2016, 66% more than the average completion of 10,960 units from 2011 to 2015. Moreover, considering the units under construction and units from disposed sites where construction may start anytime, total 93,000 units will be available in the coming three to four years, which surpassed the 2016 Policy Address' projection of 87,000 units. Looking ahead, we believe the property market would continue to face headwind, due to (1) the rising supply of private houses, (2) the uptick in US interest rate.
- Total deposits increased 4.7% yoy in June to HK\$ 11,048 billion with total demand deposits surging 9.2% yoy to HK\$ 1,724 billion. We believe that this is because investors stayed on the side line in June given volatility in the asset market following Brexit. However, as Hang Seng index showed strong momentum in July amid the influx of capital from Mainland, investors may be attracted to the stock market again and the growth in total demand deposits may become slower in July. RMB deposits shrank further by 28.3% yoy for the 10th straight month to RMB 712 billion in June as CNH depreciated 1.3% during last month. In the short term, RMB could encounter pressure given China's economic slowdown and the strong greenback amid the expected rate hike of the Fed. As a result, the ongoing angst of RMB depreciation could result in persistent contraction in offshore RMB deposit. In addition, USD deposits skyrocketed 23.8% yoy to HKD 3,891 billion. Total loan and advances increased slightly by 0.3% yoy to HK\$ 7,670 billion. Loans for use outside of HK increased

slightly by 0.7% mom (-3.7% yoy), indicating that demand for Mainland related loan remained soft in China. Both the cheaper borrowing cost in Mainland and the ongoing deterioration of credit quality of Mainland enterprises could keep depressing Mainland related loan growth. Moreover, loans for use in HK rose by 1.1% mom while loan to finance HK's visible trade slumped significantly by 10.2% yoy amid sagging trade activity.

- **Indonesia:** Bank Indonesia's Governor Agus Martowardojo said that the central bank may use room for further monetary policy easing if funds repatriated from tax amnesty are as expected. He also added that he will be meeting with the Finance Minister and the Coordinating Minister for Economic Affairs every two weeks to discuss fiscal and monetary policy, as well as policy mix.
- **Thailand:** The Bank of Thailand is slated to meet on 3 Aug this week, where policy direction and economic outlook will be discussed as usual. We note that the economic fundamentals still appear healthy amid support from government fiscal policies and rigorous tourist arrivals over the course of 2016. As such, the pressure to cut rates further may remain absent despite the cuts seen in parts of Asia. We look for BOT to keep rates unchanged at 1.50%. Elsewhere, do note that the Thai will head to vote on the constitution referendum this Sunday as well.
- **Commodities:** Some short-covering behaviour was likely seen over the weekend, with WTI gaining 1.1% while other distillates such as heating oil and gasoline pointed north. Still, crude oil is likely to see further downside risk, with US oil rig drillers adding, yet again, more rigs for the fifth consecutive week ending 29 July 2016. In another sign to signal further supply glut, Saudi Aramco, the state oil company of Saudi Arabia, lowered the pricing terms for Arab light sold to Asia by the most in 10 months.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards last Friday. Swap rates traded 1-4bps higher across all tenors with the exception of shorter-end rates (less than 2 years). Notably, the overnight swap rate decreased by 52bps. Flows in the SGD corporates were heavy with better seen in GENSSP 5.13%'49s and UOBSP 4%'49s. Better selling were seen in GEMAU 5.5%'19s and SCISP 4.75%'49s while mixed interests were seen in, ASPSP 5.05%'19s, BAERVX 5.9%'49s, FCLSP 4.25%'26s, BNP 4.3%'25s, BPCEGP 4.5%'26s, MLTSP 4.18%'49s and VIBGSP 4.6%'17s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 213bps while the yield on JACI HY corporates increased by 9bps to 6.47%. 10y UST yield decreased by 5bps to 1.45% following the release of the weaker-than-expected US GDP data that dimmed bets on an interest rate hike in the near term.
- **New Issues:** Fenghui Leasing has scheduled investor meetings for potential USD bond issuance, with expected ratings of "NR/B2/B".
- **Rating Changes:** S&P downgraded Asciano Ltd.'s credit rating to "BBB-" from "BBB" with stable outlook. The downgrade reflects S&P's view that Asciano's business diversification will reduce following the planned divestment of the ports business, which is likely to happen in the near term. S&P upgraded Broadspectrum Ltd.'s credit rating to "BB+" from "BB" with stable outlook. The upgrade reflects S&P's view of the implied support from Broadspectrum's sole parent-Ferrovial S.A., which generated revenue of EUR9.2bn in 2015. S&P revised its outlook on Australia-based gaming machine maker, Aristocrat Leisure Ltd.'s "BB" credit rating to positive from stable. The positive outlook reflects S&P's view of Aristocrat's improved operating performance as a result of the company's strengthening market position, higher-margin product mix, and successful integration of Video Gaming Technologies, Inc. (VGT) in October 2014. Fitch upgraded the issue ratings on Greenko's USD500mn notes to "B+" from "B" and assigned holdco Greenko Energy Holdings (GEH)

a “B+” long term foreign currency issuer default rating. The rating reflects GEH’s established track record and low construction risks associated with its wind and solar power projects which mitigates asset construction and execution risks, financial support from GEH’s shareholders and expected improvement in financial profile. The rating on the notes reflects the benefits of ownership from GIC and the guarantee on the notes by GEH and operating subsidiaries.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.530	-1.25%	USD-SGD	1.3397	-1.06%
USD-JPY	102.060	-3.05%	EUR-SGD	1.4980	-0.13%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3132	2.10%
AUD-USD	0.7596	1.24%	GBP-SGD	1.7743	-0.46%
GBP-USD	1.3230	0.50%	AUD-SGD	1.0197	0.36%
USD-MYR	4.0660	0.41%	NZD-SGD	0.9658	0.85%
USD-CNY	6.6350	-0.34%	CHF-SGD	1.3819	0.09%
USD-IDR	13112	0.11%	SGD-MYR	3.0154	0.39%
USD-VND	22299	-0.03%	SGD-CNY	4.9401	0.40%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4129	-0.0030
2M	-0.3310	--	1M	0.4959	0.0020
3M	-0.2970	-0.0010	2M	0.6074	0.0060
6M	-0.1860	--	3M	0.7591	0.0026
9M	-0.1190	--	6M	1.1117	0.0195
12M	-0.0490	--	12M	1.4321	0.0121

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.46	-3.60	2.93
Italy	-0.06	-0.90	1.17
Ireland	-0.45	-1.60	0.42
Greece*	7.54	15.00	8.16
Spain	-0.16	-1.20	1.02
Russia^	2.63	15.90	4.29

* 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	18,432.24	-24.10
S&P	2,173.60	3.50
Nasdaq	5,162.13	7.10
Nikkei 225	16,569.27	92.40
STI	2,868.69	-49.90
KLCI	1,653.26	-5.20
JCI	5,215.99	-83.20
Baltic Dry	656.00	-9.00
VIX	11.87	-0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.95 (-0.01)	0.66 (-0.05)
5Y	1.43 (+0.03)	1.02 (-0.06)
10Y	1.81 (+0.04)	1.45 (-0.05)
15Y	2.08 (+0.03)	--
20Y	2.20 (+0.02)	--
30Y	2.27 (+0.02)	2.18 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.37	0.73
EURIBOR-OIS	5.70	-0.10
TED	50.55	-1.26

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.60	1.12%	Coffee (per lb)	1.462	2.85%
Brent (per barrel)	42.46	-0.56%	Cotton (per lb)	0.7416	1.56%
Heating Oil (per gallon)	1.276	0.44%	Sugar (per lb)	0.1905	1.33%
Gasoline (per gallon)	1.32	1.13%	Orange Juice (per lb)	1.7465	-2.86%
Natural Gas (per MMBtu)	2.876	0.10%	Cocoa (per mt)	2,835	-0.53%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,925.0	0.58%	Wheat (per bushel)	4.0775	-0.61%
Nickel (per mt)	10,598	-0.60%	Soybean (per bushel)	10.325	2.89%
Aluminium (per mt)	1,636.8	2.36%	Corn (per bushel)	3.3450	0.98%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,349.0	1.25%	Crude Palm Oil (MYR/MT)	2,374.0	1.76%
Silver (per oz)	20.347	0.77%	Rubber (JPY/KG)	184.0	-1.08%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 26 Jul 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	-126,439	-138,422	11,983	Corn	60,402	103,650	-43,248
Platinum	51,525	48,027	3,498	Nymex Crude	309,451	327,897	-18,446
Palladium	14,207	10,950	3,257	Cocoa	25,502	42,044	-16,542
Copper	4,871	2,156	2,715	Gold	305,505	318,788	-13,283
Live Cattle	36,472	33,929	2,543	Soybean	156,375	168,713	-12,338
Silver	98,802	97,128	1,674	Lean Hogs	60,987	71,483	-10,496
Heating Oil	14,546	13,651	895	Wheat	-114,228	-103,786	-10,442
Cotton	93,745	94,550	-805	RBOB Gasoline	43,215	47,114	-3,899
Coffee	42,280	43,574	-1,294	Sugar	309,138	311,919	-2,781

Source: CFTC

Key Economic Indicators

07/29/2016 07:00	SK	Industrial Production SA MoM	Jun	-0.60%	-0.20%	2.50%	2.70%
07/29/2016 07:01	UK	GfK Consumer Confidence	Jul	-8	-12	-1	--
07/29/2016 07:30	JN	Jobless Rate	Jun	3.20%	3.10%	3.20%	--
07/29/2016 07:30	JN	Household Spending YoY	Jun	-0.40%	-2.20%	-1.10%	--
07/29/2016 07:30	JN	Natl CPI YoY	Jun	-0.40%	-0.40%	-0.40%	--
07/29/2016 07:50	JN	Industrial Production MoM	Jun P	0.50%	1.90%	-2.60%	--
07/29/2016 07:50	JN	Retail Trade YoY	Jun	-1.20%	-1.40%	-1.90%	-2.10%
07/29/2016 08:30	TA	GDP YoY	2Q P	0.70%	0.69%	-0.68%	--
07/29/2016 09:00	NZ	ANZ Business Confidence	Jul	--	16	20.2	--
07/29/2016 09:30	AU	PPI QoQ	2Q	--	0.10%	-0.20%	--
07/29/2016 11:00	NZ	Money Supply M3 YoY	Jun	--	5.90%	7.30%	--
07/29/2016 13:00	JN	Annualized Housing Starts	Jun	0.998m	1.004m	1.017m	--
07/29/2016 13:30	FR	GDP QoQ	2Q A	0.20%	0.00%	0.60%	0.70%
07/29/2016 14:00	GE	Retail Sales MoM	Jun	0.10%	-0.10%	0.90%	0.70%
07/29/2016 14:45	FR	CPI EU Harmonized MoM	Jul P	-0.40%	-0.40%	0.10%	--
07/29/2016 15:30	TH	Foreign Reserves	Jul-22	--	\$178.7b	\$179.2b	--
07/29/2016 15:30	TH	Trade Balance	Jun	--	\$3791m	\$3506m	--
07/29/2016 15:30	TH	BoP Current Account Balance	Jun	\$2265m	\$2978m	\$2234m	--
07/29/2016 16:30	UK	Mortgage Approvals	Jun	65.5k	64.8k	67.0k	66.7k
07/29/2016 17:00	EC	Unemployment Rate	Jun	10.10%	10.10%	10.10%	--
07/29/2016 17:00	EC	CPI Estimate YoY	Jul	0.10%	0.20%	0.10%	--
07/29/2016 17:00	EC	GDP SA QoQ	2Q A	0.30%	0.30%	0.60%	--
07/29/2016 17:00	IT	CPI NIC incl. tobacco MoM	Jul P	0.00%	0.20%	0.10%	--
07/29/2016 18:00	IT	PPI MoM	Jun	--	0.50%	0.70%	--
07/29/2016 20:30	US	Employment Cost Index	2Q	0.60%	0.60%	0.60%	--
07/29/2016 20:30	CA	GDP MoM	May	-0.50%	-0.60%	0.10%	--
07/29/2016 20:30	CA	Industrial Product Price MoM	Jun	0.10%	0.60%	1.10%	1.20%
07/29/2016 20:30	CA	Raw Materials Price Index MoM	Jun	3.00%	1.80%	6.70%	7.00%
07/29/2016 20:30	US	GDP Price Index	2Q A	1.90%	2.20%	0.40%	0.50%
07/29/2016 22:00	US	U. of Mich. Sentiment	Jul F	90.2	90	89.5	--
08/01/2016 07:00	SK	BoP Current Account Balance	Jun	--	\$12168.4m	\$10361.3m	--
08/01/2016 09:00	AU	Melbourne Ins. Inflation MoM	Jul	--	--	0.60%	--
08/01/2016 09:00	CH	Manufacturing PMI	Jul	50	--	50	--
08/01/2016 09:00	CH	Non-manufacturing PMI	Jul	--	--	53.7	--
08/01/2016 09:30	SK	Nikkei South Korea PMI Mfg	Jul	--	--	50.5	--
08/01/2016 09:45	CH	Caixin China PMI Mfg	Jul	48.8	--	48.6	--
08/01/2016 10:00	JN	Nikkei Japan PMI Mfg	Jul F	--	--	49	--
08/01/2016 11:30	TH	CPI YoY	Jul	0.50%	--	0.38%	--
08/01/2016 12:00	VN	Nikkei Vietnam PMI Mfg	Jul	--	--	52.6	--
08/01/2016 15:45	IT	Italy Manufacturing PMI	Jul	52.5	--	53.5	--
08/01/2016 22:00	US	Construction Spending MoM	Jun	0.50%	--	-0.80%	--
08/01/2016 22:00	US	ISM Manufacturing	Jul	53	--	53.2	--
08/01/2016	ID	CPI YoY	Jul	3.37%	--	3.45%	--
08/01/2016 08/05	ID	Foreign Reserves	Jul	--	--	\$109.79b	--

Source: Bloomberg

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