

Highlights

Global	Market sentiments shifted south overnight as crude oil prices slid below the key \$40 handle and Japan's fiscal stimulus package underwhelmed market expectations, even though the RBA delivered its highly anticipated 25bp rate cut. On tap today are the US' non-manufacturing ISM, services and composite PMI for US, Europe and Asia, including China's Caixin prints. BOT also meets, but is likely to keep rates unchanged at 1.5% ahead of this weekend's referendum. Expect Asian trading to remain choppy in the interim.
AU	RBA cut its cash rate by 25bps as expected to a record low of 1.5%, citing that "inflation remains quite low" and "given very subdued growth in labor costs and low costs pressures elsewhere in the world, this is expected to remain the case for some time". RBA assessed that "recent data suggest that overall growth is continuing at a moderate pace, despite a very large decline in business investment" and "other areas of domestic demand, as well as exports, have been expanding at a pace at or above trend". In addition, "the board judged that prospects for sustainable growth in the economy, with inflation returning to target over time, would be improved by easing monetary policy". Governor Stevens also noted that "actions by Chinese policy makers are supporting the near-term growth outlook, but the underlying pace of China's growth appears to be moderating". The quarterly update on economic growth and inflation forecasts will be due on Friday and may tilt market expectations for RBA's future policy inclinations, but the statement suggests that the RBA may pause for now.
US	Personal income rose a tepid 0.2% in June, even though personal spending continued to chug along for the second month at +0.4%. Disposable real income rose 0.1% in June, while the saving rate fell to 5.3% (low since March 2015) from 5.5%, indicating that households were drawing down savings to fund their consumption. Meanwhile, the core PCE deflator rose 0.1% mom (+1.6% yoy), suggesting little signs of inflationary pressure.
JP	The JGB rout was fuelled further as the parliament approved a JPY28tn fiscal package which included about JPY4.6tn of new spending for the current FY. BOJ governor Kuroda reiterated that the central bank is unlikely to wind back its monetary stimulus after the "comprehensive assessment" due 20-21 Sep board meeting.
SG	The manufacturing PMI fell 0.3 points to 49.3 in July, marking the 13th straight month in contraction territory and the lowest print since March 2016. The drag came from lower new orders (49.2), new export orders (48.8), production (49.3), inventory (50.5), employment (49.4) and order backlog (49.3). The silver lining was that the electronics PMI unexpectedly improved 0.7 points to 49.7 in July, lifted by higher new orders (49.2), new export orders (49.5), output (49.7), imports (51.3), prices (49.5), employment (50.0) and order backlog (49.7). SIPMM cited that anecdotally, more electronics manufacturers are less pessimistic going forward. Therefore, Singaporean manufacturers are not out of the woods by any means, even though the manufacturing sector expanded for the first time since 2014 by 0.8% yoy in 2Q16.

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Major Market

- **US:** Equities saw a broad-based retreat amid a slide of crude prices. The decline was led by automakers and airlines. The S&P 500 fell 0.64%, marking the first back-to-back loss since Brexit. Dow and Nasdaq also fell 0.49% and 0.90% respectively. US Treasury yields rose as investors kept an eye on inflation. Benchmark yields for the 2-year note closed at 0.68%, while the 10-year note yielded 1.56%. Meanwhile, VIX is experiencing an uptick, with another strong gain of 7.48%.
- **Singapore:** The trajectory ahead for domestic manufacturers remains very cloudy for the following reasons: (a) Global demand for semiconductors is also softening, as reflected in the North American semiconductor book-to-bill ratio which has retraced back to 1.0x in June, after staying at 1.09 for the previous two months and reaching a year-to-date high of 1.15x in March this year; (b) Asian PMI prints are still very mixed, which is symptomatic of the tepid external demand conditions weighing on regional manufacturers. China's official manufacturing PMI dipped slightly from 50.0 in June to 49.9 in July, whilst the Caixin manufacturing PMI rose more than expected from 48.6 to 50.6, back to expansion territory. Japan's Nikkei manufacturing PMI improved from 48.1 in June to 49.3 in July (highest since Feb 2016), while improvements were also registered for Taiwan (51.0 versus 50.5), Malaysia (48.1 versus 47.1), and India (51.8 versus 51.7), but a deterioration were seen in Indonesia (48.4 versus 51.9), South Korea (50.1 versus 50.5) and Vietnam (51.9 versus 52.6); (c) The latest S'pore business expectations survey for 2H16 revealed that a net 1% of manufacturers anticipate a more bearish outlook in contrast to the 1% forecasting a more upbeat outlook just three months ago. Whilst a net 6% electronics manufacturers anticipate the 2H16 outlook to improve, this is down from +9% three months ago, and is led by semiconductors (+14% versus +29%), other electronic modules & components (+48% versus +17%). A closer reading suggests that drags on the manufacturing sector are likely to be from the slower momentum from clusters such as chemicals (-19% versus -7%), biomedical (+4% versus +8%), precision engineering (+10% versus +27%), as well as the beleaguered marine & offshore engineering industry (-20% versus -52%).
- The STI added 0.83% yesterday and closed at 2892.52, and may remain trapped below the 2900 resistance given weak external cues. The STI's support is tipped at 2840. SGS bonds may be sidelined in the interim.
- **Indonesia:** Government is reportedly planning to sell domestic USD bonds this year. The plan aims to absorb repatriated funds from tax amnesty program. It will also limit FX-denominated bond sales at maximum of 27% of gross total this year. In addition, several regional development banks, including those from the provinces of Lampung and Nusa Tenggara Timur, are also reportedly planning to sell bonds this year.
- **Thailand:** The Bank of Thailand is slated to meet today, where we look for the central bank to keep its powder dry at 1.50% given the high household debt levels amid other economic supports namely fiscal measures and healthy tourist arrivals to keep growth supported.
- **Commodities:** Crude oil closed below its \$40/bbl mark yesterday, a clear sign that the crude oil space has once again embarked on its bear trend. In fact, it touched its lowest at \$39.26/bbl, and its trailing below its 200-day moving average (\$40.60). Brent, WTI's distant cousin, also printed lower to \$41.80/bbl. Despite the lower prices for the last weeks, should history be of reference, we can expect prices to see some support firstly at \$35/bbl, if it ever gets that far. We note that energy prices are once again victims over supply woes (note higher US oil rig counts and lower Saudi prices to Asia of late), but world economic fundamentals especially with pockets of growth in the US and Asia are still present. Elsewhere, any prints below \$40/bbl may well give rise to OPEC's possible oratory to push prices up, a behaviour already seen in much iteration since the fall in oil prices.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates traded 1-7bps higher across all tenors. Flows in the SGD corporates were heavy with better selling seen in SOCGEN 4.3%'26s while mixed interest were seen in MLTSP 4.18%'49s, MDASP 6%'16s, GENSSP 5.13%'49s, HYFSP 6%'49s, UOBSP 4%'49s, GEMAU 5.5%'19s and ABNANV 4.75%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 213bps while the yield on JACI HY corporates increased by 7bps to 6.52%. 10y UST yield increased by 3bps to 1.56%.
- **New Issues:** Small and Medium Business Corp. has scheduled investor road shows from 8 August onwards for potential USD bond issuance. Housing & Development Board has launched a SGD 7-year bond with final price guidance at 1.91% that is to be priced later today. The expected issue ratings are "NR/Aaa/NR".
- **Rating Changes:** S&P downgraded PT MNC Investama Tbk.'s corporate credit rating to "B-" from "B" with negative outlook. The downgrade reflects MNC Investama's increasingly unfavourable debt maturity profile and delays in articulating a comprehensive refinancing strategy for the company's maturing debts. S&P affirmed its "BB+" corporate credit rating on Broadcom Ltd. and revised its outlook to positive from stable. The revision reflects Broadcom's de-leveraging to date and S&P's expectation that continuing operating growth will provide opportunities for further de-leveraging and capital deployment flexibility. At the same time, S&P also assigned a "BBB" issue-level rating to Broadcom's new term loan. Moody's downgraded JFE Holdings Inc's senior unsecured debt rating to "Baa2" from "Baa1" with a negative outlook. The rating downgrade reflects the deterioration in JFE's financial leverage and increasing concerns over its ability to sustain profits and financial leverage amid a challenging operating environment and significant Japanese Yen appreciation. Fitch has published its long term issuer default rating of "AA-" for General Electric Company (GE) and GE Capital Global Holdings with stable outlook. The ratings for GE incorporate the company's global presence, broad product portfolio, large market shares in its core infrastructure and healthcare markets, and strong technological capabilities. The ratings for GE Capital incorporate the parental support from GE.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.064	-0.68%	USD-SGD	1.3395	-0.20%
USD-JPY	100.890	-1.46%	EUR-SGD	1.5036	0.37%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3278	1.30%
AUD-USD	0.7609	0.97%	GBP-SGD	1.7893	1.16%
GBP-USD	1.3357	1.35%	AUD-SGD	1.0190	0.74%
USD-MYR	4.0332	0.22%	NZD-SGD	0.9703	0.79%
USD-CNY	6.6272	-0.25%	CHF-SGD	1.3898	0.29%
USD-IDR	13090	0.33%	SGD-MYR	3.0189	0.60%
USD-VND	22305	0.02%	SGD-CNY	4.9541	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4144	--
2M	-0.3310	--	1M	0.4939	--
3M	-0.2970	--	2M	0.6069	--
6M	-0.1860	--	3M	0.7591	--
9M	-0.1190	--	6M	1.1147	--
12M	-0.0480	--	12M	1.4336	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.41	0.70	2.93
Italy	-0.05	1.00	1.22
Ireland	-0.41	2.40	0.49
Greece*	7.61	31.40	8.25
Spain	-0.16	1.10	1.08
Russia^	2.69	-0.60	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	18,313.77	-90.70
S&P	2,157.03	-13.80
Nasdaq	5,137.73	-46.50
Nikkei 225	16,391.45	-244.30
STI	2,856.67	-35.80
KLCI	1,660.23	-5.00
JCI	5,373.32	11.70
Baltic Dry	645.00	-5.00
VIX	13.37	0.90

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (+0.01)	0.68 (-0.01)
5Y	1.42 (+0.03)	1.09 (+0.01)
10Y	1.84 (+0.07)	1.56 (+0.03)
15Y	2.11 (+0.06)	--
20Y	2.23 (+0.06)	--
30Y	2.31 (+0.06)	2.31 (+0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.31	-0.06
EURIBOR-OIS	5.50	-0.20
TED	49.53	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	39.51	-1.37%	Coffee (per lb)	1.413	-1.53%
Brent (per barrel)	41.80	-0.81%	Cotton (per lb)	0.7367	-0.67%
Heating Oil (per gallon)	1.259	0.09%	Sugar (per lb)	0.1905	1.28%
Gasoline (per gallon)	1.31	0.61%	Orange Juice (per lb)	1.7085	-5.53%
Natural Gas (per MMBtu)	2.733	-1.37%	Cocoa (per mt)	2,896	-1.03%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,892.0	0.20%	Wheat (per bushel)	4.0125	-1.17%
Nickel (per mt)	10,690	-0.10%	Soybean (per bushel)	9.853	-1.08%
Aluminium (per mt)	1,615.8	-0.63%	Corn (per bushel)	3.2425	-0.46%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,364.4	0.96%	Crude Palm Oil (MYR/MT)	2,393.0	0.76%
Silver (per oz)	20.701	0.98%	Rubber (JPY/KG)	184.8	-0.05%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/02/2016 07:00	SK CPI MoM	Jul	0.20%	0.10%	0.00%	--
08/02/2016 07:00	SK CPI YoY	Jul	0.80%	0.70%	0.80%	--
08/02/2016 07:50	JN Monetary Base YoY	Jul	--	24.70%	25.40%	--
08/02/2016 08:00	NZ QV House Prices YoY	Jul	--	14.10%	13.50%	--
08/02/2016 09:30	AU Trade Balance	Jun	-2000m	-3195m	-2218m	-2418m
08/02/2016 09:30	AU Building Approvals MoM	Jun	0.80%	-2.90%	-5.20%	-5.40%
08/02/2016 09:30	AU Building Approvals YoY	Jun	-2.40%	-5.90%	-9.10%	-9.20%
08/02/2016 11:00	NZ 2Yr Inflation Expectation	3Q	--	1.65%	1.64%	--
08/02/2016 12:30	AU RBA Cash Rate Target	Aug-02	1.50%	1.50%	1.75%	--
08/02/2016 14:30	AU Commodity Index AUD	Jul	--	90.5	89.7	89.5
08/02/2016 14:30	AU Commodity Index YoY	Jul	--	-2.00%	-9.90%	-10.00%
08/02/2016 16:30	UK Markit/CIPS UK Cons. PMI	Jul	44	45.9	46	--
08/02/2016 16:30	HK Retail Sales Value YoY	Jun	-8.10%	-8.90%	-8.40%	-8.30%
08/02/2016 16:30	HK Retail Sales Volume YoY	Jun	-8.50%	-9.60%	-9.00%	-8.80%
08/02/2016 17:00	EC PPI MoM	Jun	0.40%	0.70%	0.60%	--
08/02/2016 17:00	EC PPI YoY	Jun	-3.40%	-3.10%	-3.90%	-3.80%
08/02/2016 20:30	US Personal Income	Jun	0.30%	0.20%	0.20%	--
08/02/2016 20:30	US Personal Spending	Jun	0.30%	0.40%	0.40%	--
08/02/2016 20:30	US PCE Deflator YoY	Jun	0.90%	0.90%	0.90%	--
08/02/2016 20:30	US PCE Core MoM	Jun	0.10%	0.10%	0.20%	--
08/02/2016 21:00	SI Purchasing Managers Index	Jul	49.5	49.3	49.6	--
08/02/2016 21:30	CA RBC Canadian Mfg PMI	Jul	--	51.9	51.8	--
08/03/2016 05:00	SK Foreign Reserves	Jul	--	\$371.38b	\$369.89b	--
08/03/2016 09:00	NZ ANZ Commodity Price	Jul	--	--	3.70%	--
08/03/2016 09:45	CH Caixin China PMI Services	Jul	--	--	52.7	--
08/03/2016 09:45	CH Caixin China PMI Composite	Jul	--	--	50.3	--
08/03/2016 10:00	JN Nikkei Japan PMI Services	Jul	--	--	49.4	--
08/03/2016 10:00	JN Nikkei Japan PMI Composite	Jul	--	--	49	--
08/03/2016 10:30	HK Nikkei Hong Kong PMI	Jul	--	--	45.4	--
08/03/2016 13:00	IN Nikkei India PMI Services	Jul	--	--	50.3	--
08/03/2016 13:00	IN Nikkei India PMI Composite	Jul	--	--	51.1	--
08/03/2016 15:30	TH BoT Benchmark Interest Rate	Aug-03	1.50%	--	1.50%	--
08/03/2016 15:45	IT Markit/ADACI Italy Services PMI	Jul	51	--	51.9	--
08/03/2016 15:45	IT Markit/ADACI Italy Comp. PMI	Jul	52.4	--	52.6	--
08/03/2016 15:50	FR Markit France Services PMI	Jul F	50.3	--	50.3	--
08/03/2016 15:50	FR Markit France Composite PMI	Jul F	50	--	50	--
08/03/2016 15:55	GE Markit Germany Services PMI	Jul F	54.6	--	54.6	--
08/03/2016 15:55	GE Markit/BME GE Comp PMI	Jul F	55.3	--	55.3	--
08/03/2016 16:00	EC Markit Eurozone Services PMI	Jul F	52.7	--	52.7	--
08/03/2016 16:00	EC Markit Eurozone Comp PMI	Jul F	52.9	--	52.9	--
08/03/2016 16:30	UK Markit/CIPS UK Services PMI	Jul F	47.4	--	47.4	--
08/03/2016 16:30	UK Markit/CIPS UK Composite PMI	Jul F	47.7	--	47.7	--
08/03/2016 17:00	EC Retail Sales MoM	Jun	0.00%	--	0.40%	--
08/03/2016 17:00	EC Retail Sales YoY	Jun	1.80%	--	1.60%	--
08/03/2016 19:00	US MBA Mortgage Applications	Jul-29	--	--	-11.20%	--
08/03/2016 20:15	US ADP Employment Change	Jul	170k	--	172k	--
08/03/2016 21:45	US Markit US Services PMI	Jul F	51	--	50.9	--
08/03/2016 21:45	US Markit US Composite PMI	Jul F	--	--	51.5	--
08/03/2016 22:00	US ISM Non-Manf. Composite	Jul	55.9	--	56.5	--

Source: Bloomberg

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