

Highlights

Global	<p>Carney came to the rescue yesterday as the Bank of England delivered on all possible fronts – a 25bp rate cut to 0.25% (with strong hints of further cuts to be “close to, but a little above, zero”), a new Term Funding Scheme (unanimous), the purchase of up to GBP10b of UK corporate bonds (8-1 vote), and an expansion of the asset purchase scheme for UK government bonds of GBP60b (6-3 vote) to bring the total stock of these asset purchases to GBP435b. BOE tips 2016 and 2017 growth at 0.8% (previously 2.3%) and 1.8% (previously 2.3%), with the cumulative growth in output around 2.5% less than that forecast in May, whilst the unemployment rate will rise from 4.9% to 5.6% over the next two years. BOE also anticipates that the fall in the currency will lead to a fairly rapid pick-up in inflation over the remainder of 2016, and inflation is now expected to rise to around its 2% target in the first half of 2017. This aggressive package pushed the GBP and gilt yields lower. Market attention now turns to US’ nonfarm payrolls (forecast: +180k versus 287k in June), the unemployment rate (forecast: 4.8% versus 4.9% previously) and the average hourly earnings growth (forecast: +0.2%), especially given the 2Q GDP growth disappointment, albeit the Atlanta Fed has raised its 3Q GDP growth from 3.6% to 3.7%. Also of interest will be RBA’s monetary policy statement and Indonesia’s 2Q GDP growth.</p>
US	<p>Initial jobless claims rose 3k to 269k, with the 4-week moving average at 36+6k, and continuing claims at 2.138m, which suggests that layoffs remain contained. Meanwhile, Challenger job cuts fell 57.1% yoy in July and June factory orders fell less than expected by 1.5% in June, extending the revised 1.2% decline in May, with factory orders excluding transportation expanding by 0.4% after a revised 0.2% gain in the previous month.</p>
SG	<p>MTI will release final 2Q GDP estimates on 11 Aug at 8am – we think the revised number will not deviate from the 2.2% yoy (+0.8% qoq saar) print released earlier as the upgrade of manufacturing growth from 0.8% (flash) to 1.1% (after accounting for June) is too marginal to move the headline number. PM Lee’s National Day speech will likely give a hint of the final 2Q print. We anticipate that the official growth forecast range of 1-3% could be narrowed to 1.5-2.5%, rather than 1-2% which will assume a much more bearish 2H outlook given that 1H16 growth was 2.2% yoy. SGD NEER currently continues to trade on the stronger side of its parity band.</p>
ID	<p>Q2 GDP data is due out today. We pencilled in a slight pick-up of growth rate to 5.0% yoy, compared to 4.92% of the Q1. Separately, Bank Indonesia has reportedly said that it does not agree with the plan to scrap down payment requirement for motor vehicle loans by the Financial Services Authority or OJK. A 2013 regulation requires 20-30% of down payment for vehicle loans, issued by the central bank to prevent an increase in NPL amid economic slowdown. BI is reportedly seeking to discuss the matter further with OJK.</p>
Commodities	<p>Crude oil printed higher again for the second consecutive trading day, suggesting that the dip below the \$40/bbl was perhaps an oversold behaviour. As indicated in previous writing, we are sceptical over the sustained falling of crude oil prices below its \$40/bbl handle given (1) the tendency for major oil producers like the OPEC to voice their discomfort over low prices and (2) falling prices would increasingly cap potential oil production given compressed profitability.</p>

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Major Market

- **US:** Major equity indices closed largely unchanged, as investors shrugged off additional easing by Bank of England. A mixed bag of earnings also did not aid directionality. Investors will look to Friday's non-farm payrolls to provide clues of any earnings expansion in second half of this year. US Treasury yields fell in sympathy with UK gilt yields, which declined following BOE's easing. 2-year and 10-year benchmark yields closed at 0.64% and 1.50%. Meanwhile, VIX is hovering at recent lows, closing down 3.42%.
- **Singapore:** The STI added 0.15% yesterday to close at 2831.96 and may range trade ahead of tonight's US labour market report. While BOE's monetary easing package wowed markets, the upside in risk sentiments may be capped as market players now turn to US's NFP. The STI's support is tipped at 2820 with resistance at 2860. The SGS bonds saw modest gains yesterday and may continue to make more progress after BOE's surprisingly comprehensive easing.
- **Malaysia:** Trade data for the month of July is due out today. Exports are expected to shrink by 3.7%yoy compared to a drop of 0.9%yoy in the previous month. Imports are expected to stay largely unchanged at -0.4%yoy, to yield trade balance of MYR6bn.
- **Thailand:** Thailand is to hold its referendum for the nation's 20th constitution since 1932 this Sunday. It is reported that nationwide security has been stepped up in anticipation of this said event.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates trading 1-3bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in OLAMSP 6%'22s while mixed interests were seen in TRAFIG 7.5%'49s, UOBSP 4%'49s and OUESP 3.8%'20s. In the broader dollar space, the spread on JACI IG corporates increased by 2bps to 217bps while the yield on JACI HY corporates decreased 2bps to 6.5%. 10y UST yield decreased by 4bps to 1.50% as investors' demand for treasuries surged following the Bank of England's decision to cut key interest rates and expand stimulus measures after last week's reported economic indicators showed that the UK economy shrank the fastest in 7 years.
- **New Issues:** UBS Group Funding (Jersey) Ltd. has priced a two-tranche deal yesterday with the USD2bn 5-year bond priced at CT5+160bps while the USD500mn 5-year tranche was priced at 3mL+153bps. The ratings for the issues are "A-/NR/A". On the other hand, UBS Group AG priced a USD1bn Perpetual-NC5 bond at 7.125%, tightening from initial guidance at 7.25%. The ratings for the issue are "BBB+/A1/BBB+".
- **Rating Changes:** S&P has assigned a "BBB-" corporate credit rating to Xinjiang Goldwind Science & Technology Co. Ltd. with a stable outlook. The rating reflects Goldwind's strong market position in China's large wind turbine generator market, its competitive products and larger production scale with integrated supply chain, favourable government policy towards renewable energy, and its first-mover advantage. S&P has assigned "BBB" issuer credit ratings to Guotai Junan International Holdings Ltd. (GTJAI) with stable outlook. The rating reflects S&P's view of the company's status as a core subsidiary of Guotai Junan Securities Co. Ltd. S&P expects potential extraordinary government support to the parent to be indirectly available to GTJAI and therefore levelled its ratings on GTJAI with that on its parent company. Fitch has placed Banca Monte dei Paschi di Siena's (MPS) "B-" issuer default rating on Rating Watch Evolving (RWE) and downgraded the bank's viability rating to "ccc" from "b-". The rating actions follow the announcement by MPS of its plans to dispose of its entire stock of doubtful loans and to increase capital by up to EUR5bn through a new share issue. The RWEs reflect Fitch's expectation that the bank's ratings could be upgraded if the

transaction is completed successfully, but also, failure to do so would increase the risk of the bank failing and losses being imposed on junior and senior creditors.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.758	0.20%	USD-SGD	1.3420	-0.01%
USD-JPY	101.220	-0.02%	EUR-SGD	1.4935	-0.21%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3259	0.02%
AUD-USD	0.7628	0.53%	GBP-SGD	1.7593	-1.64%
GBP-USD	1.3107	-1.64%	AUD-SGD	1.0238	0.51%
USD-MYR	4.0507	-0.16%	NZD-SGD	0.9626	0.18%
USD-CNY	6.6418	0.11%	CHF-SGD	1.3778	-0.11%
USD-IDR	13143	0.17%	SGD-MYR	3.0141	-0.23%
USD-VND	22295	0.08%	SGD-CNY	4.9469	0.09%

Equity and Commodity

Index	Value	Net change
DJIA	18,352.05	-3.00
S&P	2,164.25	0.50
Nasdaq	5,166.25	6.50
Nikkei 225	16,254.89	171.80
STI	2,831.96	4.40
KLCI	1,655.29	6.80
JCI	5,373.86	22.00
Baltic Dry	636.00	-5.00
VIX	12.42	-0.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4174	--
2M	-0.3330	--	1M	0.4969	--
3M	-0.2990	--	2M	0.6111	--
6M	-0.1830	--	3M	0.7776	--
9M	-0.1190	--	6M	1.1442	--
12M	-0.0470	--	12M	1.4546	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (-0.01)	0.64 (-0.02)
5Y	1.43 (-0.01)	1.03 (-0.04)
10Y	1.86 (-0.01)	1.50 (-0.04)
15Y	2.15 (-0.01)	--
20Y	2.26 (-0.01)	--
30Y	2.34 (-0.01)	2.25 (-0.04)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.42	-2.90	2.87
Italy	-0.07	-2.10	1.15
Ireland	-0.41	-1.50	0.41
Greece*	7.65	-1.90	8.31
Spain	-0.17	-1.10	1.02
Russia^	2.57	-14.10	4.29

Financial Spread (bps)

	Value	Change
LIBOR-OIS	36.67	1.07
EURIBOR-OIS	5.10	-0.10
TED	51.38	--

* 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

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.93	2.69%	Coffee (per lb)	1.421	1.21%
Brent (per barrel)	44.29	2.76%	Cotton (per lb)	0.7586	2.74%
Heating Oil (per gallon)	1.326	2.98%	Sugar (per lb)	0.1970	3.47%
Gasoline (per gallon)	1.37	1.34%	Orange Juice (per lb)	1.7515	1.30%
Natural Gas (per MMBtu)	2.834	-0.18%	Cocoa (per mt)	2,991	-0.07%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,831.0	-0.90%	Wheat (per bushel)	4.0325	-1.71%
Nickel (per mt)	10,569	-1.22%	Soybean (per bushel)	9.905	--
Aluminium (per mt)	1,610.8	-1.24%	Corn (per bushel)	3.2075	-1.31%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,358.8	0.20%	Crude Palm Oil (MYR/MT)	2,509.0	1.21%
Silver (per oz)	20.443	-0.14%	Rubber (JPY/KG)	177.6	-2.84%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/04/2016 07:50	JN Foreign Buying Japan Stocks	Jul-29	--	¥95.5b	¥271.5b	¥271.6b
08/04/2016 09:30	AU Retail Sales MoM	Jun	0.30%	0.10%	0.20%	--
08/04/2016 15:30	GE Markit GE Construction PMI	Jul	--	51.6	50.4	--
08/04/2016 16:10	GE Markit Germany Retail PMI	Jul	--	52	51.6	--
08/04/2016 16:10	EC Markit Eurozone Retail PMI	Jul	--	48.9	48.5	--
08/04/2016 16:10	FR Markit France Retail PMI	Jul	--	51.6	51	--
08/04/2016 16:10	IT Markit Italy Retail PMI	Jul	--	40.3	40.2	--
08/04/2016 19:00	UK Bank of England Bank Rate	Aug-04	0.25%	0.25%	0.50%	--
08/04/2016 19:00	UK BOE Asset Purchase Target	Aug	375b	435b	375b	--
08/04/2016 20:30	US Initial Jobless Claims	Jul-30	265k	269k	266k	--
08/04/2016 20:30	US Continuing Claims	Jul-23	2130k	2138k	2139k	2144k
08/04/2016 21:45	US Bloomberg Consumer Comfort	Jul-31	--	43	42.9	--
08/04/2016 22:00	US Factory Orders	Jun	-1.90%	-1.50%	-1.00%	-1.20%
08/04/2016 22:00	US Durable Goods Orders	Jun F	-4.00%	-3.90%	-4.00%	--
08/04/2016 22:00	US Durables Ex Transportation	Jun F	-0.40%	-0.40%	-0.50%	--
08/04/2016 22:00	US Cap Goods Orders Nondef Ex Air	Jun F	--	0.40%	0.20%	--
08/04/2016 22:00	US Cap Goods Ship Nondef Ex Air	Jun F	--	-0.20%	-0.40%	--
08/05/2016 07:30	AU AiG Perf of Construction Index	Jul	--	51.6	53.2	--
08/05/2016 08:00	JN Labor Cash Earnings YoY	Jun	0.30%	--	-0.20%	-0.10%
08/05/2016 08:30	TA CPI YoY	Jul	1.01%	--	0.90%	--
08/05/2016 09:00	PH CPI YoY	Jul	2.10%	--	1.90%	--
08/05/2016 12:00	MA Exports YoY	Jun	-3.70%	--	-0.90%	--
08/05/2016 12:00	MA Trade Balance MYR	Jun	6.00b	--	3.26b	--
08/05/2016 13:00	JN Leading Index CI	Jun P	99.7	--	99.7	--
08/05/2016 14:00	GE Factory Orders MoM	Jun	0.50%	--	0.00%	--
08/05/2016 14:00	GE Factory Orders WDA YoY	Jun	-1.50%	--	-0.20%	--
08/05/2016 14:45	FR Trade Balance	Jun	-3900m	--	-2840m	--
08/05/2016 15:00	MA Foreign Reserves	Jul-29	--	--	\$97.3b	--
08/05/2016 15:30	UK Halifax House Prices MoM	Jul	-0.20%	--	1.30%	--
08/05/2016 15:30	UK Halifax House Price 3Mths/Year	Jul	8.80%	--	8.40%	--
08/05/2016 15:30	TH Foreign Reserves	Jul-29	--	--	\$178.7b	--
08/05/2016 16:00	IT Industrial Production MoM	Jun	0.30%	--	-0.60%	--
08/05/2016 16:00	IT Industrial Production WDA YoY	Jun	1.00%	--	-0.60%	--
08/05/2016 16:00	IT Industrial Production NSA YoY	Jun	--	--	5.70%	--
08/05/2016 20:30	US Trade Balance	Jun	-\$43.0b	--	-\$41.1b	--
08/05/2016 20:30	CA Int'l Merchandise Trade	Jun	-2.84b	--	-3.28b	--
08/05/2016 20:30	CA Unemployment Rate	Jul	6.90%	--	6.80%	--
08/05/2016 20:30	US Change in Nonfarm Payrolls	Jul	180k	--	287k	--
08/05/2016 20:30	CA Net Change in Employment	Jul	10.0k	--	-0.7k	--
08/05/2016 20:30	US Change in Manufact. Payrolls	Jul	4k	--	14k	--
08/05/2016 20:30	US Unemployment Rate	Jul	4.80%	--	4.90%	--
08/05/2016	HK Foreign Reserves	Jul	--	--	\$360.6b	--
08/05/2016	ID Foreign Reserves	Jul	--	--	\$109.79b	--
08/05/2016	ID GDP QoQ	2Q	3.80%	--	-0.34%	--
08/05/2016	ID GDP YoY	2Q	5.00%	--	4.92%	--
08/05/2016	PH Foreign Reserves	Jul	--	--	\$84.0b	--

Source: Bloomberg

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