

**Treasury Advisory**  
**Corporate FX & Structured**  
**Products**

Tel: 6349-1888 / 1881

**Interest Rate Derivatives**

Tel: 6349-1899

**Investments & Structured**  
**Products**

Tel: 6349-1886

**GT Institutional Sales**

Tel: 6349-1810

**Highlights**

<b>Global</b>	<p>US' nonfarm payrolls disappointed market expectations at +151k (expected: 180k) in August, whilst the July data was also revised up 20k to 275k, leaving the two-month revision nearly flat at -1k. The unemployment rate was unchanged at 4.9%, while average hourly earnings slowed to 0.1% mom (2.4% yoy) from 0.3% mom previously (+2.7% yoy) and the weekly hours worked eased from a revised 34.4 to 34.3 hours, which reinforced market speculation that the Fed would remain static rather than rush to hike in September, albeit Lacker (non-voter) opined the labour market report as "reasonably strong" and one house together with Bill Gross remain inclined towards a September hike. Meanwhile, the G20 meeting saw US and China formally committing to the Paris climate agreement over the weekend, whilst UK PM Theresa May was busy pursuing openings for bilateral trade deals post-Brexit. Interestingly, the draft statement earlier included a reference to the global steel glut, which could focus on China, and called for the formation of an OECD-facilitated Global Forum on steel excess capacity.</p> <p>US markets are shut for Labor Day holiday, leaving the Asian economic data calendar sparsely populated and comprising of the host of services PMI from China's Caixin as well as across Asia and Eurozone, and Eurozone's retail sales and Sentix investor confidence. Speakers include BOJ's Kuroda. For the week ahead, RBA is likely to keep its cash rate target steady at 1.5% tomorrow, BOC and BNM are also likely to be static on Wednesday, ECB is expected on Thursday to delay the highly anticipated QE programme extension till the year-end, and BOK also could toe the line and keep its 7-day repo rate unchanged at 1.25% on Friday. Fed rhetoric, comprising of Williams, Lacker, Goerge Rosengren, Kaplan and Lockhart will likely guide market interpretation of August payrolls data this week as well.</p>
<b>US</b>	<p>Private payrolls also softened from a revised 336k to 126k in August, with manufacturing declining 14k. The labor participation and under-employment rates were steady at 62.8% and 9.7% respectively. Meanwhile, the trade deficit narrowed from US\$44.7b to US\$39.5b in July as exports jumped 1.9% and imports shrank 0.8%. Factory orders rebounded 1.9% mom in July after contracting 1.8% in June, and factory orders excluding transportation also halved to +0.2%, suggesting tepid capex spending for 2H.</p>
<b>NZ</b>	<p>RBNZ confirmed tightening bank lending rules for residential property buyers throughout New Zealand – from 1 October, residential property investors will generally need a 40% deposit for a mortgage loan, and owner-occupiers will generally need a 20% deposit</p>
<b>SG</b>	<p>Both the manufacturing and electronics PMI improved to 49.8 (+0.5) and 50.2 (+0.5) to Aug, albeit the former has been in contraction territory (&lt;50) since June 2015 whereas the latter saw its first recovery to expansion territory (&gt;50) since March 2015. Nevertheless, our baseline is more for stabilization rather than continued expansion for manufacturing growth in 2H16.</p>
<b>CMD</b>	<p>The West Texas Intermediate (WTI) oil benchmark edged above \$44/bbl on comments that Saudi Arabia and Russia had agreed to work together in ensuring oil price stability, though no concrete details were being mentioned.</p>

## Major Market

- **US:** Economic data released on Friday failed to provide convicted directionality to equity markets. The lukewarm data gave both bulls and bears just enough to grasp on. As such, equities continue its largely sideways movement, with S&P gaining 0.42%. The Dow and Nasdaq also notched slight gains, closing up 0.39% and 0.43%. 2-year Treasury yields closed little changed at 0.79%, while the 10-year benchmark yield rose 3 bps to 1.60%. Meanwhile, VIX fell sharply, closing down 11.13%.
- **Singapore:** Typically the electronics industry tends to lead the broader manufacturing sector, so the electronics PMI's return to expansion territory, if sustained over the coming months, would definitely be a welcomed signal. For the domestic manufacturing sector, modest improvements were seen across most of the sub-sectors except for inventory and supplier deliveries indices. Notably, new orders (49.6), new export orders (49.3) and production (49.9) gauges all improved in August but remained in contraction territory. A similar story was seen for the domestic electronics industry, whose PMI print had improved for the second month running, with the boost coming from new orders (back at 50.0), new export orders (50.8 versus 49.5 previously), production (50.3 versus 49.7), electronics imports (50.7) and orders backlog (50.8). Note that the North American semiconductor book-to-bill ratio had also improved from 1.0x in June to 1.05x in July. Looking ahead, if the manufacturing and electronics PMI sustain the improving trend up to 4Q16 (Christmas season), this could bode well for 2H manufacturing growth.
- STI slipped 0.45% to close at 2803.92 on Friday and may continue to escape breaking below the 2800 key level post-NFP by the skin of its teeth given that the somewhat disappointing data had provided some relief to market players worried about a pre-emptive September Fed rate hike. The STI's support and resistance are tipped at 2800 and 2840 respectively. SGS bonds gained on Friday, but face a curve steepening bias from the UST bond market.
- **China:** The G20 summit officially kicked off yesterday. China is trying to divert the attention away from the dispute in South China Sea and focuses on economic issue when President Xi Jinping met the US President Obama. The world's two largest economies agree to avoid competitive currency devaluation.
- The latest BIS Triennial Survey shows that average daily CNY trading turnover has increased significantly to US\$202 billion in April'16 from US\$120 billion in April'13 despite the decline of global FX daily trading volume. RMB has become the most actively traded emerging market currency and eighth most traded currency globally, accounting for 2% of global shares, up from 1.1% three years ago. The USDCNY is the sixth most traded currency pair globally, accounting for 95% of total RMB trading volume.
- **Indonesia:** President Jokowi met with Jack Ma of Alibaba on the sidelines of G20 meeting in Hangzhou over the weekend. They spoke about opportunities in marketing products from Indonesia's SMEs to China via Alibaba's e-commerce platform.
- **Commodities:** The West Texas Intermediate (WTI) oil benchmark edged above \$44/bbl on comments that Saudi Arabia and Russia had agreed to work together in ensuring oil price stability, though no concrete details were being mentioned. Similarly, Russia President Vladimir Putin had said he would like OPEC and Russia to freeze oil production. We observe that market-watchers may be looking for pockets of reasons to persuade oil prices higher, but in our opinion, an effective factor to lift prices back to \$50/bbl would certainly be on Iran's cooperation in the upcoming informal meeting, a scenario where we think naught.

## Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards last Friday. Swap rates traded 1-4bps lower across all tenors with the exception of the overnight swap rate which traded 21bps higher. Flows in the SGD corporates were heavy with better buying seen in GALVSP 7%'18s, SOCGEN 4.3%'26s and ARTSP 4.2%'22s while mixed interests were seen in PILLSP 5.9%'17s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 195bps while the yield on JACI HY corporates decreased 2bps to 6.44%. 10y UST yield decreased 3bps to 1.60% following the release of August non-farm payrolls that missed its estimates (Actual: 151,000 Vs. Forecast: 180,000). Market now prices in a 32% chance of rate hike in September, down from 34% prior to the release of the results.
- **New Issues:** Xi'an Municipal has priced a USD500mn 3-year bond at 2.8% with expected issue ratings of "NR/NR/BBB".
- **Rating Changes:** S&P revised its outlook on Sunac China Holdings Ltd.'s "B+" corporate credit rating to negative from stable. The revision reflects Moody's expectation that Sunac's financial leverage is likely to deteriorate in 2016 owing to the company's aggressive land acquisitions so far this year. S&P affirmed Maoye International Holdings Ltd.'s "B-" corporate credit rating with a negative outlook. The negative outlook reflects the expectation that Maoye's refinancing risk will remain high over the next 12 months because of its significant short-term debt maturities. Moody's assigned a first time "Baa2" insurance financial strength rating (IFSR) to Union Life Insurance Co. Ltd. (Union Life). The rating reflects Union Life's balanced distribution channels and conservative product pricing strategy when compared to its peers. Fitch has affirmed Guangzhou R&F Properties Co. Ltd. issuer default ratings at "BB" and revised its outlook to stable from negative. The revision reflects Fitch's view that Guangzhou R&F's leverage is past its peak and will stabilise at around 55-60% in 2016-2017. Fitch revised its outlook on Dalian Wanda Commercial Property Co. Ltd.'s (Wanda) "BBB" issuer default rating to negative from stable. The revision reflects Fitch's expectation that Wanda's fast-paced land acquisitions for new Wanda Plaza projects in 1H2016 will weigh on the company's financial profile over the next two years.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.844	0.20%	<b>USD-SGD</b>	1.3602	0.04%
<b>USD-JPY</b>	103.920	0.67%	<b>EUR-SGD</b>	1.5173	-0.32%
<b>EUR-USD</b>	1.1156	-0.37%	<b>JPY-SGD</b>	1.3084	-0.65%
<b>AUD-USD</b>	0.7573	0.29%	<b>GBP-SGD</b>	1.8083	0.25%
<b>GBP-USD</b>	1.3294	0.20%	<b>AUD-SGD</b>	1.0298	0.26%
<b>USD-MYR</b>	4.0893	0.24%	<b>NZD-SGD</b>	0.9907	0.07%
<b>USD-CNY</b>	6.6805	0.08%	<b>CHF-SGD</b>	1.3870	-0.01%
<b>USD-IDR</b>	13247	-0.17%	<b>SGD-MYR</b>	3.0067	0.50%
<b>USD-VND</b>	22284	-0.04%	<b>SGD-CNY</b>	4.9101	-0.02%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	18,491.96	72.66
<b>S&amp;P</b>	2,179.98	9.12
<b>Nasdaq</b>	5,249.90	22.69
<b>Nikkei 225</b>	16,925.68	-1.16
<b>STI</b>	2,803.92	-12.55
<b>KLCI</b>	1,671.79	1.24
<b>JCI</b>	5,353.46	18.91
<b>Baltic Dry</b>	720.00	8.00
<b>VIX</b>	11.98	-1.50

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3730	-0.0010	<b>O/N</b>	0.4204	0.0043
<b>2M</b>	-0.3370	--	<b>1M</b>	0.5257	0.0028
<b>3M</b>	-0.3010	-0.0020	<b>2M</b>	0.6619	-0.0033
<b>6M</b>	-0.1930	--	<b>3M</b>	0.8351	-0.0006
<b>9M</b>	-0.1220	--	<b>6M</b>	1.2471	-0.0042
<b>12M</b>	-0.0520	-0.0010	<b>12M</b>	1.5594	-0.0061

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.81 (-0.03)	0.79 (--)
<b>5Y</b>	1.30 (-0.02)	1.19 (+0.01)
<b>10Y</b>	1.76 (-0.02)	1.60 (+0.03)
<b>15Y</b>	2.05 (-0.02)	--
<b>20Y</b>	2.13 (-0.02)	--
<b>30Y</b>	2.18 (-0.01)	2.28 (+0.05)

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
<b>Portugal</b>	0.52	-1.10	3.04
<b>Italy</b>	-0.08	-1.20	1.17
<b>Ireland</b>	-0.37	0.70	0.47
<b>Greece</b>	7.65	--	8.10
<b>Spain</b>	-0.15	-1.30	1.03
<b>Russia</b>	2.00	-6.80	3.96

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	37.69	0.44
<b>EURIBOR-OIS</b>	5.00	-0.20
<b>TED</b>	51.55	0.45

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	43.16	-3.45%	Coffee (per lb)	1.501	2.88%
Brent (per barrel)	45.45	-3.38%	Cotton (per lb)	0.6801	4.12%
Heating Oil (per gallon)	1.382	-2.01%	Sugar (per lb)	0.1959	-2.34%
Gasoline (per gallon)	1.272	-9.90%	Orange Juice (per lb)	1.9090	4.83%
Natural Gas (per MMBtu)	2.792	-3.29%	Cocoa (per mt)	2,920	-0.03%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,630.0	0.28%	Wheat (per bushel)	3.6825	2.01%
Nickel (per mt)	9,865	1.48%	Soybean (per bushel)	9.590	-0.10%
Aluminium (per mt)	1,600.5	-0.02%	Corn (per bushel)	3.1100	3.15%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,313.6	0.44%	Crude Palm Oil (MYR/MT)	2,753.0	-1.29%
Silver (per oz)	18.857	1.26%	Rubber (JPY/KG)	162.8	3.04%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### CFTC Commodities Futures and Options

For the week ended: 30 Aug 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	384,230	327,808	56,422	Cotton	86,609	90,121	-3,512
Soybean	158,110	132,810	25,300	Silver	86,768	88,800	-2,032
Natural Gas	-118,990	-136,566	17,576	Live Cattle	49,397	51,208	-1,811
Sugar	338,090	323,770	14,320	Palladium	14,863	16,082	-1,219
Cocoa	47,145	33,927	13,218	Copper	-5,718	-4,737	-981
Gold	322,699	312,438	10,261	Platinum	54,983	55,085	-102
Corn	-30,690	-40,853	10,163	Lean Hogs	44,720	42,405	2,315
RBOB Gasoline	56,931	48,036	8,895	Wheat	-87,458	-90,004	2,546
Heating Oil	24,975	18,348	6,627	Coffee	37,608	31,398	6,210

Source: CFTC

### Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
09/02/2016	00:35	IT New Car Registrations YoY	Aug	--	20.12%	2.86%	3.37%
09/02/2016	07:00	SK GDP YoY	2Q F	3.2%.,	3.30%	3.20%	--
09/02/2016	07:00	SK GDP SA QoQ	2Q F	0.70%	0.80%	0.70%	--
09/02/2016	07:50	JN Monetary Base YoY	Aug	--	24.20%	24.70%	--
09/02/2016	15:30	TH Foreign Reserves	Aug-26	--	\$182.2b	\$183.4b	--
09/02/2016	16:00	IT GDP WDA QoQ	2Q F	0.00%	0.00%	0.00%	--
09/02/2016	16:00	IT GDP WDA YoY	2Q F	0.70%	0.80%	0.70%	--
09/02/2016	16:30	UK PMI	Aug	46.3	49.2	45.9	--
09/02/2016	20:30	US Trade Balance	Jul	-\$41.5b	-\$39.5b	-\$44.5b	-\$44.7b
09/02/2016	20:30	CA Labor Productivity QoQ	2Q	-0.40%	-0.30%	0.40%	--
09/02/2016	20:30	CA Int'l Merchandise Trade	Jul	-3.30b	-2.49b	-3.63b	-3.97b
09/02/2016	20:30	US Change in Nonfarm Payrolls	Aug	180k	151k	255k	275k
09/02/2016	20:30	US Change in Manufact. Payrolls	Aug	-4k	-14k	9k	6k
09/02/2016	20:30	US Unemployment Rate	Aug	4.80%	4.90%	4.90%	--
09/02/2016	21:00	SI Purchasing Managers Index	Aug	49.4	49.8	49.3	--
09/02/2016	22:00	US Factory Orders	Jul	2.00%	1.90%	-1.50%	-1.80%
09/02/2016	22:00	US Durable Goods Orders	Jul F	4.40%	4.40%	4.40%	--
09/02/2016	22:00	US Durables Ex Transportation	Jul F	1.50%	1.30%	1.50%	--
09/02/2016	22:00	US Cap Goods Orders Nondef Ex Air	Jul F	--	1.50%	1.60%	--
09/02/2016	22:00	US Cap Goods Ship Nondef Ex Air	Jul F	--	-0.50%	-0.40%	--
09/03/2016	02:20	US Markit US Services PMI	Aug F	51	51	50.9	--
09/03/2016	02:20	US Markit US Composite PMI	Aug F	--	51.5	51.5	--
09/05/2016	08:30	JN Nikkei Japan PMI Services	Aug	--	--	50.4	--
09/05/2016	08:30	JN Nikkei Japan PMI Composite	Aug	--	--	50.1	--
09/05/2016	09:00	AU Melbourne Ins Inflation MoM	Aug	--	--	-0.30%	--
09/05/2016	09:00	NZ ANZ Commodity Price	Aug	--	--	2.00%	--
09/05/2016	09:30	AU ANZ Job Advertisements MoM	Aug	--	--	-0.80%	--
09/05/2016	09:45	CH Caixin China PMI Services	Aug	--	--	51.7	--
09/05/2016	09:45	CH Caixin China PMI Composite	Aug	--	--	51.9	--
09/05/2016	10:30	HK Nikkei Hong Kong PMI	Aug	--	--	47.2	--
09/05/2016	13:00	IN Nikkei India PMI Services	Aug	--	--	51.9	--
09/05/2016	13:00	IN Nikkei India PMI Composite	Aug	--	--	52.4	--
09/05/2016	15:45	IT Markit/ADACI IT Services PMI	Aug	51.8	--	52	--
09/05/2016	15:45	IT Markit/ADACI IT Composite PMI	Aug	52	--	52.2	--
09/05/2016	15:50	FR Markit France Services PMI	Aug F	52	--	52	--
09/05/2016	15:50	FR Markit France Composite PMI	Aug F	51.6	--	51.6	--
09/05/2016	15:55	GE Markit Germany Services PMI	Aug F	53.3	--	53.3	--
09/05/2016	15:55	GE Markit/BME GE Composite PMI	Aug F	54.4	--	54.4	--
09/05/2016	16:00	EC Markit EC Services PMI	Aug F	53.1	--	53.1	--
09/05/2016	16:00	EC Markit EC Composite PMI	Aug F	53.3	--	53.3	--
09/05/2016	16:30	UK Markit/CIPS UK Services PMI	Aug	50	--	47.4	--
09/05/2016	16:30	UK Markit/CIPS UK Composite PMI	Aug	50.8	--	47.5	--
09/05/2016	17:00	EC Retail Sales MoM	Jul	0.50%	--	0.00%	--
09/05/2016	09/13	ID Foreign Reserves	Aug	--	--	\$111.41b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>		<u>OCBC Wing Hang Research</u>
<b><u>Macro Research</u></b> <b>Selena Ling</b> LingSSSelena@ocbc.com <b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com <b>Wellian Wiranto</b> WellianWiranto@ocbc.com <b>Tommy Xie Dongming</b> XieD@ocbc.com <b>Barnabas Gan</b> BarnabasGan@ocbc.com	<b><u>Credit Research</u></b> <b>Andrew Wong</b> WongVKAM@ocbc.com <b>Wong Liang Mian (Nick)</b> NickWong@ocbc.com <b>Ezien Hoo</b> EzienHoo@ocbc.com	<b><u>Wing Hang</u></b> <b>Kam Liu</b> kamyliu@ocbcwh.com <b>Carie Li</b> carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W