

Highlights

Global	<p>Global risk appetite could start on a soft tone in Asian markets today, following Friday's unexpectedly weak US nonfarm payrolls which came in at +38k (forecast: +160k and the lowest since Sep10), amid broad-based weakness in the goods sector and even temporary help. The two-month payrolls were down a net 59k, with the April print also shifted down from 160k to 123k. Private payrolls rose a tepid 25k, with the April reading also revised lower from 171k to 130k. The unemployment rate fell from 5.0% to a near 9-year low of 4.7%, mainly due to the drop in the labour participation rate (62.6%), with the underemployment rate unchanged at 9.7%. The average hourly earnings rose in line with market expectations by +0.2% mom (+2.5% yoy) in May, with the April print revised higher to +0.4% mom (+2.5% yoy). This downside NFP surprise led to a rally in UST bonds, driving the 2- and 10-year bond yields down to 0.78% and 1.7% respectively as market players priced out the possibility of a June FOMC rate hike and less than 30% probability of a July move as well. Meanwhile, Fed's Brainard suggested that a "sobering" US employment data, "prudent risk management implies there is a benefit to waiting for additional data to provide confidence that domestic activity has rebounded strongly" and "several factors suggest that the appropriate path to return monetary policy to a neutral stance could turn out to be quite shallow and gradual in the medium term". A relatively quiet economic data calendar post-NFP is on tap with only the Eurozone's Sentix investor confidence and German factory orders. Speakers today include ECB's Nowotny, Constancio and Coeure, and Fed's Rosengren, but the elephant in the room is Yellen.</p>
US	<p>Factory orders rose 1.9% in April, up from an upwardly revised 1.7% in March, while new orders excluding transportation eased from a 1% gain in March to +0.5%. Meanwhile, the non-manufacturing ISM also softened more than expected from 55.7 to 52.9 (slowest since Feb 2014) in May, with similar retreats in business activity and new orders gauges, and suggesting that 2Q momentum is also slowing, whilst the employment gauge fell sharply from 53 to 49.7 (low since Feb 2014) and echoing the NFP weakness.</p>
SG	<p>The Nikkei Singapore PMI rebounded from 49.4 (first contraction) in April to 50.1 in May, suggesting some stabilisation in the services sectors.</p>
China	<p>PBoC announced on 3 June to amend its calculation to assess the reserve requirement ratio for the second time since September 2015. With effective from 15 July, the reserve requirement ratio will be calculated based on the average total deposit level during the assessment period rather than that at the end of period. We think the new rule has more impact on offshore RMB liquidity rather than onshore RMB liquidity, which is likely to help smooth offshore RMB liquidity and prevent from the repeat of similar distortion as we saw on 31 March when CNH interbank deposit rate collapsed to negative.</p>
Commodities	<p>Oil prices continued to descend as market-watchers digest OPEC's recent decision to keep its stance status quo, amid poor NFP numbers. Note that Saudi Arabia raised its pricing for most oil grades for sale to Asia and US (albeit cutting pricing for Europe) starting the month of July given robust demand. Elsewhere, the cheaper dollar index led the metals higher, including gold (+2.5%), silver (+2.1%), platinum (+2.3%) and palladium (+2.6%).</p>

Treasury Advisory

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Major Market

- **US:** Equity markets snapped a winning streak, closing lower amid a poorer than expected jobs data on Friday. Concerns were renewed over the viability of Fed rate hikes this summer, with the implied probability of a June hike falling back to near zero. S&P 500 retreated 0.29% to close just below 2100. Dow lost 0.18% and Nasdaq gave up 0.58%. US Treasury yields also fell, with the 2-yr and 10-yr Treasuries yielding 0.77% and 1.70% respectively. Elsewhere, volatility continued to retreat with the VIX ending at 13.47 (-1.17%).
- **Singapore:** The STI added 0.51% to close at 2809.23 on Friday, but looks set to surrender Friday's gains amid the sea of negative sentiments washing through global risk markets following the unexpectedly weak US' nonfarm payrolls surprise and the subsequent repricing of a summer FOMC rate hike probabilities. STI could see support and resistance at 2760 and 2820. SGS bonds should rally in line with the UST gains on Friday, as risk appetite remains subdued to start this week.
- **Malaysia:** Exports for April came somewhat short of market expectations, at 1.6% yoy against 2% penciled in by analysts. Meanwhile imports fell by 2.3% yoy against expectation for no change. Trade surplus was at MYR9.1bn versus estimate of 8.6bn. Exports to China remained weak, shrinking by 16.6% yoy, even as shipments to US were more encouraging at 11.7% yoy growth.

Bond Market Updates

- **Market Commentary:** The SGD swap rates flattened last Friday with the very short end traded up while the long end rates were 1-4 bps lower across all tenors last Friday. Flows in the SGD corporates were moderate with better buying in BPCEGP 4.5%'26s, UOBSP 4%'49s and better selling in HYFSP 5.75%'49s. Meanwhile we also saw mixed interest in MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates increased by 1 bps to 221bp, while the yield on JACI HY corporates decreased by 7bps to 7.05%. 10y UST yield decreased by 10bps to 1.70% on May's weak employment report.
- **Rating Changes:** Moody's revised its outlook on CapitaLand Commercial Trust (CCT) to negative from stable, and affirmed its credit rating of "A3". The revision reflects the likely increase in CCT's debt leverage following the proposed acquisition of CapitaGreen, which in turn will reduce the headroom within its "A3" ratings. Moody's assigned a first time "Baa1" credit rating to Mirvac Group, reflecting the group's solid market position across multiple sectors, including office, retail, industrial and residential. The outlook is stable. Moody's withdrew all credit ratings on Yancoal International Trading Co. Ltd. The rating prior to withdrawal was "B2". Moody's downgraded Baker Hughes Inc. to "Baa1" from "A2" reflecting current industry challenges which compound the company's elevated leverage and developing business model. Outlook is stable. In a similar action, Halliburton Co's rating was also cut to "Baa1" from "A2" as Halliburton's credit metrics have weakened due to operating conditions as well as higher debt from its failed acquisition of Baker Hughes. The downgrade of both companies follows the termination of their planned merger in early May following anti-trust regulator opposition. Outlook is negative. Fitch revised its outlook on Cheung Kong Property Holdings Limited (CKP) to positive from stable, and affirmed its credit rating of "A-". The revision reflects CKP's strong financial position and low gearing, as measured by net-debt/investment properties, as well as the company's stable recurring income from its established investment property portfolio and hotel business.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	94.029	-1.61%	USD-SGD	1.3573	-1.34%	DJIA	17,807.06	-31.50
USD-JPY	106.530	-2.15%	EUR-SGD	1.5424	0.54%	S&P	2,099.13	-6.10
EUR-USD	1.1132	0.00%	JPY-SGD	1.2736	0.79%	Nasdaq	4,942.52	-28.80
AUD-USD	0.7367	1.91%	GBP-SGD	1.9699	-0.73%	Nikkei 225	16,642.23	79.70
GBP-USD	1.4518	0.66%	AUD-SGD	0.9999	0.53%	STI	2,809.23	14.10
USD-MYR	4.1450	-0.11%	NZD-SGD	0.9435	0.72%	KLCI	1,636.46	5.90
USD-CNY	6.5492	-0.54%	CHF-SGD	1.3905	0.10%	JCI	4,853.92	20.70
USD-IDR	13595	-0.35%	SGD-MYR	3.0126	-0.14%	Baltic Dry	610.00	4.00
USD-VND	22413	-0.08%	SGD-CNY	4.8134	0.51%	VIX	13.47	-0.20

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3510	-0.0010	O/N	0.3861	0.0006	2Y	1.00 (-0.02)	0.77 (-0.12)
2M	-0.3000	-0.0010	1M	0.4648	0.0017	5Y	1.64 (-0.03)	1.23 (-0.12)
3M	-0.2610	0.0010	2M	0.5598	0.0041	10Y	2.16 (-0.02)	1.70 (-0.1)
6M	-0.1540	-0.0010	3M	0.6822	0.0021	15Y	2.40 (-0.02)	--
9M	-0.0880	--	6M	0.9857	0.0018	20Y	2.46 (-0.02)	--
12M	-0.0160	0.0010	12M	1.3314	-0.0010	30Y	2.52 (-0.02)	2.51 (-0.07)

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %		Value	Change
Portugal	0.47	-0.30	3.16	0.10	3.10	LIBOR-OIS	27.63	-1.33
Italy	-0.08	-0.40	1.33	-4.10	1.27	EURIBOR-OIS	8.40	0.10
Ireland	-0.37	-1.10	0.74	-4.90	0.67	TED	40.31	-0.31
Greece*	7.27	19.10	7.31	1.50	7.24			
Spain	-0.10	0.40	1.47	-1.40	1.40			
Russia^	2.84	-6.40	4.79	-1.70	4.72			

* 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)	48.62	-1.12%	Coffee (per lb)	1.271	3.33%
Brent (per barrel)	49.64	-0.80%	Cotton (per lb)	0.6392	1.67%
Heating Oil (per gallon)	1.488	-1.37%	Sugar (per lb)	0.1875	3.71%
Gasoline (per gallon)	1.61	-1.66%	Orange Juice (per lb)	1.5850	0.92%
Natural Gas (per MMBtu)	2.398	-0.29%	Cocoa (per mt)	3,031	-0.85%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,688.0	1.74%	Wheat (per bushel)	4.9725	2.42%
Nickel (per mt)	8,460	0.30%	Soybean (per bushel)	11.320	-1.07%
Aluminium (per mt)	1,538.0	0.44%	Corn (per bushel)	4.1825	0.72%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,240.1	2.50%	Crude Palm Oil (MYR/MT)	2,680.0	0.75%
Silver (per oz)	16.365	2.12%	Rubber (JPY/KG)	156.6	-0.06%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 31 May 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	247,097	176,945	70,152	Gold	215,637	234,075	-18,438
Sugar	292,599	282,347	10,252	Coffee	86	10,300	-10,214
Cotton	51,150	41,266	9,884	Platinum	31,905	36,601	-4,696
Soybean	248,675	240,828	7,847	Silver	62,861	67,136	-4,275
Nymex Crude	397,518	393,660	3,858	Natural Gas	-163,849	-159,644	-4,205
Copper	-38,862	-41,156	2,294	Cocoa	23,228	27,306	-4,078
Palladium	4,218	4,307	-89	RBOB Gasoline	58,336	62,219	-3,883
Wheat	-88,615	-88,139	-476	Heating Oil	16,393	18,464	-2,071
Live Cattle	44,793	46,242	-1,449	Lean Hogs	57,139	59,192	-2,053

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
06/03/2016 05:00	SK Foreign Reserves	May	--	\$370.90b	\$372.48b	--
06/03/2016 08:00	JN Labor Cash Earnings YoY	Apr	0.90%	0.30%	1.40%	1.50%
06/03/2016 09:00	NZ ANZ Commodity Price	May	--	1.00%	-0.80%	--
06/03/2016 09:45	CH Caixin China PMI Services	May	--	51.2	51.8	--
06/03/2016 09:45	CH Caixin China PMI Composite	May	--	50.5	50.8	--
06/03/2016 10:00	JN Nikkei Japan PMI Services	May	--	50.4	49.3	--
06/03/2016 10:00	JN Nikkei Japan PMI Composite	May	--	49.2	48.9	--
06/03/2016 10:30	HK Nikkei Hong Kong PMI	May	--	47.2	45.3	--
06/03/2016 12:00	MA Exports YoY	Apr	2.00%	1.60%	0.20%	--
06/03/2016 12:00	MA Trade Balance MYR	Apr	8.56b	9.06b	11.19b	--
06/03/2016 13:00	IN Nikkei India PMI Services	May	--	51	53.7	--
06/03/2016 13:00	IN Nikkei India PMI Composite	May	--	50.9	52.8	--
06/03/2016 15:30	TH Foreign Reserves	May-27	--	\$176.1b	\$176.6b	--
06/03/2016 15:50	FR Markit France Services PMI	May F	51.8	51.6	51.8	--
06/03/2016 15:50	FR Markit France Composite PMI	May F	51.1	50.9	51.1	--
06/03/2016 15:55	GE Markit Germany Services PMI	May F	55.2	55.2	55.2	--
06/03/2016 16:00	EC Markit Eurozone Services PMI	May F	53.1	53.3	53.1	--
06/03/2016 16:00	EC Markit EZ Composite PMI	May F	52.9	53.1	52.9	--
06/03/2016 16:30	UK Markit/CIPS UK Services PMI	May	52.5	53.5	52.3	--
06/03/2016 17:00	EC Retail Sales MoM	Apr	0.40%	0.00%	-0.50%	-0.60%
06/03/2016 17:00	EC Retail Sales YoY	Apr	2.10%	1.40%	2.10%	1.80%
06/03/2016 20:30	US Trade Balance	Apr	-\$41.0b	-\$37.4b	-\$40.4b	-\$35.5b
06/03/2016 20:30	CA Int'l Merchandise Trade	Apr	-2.55b	-2.94b	-3.41b	-3.18b
06/03/2016 20:30	US Change in Nonfarm Payrolls	May	160k	38k	160k	123k
06/03/2016 20:30	US Change in Manufact. Payrolls	May	-2k	-10k	4k	2k
06/03/2016 20:30	US Unemployment Rate	May	4.90%	4.70%	5.00%	--
06/03/2016 21:45	US Markit US Services PMI	May F	51.4	51.3	51.2	--
06/03/2016 21:45	US Markit US Composite PMI	May F	--	50.9	50.8	--
06/03/2016 22:00	US ISM Non-Manf. Composite	May	55.3	52.9	55.7	--
06/03/2016 22:00	US Factory Orders	Apr	1.90%	1.90%	1.10%	1.70%
06/03/2016 22:00	US Durable Goods Orders	Apr F	--	3.40%	3.40%	--
06/03/2016 22:00	US Durables Ex Transportation	Apr F	--	0.50%	0.40%	--
06/03/2016 22:00	US Cap Goods Ship Nondef Ex Air	Apr F	--	0.40%	0.30%	--
06/06/2016 09:30	AU ANZ Job Advertisements MoM	May	--	--	-0.80%	--
06/06/2016 14:00	GE Factory Orders MoM	Apr	-0.50%	--	1.90%	--
06/06/2016 14:00	GE Factory Orders WDA YoY	Apr	0.60%	--	1.70%	--
06/06/2016 16:10	GE Markit Germany Retail PMI	May	--	--	51	--
06/06/2016 16:10	EC Markit Eurozone Retail PMI	May	--	--	47.9	--
06/06/2016 16:10	FR Markit France Retail PMI	May	--	--	48.2	--
06/06/2016 16:10	IT Markit Italy Retail PMI	May	--	--	42.6	--
06/06/2016 06/13	VN Domestic Vehicle Sales YoY	May	--	--	38.10%	--

Source: Bloomberg

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