

Highlights

Global	US' non-manufacturing ISM slipped more than expected from 55.5 in July to a 6-year low of 51.4 in August, suggesting that the services momentum could be flagging and the US growth recovery likely to be more tepid in 3Q. Market reacted by dampening down Fed futures pricing for the 21 September FOMC meeting to just 24%, and the USD and S&P500 slipped whereas UST bonds gained. Asian markets may consolidate amid signs of slowing US growth, notwithstanding the market consensus view that the September FOMC will be a non-event. The economic data calendar for today comprises of Australia's 2Q GDP growth, US' mortgage applications, UK and Germany's industrial production, Malaysia's trade data, and China's foreign reserves. BNM and BOC are likely to be on hold today. Fed's William and the Fed Beige Book is also on tap.
US	A soft set of economic releases overnight - the non-manufacturing ISM business activity index plunged from 59.3 to 51.8 (low since January 2010), while the new orders index also slumped 8.9 points to 51.4 (low since December 2013) and the employment gauge also slipped from 51.4 to 50.7. Meanwhile, the IBD/TIPP economic optimism also softened more than expected from 48.4 to 48.1 in September, while the August labour market conditions index also retreated from +1.3 in July to -0.7 in August.
AU	RBA kept its policy cash rate steady at 1.5% as widely expected in RBA governor Stevens' swansong meeting, with his deputy Philip Lowe assuming the position soon. Stevens noted that "recent data suggest that overall growth is continuing" and "labor market indicators....suggest continued expansion in employment in the near term", hence "having eased monetary policy at its May and August meetings, the board judged that holding the stance of policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time".
CH	China may consider revamping its consumption tax system to boost consumption. The tax for cheaper goods such as cosmetics and toiletry may be lower while tax for alcohols may be increased.
ID	Government is reportedly in internal talks to give 3-5 years extension to mining companies for building smelters. This is part of the proposed revision of mining and coal law. Length of extension period would differ according to different types of commodity.
MA	Bank Negara is due to announce its monetary policy decision today. We expect the central bank to hold the overnight policy rate at 3.0% at this junction, but with an eye to cut rate in the next meeting in November.
Commodities	The fall in the Dollar index had given the commodity complex a lift overnight, especially seen in the precious metal space where gold (+2.1%) and silver (+4.0%) touched its multiple-week highs. The precious metal space has been one of the clear beneficiaries as well when expectations for Fed rate hikes this year dwindle, a phenomenon seen overnight as probability for a rate hike in both Sept and Dec FOMC meetings take another notch down. On outlook, while we keep to our gold forecast between \$1,350/oz (1 rate hike in December) and \$1,400/oz (no rate hike materialises), we recognise that there presents further upside risk to our forecasts should lacklustre global economic cues, especially from the US, sustains into the year.

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

Major Market

- **US:** Equities rose on Tuesday after the Labor Day holiday. Energy and healthcare stocks led gains amidst market talk of mergers and acquisitions in that space. Consistent gains from tech pushed Nasdaq up 0.50% to a record closing of 5275.91. S&P 500 and Dow gained 0.30% and 0.26% respectively. US Treasury yields retreated as market expectations of the Fed rate hike diminished with the sharp slowdown in growth in the services sector. ISM non-manufacturing PMI came in below expectations. 2-year and 10-year benchmark yields declined 5-7 bps to close at 0.73% and 1.54%. Meanwhile, volatility continues to stand near record low levels, with VIX closing up 0.33% at 12.02.
- **Singapore:** COE tender results and foreign reserves data are due today.
- STI climbed 1.57% to end at 2896.55 yesterday, but the 2900 resistance could remain elusive today amid weak overnight cues from Wall Street following a weaker than expected US' non-manufacturing ISM release, and mixed morning cues from Nikkei and Kospi. The STI's support is tipped at 2840. SGS bonds rallied yesterday and may see further gains today amid greater market caution.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve bull-steepened yesterday. The short term rates (<3Y) traded 2-4bps lower while the middle to long term rates (>5Y) traded 1-2bps lower. Flows in the SGD corporates were light with better buying seen in UOBSP 4%'49s and mixed interests seen in SCISP 4.75%'49s. In the broader dollar space, the spread on JACI IG corporates was relatively unchanged at 195bps while the yield on JACI HY corporates decreased 3bps to 6.41%. 10y UST yield decreased 7bps to 1.54% following the larger-than-forecast drop in August US Non-Manufacturing Index (Actual: 51.4 Vs. Forecast: 54.9, lowest since Feb 2010) further lowered market expectation for interest rate hike in September. Implied probability fell to 24% from 34% a week ago.
- **New Issues:** Cikarang Listrindo has launched a USD550mn 10NC5 bond that is to be priced later today. The initial guidance is at 5% with expected issue ratings of "BB/Ba2/NR". China South City has priced a USD200mn 5NC3 bond at 6.75% (to yield 7%) with expected issue ratings of "B-/NR/B". Korea Development Bank priced a two-tranche deal yesterday with the USD500mn 3-year bond priced at CT3+57.5bps while the other tranche of USD500mn 10-year was priced at CT10+55bps. The expected issue ratings are "AA/NR/AA-".
- **Rating Changes:** Moody's has assigned a "Baa2" rating to the USD5bn medium-term note program to be established by Industrial Bank Co. Ltd. (HK). At the same time, Moody's also assigned a "Baa2" Counterparty Risk Assessment to Industrial Bank Co. Ltd. (Hong Kong) with a negative outlook. The provisional ratings are in line with Industrial Bank's "Baa2" deposit ratings and reflect the structure of the proposed issuance. Fitch downgraded Zoomlion Heavy Industry Science and Technology Co. Ltd.'s issuer default rating to "B-" from "B+" with a stable outlook. The two-notch downgrade reflects the rapid deterioration in Zoomlion's financial profile, with sustained high leverage and poor coverage ratios. The stable outlook reflects the resources and access that Zoomlion still has that Fitch deems to be sufficient to sustain its liquidity.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.823	-1.07%	USD-SGD	1.3466	-0.74%
USD-JPY	102.020	-1.36%	EUR-SGD	1.5157	0.21%
EUR-USD	1.1255	0.97%	JPY-SGD	1.3202	0.64%
AUD-USD	0.7687	1.38%	GBP-SGD	1.8098	0.27%
GBP-USD	1.3440	1.02%	AUD-SGD	1.0352	0.63%
USD-MYR	4.0815	0.19%	NZD-SGD	0.9988	0.75%
USD-CNY	6.6700	-0.11%	CHF-SGD	1.3887	0.30%
USD-IDR	13127	-0.22%	SGD-MYR	3.0075	0.28%
USD-VND	22299	-0.01%	SGD-CNY	4.9461	0.50%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	0.4204	--
2M	-0.3370	--	1M	0.5193	--
3M	-0.3010	--	2M	0.6619	--
6M	-0.1950	--	3M	0.8334	--
9M	-0.1230	--	6M	1.2487	--
12M	-0.0520	--	12M	1.5624	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.47	-4.40	2.99
Italy	-0.12	-3.60	1.09
Ireland	-0.39	-0.30	0.37
Greece	7.65	--	8.23
Spain	-0.19	-3.10	0.93
Russia	1.96	-3.90	3.91

Equity and Commodity

Index	Value	Net change
DJIA	18,538.12	46.16
S&P	2,186.48	6.50
Nasdaq	5,275.91	26.01
Nikkei 225	17,081.98	44.35
STI	2,896.55	44.81
KLCI	1,689.92	11.84
JCI	5,372.10	15.14
Baltic Dry	745.00	21.00
VIX	12.02	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.78 (-0.01)	0.73 (-0.06)
5Y	1.24 (-0.04)	1.12 (-0.07)
10Y	1.72 (-0.03)	1.53 (-0.07)
15Y	2.01 (-0.02)	--
20Y	2.09 (-0.02)	--
30Y	2.14 (-0.01)	2.22 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	37.41	-0.90
EURIBOR-OIS	3.90	--
TED	50.87	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.83	0.88%	Coffee (per lb)	1.525	1.57%
Brent (per barrel)	47.26	-0.78%	Cotton (per lb)	0.6906	2.30%
Heating Oil (per gallon)	1.409	-0.08%	Sugar (per lb)	0.2022	0.20%
Gasoline (per gallon)	1.32	1.14%	Orange Juice (per lb)	1.9180	2.87%
Natural Gas (per MMBtu)	2.717	-2.69%	Cocoa (per mt)	2,948	0.86%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,620.0	-0.13%	Wheat (per bushel)	3.7100	-0.60%
Nickel (per mt)	10,064	0.41%	Soybean (per bushel)	9.743	0.59%
Aluminium (per mt)	1,574.3	0.57%	Corn (per bushel)	3.1675	0.08%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,350.4	2.06%	Crude Palm Oil (MYR/MT)	2,880.0	-0.35%
Silver (per oz)	20.049	4.01%	Rubber (JPY/KG)	166.0	0.48%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/06/2016 08:00	NZ QV House Prices YoY	Aug	--	14.60%	14.10%	--
09/06/2016 08:30	TA CPI YoY	Aug	1.00%	0.57%	1.23%	--
09/06/2016 09:00	PH CPI YoY	Aug	2.00%	1.80%	1.90%	--
09/06/2016 09:00	PH CPI NSA MoM	Aug	0.20%	0.10%	0.10%	--
09/06/2016 09:30	AU BoP Current Account Balance	2Q	-20.0b	-15.5b	-20.8b	-14.9b
09/06/2016 12:30	AU RBA Cash Rate Target	Sep-06	1.50%	1.50%	1.50%	--
09/06/2016 14:00	GE Factory Orders MoM	Jul	0.50%	0.20%	-0.40%	-0.30%
09/06/2016 14:00	GE Factory Orders WDA YoY	Jul	-0.20%	-0.70%	-3.10%	-3.00%
09/06/2016 15:00	MA Foreign Reserves	Aug-30	--	\$97.5b	\$97.5b	--
09/06/2016 15:30	GE Markit GE Construction PMI	Aug	--	51.6	51.6	--
09/06/2016 16:10	GE Markit Germany Retail PMI	Aug	--	54.1	52	--
09/06/2016 16:10	EC Markit Eurozone Retail PMI	Aug	--	51	48.9	--
09/06/2016 16:10	FR Markit France Retail PMI	Aug	--	53	51.6	--
09/06/2016 16:10	IT Markit Italy Retail PMI	Aug	--	43.2	40.3	--
09/06/2016 17:00	EC GDP SA QoQ	2Q F	0.30%	0.30%	0.30%	--
09/06/2016 17:00	EC GDP SA YoY	2Q F	1.60%	1.60%	1.60%	--
09/06/2016 17:00	EC Household Cons QoQ	2Q	0.30%	0.20%	0.60%	--
09/06/2016 22:00	US ISM Non-Manf. Composite	Aug	54.9	51.4	55.5	--
09/07/2016 09:30	AU GDP SA QoQ	2Q	0.60%	--	1.10%	--
09/07/2016 09:30	AU GDP YoY	2Q	3.30%	--	3.10%	--
09/07/2016 12:00	MA Exports YoY	Jul	1.90%	--	3.40%	--
09/07/2016 12:00	MA Trade Balance MYR	Jul	4.25b	--	5.52b	--
09/07/2016 13:00	JN Leading Index CI	Jul P	98.6	--	99.2	--
09/07/2016 14:00	GE Industrial Production SA MoM	Jul	0.10%	--	0.80%	--
09/07/2016 14:00	GE Industrial Production WDA YoY	Jul	0.20%	--	0.50%	--
09/07/2016 14:30	AU Foreign Reserves	Aug	--	--	A\$66.0b	--
09/07/2016 14:45	FR Trade Balance	Jul	-3600m	--	-3440m	--
09/07/2016 15:00	MA BNM Overnight Policy Rate	Sep-07	3.00%	--	3.00%	--
09/07/2016 15:30	UK Halifax House Prices MoM	Aug	-0.10%	--	-1.00%	--
09/07/2016 15:30	UK Halifax House Price 3Mths/Year	Aug	7.00%	--	8.40%	--
09/07/2016 16:00	TA Trade Balance	Aug	\$4.13b	--	\$3.61b	--
09/07/2016 16:00	TA Imports YoY	Aug	-4.30%	--	-0.20%	--
09/07/2016 16:00	TA Exports YoY	Aug	0.30%	--	1.20%	--
09/07/2016 16:00	SI Automobile COE Open Bid Cat A	Sep-07	--	--	53334	--
09/07/2016 16:00	SI Automobile COE Open Bid Cat B	Sep-07	--	--	56500	--
09/07/2016 16:30	UK Industrial Production MoM	Jul	-0.20%	--	0.10%	--
09/07/2016 16:30	UK Industrial Production YoY	Jul	1.90%	--	1.60%	--
09/07/2016 16:30	UK Mfg Production MoM	Jul	-0.30%	--	-0.30%	--
09/07/2016 16:30	UK Manufacturing Production YoY	Jul	1.70%	--	0.90%	--
09/07/2016 17:00	SI Foreign Reserves	Aug	--	--	\$251.43b	--
09/07/2016 19:00	US MBA Mortgage Applications	Sep-02	--	--	2.80%	--
09/07/2016 22:00	CA Bank of Canada Rate Decision	Sep-07	0.50%	--	0.50%	--
09/07/2016 22:00	UK NIESR GDP Estimate	Aug	--	--	0.30%	--
09/07/2016	HK Foreign Reserves	Aug	--	--	\$362.9b	--
09/07/2016	CH Foreign Reserves	Aug	\$3190.0b	--	\$3201.1b	--
09/07/2016	ID Foreign Reserves	Aug	--	--	\$111.41b	--
09/07/2016	PH Foreign Reserves	Aug	--	--	\$85.5b	--
09/06/2016 09/13	VN Domestic Vehicle Sales YoY	Aug	--	--	36.60%	--

Source: Bloomberg

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