

Treasury Advisory
Corporate FX & Structured
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Products

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Highlights

Global	The oil price slump dragged the S&P500 down overnight, whereas US Treasury bond rally paused ahead of today's key US unemployment report. A firmer ADP employment data overnight had raised some speculation of a healthy June nonfarm payroll print tonight with consensus forecast at +180k and the unemployment rate tipped at 4.8%, versus May readings of +38k and 4.7% respectively. Any downside surprise may not add significantly to the UST bond rally as yields are already trading near year-to-date lows. During Asian time, we get Japan's Eco Watchers survey for June, trade data from Germany, UK and Taiwan, but we anticipate Asian markets may simply tread water with a slightly cautious tone in the interim.
US	Private sector hiring momentum remained robust, according to the ADP employment data which rose more than expected by 172k in June (expected: 160k), albeit the May data was revised down from 173k to 168k. Notably, headcount at service providers rose by 208k, but that for goods-producing industries fell by 36k. Elsewhere, the Challenger job cuts also fell 14.1% yoy in June, versus -26.5% in May. Meanwhile, initial jobless claims fell further by 16k to 254k, the lowest since mid-April, with the 4-week average also slipping to 264.75k. Similarly, the continuing claims also fell by 44k to 2.12m.
EZ	German industrial production unexpectedly contracted 1.3% mom (-0.4% yoy) in May, partly due to a large number of holidays in May, but could also potentially signal that headwinds from Europe had dampened activity.
UK	Industrial production fell 0.5% mom (+1.4% yoy) in May, after an upwardly revised +2.1% gain in April and suggested 2Q may eke out positive growth, albeit the momentum may not sustain post-Brexit.
SG	COE premiums slipped for the latest tender to \$52,301 (Cat A), \$56,089 (Cat B) and \$56,002 (Cat E). The 2Q16 GDP growth estimates will be released on 14 July.
Commodities	Crude oil prices fell significantly after US Cushing crude oil inventories fell less than expected by 82k barrels (vs est -350k barrels) amid sustained risk aversion sentiment in global markets. Importantly as well, the recovery in oil prices of late (especially pre-Brexit) has since led US oil rig counts to increase gradually. Empirically, oil rig counts in the US rose by 11 for the week ended 1 July, the highest increase since last year, and thus marking the fifth session of increase since the start of this year. Our outlook for the crude oil space remains unchanged, with our price forecast at \$50/bbl as the demand story may turn south on the Brexit, amid possible increase in US production should prices turn above its critical \$50/bbl.

Major Market

- **Singapore:** The STI was slightly lower (-0.09%) at 2862.17 yesterday, and investors may stay cautious ahead of the key US nonfarm payrolls report tonight. Given mixed cues from Wall Street amid the energy price retreat, the STI could trade in a range of 2820-2880. SGS bond yields may trade slightly higher today amid pre-NFP profit-taking interest.
- **China:** FX reserve unexpectedly increased by US\$20 billion in June to US\$3.21 trillion, biggest monthly increase in 14 months, despite weaker RMB. The unexpected increase was mainly attributable to three reasons in our view. First, it may be the result of less intervention in the FX market. PBoC has granted market a bigger role in deciding RMB value since this year. Second, it may also be the result of Yen appreciation. Yen has strengthened significantly in June. As such, the currency gain in Yen denominated assets may partially offset the currency loss in GBP denominated assets. Third, the recent capital account liberalization aiming to attract capital inflows may have taken effect. In particular, we expect positive inflows from offshore bond investors investing in China's onshore interbank bond market after China specified details for interbank bond market investment.
- **Equity:** Equity markets were pulled down by a sell-off in crude oil after a strong start in the morning. Most investors remained in the sidelines awaiting the payrolls data on Friday that will give insight on the health of the labour market in the US. S&P 500 and Dow slid 0.09% and 0.13% respectively. Nasdaq bucked the trend, notching a 0.36% rise. Meanwhile, a 4 day rally in the US Treasuries was halted on Thursday amid signs that investors are beginning to unwind the safe haven assets accumulated post-Brexit. Yields on the 2-year and 10-year Treasury notes rose to 0.589% and 1.385% respectively. Volatility continues to slide as VIX closed 1.34% lower.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was range-bounded yesterday, with the short-end rates traded 1-2bps higher while the belly-to-long-end- rates traded 1-3bps lower. Flows in the SGD corporates were heavy with better selling seen in IOCLIN 4.1%'22s and UCGIM 5.5%'23s while mixed interests were seen in MLTSP 4.18%'49s, GEMAU 5.5%'19s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 226bps while the yield on JACI HY corporates decreased by 3bps to 6.53%. 10y UST yield increased by 2bps to 1.39%.
- **New Issues:** Huai's An Development Co. Ltd. has priced a USD300mn 3-year bond at 5.1%, tightening from its initial guidance of 5.3% with expected ratings of "NR/NR/BB+". HT Global IT Solutions Holdings Ltd. has priced a USD300mn 5NC2 bond at 7.13%, tightening from its initial guidance of 7.63% with expected ratings of "BB-/Ba3/BB-". Sumitomo Mitsui Financial Group, Inc. has priced a three-tranche deal yesterday, with the USD1.75bn 5-year bond priced at CT5+110bps, tightening from its initial guidance of CT5+130bps, the USD500mn 5-year bond at 3mL+111bps, the USD2.25bn 10-year bond at CT10+125bps, tightening from its initial guidance of CT10+150bps. The expected ratings for the issue are "A-/A1/NR". ICBC Ltd. (Luxembourg) has priced a USD800mn 3-year bond at CT3+130bps, tightening from its initial guidance of CT10+150bps. The expected ratings for the issue are "A/A1/A". HKT Capital No. 4 Ltd. has set its final price guidance on a USD 10-year bond at CT10+170bps, tightening from its initial guidance of CT10+185bps. The expected

ratings for the issue are “BBB/Baa2/NR”. Busan Bank has scheduled investor meetings from 11 July, 2016 onwards for USD Tier 2 bond issuance with expected ratings of “NR/Baa2/NR”.

- **Rating Changes:** S&P revised its outlook on Australia’s “AAA” credit rating to negative from stable after the outcome of Saturday’s federal election potentially dented the government’s prospects for reining in a budget deficit. The revision reflects S&P’s view that without the implementation of more forceful fiscal policy decisions, material government budget deficits may persist for several years with little improvement. Following the revision, S&P likewise revised its outlook for the nation’s largest lenders that include ANZ, Commonwealth Bank of Australia, National Australia Bank and Westpac corporation. Ratings on all four major banks were affirmed at “AA-“, with its outlook revised to negative from stable. The negative outlooks reflect S&P’s view that the banks’ ratings benefit from government support and that S&P expect to downgrade these entities if they lower the long-term local currency sovereign credit rating on Australia. Additionally, S&P also revised its outlook on various UK banks that include Barclays PLC, HSBC Holdings PLC and Lloyds Banking Group PLC to negative from stable. The revisions reflect S&P’s view that they could lower the ratings on these institutions as a result of growing risk of adverse economic developments and economic uncertainty arising from the recent Brexit vote. Royal Bank of Scotland Group PLC’s outlook was also revised to stable from positive, citing the same reason.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.328	0.29%	USD-SGD	1.3498	-0.04%
USD-JPY	100.770	-0.54%	EUR-SGD	1.4933	-0.37%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3395	0.50%
AUD-USD	0.7479	-0.55%	GBP-SGD	1.7424	-0.21%
GBP-USD	1.2908	-0.18%	AUD-SGD	1.0107	-0.47%
USD-MYR	4.0138	-0.88%	NZD-SGD	0.9757	1.32%
USD-CNY	6.6820	-0.10%	CHF-SGD	1.3794	-0.40%
USD-IDR	13146	-0.48%	SGD-MYR	2.9795	-0.35%
USD-VND	22302	-0.01%	SGD-CNY	4.9517	0.10%

Equity and Commodity

Index	Value	Net change
DJIA	17,895.88	-22.70
S&P	2,097.90	-1.80
Nasdaq	4,876.81	17.60
Nikkei 225	15,276.24	-102.80
STI	2,862.17	-2.50
KLCI	1,650.71	--
JCI	4,971.58	--
Baltic Dry	699.00	5.00
VIX	14.76	-0.20

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3650	--	O/N	0.4112	--
2M	-0.3260	--	1M	0.4726	--
3M	-0.2930	--	2M	0.5543	--
6M	-0.1890	--	3M	0.6611	--
9M	-0.1290	--	6M	0.9242	--
12M	-0.0620	--	12M	1.2305	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (+0.01)	0.59 (+0.01)
5Y	1.36 (--)	0.96 (+0.02)
10Y	1.72 (--)	1.39 (+0.02)
15Y	2.00 (-0.02)	--
20Y	2.08 (-0.03)	--
30Y	2.19 (-0.03)	2.13 (--)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.70	4.20	3.08
Italy	-0.05	2.00	1.24
Ireland	-0.38	0.10	0.47
Greece*	7.83	-9.50	7.99
Spain	-0.12	2.30	1.18
Russia^	2.17	-1.20	4.41

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.39	0.32
EURIBOR-OIS	7.10	-0.10
TED	38.05	-1.17

* 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)	45.14	-4.83%	Coffee (per lb)	1.405	-1.06%
Brent (per barrel)	46.40	-4.92%	Cotton (per lb)	0.6367	-0.17%
Heating Oil (per gallon)	1.411	-4.11%	Sugar (per lb)	0.1973	-4.08%
Gasoline (per gallon)	1.36	-4.87%	Orange Juice (per lb)	1.8675	0.48%
Natural Gas (per MMBtu)	2.777	-0.32%	Cocoa (per mt)	3,149	0.96%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,687.0	-1.33%	Wheat (per bushel)	4.1200	-0.90%
Nickel (per mt)	9,712	-2.36%	Soybean (per bushel)	10.543	-4.70%
Aluminium (per mt)	1,629.8	-0.87%	Corn (per bushel)	3.3550	-0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,362.1	-0.37%	Crude Palm Oil (MYR/MT)	2,409.0	--
Silver (per oz)	19.798	-1.80%	Rubber (JPY/KG)	162.9	1.37%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/07/2016 07:50	JN Foreign Buying Japan Stocks	1-Jul	--	¥113.9b	¥184.2b	¥172.2b
07/07/2016 13:00	JN Leading Index CI	May P	100	100	100	--
07/07/2016 14:00	GE IP SA MoM	May	0.10%	-1.30%	0.80%	0.50%
07/07/2016 14:00	GE Industrial Production WDA YoY	May	1.50%	-0.004	1.20%	0.008
07/07/2016 14:45	FR Trade Balance	May	-4925m	-2840m	-5219m	-4846m
07/07/2016 15:30	UK Halifax House Prices MoM	Jun	0.003	0.013	0.006	0.009
07/07/2016 15:30	UK Halifax House Price 3Mths/Year	Jun	7.80%	0.084	9.20%	--
07/07/2016 16:00	SI Automobile COE Open Bid Cat	1-Jul	--	52301	55200	--
07/07/2016 16:00	SI Automobile COE Open Bid Cat	1-Jul	--	56089	57010	--
07/07/2016 16:16	CH Foreign Reserves	Jun	\$3167.0b	\$3205.2b	\$3191.7b	--
07/07/2016 16:30	UK Industrial Production MoM	May	-1.00%	-0.005	2.00%	0.021
07/07/2016 16:30	UK Industrial Production YoY	May	0.005	0.014	0.016	0.022
07/07/2016 16:30	UK Manu Production MoM	May	-1.20%	-0.50%	2.30%	2.40%
07/07/2016 16:30	UK Manufacturing Production YoY	May	0.004	0.017	0.008	0.015
07/07/2016 16:33	HK Foreign Reserves	Jun	--	\$360.6b	\$360.3b	--
07/07/2016 17:00	SI Foreign Reserves	Jun	--	\$248.86b	\$247.13b	--
07/07/2016 18:04	PH Foreign Reserves	Jun	--	\$84.0b	\$83.5b	\$82.9b
07/07/2016 20:15	US ADP Employment Change	Jun	160k	172k	173k	168k
07/07/2016 20:30	CA Building Permits MoM	May	0.015	-0.019	-0.003	0.001
07/07/2016 20:30	US Initial Jobless Claims	1-Jul	269k	254k	268k	270k
07/07/2016 20:30	US Continuing Claims	1-Jun	2120k	2124k	2120k	2168k
07/07/2016 21:45	US Bloomberg Consumer Comfort	1-Jul	--	43.5	43.9	--
07/07/2016 22:00	UK NIESR GDP Estimate	Jun	--	0.006	0.005	0.006
07/08/2016 07:50	JN BoP Current Account Balance	May	¥1751.2b	--	¥1878.5b	--
07/08/2016 07:50	JN Trade Balance BoP Basis	May	¥56.0b	--	¥697.1b	--
07/08/2016 08:00	JN Labor Cash Earnings YoY	May	0.005	--	0.003	0
07/08/2016 13:00	JN Eco Watchers Survey Current	Jun	43.1	--	43	--
07/08/2016 13:00	JN Eco Watchers Survey Outlook	Jun	46.7	--	47.3	--
07/08/2016 14:00	GE Trade Balance	May	23.5b	--	25.6b	25.7b
07/08/2016 14:00	GE Current Account Balance	May	24.6b	--	28.8b	--
07/08/2016 14:00	GE Exports SA MoM	May	0.004	--	0	0.001
07/08/2016 14:00	GE Imports SA MoM	May	0.007	--	-0.002	-0.003
07/08/2016 14:30	FR Bank of France Bus. Sentiment	Jun	97	--	97	--
07/08/2016 14:45	FR Industrial Production MoM	May	-0.005	--	0.012	--
07/08/2016 14:45	FR Industrial Production YoY	May	0.009	--	0.019	--
07/08/2016 14:45	FR Manufacturing Production MoM	May	-0.005	--	0.013	--
07/08/2016 14:45	FR Manufacturing Production YoY	May	0.005	--	0.016	--
07/08/2016 15:30	TH Foreign Reserves	1-Jun	--	--	\$178.8b	--
07/08/2016 16:00	TA Trade Balance	Jun	\$2.00b	--	\$3.50b	--
07/08/2016 16:00	TA Imports YoY	Jun	-0.035	--	-0.034	--
07/08/2016 16:00	TA Exports YoY	Jun	-0.031	--	-0.096	--
07/08/2016 16:30	UK Visible Trade Balance GBP/Mn	May	-10700	--	-10526	--
07/08/2016 16:30	UK Trade Balance Non EU GBP/Mn	May	-2800	--	-2602	--
07/08/2016 16:30	UK Trade Balance	May	-3575	--	-3294	--
07/08/2016 20:30	CA Unemployment Rate	Jun	0.07	--	0.069	--
07/08/2016 20:30	US Change in Nonfarm Payrolls	Jun	180k	--	38k	--
07/08/2016 20:30	CA Net Change in Employment	Jun	5.0k	--	13.8k	--
07/08/2016 20:30	US Change in Manufact. Payrolls	Jun	-3k	--	-10k	--
07/08/2016 20:30	US Unemployment Rate	Jun	0.048	--	0.047	--
07/08/2016 07/14	NZ REINZ House Sales YoY	Jun	--	--	0.136	--
07/07/2016 07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	0.331	--
07/07/2016 07/15	PH Budget Balance PHP	May	--	--	55.0b	--

Source: Bloomberg

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