

### Highlights

<b>Global</b>	<p>Wall Street slipped as energy prices slumped and a US\$23b 10-year UST bond auction attracted healthy foreign bids. This morning, RBNZ trimmed the official cash rate by 25bps to a record 2% as expected, but the market interpretation of the statement was slightly less dovish than expected, which prompted the NZD higher despite RBNZ calling that “a decline in the exchange rate is needed” and “our current projections and assumptions indicate that further policy easing will be required to ensure that future inflation settles near the middle of the target range”.</p> <p>For today, market players are awaiting the BOK and BSP policy decisions with consensus for BOK to be static but the BSP may trim the lenders’ reserve ratio. The economic data calendar remains relatively light and comprises of US’ initial jobless claims and import price index. Asian bourses may be sidelined ahead of cues from BOK and BSP later.</p>
<b>UK</b>	RICS’ new buyer enquiries fell for a 4 <sup>th</sup> month in July and the index of sales is also suggesting the fastest drop in transaction volumes since the GFC.
<b>NZ</b>	RBNZ rate cut is the 6th in 14 months, and it is likely that there will be at least one further rate cut. RBNZ tips the 90-day bank bill yield to decline from 2.1% in 4Q16 to 1.8% by 2Q17, even as growth accelerates to 3.5% in 1Q17.
<b>SG</b>	2Q16 growth was little changed at 2.1% yoy (+0.3% qoq saar). However, MTI trimmed the full year growth forecast from 1-3% to 1-2%, citing additional risks post-Brexit and a weaker global growth outlook. MTI also mentioned the possibility that China’s debt defaults could spike as the economy continues to restructure, leading to a tightening of financial services and a sharper growth slowdown. Moreover the caveat was that this narrowed forecast was “barring the full materialisation of downside risks”. We maintain our 2016 GDP growth forecast at 1.8% yoy for now as we think the 2H slowdown could be limited to around 1.5% yoy from 1H’s 2.1% yoy, even though there may be some downside risks for 3Q growth given the brunt of the Brexit referendum could be felt in the financial markets and business/consumer confidence.
<b>CH</b>	According to the data from China banking regulator, China’s non-performing loan ratio was at 1.75% as of end of 2q, unchanged from 1q reading.
<b>ID</b>	Finance Ministry has clarified in a rule dated August 8th that Indonesians who repatriate funds as part of tax amnesty program may move the funds between approved assets during the required 3-year holding period. It also added that participants may withdraw returns from investments before the holding period ends, as long as the original amount is still kept. These investments may be directly made in gold, property and infrastructure projects based in Indonesia.
<b>Commodities</b>	News of higher US crude inventories once again plagued oil prices south, with WTI and Brent closing more than 2.0% lower. Empirically, US crude oil inventories gained more than 1 million barrels as refinery utilisation rates tapered -1.1% lower. Note that OPEC is to meet in an informal meeting in Algiers next month to discuss on oil prices, while cash-strapped Venezuela commented its preference to lift oil prices to \$70/bbl in the longer-term. All-in-all, while crude oil prices still appear to be supported at its \$40/bbl handle, any rhetoric (although unlikely) by a collected OPEC voice to stabilise prices may give energy prices a boost.

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## Major Market

- US:** Retreating oil prices hit energy shares, causing equity markets to slide away from their record highs. Meanwhile, financials gyrate according to the investor sentiments on chances of a Fed rate hike. Investors appear sceptical of the Fed's rate hike intentions, causing a sell-off in the financials overnight. In the US Treasury space, a new auction of 10-year Treasuries saw strong demand and closed at 1.503%, the lowest for 4 years. In line with the auction, 10-year benchmark yields fell to 1.51%, while the 2-year yields also retreated to 0.68%. Elsewhere, VIX rose 3.34% to 12.05.
- Singapore:** STI added 0.17% to 2875.57 yesterday, but may face consolidation today with support and resistance tipped at 2850 and 2900 respectively amid weak overnight cues from Wall Street. With the extended rally in UST bonds, SGS bonds may follow suit as well.
- 2Q growth was little changed at 2.1% yoy (+0.3% qoq saar). The key revisions were the downgrade in services growth from 1.7% yoy (previous estimate) to 1.4% yoy for 2Q, mainly dragged down by (a) business services at -0.2% yoy (-3.6% qoq saar) which is the first yoy contraction since 2Q 2003 and largely due to the real estate segment, as well as (b) rapidly slowing momentum in financial services which decelerated to +0.8% yoy (-11.2% qoq saar) which is the slowest growth pace since 3Q12. The big swings in risk appetite contributed to the pullback in both ACU (-5.5%, namely due to credit to East Asia) and DBU non-bank lending activities which were hit by trade-related segments like general commerce and manufacturing. In addition, fees and commissions for banks were dismal amid dampened demand for portfolio management and trade financing.
- However, MTI trimmed the full year growth forecast from 1-3% to 1-2%, citing additional risks post-Brexit and a weaker global growth outlook. MTI also mentioned the possibility that China's debt defaults could spike as the economy continues to restructure, leading to a tightening of financial services and a sharper growth slowdown. Moreover the caveat was that this narrowed forecast was "barring the full materialisation of downside risks". MTI tips that the manufacturing improvement may not be sustained given sluggish global demand and expects construction growth to also weaken in the coming quarters amid a more pessimistic business outlook, albeit there may be support from tourism-related sectors given healthy visitor arrivals, and other services industries like ICT could still be supported by the education, and health & social services demand.
- We maintain our 2016 GDP growth forecast at 1.8% yoy for now as we think the 2H slowdown could be limited to around 1.5% yoy from 1H's 2.1% yoy, even though there may be some downside risks for 3Q growth given the brunt of the Brexit referendum could be felt in the financial markets and business/consumer confidence. The 1-2% official growth forecast revision is slightly more bearish than what we anticipated given 1H growth is already 2.1% yoy and 2H growth would have to potentially slip to zero for the full year to hit the lower 1% floor of the revised official forecast range.

## Bond Market Updates

- Market Commentary:** The SGD dollar swap curve traded downwards yesterday with swap rates trading 2-9bps lower across all tenors. Flows in the SGD corporate space yesterday was light with mixed interests seen in UOBSP 4%'49s, OLAMSP 6%'22s, HYFSP5.75%'49s, and GUOLSP4.2%'20s. In the broader dollar space, the spread on JACI IG corporates was level at 207bps while the spread on JACI HY corporates decreased 4bps to 6.45% yesterday. The 10y UST yield decreased 4bps to 1.51%.
- New Issues:** Bank of Communications has set final pricing guidance for its expected USD500mn 3yr Fixed Rate Note at 3mL+90bps, tightening from IPT of 3mL+115bps. The issue is expected to be rated (NR/A2/A).
- Rating Changes:** Fitch has affirmed Westfield Corp's rating at "BBB+" and then withdrew it for business reasons. Westfield Corp, listed in Australia is a property trust that manages retail shopping

centres. Moody's has upgraded South Korea's MagnaChip Semiconductor from "Caa1" with a Stable outlook. The upgrade reflects indications of increasing traction in MagnaChip's operational turnaround. Fitch stated that while Singapore banks second quarter results showed pressure on profitability and asset quality, their credit profiles should remain resilient despite the weaker operating environment. Fitch further added that while they expect the banking sector's oil and gas loan to remain vulnerable amid weak sector fundamentals, they believe the rated Singapore banks are positioned well to meet rising credit risks from stresses in the sector because capital buffers are strong and underwriting procedures are disciplined.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.650	-0.55%	<b>USD-SGD</b>	1.3417	-0.19%
<b>USD-JPY</b>	101.290	-0.58%	<b>EUR-SGD</b>	1.5000	0.38%
<b>EUR-USD</b>	1.1176	0.53%	<b>JPY-SGD</b>	1.3246	0.42%
<b>AUD-USD</b>	0.7703	0.39%	<b>GBP-SGD</b>	1.7454	-0.14%
<b>GBP-USD</b>	1.3010	0.05%	<b>AUD-SGD</b>	1.0335	0.22%
<b>USD-MYR</b>	3.9883	-0.97%	<b>NZD-SGD</b>	0.9666	0.35%
<b>USD-CNY</b>	6.6360	-0.30%	<b>CHF-SGD</b>	1.3760	0.47%
<b>USD-IDR</b>	13113	-0.11%	<b>SGD-MYR</b>	2.9759	-0.41%
<b>USD-VND</b>	22299	-0.02%	<b>SGD-CNY</b>	4.9502	0.03%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3690	--	<b>O/N</b>	0.4188	--
<b>2M</b>	-0.3340	--	<b>1M</b>	0.5132	--
<b>3M</b>	-0.2980	--	<b>2M</b>	0.6296	--
<b>6M</b>	-0.1870	--	<b>3M</b>	0.8160	--
<b>9M</b>	-0.1170	--	<b>6M</b>	1.1962	--
<b>12M</b>	-0.0470	--	<b>12M</b>	1.5225	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
<b>Portugal</b>	0.39	-1.10	2.75
<b>Italy</b>	-0.09	-1.40	1.08
<b>Ireland</b>	-0.44	-1.20	0.33
<b>Greece</b>	7.65	--	8.25
<b>Spain</b>	-0.18	-1.20	0.95
<b>Russia</b>	2.03	-5.40	3.94

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	18,495.66	-37.39
<b>S&amp;P</b>	2,175.49	-6.25
<b>Nasdaq</b>	5,204.58	-20.90
<b>Nikkei 225</b>	16,735.12	-29.85
<b>STI</b>	2,875.57	4.79
<b>KLCI</b>	1,673.03	1.32
<b>JCI</b>	5,423.95	-16.34
<b>Baltic Dry</b>	638.00	7.00
<b>VIX</b>	12.05	0.39

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.86 (-0.04)	0.68 (-0.03)
<b>5Y</b>	1.35 (-0.05)	1.07 (-0.04)
<b>10Y</b>	1.78 (-0.06)	1.51 (-0.04)
<b>15Y</b>	2.06 (-0.06)	--
<b>20Y</b>	2.17 (-0.06)	--
<b>30Y</b>	2.24 (-0.07)	2.23 (-0.03)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	40.00	1.41
<b>EURIBOR-OIS</b>	5.40	0.20
<b>TED</b>	53.62	--

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	41.71	-2.48%	Coffee (per lb)	1.387	-1.74%
Brent (per barrel)	44.05	-2.07%	Cotton (per lb)	0.7116	-2.60%
Heating Oil (per gallon)	1.318	-0.92%	Sugar (per lb)	0.1964	-3.68%
Gasoline (per gallon)	1.30	-3.33%	Orange Juice (per lb)	1.8110	-1.36%
Natural Gas (per MMBtu)	2.561	-2.07%	Cocoa (per mt)	3,020	1.48%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,821.0	0.88%	Wheat (per bushel)	4.2175	1.14%
Nickel (per mt)	10,819	0.74%	Soybean (per bushel)	10.170	-0.49%
Aluminium (per mt)	1,635.5	0.32%	Corn (per bushel)	3.2250	0.08%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,344.3	0.40%	Crude Palm Oil (MYR/MT)	2,630.0	2.69%
Silver (per oz)	20.170	1.61%	Rubber (JPY/KG)	180.9	-0.06%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
08/10/2016 06:00	NZ REINZ House Sales YoY	Jul	--	-10.10%	6.00% --
08/10/2016 07:00	SK Unemployment rate SA	Jul	3.60%	3.60%	3.60% --
08/10/2016 07:50	JN Machine Orders MoM	Jun	3.20%	8.30%	-1.40% --
08/10/2016 07:50	JN Machine Orders YoY	Jun	-4.50%	-0.90%	-11.70% --
08/10/2016 07:50	JN PPI MoM	Jul	-0.10%	0.00%	-0.10% --
08/10/2016 07:50	JN PPI YoY	Jul	-4.00%	-3.90%	-4.20% --
08/10/2016 08:30	AU Westpac Consumer Conf MoM	Aug	--	2.00%	-3.00% --
08/10/2016 09:00	PH Exports YoY	Jun	-12.50%	-11.40%	-3.80% --
08/10/2016 09:30	AU Home Loans MoM	Jun	2.30%	1.20%	-1.00% -0.80%
08/10/2016 12:30	JN Tertiary Industry Index MoM	Jun	0.30%	0.80%	-0.70% -1.20%
08/10/2016 13:00	IN Local Car Sales	Jul	--	177604	154237 --
08/10/2016 14:45	FR Industrial Production MoM	Jun	0.10%	-0.80%	-0.50% --
08/10/2016 14:45	FR Industrial Production YoY	Jun	-0.40%	-1.30%	0.50% --
08/10/2016 14:45	FR Manufacturing Production MoM	Jun	0.20%	-1.20%	0.00% 0.10%
08/10/2016 14:45	FR Manufacturing Production YoY	Jun	0.10%	-1.50%	0.60% 0.70%
08/10/2016 19:00	US MBA Mortgage Applications	Aug-05	--	7.10%	-3.50% --
08/11/2016 02:00	US Monthly Budget Statement	Jul	-\$115.0b	-\$112.8b	-\$149.2b --
08/11/2016 05:00	NZ RBNZ Official Cash Rate	Aug-11	2.00%	2.00%	2.25% --
08/11/2016 06:45	NZ Food Prices MoM	Jul	--	-0.20%	0.40% --
08/11/2016 07:01	UK RICS House Price Balance	Jul	6%	5%	16% 15%
08/11/2016 08:00	SI GDP YoY	2Q F	2.20%	2.10%	2.20% --
08/11/2016 08:00	SI GDP SAAR QoQ	2Q F	0.80%	0.30%	0.80% --
08/11/2016 12:00	MA Industrial Production YoY	Jun	2.50%	--	2.70% --
08/11/2016 14:45	FR CPI EU Harmonized MoM	Jul F	-0.40%	--	-0.40% --
08/11/2016 14:45	FR CPI EU Harmonized YoY	Jul F	0.40%	--	0.40% --
08/11/2016 14:45	FR CPI MoM	Jul F	-0.40%	--	-0.40% --
08/11/2016 14:45	FR CPI YoY	Jul F	0.20%	--	0.20% --
08/11/2016 14:45	FR CPI Ex-Tobacco Index	Jul	100.26	--	100.64 --
08/11/2016 16:00	PH BSP Overnight Borr. Rate	Aug-11	3.00%	--	3.00% --
08/11/2016 16:00	IT CPI EU Harmonized YoY	Jul F	-0.10%	--	-0.10% --
08/11/2016 17:00	IT Trade Balance Total	Jun	--	--	5033m --
08/11/2016 20:30	US Import Price Index MoM	Jul	-0.40%	--	0.20% --
08/11/2016 20:30	US Initial Jobless Claims	Aug-06	265k	--	269k --
08/11/2016 20:30	CA New Housing Price Index MoM	Jun	0.30%	--	0.70% --
08/11/2016 20:30	US Continuing Claims	Jul-30	2133k	--	2138k --
08/11/2016 21:45	US Bloomberg Consumer Comfort	Aug-07	--	--	43 --
08/11/2016	SK BoK 7-Day Repo Rate	Aug-11	1.25%	--	1.25% --
08/10/2016 08/15	CH Money Supply M1 YoY	Jul	24.00%	--	24.60% --
08/10/2016 08/15	CH New Yuan Loans CNY	Jul	850.0b	--	1380.0b --
08/10/2016 08/15	CH Money Supply M2 YoY	Jul	11.00%	--	11.80% --

Source: Bloomberg

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