

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

Global	<p>With the US market out for holiday yesterday, markets elsewhere largely treaded water amid a light economic calendar. Of note were only the Eurozone's Sentix investor confidence which climbed from 5.6 in Sep to 8.5 in Oct, and Germany's trade surplus which widened to EUR20b in August as exports grew 5.4% mom. Crude oil prices also rose after Russia's Putin indicated that he was willing to join OPEC on limiting output.</p> <p>Alcoa leads the US earnings season with results due later today, and the economic data calendar comprises of US' NFIB small business optimism, labor market conditions, and monthly budget statement, Eurozone's ZEW survey expectations, and Japan's Eco Watchers survey. Speakers include Fed's Evans and Kashkari, RBNZ assistant governor McDermott, and ECB's Mersch.</p>
US	<p>Equities climbed on Monday on the back of rising crude oil price after some positive news flow from Russia. Oil producers led gains, with the S&P 500 rising 0.46%, the Dow higher by 0.48% and Nasdaq rising 0.69%. Looking forward, investors will be looking at the health of corporates with the next earnings season starting on Tuesday. VIX declined marginally to 13.38 from 13.48. Meanwhile, the implied probability of a Dec rate hike continued to climb, standing at 68%. US Treasuries opened lower, with 2-year and 10-year yields standing at 0.87% and 1.77% respectively.</p>
SG	<p>MTI minister Lim said some quarters will experience negative growth but an "outright recession" is unlikely, although the economy is expected to grow at the lower end of the government's 1-2% forecast. This suggests that Friday's flash 3Q16 GDP growth data could surprise on the downside from current market consensus forecast of 1.7% yoy (0% qoq saar).</p>
CH	<p>Guideline on how to reduce corporate debt as well as how banks swap bad debt for equity was released. However, the government said it will not bear the final responsibility for loss.</p>
ID	<p>Bank Indonesia said that it is open to possibility for bilateral swap deals with other countries, as mentioned by Senior Deputy Governor Mirza Adityaswara yesterday to the press. This comes after Indonesia signed a swap agreement with Japan earlier this week. Separately, news reports suggest that the government might upsize the issuance size of its 3-year retail bonds offer from IDR20tn to IDR25tn, to soak up tax amnesty repatriation flows.</p>
TH	<p>The Stock Exchange of Thailand (SET) has fallen 3.15% on news that King Bhumibol's health condition is "unstable", according to official announcement.</p>
Commodities	<p>Oil prices rallied to its 15 month high on news that Saudi Arabia and Russia will cooperate to limit oil production. This follows OPEC's informal meeting back in September where the cartel agreed to cut production to between 32.5 to 33.5 million barrels per day (mbpd). We opine that Russia's cooperation (should it come to pass) would give rise to a stronger probability for an eventual oil production cut in OPEC's November meeting. Elsewhere, buying on dips behaviour seems to be playing out in Gold; investors have been buying into gold ETFs despite the fall in gold prices of late, and supporting prices above its \$1,250/oz. This suggests that investors deem gold prices at current levels to be at a discount.</p>

Major Market

- **Singapore:** STI retreated another 0.17% to close at 2870.24 yesterday, and may trade with a 2850-2880 range as investors keep an eye on the upcoming US earnings season. SGS bond yields may remain under pressure in the interim as global bond yields tilt higher.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday with swap rates trading 1-2bps lower across all tenors. Flows in the SGD corporates were light with better selling seen in OLAM 5.8%'19s and OLAM 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates decreased 1bps to 202bps while the yield on JACI HY corporates increased 3bps to 6.51% with investors pulling out from riskier bonds as they continue to raise bets on the possibility of an interest rate hike in December. Implied probability has risen 5 percentage points to 67% from 62% since Friday despite weaker NFP results. US treasury market was closed on Monday due to a holiday. 10y UST yield last closed at 1.72% on last Friday.
- **New Issues:** Saudi Arabia has scheduled investor meetings from 12 October onwards for potential USD bond issue. Fonterra Co-Operative Group Ltd. has scheduled investor road shows from 17 October onwards for potential USD bond issue. Julius Baer Group Ltd has hired banks to arrange investor meetings in Singapore today for a potential SGD perpetual AT1 issue.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	96.929	0.31%	USD-SGD	1.3748	0.12%	DJIA	18,329.04	88.55
USD-JPY	103.610	0.61%	EUR-SGD	1.5314	-0.44%	S&P	2,163.66	9.92
EUR-USD	1.1139	-0.55%	JPY-SGD	1.3270	-0.50%	Nasdaq	5,328.67	36.27
AUD-USD	0.7607	0.33%	GBP-SGD	1.6995	-0.46%	Nikkei 225	16,860.09	--
GBP-USD	1.2362	-0.58%	AUD-SGD	1.0459	0.46%	STI	2,870.24	-5.00
USD-MYR	4.1467	-0.25%	NZD-SGD	0.9812	-0.29%	KLCI	1,665.32	-0.06
USD-CNY	6.7075	0.54%	CHF-SGD	1.3993	-0.40%	JCI	5,360.83	-16.32
USD-IDR	12977	-0.09%	SGD-MYR	3.0193	-0.14%	Baltic Dry	922.00	1.00
USD-VND	22298	-0.03%	SGD-CNY	4.8778	0.46%	VIX	13.38	-0.10

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3710	--	O/N	0.4266	--	2Y	0.90 (-0.02)	0.83 (--)
2M	-0.3370	--	1M	0.5290	--	5Y	1.37 (-0.03)	1.26 (--)
3M	-0.3040	--	2M	0.6559	--	10Y	1.86 (-0.02)	1.72 (--)
6M	-0.2030	--	3M	0.8761	--	15Y	2.16 (-0.01)	--
9M	-0.1310	--	6M	1.2622	--	20Y	2.26 (-0.01)	--
12M	-0.0630	--	12M	1.5871	--	30Y	2.30 (-0.01)	2.45 (--)

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund	Spread		Value	Change	
Portugal	0.36	-4.00	3.44	-14.20	LIBOR-OIS	42.76	1.79	
Italy	-0.09	-0.10	1.40	1.30	EURIBOR-OIS	3.60	-0.90	
Ireland	-0.46	0.10	0.54	4.40	TED	56.07	--	
Greece	7.65	--	8.29	-2.90				
Spain	-0.21	--	1.03	1.20				
Russia	2.03	-1.60	3.86	1.70				

Commodities Futures					
Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.35	3.09%	Coffee (per lb)	1.529	3.28%
Brent (per barrel)	53.14	2.33%	Cotton (per lb)	0.6736	0.25%
Heating Oil (per gallon)	1.610	1.96%	Sugar (per lb)	0.2313	-1.24%
Gasoline (per gallon)	1.50	1.04%	Orange Juice (per lb)	2.0175	1.84%
Natural Gas (per MMBtu)	3.275	2.57%	Cocoa (per mt)	2,657	-4.60%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,848.5	1.48%	Wheat (per bushel)	4.0375	2.28%
Nickel (per mt)	10,475	3.17%	Soybean (per bushel)	9.545	-0.24%
Aluminium (per mt)	1,682.5	0.91%	Corn (per bushel)	3.4325	1.03%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,257.5	0.69%	Crude Palm Oil (MYR/MT)	2,585.0	-2.45%
Silver (per oz)	17.659	1.61%	Rubber (JPY/KG)	173.1	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
10/10/2016 13:30	AU	Foreign Reserves	Sep	--	A\$65.8b	A\$63.0b	--
10/10/2016 14:00	GE	Trade Balance	Aug	19.5b	20.0b	19.5b	--
10/10/2016 14:00	GE	Current Account Balance	Aug	15.0b	17.9b	18.6b	20.2b
10/10/2016 14:00	GE	Exports SA MoM	Aug	2.20%	5.40%	-2.60%	--
10/10/2016 14:00	GE	Imports SA MoM	Aug	0.70%	3.00%	-0.70%	--
10/10/2016 14:30	FR	Bank of France Bus. Sentiment	Sep	99	98	98	--
10/10/2016 16:00	IT	Industrial Production MoM	Aug	-0.10%	1.70%	0.40%	0.70%
10/10/2016 16:00	IT	Industrial Production WDA YoY	Aug	-0.30%	4.10%	-0.30%	--
10/10/2016 16:00	IT	Industrial Production NSA YoY	Aug	--	7.40%	-6.30%	--
10/10/2016 16:18	VN	Domestic Vehicle Sales YoY	Sep	--	25.30%	28.40%	--
10/10/2016 20:00	IN	Industrial Production YoY	Aug	-0.80%	-0.70%	-2.40%	-2.50%
10/11/2016 07:50	JN	BoP Current Account Balance	Aug	¥1502.7b	--	¥1938.2b	--
10/11/2016 07:50	JN	Trade Balance BoP Basis	Aug	¥116.5b	--	¥613.9b	--
10/11/2016 08:30	AU	NAB Business Conditions	Sep	--	--	7	--
10/11/2016 08:30	AU	NAB Business Confidence	Sep	--	--	6	--
10/11/2016 08:30	AU	Home Loans MoM	Aug	-1.50%	--	-4.20%	--
10/11/2016 09:00	PH	Exports YoY	Aug	-8.30%	--	-13.00%	--
10/11/2016 09:00	PH	Imports YoY	Aug	10.00%	--	-1.70%	--
10/11/2016 09:00	PH	Trade Balance	Aug	-\$2088m	--	-\$2053m	--
10/11/2016 13:00	JN	Eco Watchers Survey Current	Sep	45.8	--	45.6	--
10/11/2016 13:00	JN	Eco Watchers Survey Outlook	Sep	48	--	47.4	--
10/11/2016 17:00	GE	ZEW Survey Current Situation	Oct	55.5	--	55.1	--
10/11/2016 17:00	GE	ZEW Survey Expectations	Oct	4	--	0.5	--
10/11/2016 17:00	EC	ZEW Survey Expectations	Oct	--	--	5.4	--
10/11/2016 18:00	US	NFIB Small Business Optimism	Sep	95	--	94.4	--
10/11/2016 20:15	CA	Housing Starts	Sep	190.0k	--	182.7k	182.4k
10/11/2016 10/15	US	Monthly Budget Statement	Sep	\$30.0b	--	--	--
10/10/2016 10/15	CH	New Yuan Loans CNY	Sep	1000.0b	--	948.7b	--
10/10/2016 10/15	CH	Money Supply M1 YoY	Sep	24.50%	--	25.30%	--
10/10/2016 10/15	CH	Money Supply M2 YoY	Sep	11.60%	--	11.40%	--
10/11/2016 10/15	PH	Budget Balance PHP	Aug	--	--	--	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research 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 Terence Wu TerenceWu@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.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